Senior Executives Association

the voice of career federal executives since 1980

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A REVIEW OF THE STATE OF THE FEDERAL CAREER EXECUTIVE CORPS

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INTRODUCTION

Federal career executives are currently facing enormous challenges as they attempt to effectively manage government programs under exceedingly constrained and uncertain budgets. Increased congressional scrutiny of their management activities coupled with a perceived lack of support and appreciation from Administration political leadership for the difficult work they do are also contributing to an increasingly stressful and risk-averse atmosphere facing career senior executives and professionals. In the midst of these challenges, senior career managers have endured a three year pay freeze and increasing pay compression relative to their subordinates, substantially reduced funding for awards paid to outstanding performers, suspension of their Presidential Rank Awards recognition program, and increasing attacks on their employment security. For these reasons it is not surprising that career executives and professionals are choosing to retire or seek employment in the private sector with greater frequency rather than continue to work in a system they believe does not support or reward their efforts – and in some cases seems to deprecate their value as leaders.

SEA is very concerned about the negative impact of these circumstances on both the career executive corps as well as the nation, including the American public who relies heavily on its government for a wide variety of critical services and programs administered by career executives and professionals. For this reason SEA has produced this paper entitled, "A Review of the State of the Federal Career Executive Corps" in hopes it will influence the Congress, the Administration and political leadership in federal agencies to work with SEA to create legislation, policies and practices that better support, compensate and recognize career executives and professionals and the mission-critical work they perform.

OVERVIEW OF KEY CHALLENGES AND PROBLEMS FACING THE CAREER EXECUTIVE CORPS

Federal career executives are currently facing unprecedented challenges as they attempt to effectively administer large scale government programs under exceedingly constrained and uncertain financial circumstances. Added to these fiscal realities are growing weariness, circumspection, caution and fear that the difficult decisions they are tasked with making could be subject to second guessing and retribution by partisans in the Congress. Further there is a growing sense among career executives that Administration political appointees are underutilizing their talents, undervaluing their contributions, questioning their expertise and judgment, and not being fully supportive during these difficult times.

It is no secret that federal employees are being debased on many fronts – in the media, in Congress, and perhaps most importantly, in the public eye. Several so-called "scandals" have surfaced and the entire federal workforce (and in particular senior executives) is bearing the brunt of poor judgments and damaging actions committed by a few. Regrettably, there has been limited visible support emanating from the Administration in defense of federal workers, especially senior executives, despite their selfless service and noteworthy accomplishments.

The cumulative effect of these circumstances, coupled with a long-standing pay freeze and Congressional attacks on federal benefits, is becoming apparent. With increasing frequency many career senior executives are avoiding risk and are becoming inclined to make "safe decisions" as opposed to the "right decisions" – or decisions (in their minds) that could potentially be career damaging in the current climate. Unfortunately, avoiding the more difficult and critical issues (and the tough decisions associated with them) diminishes opportunities for breakthroughs in technological innovation and productivity, increased cost savings, process and program enhancements, and improved resources utilization. Moreover, avoiding risk and choosing safe vs. right decisions ultimately does a disservice to the American public who, as taxpayers, deserve our government's best –as opposed to just "good enough".

The loss of key staff due to retirements and resignations and eroding employee morale have also added to pressures on senior executives who continue to work tirelessly to manage mission essential programs across the government. On top of these challenges senior career executives have increasingly been subjected to Inspector General and Congressionally-mandated investigations into the propriety of their management actions and decisions – to the point where many feel they are being treated as "guilty until proven innocent."

In the midst of these challenges, executives have witnessed a series of recent events and decisions coming from the current Administration and Congress that have shaken their faith in the fairness and intent of the government's policies and practices impacting their pay, recognition and employment security. With greater frequency senior career executives themselves are choosing to retire or seek employment in the private sector rather than continue in a system they believe does not support or reward their efforts – and in some cases seems to denigrate their value as critical front-line leaders of the most important and impactful federal programs. *Quite clearly, as time passes, the situation is getting worse and not better. The following specific challenges facing the career executive corps are having negative impacts on productivity, retention and morale.*

I. RECOGNITION FOR A JOB WELL-DONE

Public recognition of key achievements on behalf of the American public is one of the most treasured rewards of federal senior career executives. Developments during the Obama Administration have raised concerns about the Administration's willingness and commitment to recognize the significant contributions of senior career managers:

> **Presidential Rank Awards:** Recently an unnamed Administration official was quoted as indicating that for FY 2013 Presidential Rank Awards will be replaced with appropriate forms of non-monetary recognition, though the statute governing the rank awards provides for monetary awards. Even prior to this "penny-wise and pound foolish" approach, the White House had delayed the review and selection process for the FY 2012 SES Rank Award winners (including those from the Intelligence and Foreign Service communities) to a point where awardees began to wonder about whether their achievements were truly valued.

Since the outset of the Obama Administration, the number of Distinguished Rank Award winners has dropped each year from 75 in FY 2009 to 46 for FY 2012 (39% drop). Even more drastically, the number of Meritorious Rank Award winners has dropped from 269 in FY 2009 to 78 in FY 2012 (65% drop). Further, OPM currently does not publish the names of the awardees (SEA does) and agencies are under instructions to do nothing to identify them publicly This is in sharp contrast to previous Administrations that issued booklets highlighting Rank Award winners as well as allowing agencies to publish the names of their winners. OPM also put out press releases noting the selection of private citizens chosen to review award nominations.

Although SEA does not agree with the Administration's recent cancellation of the traditional Rank Awards program for FY 2013, the Association does believe that recognition, aside from the award itself, can and should still be given. To this end, SEA has since recommended specific and appropriate means for the Administration to now meet its commitment to acknowledge excellence in the career executive service and to do so in a meaningful way.

Key Data: Cost Savings to the Federal government achieved by Distinguished Rank Award winners from FY 2009 thru FY 2012 approximated $217 billion, including about $95 billion in FY 2012 alone! The cost of Rank Awards granted to the 240 DEs during this timeframe was approximately $15 million – a terrific return on investment!

II. COMPETITIVE, PERFORMANCE-BASED PAY

Career members of the Senior Executive Service and other Senior Professionals in the federal government have witnessed in recent years several disturbing developments with regard to their basic pay as well as compensation based on the merits of their performance. These developments are increasingly causing financial hardship and serving as disincentives to executive recruitment, performance and retention.

1. **Basic Pay:** As with other federal employees, members of the SES, until recently, had been subject to an across the board pay freeze for three years (the freeze was recently replaced with an increase of 1% in the pay cap for SES). In addition to the pay freeze, senior executives are experiencing increasingly pernicious pay compression that has resulted in many of their subordinates (at the GS-15 level) being paid more than them – and in some cases a good deal more!

   Key Data: The pay range for SES employees is $119,554 to $181,500 ($167,000) for non-certified agencies). The pay range (in the D.C. Metro Area) for GS-15 subordinate is $124,995 to $157,100. The average salary of SES employees is $166,529 (FY 2011 data). If the SES pay scale (the scale is tied to political appointees' pay scales at EX Levels II/III) had received the same percentage increase as the GS pay scale of their subordinate staff, the SES maximum salary limit would currently be at $248K! Pay compression for the top 7,000 career executives is especially painful when they know that the current government ceiling on the pay of comparable executive contractors and those who they oversee had been well over $700,000 (recently reduced to $487,000).

2. **Pay for Performance:** In FY 2011 the Administration reduced the percentage of SES bonus money available in agency performance award pay out pools from a maximum of 10% of aggregate salary to a maximum of 5% - a 50% reduction in available pay for performance funding. This guidance has been repeated for FY 2012 and FY 2013. Some agencies (DoD most noteworthy) have further reduced the amount in SES performance awards pools to as little as 1%, resulting in drastic reductions in the number and amounts of awards granted award – to the point where many SES executives rated as "Outstanding" are not receiving awards! Also, have been long delays in the finalization of performance appraisals and payment of FY 2013 SES performance awards in many agencies – a morale busting situation that weakens executive commitment and strains the credibility of the pay for performance system.

3. **Further, bills have been introduced in both bodies of Congress to suspend performance awards (with no opposing stand taken by the Administration).** Ironically, OPM regulations governing SES performance management require making meaningful distinctions in rating and paying SES employees based on performance. Moreover, cancelling performance awards may have the effect of putting in jeopardy OPM certification of agencies' SES performance management systems – which would further weaken pay for performance.

III. COSTLY CAREER EXECUTIVE TURNOVER

Problems with pay, recognition and public support for career executives are beginning to take their toll. One important sign that this is causing problems is increasing retirements and other turnover among SES executives and other senior professionals in government. The net result is a huge brain drain and loss of institutional capability at a time when government most needs career executive leadership, expertise and commitment. Looking ahead, nearly two-thirds of career SES executives are eligible to retire in the next five years!

Key Data: The 2010 SES govt.-wide overall turnover rate = 8.5%; FY 2012 SES overall turnover rate = 10.7%. Also, the actual number of SESers leaving government increased by 27% between FY 2010 and FY 2012). (In a related area, the retirement rate among career SES rose from 5.8% in FY 2009 to 8.3% in FY 2012 – a 43% increase!). Among Senior Professionals (SLs and STs) the overall turnover rate increased from 7.1% in 2010 to 9.3% in FY 2012 – while the actual number of SL/ST's leaving government increased by almost 30% during this period.

IV. NEGATIVE IMPACTS OF PROPOSED LEGISLATION ON PRODUCTIVITY

In a closely related area, several recent bills introduced and being discussed in Congress would, if enacted, impose further financial hardships and deprive career executives of fundamental due process protections – thereby exacerbating disincentives to serve in critical SES jobs. Among the proposed legislation of most concern to SEA are (1) bills introduced in both bodies of Congress to suspend or limit SES performance awards during the sequester (2) a House bill that would require firing any Federal employee who exercised 5th Amendment rights and refuses to answer questions from Congress, (3) a bill that would allow agencies to put career Senior Executives on unpaid investigatory leave for up to 3 months without due process pending the outcome of an investigation if the agency determines the executive has engaged in serious misconduct. The bill also directs agencies to either fire, suspend without pay or reinstate the executive after the unpaid investigative period has expired. The House version of this bill would also allow career SES employees to be fired without third party appeal rights to the MSPB. To date, the Administration has not taken a stand in opposition to any of these bills.

The net effect of these proposed bills, coupled with a perceived lack of support by the current Administration, is not only to add to the hastening of the exodus of highly talented career executives from the federal service, but also, as alluded to earlier, to heighten circumspection and caution among executives who remain. This climate clearly is not conducive to risk taking, increased innovation, productivity improvements and the type of transformation of government services and programs reflected in the President's Management Agenda. In fact, quite the opposite impact is more likely – limited creativity, avoidance of risk, and an unwillingness to challenge the status quo – with executives fearing exposure, retribution and being singled out by Congress or the Administration for exceeding their authority, not strictly adhering to established policies or following conventional wisdom. Given this fear and preoccupation many executives are resorting to making "safe decisions" rather the "right decisions." In short, being overly cautious and avoiding the more critical issues faced by the nation will, over time, significantly impact government effectiveness and service to the public.

Beyond the damaging impact on innovation, productivity and government transformation, SEA also fears that passage of some of the proposed bills would also increase the likelihood of politicization of the career executive service – with senior managers' objectivity and independence diminished due to fear of summary dismissals, placement on unpaid investigatory or other types of political reckoning for expressing views or taking actions viewed as contrary to or not supportive of their agency's "party-line."

V. LACK OF BENCH STRENGTH AND WANING INTEREST IN THE SES BY THE NEXT GENERATION

The problem of the thinning ranks of career executives, coupled with continued diminishment of the incentives for those continuing to serve in these positions, is exacerbated by two related, emerging trends that will impact the quantity and quality of future candidates who are available to fill vacant executive positions

1. **Lack of Succession Planning and Bench Strength**: There is a growing reality that many agencies, due mostly to budgetary and workload pressures, have not done a particularly good job of succession planning or otherwise preparing the next generation of replacements for key career SES executives who are becoming retirement eligible. For example, the number of formal SES Candidate Development Programs being conducted by agencies is declining due to current budgetary constraints and increasingly restricted replacement hiring into SES positions. Other leadership training, executive coaching and mentoring programs that otherwise would contribute to increased succession readiness are also being cut for the same reasons. In addition, training and executive development provided to employees already in SES positions is also being cut, making it more difficult for current executives to meet emerging technical and managerial challenges or to take on broader responsibilities.

2. **Waning Interest in SES Jobs by Talented Potential Replacement Candidates:** There is increasing evidence that many of the most talented and capable GS-15 potential replacement candidates are not even applying for SES jobs due to the perceived thanklessness of the positions coupled with the pay compression, lack of recognition, and other disincentives previously cited. These disincentives are compounded by potential candidates knowing that

the SES system is based on mobility and that their agencies increasingly are declining to pay for household sales/moves and other relocation expenses when career executives are reassigned to different geographic areas. Unfortunately, agencies are viewing mobility and relocation as budgetary/procurement challenges as opposed to key elements in their human capital program that support improved employee recruitment and retention. (This trend is also adversely impacting retention among current SES members who fear they may be forced to move without financial support from their agency). It has also been reported that some major agencies are, in some situations, appointing persons from the GS-15 ranks into the SES without a pay raise – and in some other cases, assigning current Senior Executives greater responsibilities without increasing their pay.

Key Data: A 2009 SEA survey of GS-14s and GS-15s found that the stress and financial implications of accepting relocation served as an impediment to joining the Senior Executive Service. These employees also expressed concerns about the work/life balance associated with becoming a Senior Executive, especially how mandatory relocation could affect their family or a spouse with a non-transferrable job, and the fact that the additional pay was insufficient to overcome the detractors.

VI. INCREASED WORKLOAD AND BURNOUT:

Although implied in many of the aforementioned sections, due to sequester and other budgetary pressures, many agencies are choosing not to backfill key executive positions when vacancies occur. This often results in managerial work being shifted from the vacant position to a filled SES position in a related program area. The added workload and managerial pressures can result in insufficient attention being paid to key programmatic and organizational activities – and also increased executive stress, overload, and burn-out – all of which further contribute to costly and ill-timed turnover as well as increased risk in program management and oversight.