Chairman Farenthold, Ranking Member Lynch, and Members of the Subcommittee:

Thank you for the opportunity to testify before you today on the U.S. Office of Personnel Management’s (OPM) role in overseeing the federal workforce, including the classification, evaluation, and compensation of employees under the General Schedule (GS).

For over 65 years, the GS has been the primary classification and pay system through which the Federal Government has been able to attract and retain a skilled workforce, while also ensuring fairness and accountability. Today, the GS covers almost 80 percent (approximately 1.45 million) of civilian white-collar Federal employees, and over 70 percent of all Federal civilian employees.\(^1\) Of course, our Federal civilian workforce is much different now than it was 65 years ago and is continuing to change. The current size of the workforce is about a third smaller relative to the population than it was during the first two decades of the GS system (the 1950s and 1960s), while the mission of the Federal Government has continued to become more complex. Forty years ago, approximately one-third of the overall Federal workforce worked in blue-collar occupations; today it is approximately one-tenth.\(^2\) With respect to white-collar occupations, there has also been a dramatic shift over the last several decades to a more educated, highly-specialized and highly-skilled workforce that works in higher-cost metropolitan areas. When the GS was established, most white collar employees were clerks. Today’s

\(^1\) From OPM Enterprise Human Resources Integration – Statistical Data Mart.
\(^2\) Ibid
knowledge-based economy requires different and more advanced skills and experience in order to meet the challenges we face.

As the work and mission of the Federal Government grew and became more complex, there have been concerns regarding whether current personnel systems are up-to-date and flexible enough to meet changing needs. While some changes have been made over the years to respond to these needs, the GS has been criticized as too inflexible, too focused on internal equity and on rewarding longevity, not enough focused on external equity and on rewarding performance, too burdensome in terms of administration of the classification system, and too protective of employee rights. To ensure we have the workforce with the right skills to meet the challenges we face, an examination of our human capital management system is needed. Agencies must have and use the tools they need to make sure we are not falling behind. OPM continues to stand ready to assist Federal departments and agencies in ensuring that they are able to recruit, retain, and train highly qualified workers.

**General Schedule Classification and Pay**

Both OPM and Federal agencies have responsibility for implementing the GS classification system in accordance with principles set forth in law. OPM administers the governmentwide GS classification standards, qualifications, and related policies to provide a consistent process to determine occupational series, titles and grades of Federal positions. OPM develops new or revises existing position classification standards, with participation by agencies, in response to changing workforce needs as identified by agencies or by Presidential or Congressional mandates. OPM’s position classification standards provide agencies with information to carry out their responsibility to classify positions and grade jobs based on duties and responsibilities assigned and qualifications required to successfully perform the work. While OPM’s classification standards provide a structure that promotes consistent classification across Federal agencies and occupations, they are not intended to establish a rigid framework or to replace the appropriate level of judgment among HR specialists and managers. Rather, the standards aim to provide flexibility for managers to develop and use employee talents as fully as possible in order to organize the work needed to accomplish their agency’s mission.

One purpose of the GS classification and pay system is to help ensure agencies follow the merit system principle that equal pay should be provided for work of equal value. The GS pay system is designed with a standard structure and uniform pay-setting rules and criteria that promote equitable treatment of employees, while providing some degree of pay-setting flexibility. The value of the GS system is demonstrated by the findings of a recent OPM report to President Obama on differences in pay by gender in the Federal white-collar workforce. In April 2014, OPM released a *Governmentwide Strategy on Advancing Pay Equality in the Federal*
Statement of The Honorable Katherine Archuleta  
U.S. Office of Personnel Management  

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July 15, 2014  

Government, which included an analysis of whether a gender pay gap exists in the Federal workforce and recommendations to address any gender pay gap. OPM analyzed workforce data over twenty years. Adherence to the merit system principle of equal pay for work of equal value was evident based on the data collected. For example, the gender pay gap was virtually nonexistent when average male and female salaries were compared by grade level. Also, the gender pay gaps were generally small when examined by occupational group. As I previously noted, the white-collar Federal workforce has undergone dramatic changes over the last couple of decades, and this includes a significant increase in the percentage of women in professional occupations. This demographic shift has contributed to a significant decline in the gender pay gap from about 30 percent in 1992 to 13 percent in 2012. When analyzing GS employees only, the gender pay gap has shrunk to 11 percent. The distribution of males and females across occupational categories appears to explain much of the pay gap. OPM’s strategy to further this progress includes solutions to close the gender pay gap, including encouraging more women to move into higher-graded, higher-paid occupations, such as science, technology, engineering, and mathematics (STEM) jobs.

Administration and Oversight of the General Schedule Classification System

While each agency has the responsibility to administer the GS classification system for its own positions, OPM is responsible for monitoring agency programs to determine whether they are operating in a manner that is consistent with governmentwide standards. This effort includes active outreach to agencies to guide and assist them in implementing the classification system. Besides providing formal guidance through handbooks and policy guides, OPM’s Classification and Assessment Policy office holds quarterly classification policy forums to address classification issues, identify needs, and provide guidance to agencies. OPM has also worked to establish interagency communities of practice to review classification policies and identify issues. Agencies can also receive one-on-one assistance from OPM to address specific issues and interpret classification guidance. As part of the governmentwide strategy on gender pay equality, OPM will continue to work with agencies to review classification policies and the proper application of the classification system to ensure compliance with the principle of equal pay for substantially equal work. These outreach and education efforts are critical to ensuring that agencies have and are aware of the tools necessary to properly apply classification policies.

Performance Management in the Federal Government

The GS system includes performance management components which govern the setting of an individual employee’s pay when they have earned a promotion or advancement to a higher step within a grade level. Within-grade increases under the GS provide a simple and uniform way to advance employees through their assigned grade based on their experience and progression in

skills, as long as their performance is at an acceptable level. Employees may also receive additional step increases for outstanding performance. However, as with any performance management system, managers and employees must both be accountable. Agencies have maximum flexibility to design and operate appraisal systems and programs which are aligned to their organizational goals and are focused on achieving results. OPM issues regulations and provides guidance to support agencies and their managers in using the tools they have to carry out effective performance management, including awards. Awards should be based on merit and performance. This Administration has put in place governmentwide budgetary limits on award spending that have required agencies to more rigorously scrutinize awards programs, and we continue to work to make sure that awards are targeted to those employees who are most deserving of recognition. For example, we plan to work with agencies to ensure that there are appropriate policies and checks in place when determining performance awards, including a review of how awards decisions may be impacted by employee conduct and other factors.

Communication between managers and employees is essential to the performance management process, from establishing the standards and setting clear goals, to measuring performance and providing feedback, and finally to evaluating employees and rewarding good performance or correcting poor performance. One of the principles of the Federal merit system is that employees who cannot or will not improve their performance should be terminated. Managers must use the tools they have available to hold poor performers accountable, support training and development opportunities as needed, and take necessary actions if employees do not improve.

Building the Workforce for Tomorrow

For all of the success that the current system has achieved in upholding the fundamental merit principles, it should be no surprise that it is not perfect. Over 65 years, the missions of Federal agencies and the workforce needed to meet them have changed. Time and again, reforms have been implemented and flexibilities have been utilized in order to enable the Federal Government to continue to compete more effectively for outstanding people, including young men and women. We cannot forget that there will always be more that we can do to make the Federal Government the model employer for the 21st Century.

A Strong HR Workforce

In 2001, the Government Accountability Office (GAO) identified the Federal Government’s human capital management as a high-risk area. In response, OPM, the Chief Human Capital Officers (CHCO) Council, and other agencies have made the enhancement of human resources (HR) skills across the government a priority, in order to provide a critical link in the effort to improve practices governmentwide. While GAO has acknowledged improvements made by

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Statement of The Honorable Katherine Archuleta  
U.S. Office of Personnel Management  

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July 15, 2014  

OPM and agencies, the ability to close critical skills gaps continues to be identified as high-risk. The CHCO Council has identified six mission-critical occupations or functional areas where skills gaps exist in the Federal workforce: IT-Cybersecurity Specialists, Acquisition Specialists, Economists, HR Specialists, Auditors, and STEM occupations. OPM is working with agencies to develop innovative solutions to close the critical skills gaps and share best practices across government. A strong HR workforce is key to the efforts to close the other skills gaps, and for that reason OPM has continued to make a focus on this workforce one of our priority goals. With enhanced skills, our HR professionals will be better equipped to close the other critical gaps across the government.

One of our strategies to address the HR skills gap is to implement a comprehensive HR certification program through Human Resources University (HRU), which will aid in achieving the long term goal of improving the quality of HR services governmentwide, including classification. HRU was developed in 2011 by the CHCO Council to achieve savings and increase quality of training through shared courses and resources. OPM is working with the CHCO Council to expand and strengthen HRU through initiatives to design a comprehensive curriculum and to create a HR certification program. We have set our goal to have 80 percent of the human resources workforce enrolled on HRU by the end of Fiscal Year 2014, and 95 percent by the end of Fiscal Year 2015.

The President’s Management Agenda: People and Culture

One of my top priorities is for OPM to provide leadership in helping agencies attract and retain a skilled and diverse workforce for the 21st century. This includes ensuring an inclusive work environment where employees are fully engaged and energized to put forth its best effort, achieve their agency’s mission, and remain committed to public service. To that end, OPM is leading efforts to ensure that agencies are recruiting and hiring the best possible talent and leaders as part of the President’s Management Agenda to facilitate a smarter, more innovative, and more accountable government for its citizens.

The People and Culture pillar of the President’s Management Agenda includes goals to help agencies create a culture of excellence and engagement that enables the highest possible performance from employees; assist agencies in building a strong, world-class Federal management team; and help agencies hire the best talent from all segments of society. This includes working with agencies to better use data from the Employee Viewpoint Survey to shape how we manage our employees and increase accountability, identify innovative strategies to capitalize on the executive talent we have today and build the executive workforce we need for the future, and "untie the knots" in Federal human capital management.

We have launched the GovConnect initiative to build a more agile workforce, where employees are able to work more collaboratively across organizational and agency lines to enhance their
skills while addressing fundamental mission challenges. Using HRU as a model, we are also working on another collaborative training and resource exchange called GovU. Just as HRU enables agencies to share HR training resources, GovU will enable agencies to share resources to meet other common needs. Training and development resources are critical for employee growth, and we want to make quality tools easily accessible government-wide.

We are developing improvements to hiring and retention practices that will help agencies foster a highly effective workforce that reflects the diversity of our society. We are working with agencies to help streamline their hiring processes including the use of data to improve recruitment efforts, and making sure that they are aware of existing flexibilities and how to use them. This includes better using social media across government to target potential job applicants, especially among millennials and younger workers. OPM is also leading efforts to develop an enterprise-wide recruitment strategy for positions in IT. This work will be furthered in coordination with the CIO Council and also consider ways we can better use the Pathways Program and Senior Executive Service to attract top talent in fields such as cybersecurity. In addition to educating senior leaders and hiring managers about tools that they already have available, we are working to make sure that they understand the importance of their active involvement in the hiring process. We have developed a data dashboard, UnlockTalent.gov, which provides agency senior leadership with actionable information, presented in an accessible graphical format, that they can use to identify agency components and subcomponents that may require assistance in improving the engagement and productivity of their workforce.

On June 23, 2014, the President issued a memorandum to the Heads of Executive Departments and Agencies that called for enhanced workplace flexibilities and work-life programs in order to attract and retain a talented and productive workforce. This Memorandum tasked the Federal Government to extend our record of leadership through better education and training, expanded availability of workplace flexibilities and work-life programs, and improved tracking of outcomes and accountability. To accomplish this, OPM will be working with agencies to encourage the use of workplace flexibilities and work-life programs to help ensure that the Federal workforce is engaged and empowered to deliver exceptional and efficient service to the American public while meeting family and other needs at home.

**Conclusion**

Achieving and maintaining a world-class workforce to serve the American people depends on the ability to recruit and hire the most talented and diverse workforce possible, and to support and train those employees as they move through their careers. It is possible to recognize what the General Schedule does well, such as providing consistency, internal equity, and transparency, while acknowledging that there is a need to constantly evaluate and seek improvements and updates. Recognizing the need to address problems in our Federal personnel systems, the
President has called for the establishment of a Commission on Federal Public Service Reform, comprised of Members of Congress, representatives from the President’s National Council on Federal Labor-Management Relations, members of the private sector, and academic experts, with the purpose of developing recommendations on reforms to modernize Federal personnel policies and practices within fiscal constraints.

As concerns about the General Schedule and possible remedies are considered, it is important to have a clear and accurate understanding of the current system’s strengths and weaknesses, and of the challenges in finding the appropriate balance between competing objectives of human capital management. As the Director of OPM, I am committed to working with my colleagues at agencies to meet our human capital challenges. This includes making use of the flexibilities that the current system already provides us, and developing new innovative, cost-effective solutions when needed.

Thank you again for this opportunity and I will be happy to answer any questions you may have.