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Testimony by
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Good morning. Mr. Chairman and members of the Subcommittee, I am Mortimer Downey, Deputy Secretary of the Department of Transportation. I thank you for the opportunity to participate, along with my colleagues John Koskinen, Jim King, and Walter Broadnax, in this panel discussion on Civil Service Reform.

Let me put this issue in the context of DOT's vision of providing future generations with a transportation system that is safer and more efficient. In support of this vision, we are utilizing a strategic plan and are making notable strides towards a leaner, more effective agency. The Department has 7,000 fewer civilian employees than it had in 1993 and is well along its 5-year reduction target of 8,450 positions. At the same time, we are empowering our employees to help reinvent and streamline our operations and to serve our customers better. The Department is also currently making

many changes to decrease regulatory and paperwork burdens, permit electronic filing, facilitate the use of new technology, and make a variety of other improvements. For example, we will eliminate about 1,450 pages from the Code of Federal Regulations, about 13 percent of our total--and are rewriting another 37 percent to make them easier to understand and more outcome-focused.

But, quite frankly, this effort struggles against a headwind of outmoded civil service requirements. I will be citing several requirements that impede our ability to make changes in the work force, changes that are urgently needed if we are to serve the public better.

Before I do, it is important to consider the backdrop of the laws and regulations that currently affect us. Our Federal Civil Service System has its roots in the post-Civil War era. Those roots were based on a philosophy that produced an exemplary merit system and brought the patronage system to an end. The early merit system served the country well for several generations. In the post-World War II period, when the United States emerged as the predominant world leader, the system incorporated major and appropriate changes that stressed structured organizations. A score of other laws reflected the management philosophy of the times. Among them were the Classification Act of 1949, the Performance Rating Act of 1950,

health and life insurance benefits laws, the Government Employees Training Act of 1958, and so forth.

Today, it is a new philosophy that impels us. The successful organizations are those that have focused on becoming high-performance units. They reward knowledge, judgment, teamwork, problem-solving, and accountability. Organizations must be shaped, staffed, and managed to respond ably to rapidly changing forces in a world that is fiercely competitive. Recent events at AT & T are excellent examples: They know that if they do not change, they will not survive. The private sector has responded extremely well to the organizational impetus, attested to by surging productivity in recent years, the tax paying public expects no less of government.

I would like to begin with the classification system. As noted earlier, it is based on a 46-year old law and it is a system based on an organizational approach to work which is no longer viable. It was designed to match a hierarchical structure. The law in effect linked pay to a very detailed schedule of grades and even spelled out general job requirements in ascending order of complexity. Over time, it gave rise to hierarchical organizations, since an additional grade could be "earned" by being a supervisor. Not surprisingly, a bulky, midlevel bulge (GS-13, 14, and 15)

exists across government. It is exceedingly costly and does not always translate into better services for the public.

The current classification system is not consistent with our initiatives to streamline, flatten or delayer organizations. As we streamline, many Federal government organizations are moving from hierarchical, command and control structures to flatter, team-based organizations. For example, DOT recently reorganized its administrative functions by forming a new Transportation Administrative Services Bureau.

Many functions have been consolidated, and a flatter, more customer focused, and team oriented organization has been formed. However, the current classification system does not provide the flexibility needed to change supervisory positions to less traditional team leader and facilitator positions without creating serious morale problems. In many cases, team leader and facilitator positions are just as complex or difficult as supervisory positions, but rarely, is it possible to support the grades of these new jobs because the highest grades are based on supervisory work. This often results in significant resistance among the employees to move to a flatter organization like the new Services Bureau. We are making major strides to change the way we work to become more efficient and customer focused. However, we need a classification system that both supports and is consistent with our restructuring objectives.

We are also working with OPM on a competency-based pay system for certain occupations within the Federal Aviation Administration's Airway Facilities organization. In this area, it is important that we have incentives for employees to achieve additional competencies, especially as new technologies are introduced. A competency-based system would allow pay of staff involved in installation and maintenance of air traffic control equipment to increase with the achievement of specific, job-related competencies. The outcome we seek through this proposed system is greater safety at a reasonable cost. This serves the public. We worked closely and collaboratively with the appropriate employee unions. Without their involvement and support, we would not have been able to push forward on these ideas.

In order for us to move forward in our effort to make Government work better, we need a classification system that is fully integrated with other human resource systems, and one that is flexible enough to support change. It is reasonable to assume that pay for some occupations should be driven by competencies and pay for other occupations should be driven by other factors such as complexity. We recognize that pay flexibilities must be used in an accountable and responsible fashion. However, it is unreasonable to assume that the pay for all occupations should be driven by the same system. Therefore, we believe that reform is necessary.

I would now like to address employee performance management. The Department has recently redesigned its performance management system. Instead of recognizing characteristics and behaviors, we will now reward our employees based on outcomes and results. The desired outcomes must be based on the organization's goals and must improve organizational and individual performance. We believe this is a more direct and simpler approach to improve employee performance and to realize the organization's goals. It is also a tool to help identify those employees who are not contributing in ways that benefit the organization. We would like for any change in legislation in this area to be compatible with our outcome-based system.

We also think the current hiring system needs an overhaul. Although, like many other Federal agencies, we are not in a hiring mode, periodically we are filling gaps and eventually we must start to build a pipeline for the future. Managers want a system that produces quality people without a lot of red tape. While we are aware of the necessary constraints inherent in a civil service system, there must be many fine examples of state and local government systems that work well, and that could be benchmarked and emulated.

That completes my statement. I would be glad to answer any questions.