

**A DOMESTIC CRISIS WITH GLOBAL IMPLICATIONS
REVIEWING THE HUMAN CAPITAL CRISIS AT
THE STATE DEPARTMENT**

HEARING

BEFORE THE

OVERSIGHT OF GOVERNMENT MANAGEMENT,
THE FEDERAL WORKFORCE, AND THE
DISTRICT OF COLUMBIA SUBCOMMITTEE

OF THE

COMMITTEE ON
HOMELAND SECURITY AND
GOVERNMENTAL AFFAIRS
UNITED STATES SENATE

ONE HUNDRED TENTH CONGRESS

SECOND SESSION

JULY 16, 2008

Available via <http://www.gpoaccess.gov/congress/index.html>

Printed for the use of the Committee on Homeland Security
and Governmental Affairs



U.S. GOVERNMENT PRINTING OFFICE

44-126 PDF

WASHINGTON : 2009

For sale by the Superintendent of Documents, U.S. Government Printing Office
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A DOMESTIC CRISIS WITH GLOBAL IMPLICATIONS REVIEWING THE HUMAN CAPITAL CRISIS AT THE STATE DEPARTMENT

WEDNESDAY, JULY 16, 2008

U.S. SENATE,
SUBCOMMITTEE ON OVERSIGHT OF GOVERNMENT
MANAGEMENT, THE FEDERAL WORKFORCE,
AND THE DISTRICT OF COLUMBIA,
OF THE COMMITTEE ON HOMELAND SECURITY
AND GOVERNMENTAL AFFAIRS,
Washington, DC.

The Subcommittee met, pursuant to notice, at 2:04 p.m., in room SD-342, Dirksen Senate Office Building, Hon. Daniel K. Akaka, Chairman of the Subcommittee, presiding.

Present: Senators Akaka and Voinovich.

OPENING STATEMENT OF SENATOR AKAKA

Senator AKAKA. This hearing will come to order. I want to thank the witnesses for being here at this hearing.

Today, the Subcommittee on Oversight of Government Management will examine the State Department's human capital crisis. As we approach an Administration transition, perhaps the greatest problem facing the State Department is the lack of adequate staffing resources needed to meet its mission. Eleven-thousand-four-hundred-and-two men and women bring U.S. diplomacy to 162 countries around the world through 266 embassies, consulates, and other posts. This thin line of career foreign policy professionals and support staff are our first line of defense in most of the world. They are our eyes and ears. In most countries, they are the face of America.

Our standing and respect in the world is in dire need of improvement and our national security relies heavily on our standing in the world. The ability of the United States to execute its foreign policy priorities depends on these professionals to implement the policy. However, I am concerned that we are not investing enough in these employees so that they have the capabilities and means to perform their crucial and critical mission.

Secretary Powell launched the Diplomatic Readiness Initiative in 2001 to boost the presence of U.S. foreign policy overseas. As a result, more than 1,069 new positions were created. Since then, Iraq and Afghanistan have consumed our diplomatic readiness and placed high demands on resources and staffing of Foreign Service officers and Civil Service personnel.

To address this issue, Secretary Rice launched the Transformational Diplomacy Initiative in 2006, which included a global repositioning effort to move Foreign Service positions from Washington, DC and elsewhere to mostly hardship posts in critical emerging areas, including Africa, South and East Asia, and the Middle East. However, according to the State Department's recent figures, there is a shortage of more than 1,500 Foreign Service staff worldwide.

As this chart shows,¹ there is a 13.3 percent vacancy rate for the Foreign Service at home and abroad. Domestically, the rate is 18.2 percent, and overseas, the rate is 11.3 percent. The most striking number is the Near East Asia vacancy rate of nearly 20 percent.

I understand that this rate is inflated because many vacant positions are filled by Foreign Service officers on temporary duty assignment from other locations. This is fuzzy math, because staff are being taken away from their home duty station, creating a deficit there, and filling slots that should be served by permanent staff. U.S. diplomacy deserves greater stability than that.

What this chart does not show is the staffing deficit of mid-level officers. A lack of mid-career officers has left embassies with junior officers performing tasks above their grade while senior officers are being pulled in too many directions. Furthermore, since the State Department does not hire new employees into mid-level positions, this shortage could follow that group of employees in the Department for years to come.

There are issues in both the career Foreign Service and Civil Service. In May and September 2007, the State Department Office of the Inspector General issued two reports with more than 60 recommendations for the Director General and the Bureau of Human Resources regarding the Department's human capital. The report highlighted a broad range of issues for the Human Resources Bureau and Under Secretary for Management, such as the recruitment and hiring process needs to be improved, there is a deficit of human resources professionals, employees need better training and professional development, and overall, there needs to be greater use of authorized flexibilities and coordination on human capital issues department-wide.

The Director General is aware of these issues and working with the IG's Office to address them. Progress has been made in developing a strategy to respond to most of the recommendations. Fewer than 10 items remain open, but these include an external review of the future of the Civil Service, certification for human resources professionals, improvements to the career entry program, and better financial controls. These are important issues and need to be resolved before the next Administration takes over.

In addition to the IG report, the Foreign Affairs Council, the Center for Strategic and International Studies, the Project on National Security Reform, and the Government Accountability Office have weighed in on the readiness of our diplomatic corps. In the coming months, the American Academy of Diplomacy and the Stimson Center will provide a zero-based budget report for investing in the State Department's human capital. As an Advisory

¹The chart referred to appears in the Appendix on page 162.

Council member, I look forward to reviewing these recommendations.

Too often, human capital and agency management are lost amongst the many priorities of agency leadership. Senator Voinovich and I have worked for years to elevate the priority of these issues at all Federal agencies. I am certain we will continue to do so with the next Administration. I look forward to hearing your strategy for addressing these issues as we approach the transition.

I am so glad to have our Ranking Member here, Senator Voinovich, and we will call on him after I tell you that yesterday, July 15, was Senator Voinovich's birthday, and belatedly, I want to wish him a happy birthday.

OPENING STATEMENT OF SENATOR VOINOVICH

Senator VOINOVICH. Thank you very much. Those macadamia nuts were well received. My wife and I will enjoy them.

I just want to say that I am really pleased we are holding today's hearing. Senator Akaka and I have been working with the issue of human capital for a long time. As a member of the Foreign Relations Committee, we had Joe Nye and Dick Armitage testify about the human capital challenges in the State Department, and I am sure, Senator, as you travel the country and the world, you have had a chance to talk to some of our folks from the State Department. I really think that we are on the eve of meaningful reform.

At a time when our public diplomacy is arguably at its lowest point in history, the State Department is chronically understaffed, limiting its ability to overcome significant challenges, including shared missions and responsibilities with other agencies. The State Department faces a shortfall of about 2,400 personnel focused on core diplomatic efforts. One out of every five employees holds a job designated for a more experienced person. In restructuring agencies responsible for our national security, such as the Department of Defense and the intelligence community, we have largely neglected the soft power needs of the State Department.

We should consider ourselves lucky that the men and women of the State Department have answered the call to serve, and through their leadership and dedication helped our Nation avoid the news stories which often drive change. These dedicated public servants must no longer be taken for granted.

Last year, the Foreign Affairs Council found that the Department of State lacked the personnel necessary to meet its priority missions, a theme carried in other reports by the Center for Strategic and International Studies. The Foreign Relations Committee, as I mentioned, held a hearing earlier this year where we discussed the concept of smart power, which seeks to better match our strategies and structures at home to the challenges that we face abroad.

Senator Akaka, one of the things it seems to me that we have to start looking at is how are we allocating resources. Even the Department of Defense sees this need. General Jones spent some time with me a year ago discussing the need to reallocate some of our funds to the State Department if we really want to make diplomatic progress. That way we can help avoid having to bring in military forces. It is going to take some reallocation of our limited resources.

In September, we are going to formally receive the recommendations from the American Academy of Diplomacy Advisory Council, which I am honored to be a member of. The Academy will likely recommend a 16 percent increase in the State Department's workforce. Together, these reports demonstrate the need for a strong diplomatic corps, recognizing that diplomacy occurs in the embassies and consulates around the world, not inside the beltway.

I question how many reports it will take before we are honest with ourselves and the American people about the challenge we face. How we allocate our resources in support of public diplomacy is a question that must be answered if we are to meet those goals.

Too often, we hear agency officials tell us that they have adequate resources to get the job done. Today's hearing is an exception, however. The testimony from the State Department makes clear that Congress's failure to provide the tools necessary to get the job done has resulted in a situation that can no longer be ignored. Although I have often said we need to do more with less, there comes a time when our priorities must be reset.

Ambassador Thomas, I commend you for recognizing the challenge and your responsibility in ensuring the State Department's workforce receives the support necessary to effectively carry out its duties. The Department has made significant progress in addressing the recommendations from the State Department Office of Inspector General and your results have been met with some success.

According to the Partnership for Public Service's Best Places to Work Ranking, the State Department is one of only two large agencies with a double-digit increase in overall employee engagement. The same survey showed room for improvement in promoting worklife balance and family-friendly culture, and that is why I am proud to be working with several of my colleagues to address the cost-of-living issue facing less-seasoned officers assigned to overseas posts.

Going forward, it would be irresponsible to allocate additional funds absent an oversight mechanism so we can measure the results of our efforts. We must balance identified needs in critical occupations with new demands resulting from implementation of programs such as the Western Hemisphere Travel Initiative.

As we dedicate additional resources, we should take a closer look at the training provided to our men and women in uniform and the framework provided by the Goldwater-Nichols Act. Training must become a cornerstone of the State Department's workforce planning.

The inauguration of our next President is 6 months from now. In addition to selecting qualified individuals to lead the Department of State, the new Administration will have the challenge of presenting its first budget that balances many competing priorities and takes into account our growing budget deficit. Future budgets must ensure that the State Department is resourced appropriately to meet its mission and strengthen its global posture. Otherwise, we diminish our ability to foster democratic principles and to influence world opinion.

The international environment will continue to reflect the dangers and opportunities of today. The State Department should be a model for global outreach and negotiation. Creating a more se-

cure, democratic, and prosperous world for the benefit of the American people requires a highly skilled workforce that is held accountable for their individual performance.

And again, Mr. Chairman, thank you for holding this hearing today.

Senator AKAKA. Thank you very much, Senator Voinovich.

I want to introduce our first panel today, Ambassador Harry K. Thomas, who is Director General of the Foreign Service and Chief Human Capital Officer of the U.S. Department of State. Accompanying him is Linda Tagliatela, Deputy Assistant Secretary, Bureau of Human Resources, U.S. Department of State.

As you know, our Subcommittee requires that all witnesses testify under oath. Therefore, I ask you to please stand and raise your right hand.

Do you solemnly swear that the testimony you are about to provide this Subcommittee is the truth, the whole truth, and nothing but the truth, so help you, God?

Ambassador THOMAS. I do.

Ms. TAGLIATELA. I do.

Senator AKAKA. Thank you very much. Will the record note that our witnesses responded in the affirmative.

Before we begin, I want to remind you that although your oral statement is limited to 5 minutes, your full written statement will be included in the record.

Ambassador Thomas, will you please proceed with your statement.

TESTIMONY OF AMBASSADOR HARRY K. THOMAS, JR.,¹ DIRECTOR GENERAL OF THE FOREIGN SERVICE AND DIRECTOR OF HUMAN RESOURCES, U.S. DEPARTMENT OF STATE, ACCOMPANIED BY LINDA TAGLIATELA, DEPUTY ASSISTANT SECRETARY, BUREAU OF HUMAN SERVICES, U.S. DEPARTMENT OF STATE

Ambassador THOMAS. Chairman Akaka, Ranking Member Voinovich, thank you for this opportunity to testify before you today to address the Department of State's efforts to hire, develop, position, and support our dedicated corps of Foreign Service, Civil Service, and locally employed staff to meet the challenges of our worldwide mission.

The Bureau of Human Resources has the critical responsibility to manage the Department of State's greatest asset, our people. Maintaining the highest standards of operational readiness worldwide is an increasingly challenging undertaking, as a number of positions at the most difficult and dangerous posts continue to rise without a concomitant increase in resources. The Department's foreign policy objectives have led to a proliferation of much needed language-designated positions, many of which require lengthy training.

We have the world's finest diplomatic service and morale remains high. We are very proud that the Foreign Service attrition rate continues to be the lowest in the U.S. Government, and the Civil Service attrition rate is half that of other Federal depart-

¹The prepared statement of Ambassador Thomas appears in the Appendix on page 37.

ments and agencies, and that we remain the No. 1 choice for college students seeking a public sector career. But challenges remain and we need the resources to meet them.

State Department employees are serving in more remote, isolated, and dangerous locations than ever before. There are over 900 positions overseas that are designated unaccompanied or limited accompanied for reasons of hardship or danger. That means that approximately one out of every 13 Foreign Service personnel is serving in a location that is too dangerous for families to accompany.

The HR Bureau is committed to ensuring that these employees and the rest of our personnel receive the support and training they need to succeed. We have adapted and streamlined our recruiting, hiring, and assignment process in line with the Department's policy priorities and increased our support to employees and families experiencing unaccompanied tours. We have drawn on talented Civil Service employees and eligible family members to fill positions in Iraq, Afghanistan, and other hardship posts. We are pursuing ways to take care of the dedicated locally employed staff that plays a critical role in supporting our missions.

We have introduced a career-enhancing rotational program for mid-level Civil Service employees and rolled out a new performance evaluation form for Civil Service personnel. We have reinvented the way personnel actions are initiated and processed. We have automated the Foreign Service retirement process. We are implementing a tiered services concept that consolidates human resource functions.

These initiatives address the vast majority of the recommendations made by the Office of the Inspector General based on their late 2006-early 2007 inspection of the HR Bureau. We maintain an ongoing dialogue with the inspectors and have accepted or otherwise reached agreement on 51 of the 59 OIG recommendations. We will continue to work with the OIG to resolve the eight outstanding recommendations.

As Secretary Rice has repeatedly testified, staffing needs exceed our current resources. The talented men and women that we are recruiting in the Department are seeking greater responsibilities and more management experience at earlier stages in their career. So we continue to give the very best of them stretch, or above-grade assignments, as a means of ensuring that the very best have a more rapid means of escalating to the senior ranks.

One of the unintended consequences of the deficit of officers is that only 19 percent of mid-level slots go to mid-level officers. But I am pleased to say that these men and women are excelling in their jobs.

The Department's fiscal year 2009 budget request also includes funding for Foreign Service compensation reform, one of our top legislative priorities. The Foreign Service compensation reform provisions in the Department's fiscal year 2008 and 2009 authorization package, if passed and enacted, would eliminate the nearly 21 percent overseas pay gap in base salary faced by FS-01 members and below serving overseas. We look forward to working with Congress to pass these crucial reforms to eliminate the growing financial disincentives to serve abroad.

With the support of Congress and the enactment of the fiscal year 2009 budget request, I am confident that we can continue to attract and retain a skilled workforce to serve the American people.

Senator AKAKA. Thank you very much, Ambassador Thomas.

Ambassador, in a 2003 report, GAO looked at what characterized successful transition planning. They identified successful organizations as those which identify, develop, and select their human capital to ensure that successors are the right people with the right skills at the right time for leadership, and what I just said is something that Senator Voinovich always echoes.

GAO recommended best practices for human capital transition planning, and I am asking you to tell us what or if the State Department engages in these practices, and let me mention some of these. These include attention and active support for the top leadership, link to strategic planning, identify talent from multiple organizational levels early in career or with critical skills, emphasize development assignments in addition to formal training, address specific human capital challenges, such as diversity, leadership capacity, and retention, and facilitate broader transformation efforts.

Can you tell me how the State Department approaches this transition planning?

Ambassador THOMAS. Senator, Secretary Rice has named Ambassadors William Burns and Patrick Kennedy to lead our transition effort. She has also named the Executive Secretary of the Department, Daniel Smith, to be the day-to-day manager of the transition process. Senator, it is the tradition in the State Department that the Executive Secretary, who is also the Special Assistant to the Secretary, manage the day-to-day transition process.

We are very confident that we will meet with the transition team as soon as they would like to present the strategic plan that we have for the State Department, and they will include everything, as you said, human capital, our efforts to recruit a more diverse Foreign Service that reflects America, a more talented Foreign Service and Civil Service. We have complete plans, and we are confident that our transition process will run smoothly as it has in the past.

Senator AKAKA. And you have mentioned these names, Burns, Kennedy, and Smith—

Ambassador THOMAS. Yes, sir.

Senator AKAKA [continuing]. As being part of this?

Ambassador THOMAS. Yes. They have been named by the Secretary.

Senator AKAKA. The Fiscal Year 2008 Emergency Supplemental Appropriations Act included a \$25 million provision for the State Department to address its staffing shortfall. The Act also included an additional \$20 million in bridge funding for fiscal year 2009. How do you plan to spend these funds to reduce the staffing and skills shortfalls, and are these funds sufficient?

Ambassador THOMAS. Thank you for that question, Senator. We very much appreciate the fact that the Congress of America has given us some of the funding that we requested for that. We are going to use that \$25 million and part of the \$40 million in FY2009 bridge funding to hire 140 personnel above attrition. But as you stated, Senator, the Secretary and President have asked for over

1,000 new positions at the State Department and 300 at U.S. AID. So while we thank the Congress for this, we view this as only a downpayment on what we will need to accomplish our goals and objectives.

Senator AKAKA. I would like to see a copy of your strategic plan for the obligated funds once it is completed.

Ambassador THOMAS. We would be happy to send it to you, sir.

Senator AKAKA. Ambassador, approximately 20 percent of FSOs have served in the Baghdad embassy. I am told that you are not staffing the Iraq Provincial Reconstruction Teams with junior officers. There is a 13 percent worldwide staffing shortage and 19 percent staffing shortage in the Near East Asia region and a minimum training requirement of 2 years for language training in Arabic, one of the more difficult subjects. This calls into question the sustainability of our diplomatic presence in Iraq. What strategy do you have to address the short-term and long-term integrity of our diplomatic presence?

Ambassador THOMAS. Well, Senator, again, thank you. I would like to clarify. We do have entry-level or junior officers serving in Iraq and Afghanistan and all of our other hardship posts, including the Provincial Reconstruction Teams, sir. What we do, however, is we vet everyone before they go to Iraq for area experience, language experience, and ability to serve in a hardship post.

Last year, in October, when I became Director General, we designed a plan with Ambassador Crocker to vet everyone before they serve in Iraq, all of our volunteers, to make sure they are the right fit because this is dangerous and a difficult assignment. So we do vet them to make sure that they fit. But we take the entire Foreign Service. When Ambassador Kennedy visited Iraq in the fall of 2007 and this year in March 2008, I sent my deputy, Teddy Taylor, to Iraq to review each assignment and position description to ensure we had the right fit and the right number of people to meet the challenge of service there. I am confident that we do, but it is an organic process and we continue to review.

Right before I came here, sir, I briefly stopped by one of the luncheons that we have for people interested in unaccompanied tours. We had two people home from Iraq briefing people and it was an overflow of people, Foreign Service and Civil Service, who were interested in serving in Iraq.

Senator AKAKA. Ambassador, how does the State Department identify and develop high-potential employees in both the Foreign and Civil Service to take on a future management role?

Ambassador THOMAS. Well, sir, as you rightly pointed out, Secretary Powell initiated management and training courses at each level for Foreign Service and Civil Service employees and we have made those mandatory. And I do not grant waivers except for reason of health or emergency, and everyone knows it is mandatory. We have to institutionalize management and training.

The big cry that I hear from our junior officers is they want leadership and they want training and I think it is incumbent upon us in the Foreign Service and the leadership of the Civil Service to ensure that people get this training and that the Foreign Service Institute is doing a wonderful job doing this at each level. For the senior classes, I personally go and talk to each one of them to re-

mind them of the responsibilities they are going to undertake and the fact that we expect them to behave with the highest personal and professional integrity.

Senator AKAKA. Thank you, Ambassador. Senator Voinovich.

Senator VOINOVICH. The 2009 budget is being examined right now. In light of the human capital challenges and what the Secretary has recommended, is the Department's budget adequate to get the job done? The next President is going to be living with the 2009 budget and won't have a chance to shape the budget until their 2010 submission.

Ambassador THOMAS. Right.

Senator VOINOVICH. How does that 2009 budget look today?

Ambassador THOMAS. Senator, we believe this is just the first of what we will hope will be several increased budgets. Obviously, I cannot speak for the next President or Secretary of State. But we hope that the 1,500 people that we would like to be hired for the State Department and U.S. AID are the initial tranche of what we need to train and staff our missions around the world.

Clearly, it is not only Iraq and Afghanistan. We have had to open missions in Asia, in Central Europe, in Newly Independent States at consulates and places where we previously did not have them. The fact that India, China, Mexico, that they are becoming economic success stories and their people are traveling, wanting to study in the United States, put increased burdens on our consular staff and that needs to be increased.

We have, as you know, terrible challenges with narcotics, terrible challenges with security. Our diplomatic security staff, we are asking to be increased. So we think this 1,500 is just an initial step in what we will need to have a more robust and effective State Department and U.S. AID.

Senator VOINOVICH. What impact will the continuing resolution have on some of your plans?

Ambassador THOMAS. Well, sir, what we will do is we will have our next what we call A-100 or orientation class for the next fiscal year will be in January 2009, and we will have subsequent classes. It takes us 9 months to 1 year to fully train a Foreign Service officer to be overseas or to be in Washington. For a specialist, our diplomatic security agents, our office management specialists, it can take 3 to 6 months to train them to be overseas. So this is a long-term process. For the money that you have given us for the 140 people over attrition, we will just start to get those people overseas in mid- to late-2009, so this is a very long process.

Senator VOINOVICH. Are you going to be able to begin with this Reconstruction and Stabilization Civilian Management Act?

Ambassador THOMAS. Ambassador Herbst's office, sir?

Senator VOINOVICH. Yes, and also the concept of identifying people in other Federal agencies that—

Ambassador THOMAS. Yes, sir.

Senator VOINOVICH [continuing]. Can help with some of the challenges that you face. Is this budget going to allow that to begin?

Ambassador THOMAS. Yes. That is a separate office. That is Ambassador Herbst's office and we very much appreciate the funding that we got from Congress for that. That is an important office because we have crises all the time that we need immediate response

to where we, as Foreign Service officers or generalists, will never have the expertise. We will never have the civil engineer or the veterinarian or the fire response or the bomb response person that is needed to staff countries in terms of crisis. So that is the idea behind Ambassador Herbst's office and we do believe that funding will enable Ambassador Herbst and the Department to begin work on this.

Senator VOINOVICH. So it is your learned opinion that we have enough money to at least get this new initiative off the ground?

Ambassador THOMAS. Yes, sir, off the ground.

Senator VOINOVICH. And you have said that you are not having any problem with recruiting people, that is—

Ambassador THOMAS. To Mr. Herbst.

Senator VOINOVICH. I am talking about the Department's overall challenges in terms of bringing on new people.

Ambassador THOMAS. No. I think we are very—what we found is a clarification. It used to be that 25,000 people registered for the Foreign Service exam, but traditionally, only 10,000 to 12,000 showed up. So last year, when we started the new exam, we put an automatic charge to your credit or debit card of \$50 if you did not show up, and now we get about 99 percent show up. So we are really getting what we intended.

The one thing that we have found with the new exam, the written part remains very difficult, as it should, and merit-based, very difficult to pass, but we are having more people, a higher percentage of people, pass the oral exam. So we think that we are on the right track.

Senator VOINOVICH. And you do not have to deal with the Office of Personnel Management?

Ambassador THOMAS. No. For the Foreign Service—

Senator VOINOVICH. You have your own operation so you don't have to worry about OPM.

Ambassador THOMAS [continuing]. We do that. Civil Service, we do work with them. Sir, we work with OPM. Foreign Service, we do ourselves. And I visit colleges and universities. We have 17 diplomats in residence at universities and colleges around the world. I think one of the things we are most proud of, when I joined the Foreign Service, we had people from about 30 States and really about 30 schools. Now, we have people from all 50 States, schools all around the country. We visit them. We recruit from these schools. We have targeted organizations and we think we are now much more broadly reflective of America.

Senator VOINOVICH. Last year, in a May 2007 report, the Inspector General recommended that the Under Secretary for Management institute a high-level review of the options for the future of Civil Service in the Department, and Senator Akaka and I discussed the same issue at our August 2007 hearing. What is the status of this review?

Ambassador THOMAS. Sir, I am going to ask my colleague to answer that question.

Ms. TAGLIALATELA. Good afternoon, Senator.

Senator VOINOVICH. Good afternoon.

Ms. TAGLIALATELA. We have been working very closely with the Management Office under the Under Secretary for Management to

discuss what ways we can find to make improvements. We have not commissioned an external group, but we do work on this issue within the Department. We have done a number of things since the arrival of Secretary Powell and then his successor, Secretary Rice.

We have looked at ways to create one-team, one-mission. We have gone out of our way to bring the Foreign Service and Civil Service closer together by building a bridge where Civil Service employees provide continuity and institutional knowledge and the Foreign Service brings their foreign policy and expertise to the table.

We also have created a mid-level rotation program for our Civil Service employees to give them a broader perspective of what goes on in the Department. We have over 200 Civil Service employees currently serving in Foreign Service positions overseas, again, to find a way to bring the two services closer together and to make it a more workable arrangement between the two.

Senator VOINOVICH. You have the recommendations, don't you, the written recommendations from the Inspector General?

Ms. TAGLIALATELA. Yes, sir.

Senator VOINOVICH. Do you have a document that shows what the IG recommended and what the Department has done so that you could share that with the Subcommittee?

Ms. TAGLIALATELA. Sir, that recommendation remains open, but we will be submitting a response to the OIG on what we are currently doing.

Senator VOINOVICH. Well, I would like to know, too. Usually what we would like to see is when somebody makes a recommendation, the Department either says we don't agree with them or we do agree with them and here is what we are doing to meet the recommendations. I would like to have that document and I suspect that, Senator Akaka, you would like to have the same thing.¹

Senator AKAKA. Yes.

Ms. TAGLIALATELA. Thank you, sir.

Senator VOINOVICH. Can you get that for us?

Ms. TAGLIALATELA. Sure.

Senator VOINOVICH. Thank you. Senator Akaka.

Senator AKAKA. Thank you very much, Senator Voinovich.

I have a second round of questions here, Ambassador. Two State Department Office of Inspector General reports were released in 2007. Eight of the 59 formal recommendations, I understand, remain open. What is being done to ensure that these remaining eight recommendations will be addressed before the Administration transition? What is being done?

Ambassador THOMAS. Senator, we understand that. Some of these recommendations, however, are dependent on increased funding because the OIG asked us to hire new people, train new people to oversee or to do jobs, and without funding to do that, we won't be able to meet all of those recommendations.

Senator AKAKA. Are there any recommendations you disagree with, and if so, can you explain it?

Ambassador THOMAS. To my knowledge, sir, there are no recommendations we disagree with.

¹The report submitted for the record by Senator Akaka appears in the Appendix on page 147.

Senator AKAKA. Mr. Ambassador, I am concerned that FSOs are being penalized for taking positions in functional bureaus like the International Security and Nonproliferation Bureau. As this board shows, according to the tips from the 2007 Foreign Service selection boards, and I am quoting, “proven and ongoing competence in primary cone is a requirement for both classwide and conal promotion, particularly at the FS-02 level and above. Extensive out-of-cone service could place employees at a disadvantage for promotion.” Why are employees being disadvantaged for out-of-cone service?

Ambassador THOMAS. Sir, I find that surprising. To my knowledge, we have four career Foreign Service officers, including one who is a senior Foreign Service officer and a former ambassador, serving in the ISN Bureau. So I will be happy to double-check, but that is my understanding, sir.

The way our system works, sir, that when you come in—most of us do a consular tour, issuing visas. I am a political officer. After that, I did several political jobs overseas, but I also did out-of-cone tours, and those out-of-cone tours benefited my career greatly. An out-of-cone tour was at the National Security Council. We have out-of-cone tours at the Office of the United States Trade Representative (USTR). We have out-of-cone tours working at DOD in the Foreign Commercial Service. So I think that out-of-cone tours can help, but obviously there has to be balance. As a person rises in the Foreign Service, you have a choice of whether you do an out-of-cone tour, and when you become a senior officer, you are doing everything.

Senator AKAKA. Would a member of the Foreign Service or Civil Service be disadvantaged if they are assigned to another department or agency, such as Defense or the CIA or assigned to a university faculty?

Ambassador THOMAS. Not at all, sir. Again, I was promoted to the senior ranks myself while serving in the National Security Council, and I think we have plenty of examples of that and we encourage interagency cooperation and we have increased the number of slots, both student and teaching, at the War Colleges. We would like to have more slots at the Command and Staff College, but we need more people and resources to do that, sir.

Senator AKAKA. Ambassador, the Canadian Government has something called the Accelerated Executive Department Program, which prepares individuals for senior leadership positions through the support of coaches and mentors, formal training events, and placements in a series of challenging developmental assignments which have individuals work in areas that they are unfamiliar or challenging to them in a large number of agencies. The Senior Executive Service is supposed to function in a similar manner. The Foreign Service emphasis on staying within one’s cone seems to limit that possibility. Could you comment about this?

Ambassador THOMAS. Sure, sir. We very much believe in mentorship. We also believe the best should have the opportunity for rapid promotion. Each junior officer class, each specialist class on their first day has a class mentor, always a senior officer who participates in programs through their training process. We have a very robust mentorship program at all levels for the Civil Service.

Again, I, myself, participated as a mentor to a Civil Service person who I am proud to say has just gone off to Sierra Leone. We have a very robust program in that. There is also a lot of informal mentoring.

Then we have formal counseling. Each year when you get your evaluation, it is mandatory that you have had counseling by your supervisor two times before you get your evaluation and we really enforce that and we are now enforcing it even more so via technology. We are very proud of that and I think that our system has worked very well in giving the best of our officers, specialists, and Civil Service personnel increased opportunity.

I think we are proud that we have one of the more robust Presidential Management Fellowship Programs in the U.S. Government, the second largest after the Department of Defense. We have the College Entry Program. We are trying.

Senator AKAKA. According to the Project on National Security Reform's Human Capital Working Group literature review, human capital is crucial to the functioning of the interagency system. Furthermore, there is a need to build a joint culture among national security personnel. How do you see the Civil Service and Foreign Service at the State Department participating in this interagency system?

Ambassador THOMAS. Senator, we very much support that. We have people, as I said, in many agencies, USTR, the National Security Council, CIA, DOD, DOE, and Foreign Agricultural Service. We very much believe in that. We also have political advisors, and in our new budget request, we have set about slots for about 200 people at different agencies, including political advisors, national security professionals, and students and faculty, training at the various War Colleges. We very much support interagency.

Senator AKAKA. Thank you for your responses. Senator Voinovich.

Senator VOINOVICH. The GAO recommended the Department consider an assignment system that allows longer tours of duty and consecutive regional assignments. The recommendations were made to improve foreign language proficiency and foster greater cultural understanding. How is the State Department meeting this recommendation? Or did you find it valid?

Ambassador THOMAS. Yes and no in a certain sense, sir. Clearly, we encourage people to take our super-hard languages, Arabic, Chinese, Korean, and Japanese, and that takes 2 years of study and we expect and encourage those officers to remain in that area of responsibility. And many, if not most, do. They will go from mainland China perhaps to Taiwan, then to a consulate back to Washington working in the East Asia and Pacific Bureau.

Some officers who are taking a romance language that they would have studied in their first couple of years decide they want to broaden their experience, become more skilled, to take another language. When I was a junior officer, I studied Spanish. After 8 years in the Foreign Service, I decided I should broaden myself by studying Hindi. Then I decided to study Bengali, and I have stayed in the South Asia region.

So we have a mix and it depends on what languages you are studying, but at the same time, we want to give people opportuni-

ties. So if you decide that after a few years working in Western Hemisphere that you would like a new opportunity to go to Asia, study Chinese or Japanese for 2 years, we encourage that.

Senator VOINOVICH. The Department of Homeland Security recently issued its changes to the visa waiver program to implement the Electronic System for Travel Authorization (ESTA). It is going to require all visa waiver program travelers to either obtain advance authorization to travel using ESTA or obtain a visa before traveling to the United States. The GAO estimates that ESTA could double the number of visa applicants from visa waiver countries because ESTA could deny an estimated 1 to 5 percent of those travelers.

In May, GAO issued a report and said that State has not developed plans to manage that increased demand or estimated what additional resources will be needed to meet the demand for the embassies in the VWP countries. GAO found that 3 percent of current VWP travelers have to apply for a visa, it would result in a visa demand that would overwhelm the Department's current staffing and infrastructure.

One of the things that I am sure that the State Department was embarrassed about was the fiasco that we had in terms of the issuing of passports.

I would just like to know whether or not you are at all aware of this issue—

Ambassador THOMAS. Well, sir—

Senator VOINOVICH [continuing]. And what is being done to plan for it. I think you know that one of the reasons why we changed the visa waiver program and allowed other countries to apply for entry was that this was a major public diplomacy problem. If we find ourselves with another embarrassing situation as we had in the past, it is not going to look very good for anyone.

Ambassador THOMAS. I agree with that, sir. I am clearly aware, as all Department employees are. I am not, however, responsible for consular affairs. We have a brand new Assistant Secretary. I will ask her to send you a report on that.

But I will say that we have—our consular needs are expanding. Last week, I visited Monterrey and Nuevo Laredo, Mexico, where we have many entry-level officers performing consular work, to observe that work. Last fall, I worked on the Passport Task Force to see what challenges we face, and they are numerous.

We are dedicated to protecting America and making sure that only those who are qualified to travel are able to enter our country and doing this in an efficient manner, but I would have to ask the Assistant Secretary for Consular Affairs to answer that question.

Senator VOINOVICH. OK. You will get that for me, then?

Ambassador THOMAS. Yes, sir.

Senator VOINOVICH. Thank you. Ambassador Thomas, Ambassador Naland's testimony suggests that the State Department may be moving to leave unfilled about 20 percent of the Foreign Service jobs due for reassignment next summer. What is the rationale behind such a plan and how were these positions selected?

Ambassador THOMAS. Sir, I am not sure where Mr. Naland got that information from and that 20 percent, but I will say this, we are doing a freeze. Unfortunately, we have had to do freezes sev-

eral times in the last 25 years. This is not new and this results because we don't have enough personnel or resources. We want our people to—because we don't have enough, we have to prioritize. Where do we need the most people and resources?

And what we have done is we have looked at approximately 200 positions overseas and in Washington that will not be filled next year. What we have done is we have worked with the regional bureaus and the function bureaus and the assistant secretaries. We have given them each a number on a proportional basis and we are allowing them to decide which jobs will be filled and which will not be filled. That report from them is due to us at the end of this week and then we will make a decision. It is not something that we would like to do, but we have to do because we don't have enough people.

Senator VOINOVICH. Maybe I am not understanding it right. Several minutes ago, you indicated that you had a budget to get you off the ground and I assumed that it meant that you would be able to take care of positions that you would be losing through attrition or otherwise. Are you saying that the reason why you are doing this is because of the fact that these jobs are no longer needed?

Ambassador THOMAS. No, sir. What I said was that, and pardon if you misunderstood me, is that we had enough money to get off the ground for Ambassador Herbst's office, the Office of Stabilization and Reconstruction. In terms of jobs that we are trying to fill for next summer, right now, we have to do that now for next summer because people have to be trained, assigned, and decide where to go, and we always do that a year in advance.

Senator VOINOVICH. So you don't have enough money to do that?

Ambassador THOMAS. We don't have enough people to do that or money.

Senator VOINOVICH. So what you are saying is that the money that has been made available isn't enough?

Ambassador THOMAS. Yes.

Senator VOINOVICH. OK. Well, that is not what I heard the last time.

Ambassador THOMAS. Well, I am sorry, sir, but I was only talking about Ambassador Herbst's job.

Senator VOINOVICH. Yes. Well, maybe what you ought to do is divide up the various ambassadors' jobs and give us a breakdown of where you have the people to do the job and the areas where you don't have the people to do the job so we are at least aware of the bureaus which need additional resources.

Ambassador THOMAS. OK.

Senator VOINOVICH. If they will let you do that.

Ambassador THOMAS. Yes. Happy to do that.

Senator VOINOVICH. Yes. We would be most grateful. We recently authorized \$50 billion under PEPFAR to combat AIDS overseas. Are you familiar enough with the budget, your foreign operations budget? Will that money have to compete with other things that are already in the budget? One of the concerns that we have is that, although a very good public diplomacy program with significant support, it is a significant sum of money. What worries many of us, including who voted for the authorization, is that we know PEPFAR is going to compete with other priorities in the foreign op-

erations budget. What is going to give in order to make money for that program?

Ambassador THOMAS. Sir, you might be talking about PEPFAR, I am not sure.

Senator VOINOVICH. Yes, I am.

Ambassador THOMAS. Again, I don't have responsibility for that or that part of the budget, but we will be happy to send you the Department's position on that.

Senator VOINOVICH. Mr. Chairman, it might be good to just get them all in here to talk about human capital throughout the place and where are we at. So often, we get the impression that things are going to be fine, and then really when we pierce the veil, we see a different picture. The sooner we get the real information, the better off we are going to be. Perhaps maybe when we get these reports back from these various organizations that we will have a better understanding, at least from their point of view, whether or not we have got the resources to do the job that we think needs to be done.

Senator AKAKA. Yes, Senator Voinovich. Thank you.

We will do another round here. Ambassador, the 2007 State Department IG report discusses a shortage of mid-level Foreign Service officers. However, only FSOs are hired as entry-level officers. This could affect the Foreign Service, of course, for years to come. How do you plan to address the immediate and long-term issues of a shortage in current mid-career officers?

Ambassador THOMAS. In two ways, sir. We believe that our current promotion statistics will erase that mid-level deficit by 2010. We also will continue to recruit robustly. We believe that it is essential that we, along with the military, remain the up-or-out systems, where you have to come in as a junior officer, learn the art of diplomacy, take the same training, work the same jobs, and then manage and supervise your way up the chain. That is the most effective way and that is what we plan to continue to do, sir.

Senator AKAKA. Ambassador, of the Foreign Service generalist positions, public diplomacy is understaffed and underfunded. Changing the perception of Americans, especially in the Middle East, is critical to our national security. There are many inexpensive ways of reaching out to the younger generation of people through the Internet and news media. What training are you providing on the use of news media, technology, in support of public diplomacy?

Ambassador THOMAS. Sir, the R Bureau, which is responsible for public diplomacy, and the Foreign Service Institute have many training programs at all levels for people in public diplomacy, not only in speeches, but in how to interact with different organizations. We have plenty of programs, sir. We have cultural programs at our missions. We take advantage of technology. We use Facebook, we use the Internet to advertise, to push our message. We use pop-up technology, all these things that we find the rest of the world familiar with.

But we also do our traditional cultural programs where we bring music groups. We have jazz ambassadors. We have Kennedy Center cultural programs that we bring overseas. We also bring people to America, exchange programs. We are very excited that we have

brought people not only from Iraq, but from Iran—wrestlers and weight lifters from Iran. We have brought poets from Iraq to America. So we have a very robust two-way program. Clearly, the needs are great and there are more things we could do and we have to take better advantage of technology because these cultural programs are very expensive.

Senator AKAKA. While you all have indicated that you have plenty of applicants to the Foreign Service, I have many concerns about the recruitment and hiring process for Civil Service servants.

Ambassador THOMAS. OK.

Senator AKAKA. Agencies often aren't using news media technology, such as social networking websites, to maximize the potential to find the right applicants. What are you doing to attract the most qualified candidates for Civil Service positions?

Ambassador THOMAS. We do some of the same things we do for the Foreign Service, sir. We have a very robust website at careers.state.gov. This summer, we are having an intern summit. We are asking all of our interns who would like to take the Foreign Service exam to take that. For the first time, we are going to be tracking our interns, something we did not do before. And again, we have diplomats in residences at our colleges and universities. We work closely with organizations, fraternities, sororities, and professional organizations, to recruit the broadest part of America.

Senator AKAKA. This is my final question, Ambassador. After you have found the right candidates, too often the hiring process requires candidates to fill out more information than should be required for an initial screening. This issue came up in one of the Subcommittee's hearings in May on recruiting Federal workers, and this deters highly qualified applicants. What are you doing to reform the hiring process so it is more streamlined and candidate-friendly?

Ambassador THOMAS. Well, sir, we agree with that assessment and we have done something about it. We looked at the biography part of the Foreign Service exam. It was taking some people two to eight hours to fill out. This was a new exam, and we heard some criticism of it. We tried something new and we found out that it was taking people too long and it was discovered and we decided to shorten it. So we are shortening the biography part of it.

But I would like to point out, when we wanted to shorten the registration to just a post card, it would have cost us over \$1 million to do that in terms of contracting, in terms of the Federal Paper Reduction Act and other issues. So we had to only spend about \$200,000 to shorten it and we will seek funds in the future to streamline it even further.

Senator AKAKA. I said that was my final question, but let me ask one more question. I want to go back to the issue of transition, which I began with.

Ambassador THOMAS. OK.

Senator AKAKA. What are your top three recommendations for the next Administration as they look at human capital issues within the State Department?

Ambassador THOMAS. I would ask the new Administration to give us sufficient funds to enable us to hire talented Civil Service and Foreign Service employees and to retain locally-employed staff.

Our locally-employed staff around the world are the institutional backbone of our embassies, and because of FOREX exchange losses and increased opportunities that they have that they did not have in previous years, some of the most talented ones are starting to leave us. I would also ask for more funds for technology to enable every employee to have a FOB, a Blackberry, or a laptop, which would make them much more efficient.

And I would ask for some type of consideration that will allow us to have more flexibility with the Civil Service. Foreign Service has rank in personnel, which works very well. Civil Service, we really need some kind of pilot program so that we can retain the best and the brightest so they will not feel stifled and that they can get fairly rapid promotions.

Senator AKAKA. Thank you very much, Mr. Chairman. Senator Voinovich.

Senator VOINOVICH. I understand that in your testimony, you mention that the Department is pursuing ways to “take care of locally-employed staff.”

Ambassador THOMAS. Yes.

Senator VOINOVICH. Could you give me some examples of the steps the Department is taking? Are you running into any difficulties in terms of getting locally-employed people to come to work for the State Department?

Ambassador THOMAS. Sir, one of the ways we are looking at assisting local-employed staff is through a brand new voluntary retirement scheme that would allow us to have a voluntary retirement scheme for locally-employed staff worldwide where it would be like a Thrift Savings Plan “lite”, where they would put some of their funds in. The U.S. Government would not match it, but they would put it in a very well-known investment house. That will help, because what we have is some countries where people have pension plans that they can’t trust or other countries where inflation or foreign exchange is hurting people, and we don’t want people to live in penury after years of dedication to the U.S. Government. So that is one of the things—

Senator VOINOVICH. But it is a separate pension system? In other words, they live in the country and they are part of that country’s pension system, and what you are saying is that in some instances, they are a little bit leery of their own governments: You are saying to enhance the attractiveness of their coming to work for the State Department, that you would offer them a retention incentive.

Ambassador THOMAS. Yes, and to retain them.

Senator VOINOVICH. Yes.

Ambassador THOMAS. And to retain them.

Senator VOINOVICH. Recommitment and retention are key factors. As an example, I have a very good friend and very talented young lady and I thought she was going to go to the embassy and she decided instead to go to the E.U.

Ambassador THOMAS. Yes, sir.

Senator VOINOVICH. How about integrating civil servants into overseas posts?

Ambassador THOMAS. Well, right now, we have civil servants, sir. We have approximately 200 Civil Service personnel working overseas. Our agreement with the American Foreign Service Associa-

tion is about 50 Civil Service personnel each year go overseas to jobs that Foreign Service officers, for whatever reason, are unable to fulfill, and we find that this is remarkable. It allows the Civil Service personnel to broaden their skills or obtain language skills. Some of them decide they would like to enter the Foreign Service and take the examination. Others decide they would like to come back to their jobs, and we encourage that.

Senator VOINOVICH. How long is their tour?

Ambassador THOMAS. It depends where they go, sir. Some posts, 1 year. Others, 2 years. As I said earlier, sir, my mentee, who wanted to go overseas this year, when he first started looking, all of the civil servants for the posts he was looking at were extending because they liked the work, the challenge of the work that they were doing. So this is something that we very much—

Senator VOINOVICH. But there is some option to those people that are there, you give them like a year, and if they want, they can re-up for another year?

Ambassador THOMAS. Yes.

Senator VOINOVICH. Well, I have always thought that many don't want to be away from their families for that long. In many instances, they do have their families with them. It just seems that sometimes people just get to know the culture and key folks. It is time for them to move on. Does the Department ever look at the situation in which these individuals find themselves and say, based on the circumstances in the country, etc., that rather than sticking to the 3-year rotation, that we will allow them to stay for another year because of—

Ambassador THOMAS. Sure.

Senator VOINOVICH [continuing]. The importance of the post?

Ambassador THOMAS. Yes, we do.

Senator VOINOVICH. I was just thinking that so many of our slots are filled with political ambassadors. They are only there for a short time and then they all have to submit their resignations with the change in Administration.

Ambassador THOMAS. All ambassadors, sir, submit their resignation at the election—

Senator VOINOVICH. Yes.

Ambassador THOMAS [continuing]. And then it is up to the new President to accept or reject career or political.

Senator VOINOVICH. Do you have any statistics on how long they can remain in their posts?

Ambassador THOMAS. It is up to the new Administration, sir. What has happened with Secretary Albright and Secretary Powell, they did not—some people chose to leave on January 21. Others said, I have a kid in school or I have a medical need or I am negotiating something. Can I stay 30 days, 60 days, 90 days, and each Secretary made the decision by him or herself, and I suspect that probably would happen again in the future.

Senator VOINOVICH. Even with somebody who has been there—that is a member of the Foreign Service who has been there for a year and they would say goodbye?

Ambassador THOMAS. Well, sir, again, it is up to the President and the Secretary of State.

Senator VOINOVICH. What is the custom?

Ambassador THOMAS. The custom with the Foreign Service has been, a career officer, is that they are allowed to stay on average 3 years. This is something that Secretary Shultz put in place and subsequent Presidents have followed pretty much.

Senator VOINOVICH. That is good.

Ambassador THOMAS. Yes, sir.

Senator VOINOVICH. OK. Thank you, Senator.

Senator AKAKA. Thank you very much, Senator Voinovich.

I want to thank our witnesses, Ambassador Thomas and Ms. Tagliatela, for your responses and to tell you that it will be helpful to us. As you can tell, we are trying to get information to help us with the decisions we need to do here. So again, thank you very much for being here.

Ambassador THOMAS. Thank you both for your questions and your support, and I promise that we will endeavor to get the answers to your questions sooner.

Senator AKAKA. Thank you.

Now, I would like to invite the second panel to come to the desk. We have John Naland, President, American Foreign Service Association. We also have Ambassador Ronald E. Neumann, President, American Academy of Diplomacy.

As you know, our Subcommittee rules require that all witnesses testify under oath, so I ask you to please rise and raise your right hand.

Do you solemnly swear that the testimony you are about to give this Subcommittee is the truth, the whole truth, and nothing but the truth, so help you, God?

Mr. NALAND. I do.

Mr. NEUMANN. I do.

Senator AKAKA. Thank you very much. Let the record note that the witnesses answered in the affirmative.

I just want to remind you that your full written statements will be included in the record. Mr. Naland, will you please begin with your statement.

**TESTIMONY OF JOHN NALAND,¹ PRESIDENT, AMERICAN
FOREIGN SERVICE ASSOCIATION**

Mr. NALAND. Sir, thank you very much. Mr. Chairman, Senator Voinovich, the American Foreign Service Association (AFSA) welcomes this opportunity to speak on the subject of the Department of State's human capital crisis. Our Nation's career diplomats are grateful to you for convening this hearing.

The title that you selected for today's hearing could not be more accurate. As America prepares to hand over unprecedented foreign challenges to a new President, our Nation's lead foreign affairs agency is hobbled by a human capital crisis. My written testimony documents many of these problems. They include approximately 12 percent of overseas Foreign Service positions are now vacant. Approximately 19 percent of mid-level positions are held by employees stretched into those jobs. Many positions are held by people lacking necessary language proficiency.

¹The prepared statement of Mr. Naland appears in the Appendix on page 43.

Diplomats continue to be shortchanged when it comes to training, especially long-term professional training. As a result, today's Foreign Service does not have to a sufficient degree the knowledge, skills, abilities, and outlooks needed for 21st Century diplomacy.

Because our Nation has underfunded diplomatic engagement while building up military muscle, the overstretched U.S. military has increasingly taken on tasks once assigned to our diplomats and development professionals. Secretary of Defense Robert Gates gave another outstanding speech just yesterday warning of this trend, and I really commend that speech to you, sir.

The work of diplomacy is becoming increasingly dangerous. Since 2001, the number of unaccompanied positions has quadrupled to over 900. The Foreign Service is facing an unprecedented operational tempo. Over half of the Foreign Service has served at a hardship post in the last 5 years. Over 30 percent has served in an unaccompanied position in the last 5 years. Over 20 percent has served in war zone Iraq or Afghanistan. With two-thirds of the Foreign Service forward deployed overseas and two-thirds of them serving in hardship posts, there is no remaining bench strength with which to staff future new contingencies.

I have to disagree with the Director General. In my view, morale in the Foreign Service has declined. Inadequate staffing, insufficient budgets, and poor management have left the Foreign Service a career out of balance. Many employees have concluded that their loyalty has been a one-way street, as their employer has not reciprocated with needed resources and benefits. These harmful trends have been accumulating for a number of years. Unfortunately, little has been done to ameliorate them.

The Bush Administration dramatically increased Foreign Service staffing demands without taking decisive action to increase personnel. While AFSA strongly endorses the Administration's fiscal year 2009 budget request for over 1,000 additional employees, we regret that the Administration waited until its final year in office to seek these long-needed staffing resources.

For its part, in all honesty, sir, Congress did not even fund the Administration's inadequate fiscal year 2005 to fiscal year 2008 budget requests, which sought to add an additional 760 State Department positions. Again, while AFSA lauds Congress for including some funding for new positions in the recent Iraq supplemental, much more is needed.

Congress has yet to correct the growing inequity in the Foreign Service pay schedule. Due to the exclusion of overseas Foreign Service members from receiving the locality pay adjustment given to other employees, junior and mid-level employees take a 20.89 percent cut in base pay when transferring abroad.

As a result of these factors, the next Secretary of State will inherit a human capital management system that is in crisis and a Foreign Service that is at a tipping point. This will saddle the next Administration with serious logistical constraints when implementing their foreign policy initiatives. Thus, now is the time to address these urgent human capital needs. The next President will want a strong diplomatic corps to work hand-in-hand with our strong military. Delaying sending in diplomatic reinforcements would reduce the new President's flexibility in crafting a foreign

policy. Thus, I urge timely passage of the full pending fiscal year 2009 budget request for the State Department and U.S. AID.

To sum up, it is vital to reverse years of underinvestment in Foreign Service staffing and training. Today's Foreign Service is too small and lacks the proper mix of skills, knowledge, and abilities. We need a grand bargain that couples the significant expansion of the Foreign Service with a strengthening of the professional development system. The Foreign Service needs a 15 percent training complement like that afforded to the military. Also like the military, we need benchmarks for required career-long training to ensure that we receive preparation needed to be effective agents of foreign policy development.

Thank you again for holding this timely hearing and I would be happy to answer questions.

Senator AKAKA. Thank you very much, Mr. Naland. Ambassador Neumann.

**TESTIMONY OF AMBASSADOR RONALD E. NEUMANN (RET.),
PRESIDENT, AMERICAN ACADEMY OF DIPLOMACY**

Mr. NEUMANN. Mr. Chairman, Senator Voinovich, thank you for inviting me today to replace my colleague, Ambassador Tom Boyatt. You have his full statement and I would request that it be entered in the record.¹

I would like to make a few oral remarks. Simply put, the Secretary of State lacks the tools, people, competencies, program, and funding to meet U.S. foreign policy demands effectively.

To examine this problem, the American Academy of Diplomacy joined the practical background of many with government experience with the budget expertise of the Henry L. Stimson Center. We are grateful, Mr. Chairman and Senator Voinovich, that you have agreed to work with us. Essentially, this is a study to match resources with known requirements for all parts of the Function 150 account under the authority of the Secretary of State. We are looking at four broad areas: Core diplomacy, developmental diplomacy, public diplomacy, and crisis response. We have also looked at authority shortfalls.

The problems are longstanding, growing over many years and Administrations to a magnitude that now threatens the successful conduct of diplomacy. Let me note just a few examples.

In Afghanistan, where you know I served until last year, our Provincial Reconstruction Teams have each one State Department and one U.S. AID officer. With the best luck with rotations, we will only cover this need 10 months out of every 12. Two months out of every 12, we will be gapped, and that is our best.

U.S. AID lacks the contracting officers and supervision to flexibly manage its work. Since 1990, we have expanded the assistance budget 60 percent and reduced the workforce by about one-third. Is it any wonder that supervision is lacking and contractor problems dominate the headlines? And the world has changed. NGOs, multilateral organizations, and businesses all play a more promi-

¹The prepared statement of Mr. Boyatt submitted by Mr. Neumann appears in the Appendix on page 48.

ment role in foreign affairs, but we have not staffed to deal adequately with these actors.

We have no reserve in personnel or budgets to deal with crisis. We pay a serious opportunity cost in time lost as we struggle to reprogram funds, enact supplementals, and scrounge staff. The staff we grab for crises, leave great gaps behind, work undone. Funds come too late for initial impact, when we could do the most good. And we pay for this in our performance in crises and elsewhere as we pay for the lack of proper advance training.

For these reasons and on the basis of our study, we will endorse the State Department's request for additional State Department and U.S. AID personnel and for a crisis fund. We fully support passage of a Civilian Response Readiness Corps, S. 613, that has already passed the House.

Because our study looks further, 5 years, than a single budget, we call for more. These changes need to be part of the base budget because the needs are continuing. We call for a rebalancing of the remilitarization of diplomatic and development functions, the same issue to which Secretary Gates spoke yesterday. I have a copy, by the way, if your staff needs it, of his speech. This is not an issue of protecting bureaucratic turf. Rather, it recognizes that putting everything on the military detracts from their prime war fighting mission.

And second, the military lacks the ability to couple short-term response with long-term development. They can build a school quickly, but they cannot get the support for that school into the national education program. They can outperform U.S. AID in building a generator for a small city in Afghanistan, but they cannot integrate it into a national grid or long-term development of revenue collection to keep it functioning. There is room for everyone, but the civilians need the resources and authorities to hold up their end.

Our precise recommendations are still in review, but I can give you a general sense of where we are coming out. We believe that there will be a need for about 1,250 additional personnel each for core diplomacy, for U.S. AID, and for training. We will have precise recommendations in the early fall, and I hope we will be able to review them with you in detail.

Mr. Chairman, Senator Voinovich, the next Administration of whatever composition will have to deal with multiple problems, from terrorism to globalization, environmental degradation, and failed states. Opportunities also abound, from nonproliferation to improving financial systems and systems in the reach of law. These critical challenges and opportunities can only be met effectively through a significantly more robust capacity that features skilled diplomats and foreign assistance professionals.

Thank you for your attention. I would be happy to respond to your questions.

Senator AKAKA. Thank you very much, Ambassador.

You heard the State Department's response to our questions and I just want to ask you both, do you have any comments on their responses? Mr. Naland.

Mr. NALAND. Well, sir, as representatives of the Administration, the Department's spokesmen, spokespeople, need to toe the line, toe the Administration line, so they can only go as far as the Office

of Management and Budget has approved. And so the Director General, because there is a robust fiscal year 2009 request out there, he was able to speak to that, but I don't think he is in a position to go much more beyond that, whereas we—I, representing the union, and Ambassador Neumann, as a retired ambassador—are more free.

So I would say that the Department's spokesmen painted a rosy picture, but that is kind of his requirement, I believe. So I would paint it not so rosy.

Senator AKAKA. Ambassador Neumann.

Mr. NEUMANN. Thank you. I am not sure if this is a disagreement—I don't actually think so—with Director General Thomas. I think the bottom line to the question you asked him at one point is they do not have enough. They are asking for more, and if the 2009 budget were funded, they would be in a better position. But I would—and again, I think this is not disagreement—I would underline that means we will be in a better position in 2010 or 2011, after you take the money of 2009 and you hire the people and you train them and you begin to deploy them into the field.

We are in bad shape and we have to recognize that with the best plans now, including what the Department is asking for, and your response, we have serious time lags that we will continue to pay for, and the time lag question is one that—I think perhaps if you permit me to just take another minute—we need to focus on more because I think Washington is sort of a policy town. When we have made a policy decision, there is a sense of action completed, and we often don't focus on how long it takes.

I was very aware of this in Afghanistan, where, for one example, the Administration made a correct decision in 2006 to ask for a large budget in 2007, in the supplemental. That goes up in February, is voted on in the summer. Funds get out in the fall. By the time you do engineering studies, say, for a road, winter is setting in and you turn dirt in 2008 for a decision you made in 2006, and that is a long time in the middle of a war.

When we do not keep personnel costs in balance and when we do not keep the flow of people and of training and resources moving steadily, then we have that same kind of price to pay in our personnel and in our effectiveness and the same inability to speed it up. So that is my biggest concern.

I did hear, I think it was Senator Voinovich, asking about length of tours. I strongly believe that there are certain places where we need to keep people much longer. Not everyone every place. There are prices to be paid in family and welfare, and some of these jobs, of course, you can get a little hurt in. But we paid a terrible price for effectively having an institutional frontal lobotomy once a year in the Embassy of Afghanistan. We turn everybody over. Now, you have some very dedicated people who offset that, my colleague, Ambassador Ford, who is going back to Baghdad this summer for the third year. I had people in my embassy who had been in Afghanistan for several years who stayed. But there are very few and it takes a long time to build up the competence. Not everybody needs to be there, but you can't all go dumb at the end of the year.

That, I think, is more than enough. Thank you, sir.

Senator AKAKA. Thank you. Mr. Naland, to be more specific, the State Department talked about using Civil Service personnel to fill FSO billets. What do you think about that?

Mr. NALAND. Well, sir, that program has been around a long time. I have served at overseas posts where Civil Service employees were filling in and it has worked very well. The concern I have is if you get a much more expanded program or if you start targeting the counselor section or the deputy chief of mission, that is when you start putting in Civil Service employees who don't have the overseas experience in a position that I think you really need experienced people. And then you take away that opportunity from a Foreign Service member who is, one, in an up-or-out system, and two, who hopefully you are preparing to be a deputy chief of mission or ambassador.

So I completely understand the value of having Civil Service employees who are in Washington working on foreign policy to have an overseas experience so they can see it operating on the ground, but there has to be a balance, and if you start flooding overseas posts with Civil Service employees who don't have the experience and if you put them at an upper or mid-level position, then you are taking those developmental opportunities from the Foreign Service, which the Congress, in the Rogers Act of 1924, said that the Foreign Service is the main group of people who are going to be doing this stuff.

So I understand the need and the interest in giving Civil Service employees more of a rounding over there, but you need to carefully balance the fact that the Congress has created a Foreign Service as a separate system to have the brunt of these responsibilities overseas.

Senator AKAKA. Mr. Naland, you heard how the State Department plans to invest part of the funds appropriated from the Emergency Supplemental Appropriations Act for fiscal years 2008 and 2009. How much of the \$45 million in funding for staffing resources do you believe needs to be invested in the training and professional development of current employees versus the hiring and training of future employees?

Mr. NALAND. Sir, there is no one more in favor of training than I am, but the situation the Department faces right now are these gaping gaps overseas. The Director General said it was 200. I had heard that it was a higher percentage. But if he says the money that has been appropriated will hire 140, those 140 need to be hired tomorrow and put in the orientation training and the consular training and the other training and then they just need to go straight out to posts to fill these positions that are unstaffed.

I think it will be the 2009 budget, and the American Academy of Diplomacy project, I think, will document this. Once, if the Congress does appropriate more, higher numbers, and I am talking the 1,076 that the Administration is requesting, once you get those numbers appropriated, then you can start building in the training complement that Secretary Powell wanted to build, but he started and then it went to Iraq.

So now it is an urgent need to get those new positions out overseas doing the jobs, unfortunately. But as more funding is appropriated, if it is, new positions above that hopefully will go into

training because as my testimony states, I think we do need a Goldwater-Nichols II kind of thing.

I had the opportunity to go to the Army War College. I had the opportunity to work in industry. But that is rare for a Foreign Service officer. I think all of my colleagues need to have at an NGO or Homeland Security or the Department of Defense or CIA—and all of my colleagues need to attend some kind of service college. The State Department used to have its own senior seminar, but we abolished that. So there is no one more in favor of training than I am, but I just don't think we can do that right now until a lot more positions are provided.

Senator AKAKA. Thank you. Senator Voinovich.

Senator VOINOVICH. We are going to be anxious to get the reports from the Academy, Ambassador Neumann. It seemed that when Secretary Powell came on board and brought Dick Armitage with him, that there was a shift in the management of the State Department, and that somebody was paying attention to the people employed by the State Department and the human capital challenges.

Then he was replaced by Secretary of State Rice. I will never forget that when they suggested Zoellick for that job, I was quite concerned because I didn't really think that Zoellick should have that job. I didn't think that management was his forte. And then he left and we had Henrietta Fore, and now we have Mr. Kennedy, who everyone says is kind of good.

Are any of these reports going to come back with recommendations on what the relationship with the Secretary should be and where human capital ought to be in terms of its priority in the Department? Senator Akaka and I started out when human capital was given little consideration here. Now we have the Chief Human Capital Officers Council that meets together. I would be interested in your comments about perhaps a job description for the person that should have that responsibility and what the relationship should be.

I just think that in spite of Secretary Rice's conscientious focus that we have really fallen down in the last several years. I am concerned that morale is really low. The question is whether or not folks are going to stick around until the next group comes in to find out whether or not things are going to get any better. But I would be interested in your comments, both of you, for that matter.

Mr. NEUMANN. Did you want me to start?

Senator VOINOVICH. Yes.

Mr. NEUMANN. I spent 37 years in the Foreign Service and I have often thought that there must have been some really golden age of morale, because in 37 years, I think I heard every year that morale was lower than it had ever been before. So it must have started very high, indeed. [Laughter.]

That said, I would say, first of all, in answer to your particular question, there is nothing in the reports we are now working on which goes directly to what you asked about, that is creating this sense of downward loyalty and respect. I think that is an important question, but it is not the question of numbers and direct fiscal resources and personnel which we have focused the report on.

My own observation—Mr. Naland will have his—is that this is an area in which the Department has not been good throughout my

career. When I was an Army officer, an infantry officer, we were very keen on the idea that loyalty had to be a two-way street. You had to have loyalty down in order to get loyalty up to get esprit. I don't think Secretary Rice is particularly bad. I think she does care about people. But I think the Powell-Armitage period, coming with their military background, was a particular blip. That was the outlier. It was a good outlier, but that was the outlier of the system.

Senator VOINOVICH. It would be interesting to look at the management style and what they did and why was there receptivity to their plans.

Mr. NEUMANN. Because people felt like they cared about them.

Senator VOINOVICH. What are the things that they did that—it is an intangible to a degree, that may help the next Secretary of State improve morale, or in the alternative, maybe even have something put together for the next President in terms of the kind of person that they should be looking for to hold the Under Secretary for Management port. We must address the problem of low morale, given the number of State Department employees that can retire tomorrow.

Mr. NEUMANN. So far, they are not.

Senator VOINOVICH. Yes.

Mr. NEUMANN. I mean, up until now, cross my fingers, knock on wood, but the attrition rates are staying pretty close to historical norms. I think Mr. Naland has noted that there is a little blip, but it is not clear if it is changing.

I do think, sir—I agree with you, but I think it has to go much deeper. I think we are talking about an institutional culture. We have to have a series of Secretaries and a series of leaders who demonstrate by their own action that they are fighting for their people, they are fighting for their budget, and they are fighting for their welfare. And that has to be replicated all the way down.

We have not particularly taught that, nor have our officers necessarily exercised the kind of leadership that they complain about not getting from their superiors. And I have known for 30 years secretaries who felt they didn't get enough respect from junior officers, which suggests to me that they are not treating their subordinates any better than the folks on top are treating them. We have to work on the entire culture up and down the chain if we are to really change that part, but at the end of the day, it begins at the top with leadership.

I hope that isn't too long of an answer to say, yes, I agree.

Senator VOINOVICH. Well, it would be welcome if there was some evaluation of what some of the ingredients that should be present for this to occur. I mean, I know when I was governor, we trained 56,000 people in Total Quality Management. I went to school for a week with my labor leaders. I made it a top priority. Frankly speaking, one of the biggest problems I had was with middle management because they had grown up in a system where they were told what to do and then they got there and they figured, now it is my turn to dish it out. So we had to break that.

But maybe that is an approach that could be used. I think it is, again, intangible, but I think it is one that, if identified, can be addressed.

The other thing that I am interested in is that we have a new enemy out there today that is a little different than what we have had before. It is Islamic extremists, religious fanatics that have hijacked the Koran and persuading people that the way to heaven is jihad.

Would either one of you want to comment about how this has placed a different dimension on the State Department in terms of its relationship with the Defense Department? I have Secretary Gates' speech here and I will read it. Would either one of you want to comment on this? Is this something new that needs to be taken into consideration in terms of how we deploy people and what we ask them to do?

Mr. NALAND. Well, sir, my next assignment is to Forward Operating Base War Horse in Baquha of Diala Province in Iraq, and it is the first time I will have led a Provincial Reconstruction Team, I can tell you that. So the Foreign Service has changed dramatically. We have 900 unaccompanied positions, which is—if you think of DOD, 900 sounds like a teeny number, but for the Foreign Service, it is a huge number. So the Foreign Service career has changed dramatically, and so we are working more with the military.

As Secretary Gates has said, the military has taken on tasks that they really shouldn't be doing. A general once said, don't equate enthusiasm with capability. The gung ho—and I was an Army officer. The Army will try anything if there is a vacuum, but there shouldn't be that vacuum. The Foreign Service should have the strength and the training, not just point us there and say, go do it, but give us the training.

So the world has changed. It is more dangerous for the Foreign Service. We had a consulate in Turkey attacked last week. And that raises a whole other issue of the kind of embassies we are building around the world and where are they and risk management as opposed to risk avoidance. So the Foreign Service is a risky occupation and that is just the way it is. As long as the Congress appropriates funds for embassy security and we hopefully build reasonably secure embassies from which we can do our job, not just sitting on some mountaintop, the Foreign Service will be out there, will be working with the military, and I am sure Ambassador Neumann could—

Mr. NEUMANN. I seem to have a certain talent for picking the kind of places you were talking about, Senator Voinovich, since I was ambassador in Algeria where there was a blanket death threat to all foreigners and about 16 months in Baghdad before going to Kabul. I have served also in Bahrain and Abu Dhabi, Iran before the revolution, and Yemen.

I think there are two different kinds of challenges that are coming. One is specifically with the military interaction. The other is more generally in the Muslim world. On the military, I think what you are seeing is, first of all, we are operating jointly at a much lower level than we have ever done before, and that is putting a strain on the military, as well, because even though they are far more geared to the idea of joint training and training their people for joint work, that traditionally was something that began at the lieutenant colonel, upper lieutenant colonel level, and colonel level. Now you have all these PRTs run by lieutenant colonels who have

never had joint experience themselves, with mid-level State Department officers who have had no training in jointness.

This goes back to, again, the need that Mr. Naland and our report are flagging for training. I have been giving lectures at Fort Leavenworth at the Command General Staff College. They are avidly seeking State officers to participate in their training. That training has been substantially re-gearred since I was an officer many years ago. It is now much broader in concept. They are very aware of the need for this jointness. But they can't get the civilians to play because there are no civilians to send. So we need more of the training.

The other is the civilians do not have the resources in personnel and in authorities to hold up their end. It is causing a lot of frustration in our military colleagues and you get a lot of finger pointing back and forth. There are a lot of reasons for that. I won't take your time today. But there is an authority gap at the middle. We are very focused on policy, somewhat on resources. We are not producing the changes in the ability to handle, what I would call the operational level overseas. I think this is a significant issue in Afghanistan.

More broadly outside the military, we are suffering from the absence of people who can hold their own in public discussion in Arabic. We have all the staffing gaps, things we talked about, but Arab countries are very oral and personal and we get a lot more out of the person who can engage in a smaller forum directly because of the ripples that spreads. It is very counter intuitive for Americans. We are very focused on electronic media, what gives you the most hits, Internet sites. These things have very little credibility in the Arab world. Much more credibility is gained by the individual who can make an effective back-and-forth with people, and we have very few personnel with the language level.

We have a lot of people intellectually who can do it, very few with the language level to be able to actually interact in that way. I think if we had 100 people who spoke really top-flight Arabic, we would get five times more out of them than we would get out of any amount you could put into television and broadcasting.

Senator VOINOVICH. I am sorry, Senator. I took much more time than I was allotted.

Mr. NEUMANN. I am sorry for such a long answer, sir.

Senator VOINOVICH. That is fine.

Senator AKAKA. Thank you, Senator Voinovich.

Ambassador Neumann, in your testimony, you mentioned the need to fill all current vacancies and increase staffing by over 3,000 positions. However, the State Department only hires FSOs into entry-level positions. It will take years before these employees have the experience required for mid-level supervision, and you mentioned that in your responses it takes time before they are finally in service. How would you recommend the State Department address the current shortfall in staffing?

Mr. NEUMANN. I do think we should meet it as the Director General has said, as the Ambassador has testified. I do think we should move people up inside for a whole variety of reasons that have been mentioned. I think it is a problem, but when you look

back at the expansion of our armed forces in war, we are capable of moving people rapidly.

I don't know whether this question has been looked at already, what kind of accelerated training do we need to be designing now in order to put the people in place if we get the money and get the positions that we are asking for? I hope that we are already in the Director General's Office of FSI thinking about how we are going to do internal rapid promotion to deal with expansion, what supplementary training are we going to have to do rather than just learning by having problems. I have not asked that question. It is certainly one worth looking at, and I suspect that we are going to have to have some authority to deal with some of the increased positions through temporary hiring, as U.S. AID is doing.

U.S. AID for many years has not had the personnel it needs to run its jobs. It has done personal services contracts. We might look at some of that for key positions—well, key positions is a bad word, but for certain things to bridge a gap. It is not a good way to build a career service because you lose a lot of people you get in. They learn and you lose them. They walk out the door.

But I think we should be looking at internal promotion. We get into a lot of other issues if we try to break out of that. But how do we do it most effectively? How do we have the foresight to run it and what steps do we look at to ameliorate the gaps between when we have the positions authorized and when we have built a full Foreign Service.

Mr. NALAND. Sir, if you look at the Inspector General's report, the September 2007 volume, there is an Appendix A that has a chart, and Director General Thomas, I believe, referred to this, showing how the existing mid-level deficits will be closed in approximately a year and a half through normal promotion from within.

Mr. NEUMANN. Not if you are taking them for training.

Mr. NALAND. Not if you are taking them for training. So the existing gaps with continued hiring and attrition will be closed through training—I mean, through promotions. If there are large numbers coming in, which we obviously recommend, I am sure that Congress would phase that in, and so it might take 4 or 5 years for the full number to be phased in, and then you might have to wait 5 years to have the mid-level training course that the Foreign Service doesn't have but all the uniformed services do. So it might take a little while, but by the second term of the next President or the first term of the President after that, it will be taken care of.

Senator AKAKA. You both have backgrounds in the Foreign Service. What is your perspective on the Civil Service and the interaction between the two services? Mr. Naland.

Mr. NALAND. Well, sir, I represent the Foreign Service, so I speak from that perspective. There has been—and Secretary Powell very much tried to get past this rivalry. There has been a rivalry between the Foreign Service and the Civil Service. I am not an expert on the Civil Service system. You all are much more experts than I am, but the Foreign Service system makes a lot of sense to me. It is a rank in person position. You can move around to different jobs and you don't take a pay cut, unless you go overseas,

but that is another issue. Whereas the Civil Service, you are what your position is and it is a much more rigid system.

So I think, as maybe Linda Tagliatela or maybe the Director General was saying, more work needs to be done on reforming the Civil Service to give them some more opportunities, and if they weren't in such a straightjacket, then they wouldn't feel so envious sometimes of the Foreign Service.

So some reform is needed, I certainly agree to that. But again, I go back to the Rogers Act of 1924 that said we need a Foreign Service to do the Foreign Service thing. So there is going to be some crossover there, but if the Civil Service just floods into the Foreign Service, then it would destroy the Foreign Service.

Senator AKAKA. Mr. Ambassador, do you have any comments about that?

Mr. NEUMANN. I fundamentally agree. I mean, I have more of the overseas perspective because most of my domestic jobs have not had a lot of Civil Service contact, so I don't want to speak to things you know more about than I do, sir. From the overseas position, I have been enormously grateful to very dedicated civil servants who have come out on volunteer tours and worked in my section in Baghdad and my embassies in Kabul and Bahrain. They have been vital to us.

I favor a flexibility at the margin for both services. I would not favor taking away the Foreign Service, or for that matter, trying to shoehorn a great many people who want a certain amount of stability in their lives into accepting the requirements for regular movement. Remember, under normal practices with the five/eights rule, a Foreign Service officer has very limited time back in Washington and then you have to get yourself back overseas, often to a difficult job.

If we were to deal with some much larger merger, you would either impose a great many demands on the Civil Service, which people did not sign up for, or you would have to make a great many exceptions. I think this simply takes a limited number of problems that we have now, which we are beginning to get a sense of how to fix, and gives us a whole shovelful of additional problems that we have no idea how to cope with. So I would stay away from that one.

Senator AKAKA. Following his questions, I will ask my final questions. Senator Voinovich.

Senator VOINOVICH. Would either one of you want to comment on the problems that you have experienced over the years because of continuing resolutions and how they have impacted your operations? The reason I am asking this question is I am trying to put together a paper right now on the downside of continuing resolutions in terms of the management of our Federal Government, and in some instances, it now contributes to the spending of a lot of money that probably wouldn't have to be spent if we managed our government the way we were supposed to.

Mr. NEUMANN. I would comment a little bit. Obviously, I think one should be careful not to attribute to the continuing resolution problems which are inherent in year-by-year appropriations. You don't know when you are in the field what your final number is until you have a final number. That is true of both.

The continuing resolution, though, has, at least in my experience—let me just focus on Afghanistan—two particular problems, one which is worldwide. That is it does not make any allowance for major changes in circumstances from the previous year, like inflation, so that in effect, a continuing resolution may be a resolution to decrease the effective budget.

Second, it makes it very difficult to tell where you are going, so that, for instance, one planning example that goes to, I think, the question you asked, sir, we were dealing with trying to lay out what we would do with the 2007 supplemental, which had not yet been voted on, and with the proposed 2008 supplemental and how to cross-level programs between them so that we—for instance, you would use some money to do an engineering study so that by the time you got the next appropriation, you would be ready to move and build a road rather than starting a whole process in that project.

When the decision was made to do a continuing resolution for 2007, that effectively required us to relook at three budget years in order to redo that cross-leveling process, because we were going to be, I think, if I remember right, about \$150 million lower by virtue of continuing resolution than we had expected to be in a new appropriation, which seemed to have fairly broad support.

Now, that wouldn't always be true in every country, where you wouldn't necessarily know or have the same level of support, but in that case, it did slow us down and require a pretty considerable expenditure of effort to try to figure out, if you couldn't do the things you were going to do, which pieces would you do where and how would you move them around.

Senator VOINOVICH. Over the years, I have been involved with pay-for-performance in the Senior Executive Service. I can remember being in an embassy 4 or 5 years ago where I was having dinner and talked about pay-for-performance and the wife of the ambassador said, "Well, here is the deal. You have five people who are OK. You have got five people that are a little better. And then you have got five of them that are really super-hitters and the fact is they all get kind of treated the same way." Would either one of you want to comment on that in terms of management and rewards?

Mr. NALAND. Well, sir, the Senior Foreign Service is now under pay-for-performance—

Senator VOINOVICH. Yes.

Mr. NALAND [continuing]. And the pay increase that the Congress voted for last year was apportioned according to a pay-for-performance-graded schedule and the top performers, as judged by their promotion selection boards, got a higher increase than the people in the middle and the people in the lower end. I am not Senior Foreign Service myself, but my understanding is that it has been implemented by the Department of State as intended and that not everyone got the same thing. It was the better performers who got—

Senator VOINOVICH. But what has the feedback been, good thing, bad thing, neutral?

Mr. NALAND. Sir, I really couldn't address that. There have been no complaints, I will put it that way.

Mr. NEUMANN. My overall sense is that it has worked reasonably well. It is much harder to do in the governmental environment than it is in a private business because you don't have the bottom line of dollars and cents, which allows a much clearer determination in private business. So there is always going to be a subjective quality to pay-for-performance when you try to apply it to something like the Foreign Service. What is the bottom line that you are measuring? It becomes rather subjective.

My sense overall is that in the Senior Foreign Service, it has worked reasonably well, probably not worth throwing out the baby with the bathwater, but I think you can make too much of a theoretical argument in favor of it given the problems of implementing it.

I would be very dubious about trying to push it down into the system as a whole. That is only my personal prejudice. I think the redeeming element now is that you have the promotion panels making these judgments. If you get to the point where it is a supervisory judgment, the risk of politicizing the process would, I think, be very serious and I would have great reservations about it. But I have not studied it fully. It is my horseback judgment.

Senator VOINOVICH. Senator Akaka talked about the Civil Service and maybe expanding those assignments into some new areas. Do you think that we are managing the locally-hired people as we should? My gut tells me that if you have some locally-hired people and they are pretty good folks, that it is a pretty good public relations thing for the local embassy.

I think we ought not to send any non-Foreign Service person or political appointee, to be an ambassador to a country where they don't speak the foreign language. When you have people who know the language they have a real ability to do a whole lot of good. Do you think we are utilizing these people enough, or—

Mr. NEUMANN. No, I don't. On the local employees, I think we could do better by them. Obviously, it is a question that has a lot of variation. When you are talking locally-engaged employees in London or Paris, you have quite a different situation. In developed countries, they usually have a national retirement scheme of some kind into which we, as an employer—my understanding is we also pay. I think that is correct.

The biggest problem is in many countries where there is not an adequate scheme, if they are developing countries, or if there is, there is very little confidence that the law will actually be reflected in the reality. In those places, I believe we really ought to do a bit more. I am glad we are going to be prepared to invest their money for them, if I understood the Director General correctly, but our sole contribution, if I understood him, seemed to be that we would waive the brokerage fee. I think we should be a little more generous in terms of retirement contributions. I have not studied it. I certainly don't want to pronounce for the Academy.

There are limits to what we can do with locals. There are many countries in which they come under political pressures, under familial pressures that you also have to understand how far you can ask them to be fully loyal.

Senator VOINOVICH. Right.

Mr. NEUMANN. But they do an awful lot for us. They make it possible for us to survive. I had employees in Afghanistan who worked two generations with the embassy, some of them who took care of the embassy in the many years when we had no Americans there. Some of them were tortured by the Communists and then by the Taliban for protecting our facilities or for presumed knowledge. One of them hid out for 3 days in the basement until the rockets let up so he could come out again. And they remained loyal all this time. We do extraordinarily little for those kind of people.

Senator VOINOVICH. Thank you. Thank you, Senator.

Senator AKAKA. Thank you very much, Senator Voinovich.

My final question to both of you, if you had three recommendations you could make to this Administration in its last 6 months and also to the incoming Administration to address the human capital and management issues at the State Department, what would they be?

Mr. NALAND. Sir, I guess I would focus on the next Administration. I would say that the next Administration, if they want a strong diplomacy, really need to come forward and ask for the resources for diplomacy. And they really need to look at the training issue. There is this feeling in the Foreign Service that we don't need training, and I understand the Navy used to be like this, that if you weren't at sea, you were wasting your time. And in the Foreign Service, there is sometimes a feeling that if you are not overseas, you are wasting your time.

There needs to be this understanding that has gone through the military now after Goldwater-Nichols that you need training, and if the Congress has to put benchmarks that have to be followed, then yes. So I would say focus on training.

And then the next Secretary, whether he or she wants to or not, needs to focus some time on these management issues. We have had extraordinary Secretaries like George Marshall, George Shultz, Colin Powell, who just did it naturally, but whoever the Secretary is, whether they want to or not, they really have to spend some time on these issues because when the Secretary does, then all of the people below him pay a lot of attention. And it is kind of like a university president. Whether they like to or not, they have to raise funds. They just can't be a scholar. Well, the Secretaries, they can't just be a policy wonk, has to focus on management. So those are the things that I would recommend.

Senator AKAKA. Thank you very much, Mr. Naland. Ambassador Neumann.

Mr. NEUMANN. I had the benefit of being able to think a little while Mr. Naland had to jump into that question. I think the first thing is—and again, it really is the next Administration because the time is up for getting new resources.

First, is to recognize that there must be a paradigm shift in the State Department budget, that it is really the national security budget. The things that need to be done in the magnitude that need to be done cannot be incorporated by percentage shifts on the margin of the existing base, and that requires an acceptance that they are not starting from the existing budget plus or minus 2 or 3 percent. If they don't do that, they will try to shoehorn, cram

things somehow, tease them out, and get a supplemental. None of those things will work.

Second, I would say to the Secretary of State, you have to fight for the budget within the Administration. If you do not have acceptance from OMB that this paradigm shift is going to occur in the budget, then you will spend a lot of time putting it together in the Department and watch it come back to you in shreds and tatters.

And third, the Secretary has to work personally with Congress to craft acceptable ways of going forward that both parties and both Administrations can accept and to build a base that can sustain a different approach over multiple years, over time, over Administrations and parties. We may not get back to bipartisanship in foreign policy, but we have to get back to bipartisanship in the establishment of a qualified diplomacy.

Senator AKAKA. Well, I want to thank both of you very much for your responses. The lack of adequate investment in the State Department's most valuable asset, which Senator Voinovich and I feel are the employees, is reaching critical mass. In the next 6 months, I hope the current Administration continues to develop strategies to invest in the staffing shortfalls, and we need to look at the incoming Administration. I hope that we can continue to work together to develop recommendations and elevate the priority of these issues we have been discussing.

Again, I want to thank all of our witnesses for being here today. The hearing record will remain open for one week for Members to provide additional statements or questions for the record.

This hearing is adjourned.

[Whereupon, at 4:17 p.m., the Subcommittee was adjourned.]

A P P E N D I X

**STATEMENT
OF
AMBASSADOR HARRY K. THOMAS**

**DIRECTOR GENERAL OF THE FOREIGN SERVICE AND
DIRECTOR OF HUMAN RESOURCES
DEPARTMENT OF STATE**

**BEFORE
SUBCOMMITTEE ON OVERSIGHT OF GOVERNMENT
MANAGEMENT, THE FEDERAL WORKFORCE, AND THE DISTRICT
OF COLUMBIA
SENATE COMMITTEE ON HOMELAND SECURITY
AND GOVERNMENTAL AFFAIRS**

**HEARING
ON
HUMAN CAPITAL ISSUES AT THE DEPARTMENT OF STATE**

JULY 16, 2008

Chairman Akaka, Ranking Member Voinovich, and Members of the Subcommittee, thank you for this opportunity to testify before you today to address the Department of State's efforts to hire, develop, position, and support our dedicated corps of Foreign Service, Civil Service and Locally Employed staff to effectively meet the challenges of our worldwide mission. The Bureau of Human Resources (HR) has the critical responsibility to manage the Department of State's greatest asset – our personnel. Our principal task is ensuring that we have the right people in the right place at the right time with the right skills.

Maintaining the highest standards of operational readiness worldwide is an increasingly challenging undertaking, as the number of positions at the most difficult and dangerous posts continues to rise without a concomitant increase in resources, and the Department faces the potential loss of expertise and experience through impending Civil Service and Foreign Service retirements. The Department's foreign policy objectives have led to a proliferation of much-needed language-designated positions, many of which require lengthy training to gain proficiency in "superhard" languages such as Arabic and Chinese. Our personnel need these language skills to conduct outreach to foreign audiences, negotiate and consult with other governments, and effectively assist American citizens at our embassies and consulates around the world.

State Department employees are serving in more remote, isolated and dangerous locations than ever before. There are over 900 positions overseas that are designated "unaccompanied" or "limited accompanied" for reasons of hardship or danger. Considering the modest size of the Foreign Service, that means that approximately one out of every thirteen Foreign Service Generalists or Specialists

is serving in a location that is too dangerous for families to accompany. This is a dramatic change from even ten years ago when there were less than 200 unaccompanied positions. The HR Bureau is committed to ensuring that these employees, and the rest of our personnel around the world, receive the support and training they need to succeed in their current posts and when they move on to their next assignments – whether abroad or here at home.

In meeting the Department's personnel needs, our goal is to work smart, reward innovation, increase transparency, and gain customer satisfaction. Let me share just a few of the initiatives the HR Bureau has undertaken to meet that goal. We have adapted and streamlined our recruiting, hiring, and assignments processes in line with the Department's policy priorities and increased our support to employees and families experiencing unaccompanied tours. Nearly 8,000 candidates have taken the redesigned, web-based Foreign Service Officer Test since it was introduced in September 2007. The written test is the first critical step in seeking entry as a Foreign Service Officer. Over three years, we have effectively repositioned many of our political, economic and public diplomacy officers overseas to the posts where they are needed most. Where we have vacancies, we have drawn on qualified Civil Service employees and Eligible Family members to fill positions in Iraq, Afghanistan, and other hardship posts around the world. We are pursuing ways to take care of the dedicated Locally Employed staff who play a critical role in supporting our missions overseas, sometimes at great personal risk, and are maintaining a strong and positive relationship with State retirees after their careers have ended.

In Washington, we have introduced a career-enhancing rotational program for midlevel Civil Service employees and rolled out a new performance evaluation

form for Civil Service personnel that links work requirements to the Department's strategic goals. The HR Bureau has also reinvented the way personnel actions are initiated and processed by replacing paper forms with online, self-routing applications. We have automated the Foreign Service retirement process and captured thousands of personnel files electronically to allow us to serve our customers more quickly and efficiently. In seeking ways to improve the delivery of HR services throughout the Department, we are implementing a tiered services concept that consolidates human resource functions across bureaus and brings information straight to employees through an online HR database and central service center.

The initiatives that I have just mentioned, as well as many others that I have not covered today, addressed the vast majority of the recommendations made by the Department of State's Office of the Inspector General (OIG) based on their regularly-scheduled inspection of the HR Bureau in late 2006 and early 2007. Following the standard practice after an inspection, we maintain an ongoing dialogue with the Inspectors. To date, we have accepted or otherwise reached agreement on 51 of the 59 OIG recommendations. We will continue to work with the OIG and other bureaus within the Department of State to resolve the eight outstanding recommendations, with the aim of finding mutually satisfactory solutions that balance the needs of the Department with the needs of our employees.

Some of the issues raised by the OIG are related to the Department's requirements for additional personnel resources and cannot be remedied without increased funding for new positions. As Secretary Rice and other senior officials have testified repeatedly, the Department's staffing needs exceed our current

resources. The 2007 OIG reports on the HR Bureau, as well as recent reports done by the Government Accountability Office (GAO), the Foreign Affairs Council, the Center for Strategic and International Studies (CSIS), and other groups, point out that the Department needs additional resources to fully staff our more than 285 posts worldwide and to allow our employees to receive necessary language and professional training.

The Department is dealing with a deficit of mid-level Foreign Service Generalists due to hiring shortages in the 1990s. This deficit is declining as Foreign Service Officers hired in 2002-2004 under the Diplomatic Readiness Initiative gain experience and are promoted through the Foreign Service system, much as the military promotes through the ranks. Even as the midlevel deficit shrinks, however, we are starting to see gaps at the entry levels because the Department's requirements and responsibilities have increased without a commensurate increase in personnel. Since 2004, personnel resources have not kept pace with the number of entry level positions needed to deal with the burgeoning consular workload abroad, to conduct outreach, and to achieve other policy objectives.

For each of the past four years, the President's budget submission has included a request for new State Department positions. The Department of State's FY2009 budget requests around 1,100 new personnel for State and 300 new personnel for USAID, not including fee-funded positions. If approved by Congress, these new positions would go a long way toward addressing critical diplomatic needs overseas, building our training float, and increasing our capacity to engage in interagency efforts. We appreciate Congress' support of the State Department's Diplomatic and Consular Programs (D&CP) account in the FY2008

Supplemental and the FY2009 bridge funding, which allows the Department to take an initial step of being able to hire around 140 new personnel above attrition over two years. We hope the Congress will fully support and fund the remaining personnel request in the FY2009 budget.

The Department's FY2009 budget request also includes funding for Foreign Service Compensation Reform, one of our top legislative priorities. The Foreign Service Compensation Reform provisions in the Department's FY2008-2009 Authorization package, if passed and enacted, would eliminate the nearly 21 percent overseas pay gap in base salary faced by FS-01 members and below serving overseas and would introduce a pay-for-performance system for all Foreign Service members. We look forward to working with Congress to pass these crucial reforms to eliminate the growing financial disincentive to serve abroad and to introduce a performance based pay system.

The challenges of managing the State Department's human resources activities around the world are significant, but we are doing our best to meet those challenges. With the support of Congress and the enactment of the FY 2009 budget request, I am confident that we can continue to attract and retain a skilled workforce, to support our dedicated employees and their families, and to build the next generation of State Department leaders to ably represent the American people in pursuit of our nation's foreign policy interests.

Mr. Chairman, I thank you for the opportunity to address you today and I would be happy to answer your questions.



Testimony of John K. Naland
 President, American Foreign Service Association

*Senate Committee on Homeland Security and Government Affairs
 Subcommittee on Oversight of Government Management, the
 Federal Workforce, and the District of Columbia
 Chairman Daniel K. Akaka (D-HI)*

Hearing on:
 Domestic Crisis with Global Implications:
 Reviewing the Human Capital Crisis at the State Department
 July 16, 2008

Mr. Chairman, Senator Voinovich, and distinguished subcommittee members, the American Foreign Service Association (AFSA) welcomes this opportunity to speak before this subcommittee on the subject of the Department of State's human capital crisis. AFSA is the professional association and labor union representing our nation's career diplomats. We are grateful to you for convening this hearing on this vital issue. I will make an opening statement and then look forward to answering any questions.

The title that you selected for today's hearing could not be more accurate. As America prepares to hand over unprecedented foreign challenges to a new President, our nation's lead foreign affairs agency is hobbled by a human capital crisis. Here are some key facts as best as AFSA can determine them:

- Due to the mismatch between resources and requirements, hundreds of Foreign Service positions worldwide are now vacant. As a result, the State Department is reportedly moving to "freeze" (leave unfilled) about 20 percent of the Foreign Service jobs (overseas and domestic) due for reassignment in summer 2009 (excluding fully-staffed Iraq and Afghanistan). That is on top of other positions left unfilled in the 2008 assignment cycle. All together, 12 percent of overseas Foreign Service positions are now vacant.
- Many Foreign Service positions are held by under-qualified personnel. Some 19 percent of positions worldwide are held by employees "stretched" into a job designated for a more experienced person. Many positions are held by people who lack necessary training. For example, a 2006 GAO report found that 29 percent of diplomats in language-designated positions did not meet the job's language proficiency requirements.
- Foreign Service members continue to be shortchanged when it comes to training, especially long-term professional training. As a result, today's Foreign Service does not have to a sufficient degree the knowledge, skills, abilities, and outlooks needed for 21st

century diplomacy. For example, while Army officers are sent to six-to-nine month-long professional education courses three times during their careers, Foreign Service members are rarely offered even one such opportunity. Elsewhere, AFSA estimates that less than 20 percent of Foreign Service Officers have had training in negotiating (imagine if only 20 percent of Army officers had been trained to fire a weapon).

- Because our nation has under-funded diplomatic engagement while building up military muscle, the U.S. military has increasingly taken on tasks once assigned to diplomats and development professionals. For example, over 20 percent of U.S. bilateral official development assistance is currently administered by the Department of Defense. If left unchecked, this growing militarization of diplomacy and foreign assistance will reduce America's options when responding to foreign challenges. As the saying goes, "If the only tool you have is a hammer, then every problem looks like a nail."
- The work of diplomacy has become increasingly dangerous. The deterioration can be seen in the number of posts that are too dangerous to permit employees to bring their families along. Since 2001, the number of unaccompanied and limited-accompanied Foreign Service positions has quadrupled to over 900 positions at two dozen posts. That is a dramatic change for an institution that had just 50 such slots to fill when I joined. Last week's deadly attack on the U.S. Consulate in Istanbul, Turkey, underscores the dangers that our diplomats face overseas.
- The Foreign Service has faced an unprecedented high operational tempo in recent years. Well over half of the Foreign Service has served at a hardship post within the past five years. Over 30 percent of the Foreign Service has served in an unaccompanied position within the past five years. Over 20 percent of the Foreign Service has served in war zone Iraq or Afghanistan. With two-thirds of the Foreign Service forward deployed overseas -- and two-thirds of them serving at hardship posts -- there is no remaining "bench strength" with which to staff future new contingencies.
- Foreign Service morale has been seriously damaged in recent years. Inadequate staffing, insufficient budgets, and poor management have left the Foreign Service a career out of balance. Many employees have concluded that their loyalty has been a one-way street as their employer has not reciprocated with needed resources and benefits. Employees' top disappointment is the exclusion of overseas Foreign Service members from receiving the "locality pay" salary adjustment given to other federal employees.

These harmful trends have been accumulating for a number of years. Unfortunately, little has been done to ameliorate them:

- The Bush Administration dramatically increased Foreign Service staffing demands without taking decisive action to increase personnel. Unfunded mandates include 325 positions in Iraq, 150 in Afghanistan, 40 in the office to coordinate reconstruction efforts, 100+ training positions to increase the number of Arabic speakers, and 280 new positions in areas of emerging importance such as China and India. While AFSA strongly endorses the Administration's FY09 budget request for over 1,000 additional employees, we regret

that the Administration waited until its final budget request to seek these long-needed staffing resources (Secretary of State Condoleezza Rice's largest previous budget request asked for less than one quarter of the additional positions that are being sought in FY09).

- Congress, which has the constitutional duty to appropriate monies to advance national goals, did not insist on closing the Foreign Service staffing gaps. Congress did not even fund the Administration's inadequate FY05 to FY08 position requests which sought to add a total of 760 additional State positions (excluding positions Congress earmarked for consular and security). AFSA certainly lauds Congress for including some funding for new Foreign Service positions in the FY08 Iraq Supplemental, but much more is needed.
- Congress has yet to pass a correction to the now 14-year old unintended inequity in the worldwide Foreign Service pay schedule. Today, junior and mid-level diplomats take a 20.89-percent cut in base pay when transferring abroad. Thus, they take a pay cut to serve at all 20-percent and below hardship differential posts -- 183 of 268 overseas posts (68 percent). At this rate, within three years, another 42 posts -- those at the 25-percent hardship level -- will fall into that category, unless the overseas pay disparity is corrected.
- Secretary Rice's signature "Transformational Diplomacy initiative proved to be more of a slogan than a program. Its centerpiece was a Global Repositioning Program that moved 280 positions from one place to another. Unfortunately, as the September 2007 State Department Inspector General report documents, the transferred positions often did not come with adequate support resources to enable the employees to execute programs, travel around their host countries, and undertake other "transformational diplomacy" tasks.
- For the past year, senior State Department management officials have focused almost exclusively on the short-term need to staff Iraq and other unaccompanied posts. By treating human resource management as a sprint rather than a marathon, the State Department has altered assignment and promotion policies in ways that may mortgage long-term needs in order to achieve short-term results.
- Senior officers at the State Department have failed to protect the Foreign Service. For example, even as staffing fell behind mission requirements, key officials failed to insist -- if necessary at the point of resignation -- that more resources be requested from Congress. Key officials undermined public confidence in the Foreign Service in fall 2007 by noisily threatening to order personnel to Iraq despite the fact that the Foreign Service has stepped up year after year to volunteer to fill the ever-increasing number of positions in Iraq.

As a result of these factors, the next Secretary of State will inherit a human capital management system that is in crisis and a Foreign Service that is at a tipping point. This will saddle the next Administration with serious logistical constraints to implementing their foreign policy initiatives.

Thus, now is the time to address these urgent human capital needs. The next President, whoever he is, will want a strong diplomatic corps to work hand-in-hand with our strong military. Delaying sending in diplomatic reinforcements would reduce the new President's

flexibility in crafting foreign policy and would continue to place undue burdens on the military to carry out tasks for which it is ill-suited. Therefore, while I commend Congress for providing some additional staffing funding in the FY08 Iraq supplemental, I continue to urge timely passage of the full pending FY09 request for the State Department and USAID.

Longer-term, the forthcoming Function 150 budget study by the American Academy of Diplomacy is expected to provide a multi-year blueprint for fully repairing the urgent human capital needs of diplomacy and development assistance. Once that study is published, I urge Congress and the next President to act urgently on its recommendations.

For my own part, as the President of the American Foreign Service Association, I underscore the need to reverse years of under-investment in Foreign Service staffing and training. The world is changing rapidly, and I fear that today's Foreign Service does not have to a sufficient degree the knowledge, skills, abilities, and outlooks that -- taken together as a package -- should make career diplomats uniquely able to conduct 21st century diplomacy. Those skills include: foreign language fluency, area knowledge, leadership and management ability, negotiating skills, public diplomacy know-how, and job-specific functional expertise.

I am confident that my colleagues would welcome a "grand bargain" that coupled a significant expansion of Foreign Service staffing with a strengthening of their professional development system. My colleagues are dedicated to being effective agents of foreign policy development and implementation. They are eager to take back from the overburdened U.S. military those tasks that should properly be assigned to career diplomats and development professionals. Therefore, they are willing to undergo the career-long training that will provide the abilities they need. To do so, the Foreign Service needs a 15 percent training complement (above the staffing required to fill operational positions) like that afforded to the uniformed military. Once that training complement is in place, the establishment of benchmarks for required training and developmental details would insure that all Foreign Service members received the training they need to advance our nation's vital interests overseas.

Finally, I wish to mention two related issues:

- This subcommittee is commended for its interest in the optimal utilization of Civil Service employees at the State Department. Having spent most of my career in overseas Foreign Service jobs, I am not an expert on the Civil Service. However, I know that a program already exists to send Civil Service personnel on overseas excursion tours when there are no Foreign Service volunteers. There is also a program allowing Civil Service personnel to convert permanently to the Foreign Service. However, I urge caution when considering possible new programs that might allow unseasoned Civil Service personnel to take key Foreign Service positions such as section chief or Deputy Chief of Mission. Such a program could harm mission accomplishment by putting inexperienced personnel in key jobs which require years of overseas seasoning. Secondly, putting Civil Service personnel in high-profile Foreign Service jobs would inevitably deny those jobs to Foreign Service members who have "paid their dues" in multiple overseas hardship tours and who need those jobs to prepare themselves for senior responsibilities in the Foreign Service.

- The upcoming presidential election is drawing renewed attention to the long-standing problem of unqualified non-career ambassadors appointed solely for their political loyalty. A column last week (July 10) by syndicated columnist Robert Novak cited unnamed "big-money" political donors who openly lamented that they would not be in line for a U.S. ambassadorship because the candidate to whom they donated is not getting the party nomination. This view that ambassadorships are literally for sale must end. AFSA joins the American Academy of Diplomacy in calling on Congress to lower the non-career portion of ambassadors from the informal historical average of 30 percent to a statutory maximum of 10 percent. That would allow a select number of distinguished citizens to go out as envoys, while reforming the unchecked spoils system under which many scores of political activists are tapped for critical national security positions for which they are unqualified. Absent reform, I fear that some U.S. embassy may someday be lead by a FEMA Michael D. Brown-like figure who, in the face of evidence of a looming terrorist attack, may ignore expert advice and make the wrong decision, with catastrophic results.

Thank you again, Mr. Chairman, for holding this very timely hearing. I would be happy to answer any questions that you and your colleagues may have.

Testimony of the Honorable Thomas D. Boyatt
President, Foreign Affairs Council
Chairman, American Academy of Diplomacy Foreign Affairs Budget Project

*Senate Committee on Homeland Security and Government Affairs
Subcommittee on Oversight of Government Management, the
Federal Workforce, and the District of Columbia*

Hearing:
A Domestic Crisis with Global Implications: Reviewing the Human Capital
Crisis at the State Department
July 16, 2008

Mr. Chairman, Senator Voinovich, Senators, when I testified before this subcommittee last year I informed you that the American Academy of Diplomacy was seeking private financial support for a project designed to produce a bottom-up analysis of the International Affairs Function 150 Account. We were successful. Thanks to a generous grant from the Una Chapman Cox Foundation, the Academy has been working on this project since late January. We are grateful Mr. Chairman and Senator Voinovitch that you have both joined this effort as members of our Advisory Council. Our goal is to combine the vast experience of the Academy's members (several thousand years at U.S. Embassies and in foreign affairs agencies) with the academic rigor of a group of foreign affairs budget experts brought together by the Henry L. Stimson Center to produce a 150 Account that funds the human and financial resources to allow the achievement of America's foreign affairs missions.

In discussing the subject at hand, we all use simple code words like "State Department," "Foreign Service," and "diplomacy" to communicate much more complicated realities. In our budget work we have grappled with these definitional problems. I would like to clarify the parameters of references in our study of these subjects.

First, the prime directive is that we are dealing with those activities in the 150 account for which the Secretary of State is responsible. As you know, the Peace Corps is under the 150 account, but the Secretary has no control over that organization. It is excluded from our study. Likewise, the multilateral development banks are not controlled by any element of the U.S. Government and are, accordingly, also excluded although they are "line items" in the 150 account.

Second, all references to “staff,” “foreign service personnel,” “employees,” the “Foreign Service,” and the like include all personnel systems subject to the authority of the Secretary of State, including Foreign Service Officers, Foreign Service Specialists, Civil Service personnel, local national employees, and all categories of Agency for International Development (AID) personnel.

Third, references to “diplomatic activity,” “diplomacy,” “foreign policy functions,” etc., include the four major categories of foreign affairs activity: core diplomacy, public diplomacy, economic assistance, and stabilization and reconstruction. The Secretary and all of the personnel systems and bureaucratic structures under the 150 account are responsible for carrying-out all of the missions in these four categories.

THE PROBLEM

Since the fall of the Berlin Wall, the diplomatic capacity of the United States has been hollowed-out. A combination of reduced personnel, program cuts and sharply increased responsibilities has put maximum pressure on the capacity of the agencies responsible for the missions of core diplomacy, public diplomacy, foreign assistance, and stabilization and reconstruction under the 150 Account.

During the 1990’s overseas staffing for these functions was significantly reduced in the context of the roughly 30% real dollar reduction in U.S. international spending as the “peace dividend” was cashed. In addition, the implosions of the Soviet Union and Yugoslavia resulted in the need to staff 20 new U.S. Embassies in the new countries created. By September 11, 2001, the overseas staffing deficit in the State Department had approached 20%, with a larger gap in AID.

Secretary of State Colin Powell’s Diplomatic Readiness Initiative (DRI) created over 1,000 new Foreign Service positions in the 2001-04 period, bringing core diplomatic staffing almost back to Cold-War levels. These increases, however, were quickly absorbed by the diplomatic surges in Iraq, Afghanistan, and neighboring countries. Since the DRI ended in 2004, staffing increases have been largely limited to consular affairs and diplomatic security. Core diplomatic staffing levels have, in effect, returned to 2000 levels. The current realities are:

- At the beginning of 2008 State reported that over 11% of its overseas Foreign Service positions were vacant, as were almost 40% of its domestic Foreign Service positions. This translates into a shortfall of over 2,000 positions in the performance of traditional and public diplomacy.

- Training lags seriously because of personnel shortages. A well-trained work-force is extremely difficult to achieve when every training assignment leaves a working position empty. A 2006 GAO report found that 29% of language designated positions at embassies and consulates were not filled with language proficient staff. Functional training – particularly in management and leadership skills – suffers equally.
- USAID currently has 2,200 personnel administering over \$8 billion annually in development and other assistance (excluding cash grants) following staffing reductions of about 40% in the last two decades. In 1990 AID had nearly 3,500 personnel administering an annual total budget of approximately \$5 billion.
- In public diplomacy, reduced budgets and staff devoted to explaining America abroad after the end of the Cold War contributed to reduced understanding of and respect for this country in many parts of the world. More skilled staff and increased resources are required in this area.
- There will be an increasing need for pre-and post-conflict stabilization efforts in many parts of the world, which should be managed by civilian leadership. While NSPD-44 directs the State Department to coordinate government-wide stabilization and reconstruction operations, the Defense Department (DOD) is essentially assuming most of the responsibility for these efforts. There needs to be a permanent core of civilian experts ready to “surge” when required; these experts should in turn be supported by others in government and other sectors that can provide additional support. In March, legislation (HR 1084) to authorize the Secretary of State to establish a Response Readiness Corps and Civilian Reserve Corps to provide stabilization and reconstruction activities in countries at risk or in transition passed the House. The companion authorization bill in the Senate (S. 613) passed out of the Committee on Foreign Relations in April but final passage in the Senate has not occurred.
- The “militarization of diplomacy” is noticeably expanding as DOD personnel assume public diplomacy and development positions that civilian agencies do not have the trained staff to fill. In addition, in the area of security assistance – traditionally the authority of the Secretary of State, but implemented largely by DOD – a number of new Defense Department authorities have been created, reducing the role of the Secretary of State even more in this vital area of U.S. foreign policy.

THE SOLUTIONS

Our Project, "The Foreign Affairs Budget for the Future," of course, will make a series of recommendations in the context of the 150 Account budget to address the above problems. Our effort is still in the draft and discussion stage and I am not in a position to outline these recommendations in detail until we have completed our work in September. When we have a completed report in hand we will offer to personally brief the Committee Chairs and Ranking Members of all of the relevant committees in the Senate and House. We will be contacting you both, Chairman Akaka and Senator Voinovich, at that time but, of course, we appreciate the role you are playing as Advisory Council members on this project. In that capacity, we welcome your input prior to the final release of the report.

Meanwhile, I can give you a general sense of our recommendations assuming always that you understand there may well be changes, even significant changes, as our work progresses. Essentially, there are "three deficits" that must be overcome: personnel deficits, a significant training deficit, and an authorities deficit in regards to security assistance.

The Personnel Deficit. Filling all currently vacant positions and providing above attrition new positions to meet recently established needs in traditional diplomacy (including assignments to other national security agencies) and public diplomacy, would require about 1250 additional staff. In addition, 1250 additional foreign assistance personnel are needed as are about 550 new staff for the stabilization and reconstruction function. Total - something over 3000 additional positions/personnel.

The Training Deficit. Training, of course, applies to all four of the above foreign affairs activities. It is not enough to have more personnel. These employees must receive the language training and professional development, particularly in management and leadership, to enable them to meet the new challenges of the post-cold war world. 1250 additional training/transit positions are required to implement our training imperatives.

The Authorities Deficit. Since 9/11 and the onset of the Afghanistan and Iraq conflicts DOD has acquired authority over new security assistance programs. The new security assistance programs belong, like earlier predecessors, under the authority of the Secretary of State with implementation continuing under the aegis of DOD. In other cases DOD is seeking to "globalize" activities currently being executed by Combatant Commanders in combat situations. We recommend against such extensions.

CONCLUSION

In a few months we will witness the advent of a new administration - Republican or Democratic. The next President and his Secretary of State will face multiple problems ranging from Al-Qaeda and other terrorist organizations to the challenges of globalization, HIV/AIDS and other pandemics, environmental degradation, and failed states. Opportunities also will abound in relation to rising powers, non-proliferation, strengthening of international trade and finance systems, and achieving improvements in the quality of life in developing and transitional societies. These critical challenges and opportunities can only be met effectively through a significantly more robust foreign affairs capacity that features skilled diplomats and foreign assistance professionals.

**Questions for the Record Submitted to
Director General Harry K. Thomas by
Senator Daniel K. Akaka (#1)
Senate Committee on Homeland Security and Governmental Affairs
July 16, 2008**

Question:

The military has an institutional system of joint training among the Armed Forces that requires service members to participate in training in various components. Service members are often engaged in this training and continued academic study for long periods of time. In many cases, it is required for advancement. Are there any specific training or academic study requirements for advancement in the Foreign Service or civil service?

Answer:

In 2002, the Department mandated leadership training for employees from mid through senior ranks to ensure the necessary preparation for increasing levels of responsibility. The designated leadership and management training courses, provided by the Foreign Service Institute's School of Leadership and Management, are mandatory for both Civil Service and Foreign Service employees and are designed to be taken at different points along the course of an employee's professional career.

For Foreign Service personnel, the Career Development Programs outline the skills and requirements that Generalists and Specialists need to achieve at each level of their careers. Under these programs, we designed a series of training and assignment milestones, including the management and leadership training

mentioned above and demonstrated foreign language proficiency, calculated to develop the essential skills of an accomplished Foreign Service employee and to meet Service needs. Employees must fulfill these milestones in order to be eligible for promotion into the most senior ranks of a career track. As part of the Career Development Program, Foreign Service personnel can also elect to participate in various longer-term training programs, including programs offered by the Armed Forces Staff and Command Colleges, Princeton University, and the USDA Graduate School, just to name a few.

For Civil Service personnel, the recently updated *Training Continuum for Civil Service Employees* shows the required and recommended training courses for each Civil Service job series. The Department's Career Development Resource Center also advises and assists Civil Service employees on their training needs and requirements. In addition, Civil Service employees are eligible to take part in various academic programs, such as the National Defense Intelligence College Master of Science program and Georgetown University's Certificate Program in Legislative Studies.

With additional resources, we would be able to offer additional training opportunities. As outlined in the FY 2009 Consolidated Budget Justification, the Department plans to use 450 of the new positions we are requesting for training, including 300 to support foreign language training, 75 for training at military

institutions, and 75 to permit the Department to participate fully in the development of interagency National Security Professionals. These new positions would supplement the 500 positions currently set-aside for long-term training, and begin to increase our “training float” percent to bring it more in line with the training and transient accounts used by the Armed Forces to reach operational readiness. This will allow the Department to fill existing overseas and domestic positions that we have been forced to leave vacant in recent years to allow employees to receive critical training or to fill other high priority positions.

**Questions for the Record Submitted to
Director General Harry K. Thomas by
Senator Daniel K. Akaka (#2)
Senate Committee on Homeland Security and Governmental Affairs
July 16, 2008**

Question:

You recently redesigned the Foreign Service Officer Test. Have you modified the standards or criteria for entry to attract an applicant base with more diverse backgrounds?

Answer:

One of the major goals for the Department in redesigning its Foreign Service entrance process was a desire to create a more efficient process that provides the Department with an opportunity to review the full range of talents and experiences of its applicant pool. Specifically, the newly instituted Qualification Evaluation Panel (QEP) allows the Department to consider pertinent elements in a candidate's background or professional history earlier in the selection process. The Qualification Evaluation Panel reviews the complete files of those candidates who pass the Foreign Service Officer Test and invites competitive candidates to the Oral Assessment who represent a range of different backgrounds and diverse skills. Separately we encourage those candidates with language skills in high need by the Department to pre-screen with our language division at the Foreign Service Institute so that their proven ability can be factored into the QEP review.

The Department has a broad and successful recruitment strategy. Recruiters based in Washington, D.C. and the 17 Diplomats in Residence (DIRs) at universities and colleges across the country work hard to encourage candidates from diverse backgrounds to take the Foreign Service Officer Test. Our strategic mission is to recruit for diversity, by visiting campuses and working with organizations and individuals who might otherwise not have realized they are a good fit for the Foreign Service. We target our activities, whether career fairs or information session venues, to seek the broadest range of qualified candidates.



United States Department of State

*Washington, D.C. 20520
www.state.gov*

August 6, 2008

UNCLASSIFIED
MEMORANDUM

TO: OIG/ISP – Robert B. Peterson

FROM: M/PRI – Marguerite Coffey *MC*

SUBJECT: Inspection of the Bureau of Human Resources (Phase I) Report No. ISP-I-07-16, dated May 2007

REF: OIG Compliance Memo dated February 11, 2008

The Under Secretary for Management has asked me to respond to you on his behalf regarding Recommendation 2 of the subject report which reads:

“The Under Secretary for Management should institute a high-level external review of the options for the future of the Civil Service in the Department of State. (Action M – assigned to M/P by M).

Attached is the report of the independent review with attachments. We ask that this recommendation be considered closed.

We provided the Bureau of Human Resources with a copy of this report (with attachments) in October of 2007 when it was signed by Under Secretary Kennedy and Mr. Tim Warner, the Secretary’s Senior Advisor on for Management Reform. Should you have any questions concerning this action, please contact me or Susan Curley at 202-647-0093. We ask that this recommendation be considered closed.

Attachment:
As stated.



United States Department of State

Washington, D.C. 20520
www.state.gov

OCT 24 2007

UNCLASSIFIED
MEMORANDUM

TO: DGHR – Harry K. Thomas, Jr.

FROM: S – Timothy Warner *for*
M/PRI – Patrick Kennedy *PK*

SUBJECT: A Model For HR Shared Services

We refer to the “HR Centers of Excellence (CoE) Action Plan” dated October 12, 2007, and to the briefings each of us received from the Bureau of Administration on a model that demonstrates how tiered services can be deployed Department-wide.

M/PRI has been studying CoEs independently from the HR CoE Steering Committee, and in the context of two recent Office of Inspector General (OIG) Reports on the Bureau of Human Resources, Report Number ISP-I-07-17 issued in May 2007, and Report Number ISP-I-07-45 issued in September 2007. A copy of our study and recommendations is attached for your information and response.

In the meeting we had on October 17 with DASes Hodges and Tagliatella, we not only discussed CoEs, but also four service levels (tiers) that could serve as the platform for delivering Department-based HR services to all Civil Service employees. The tiers we discussed were:

Tier 1. **Self service.** A web site that provides the first level of HR information from the desk top. (Because most information on the site is applicable to all Department employees, this level of service would be available to all Department employees (Foreign and Civil Service), as information on the Intranet is now.)

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-2-

Tier 2. Off site services. An office that prepares electronic transactions, compiles/stores HRE data, and provides basic HR information not available from the desktop.

Tier 3. Bureau-level expertise. HR specialists who are experts in the particular recruitment/hiring/staffing/classification needs of their particular Bureau.

Tier 4. HR's Office of Civil Service Personnel. This Office determines and sets Department-wide Civil Service personnel policies and standards; manages the Senior Executive Service, Presidential Management Fellows, Career Entry Program, and other Department Civil Service programs; and oversees and audits each Bureau's Civil Service cadre.

I (Tim), in earlier meetings with the Secretary, confirmed with her I would recommend a decision on shared services in general and CoEs specifically by December 1, a deadline she had set earlier this year. I believe I can provide some specific recommendations when she and I meet in mid-November, and make final adjustments before the December deadline.

For me (Tim) to brief the Secretary in mid-November and for M/PRI to respond as the lead to the OIG's Recommendations 2 and 3 and as coordinating with HR for Recommendation 1, M/PRI and HR need to work through the issues, including what work can be performed more efficiently and less expensively at a remote location outside the DC metropolitan area.

We propose that HR provide comments to us on the attached proposal for HR Shared Services, and on tiered services generally by close of business Friday, November 2. That will give HR and M/PRI a little less than two weeks to prepare any papers/proposals to share with Tim before he returns to Washington on or around November 14.

Attachment:

M/PRI proposal for HR Shared Services dated October 2007

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HR CENTERS of EXCELLENCE

HR SHARED SERVICES CENTERS

HR TIERED SERVICES

REMOTE (NON-DC AREA) SITE OPPORTUNITY

Analyses and Recommendations
M/PRI
October 19, 2007

UNCLASSIFIED

OIG 2007 Bureau of Human Resources Inspection Recommendations

The Office of the Inspector General (OIG) has issued two reports that focus on Centers of Excellence (CoEs) (both reports) and the Office of Retirement (HR/RET) (second report only). For CoEs, OIG recommends HR clearly define CoE responsibilities, establish and publish the range of human resources skill sets required in a CoE, and establish procedures that include a skills survey and certification of HR specialists which candidate CoEs must follow to be certified as fully operational. For HR/RET, OIG recommends that HR, the Bureau of Resource Management (RM), and the Bureau of Information Resource Management (IRM) design and implement a plan to meet HR/RET's urgent systems needs. Attachments A and B provide overviews of the OIG's guidance in these matters.

A CoE Business Model

The named CoEs, except for the T bureaus, received classification and staffing delegations of authority over a period of years, and often in response to individual bureau needs that HR could not meet within its own resource constraints. (The T bureaus brought their classification authorities and some unique hiring authorities with them when ACDA was consolidated into the Department.) The CoEs (except for T) support the Department's largest workforces, each report to the Under Secretary for Management, and are dominated by Civil Service employees.

The OIG, in its initial of two reports, noted the CoE designation process was flawed because the CoEs were not selected on performance metrics, and were selected **without three essential elements:**

- (a) delineating clearly the core missions of a CoE,
 - (b) analyzing the functions and processes involved in being a CoE,
- and
- (c) identifying the skill sets and staff levels required to carry out successfully the CoE mission.

HR has been working with the named CoEs to cure these defects; it has invited non-CoEs to seek CoE designations, and HR hosts regular meetings to bring CoE issues to closure.

The announced affiliation process calls for a non-CoE bureau to select its CoE, and for the selected CoE to concur. To date, no bureau has selected DS as its CoE.

CA is identified as the CoE for RM, but that affiliation should be reconsidered in light of CA's internal requirement to staff up stateside facilities to meet an unprecedented U.S. passport workload demand and staff for recently formulated border security initiatives. Otherwise, CA assumed classification and staffing functions for Civil Service positions along the Mexico/United States border, and in the CoE for the Bureau of Congressional Relations.

A and FSI are the most active CoEs, while the T CoE has set a precondition for affiliation that T must have additional personnel specialists before it takes on new bureaus, this despite it has the lowest ratio of staff to employees served (50 to 1, lower than the OPM standard of 80 to 1). With the figures as presented on the September 2007 CoE chart, T experiences the highest HR operations cost per employee served - \$1937 as compared to CA, DS, and FSI, which average \$1090, \$600, and \$971 respectively.

M/PRI also is aware of some, but not all, potential contract costs that individual bureaus have funded to support their CoE efforts. One contract, dated July 5, 2007 and issued at the request of the A bureau, has a potential ceiling of over \$12.5 million over a five year period. If fully obligated each of the five years, the average yearly cost for nine FTE HR specialists equivalents could approximate \$1000 per employee for those bureaus for which A currently is a CoE. Add \$1000 to A's September 2007 HR operations cost per employee served of \$1300, the cost could approximate \$2300 per employee. If A does not obligate funds under this contract, then its current HR costs look like they will remain within acceptable limits, albeit higher than all but one of the other pilot CoEs.

A and FSI, the two active CoEs, can, for the short term, continue as shared services centers for the bureaus and offices each has taken on. A is a strong candidate to affiliate with RM and all bureaus/offices that are responsible to M but have no delegated classification authority through the GS-15 level.

No other bureau, however, should be named a CoE. Instead, HR can begin delegating classification authority through the GS-13 level to all bureaus, and work with them to streamline the internal staffing process, so that

individual bureaus can staff efficiently up to and including the GS-13 level. If necessary, HR can transfer FTE to individual bureaus from HR/CSP. HR specialists must be trained and certified as staffing and/or classification specialists as well.

Recommendation #1: A and FSI will be named Department Shared Services Centers, with FSI retaining NEA/SCA and IRMO, and A retaining IRM and gaining RM.

Recommendation #2: CA, DS and the T Bureaus will continue to operate within their current delegated authorities.

Recommendation #3: HR will delegate classification authority through the GS-13 level to all remaining individual bureaus that report to an Under Secretary, while retaining classification authority for all GS 14s and GS-15 positions Department –wide.

Recommendation #4: HR will retain all classification authorities for all independent offices and bureaus, save those that report to S, D and the Under Secretaries.

Why S/ES should not be subsumed into a CoE.

S/ES is responsible to the Secretary, the Deputy Secretary, the Under Secretaries, and offices that report directly to the Secretary, including S/GAC, S/CRS, and S/CT. The CoE self-selection process is poised to align some S/ES offices with A and others with T. This model should be abandoned. S/ES should be appropriately staffed with FTE reprogrammed from reorganizing of CSP, and be delegated classification authorities through the GS-13. S/ES and HR need to identify the best HR officers available for reassignment to S/ES now.

Recommendation #5: S/ES will not be affiliated with any shared services center.

Recommendation #6: HR and S/ES will identify, and HR will reassign, HR classification and staffing specialists to S/ES, and HR will delegate classification and staffing authorities, through the GS-13 level, to S/ES/EX.

A reorganized HR/CSP

Although CoEs have been a work in progress for some time, HR's Office of Civil Service Personnel (CSP) has not been reorganized, and there is no plan on the table upon which the M front office can comment. HR's position is that any reorganization plan awaits the input of the new office director. The Senior Executive Service (SES) office director vacancy, announced in late August, closed on October 1; HR hopes to fill the position as soon as possible this fall.

In the meantime, however, HR sent out a message to all bureau executive Directors on September 21, that it is in the "Department's best interest, both in terms of customer service and resource efficiencies, to combine HR/RMA Classification function (FS Overseas, and CS Appeals) and HR/CSP Classification function (CS and FS domestic) into one Division... This reorg (sic) is effective on 9/16... Over the long term, this pools together valuable resources and allows us to shift work for special projects etc.... that is needed as we shift to an HR COE environment over the next several months." The classification function is one of the key responsibilities of HR/CSP; without that responsibility in the portfolio, the office director position may no longer support an SES classification.

CSP now includes a front office and four functional divisions; without its classification responsibilities, the four are: staffing, executive resources and performance management, career development, and policy development and oversight. Attachment C details each division's duties and responsibilities, as provided from HR's web site, and with classification included in the mix (the website has not been updated to reflect HR's message that HR/RMA now classifies Civil Service positions.) Attachment D is CSP's current staffing pattern. CSP is authorized 46 FTE, and 12 temporary hire authorities. As of June 30, 2007, employees on board were 29 FTE and 6 temporary employees. More than one-third of CSP's FTE were vacant as of June 30.

If all Department bureaus had aligned themselves with a CoE, the Classification Division and Staffing Division, as currently described, should each be abolished, giving the Department 25 FTE to reprogram and/or abolish. If a different model prevails as outlined in this overview, some of these same positions can be reprogrammed to bureau executive offices,

others be reprogrammed to CSP, and the remainder returned to the Department's general complement.

Because the new CSP should include robust audit and oversight responsibilities, CSP should include a new division that directs these activities ensures Civil Service classification and staffing Department-wide is consistent, fair, accurate, and transparent. Like positions in like bureaus must be classified identically; staffing must be timely, from posting vacancy announcements to selecting eligible candidates. As HR reorganizes CSP, these processes must be audited on a predictable schedule to ensure a fair and transparent process. For Civil Service positions classified through the GS-13 level, CSP can audit internally; for positions classified at GS-14 and above, CSP can design an audit process that includes outsiders, both contractors and also Office of Personnel representatives.

CoE and related issues are difficult, if not impossible, to finalize. Without a detailed requirements implementation plan, developed in conjunction with all Department stakeholders, resource requirements and service objectives will not be identified.

Recommendation #7: HR, by COB November 9, 2007, should submit to M a reorganization plan for HR/CSP; the plan should reflect a robust audit function and delineate delegated authorities to individual Department bureaus.

Recommendation #8: The Department should implement soonest the OIG's recommendation that HR, along with M/PRI, develop a detailed HR requirements implementation plan, developed in conjunction with all Department stakeholders, identifying specific milestones and resource requirements, along with service objectives.

Tiered Services

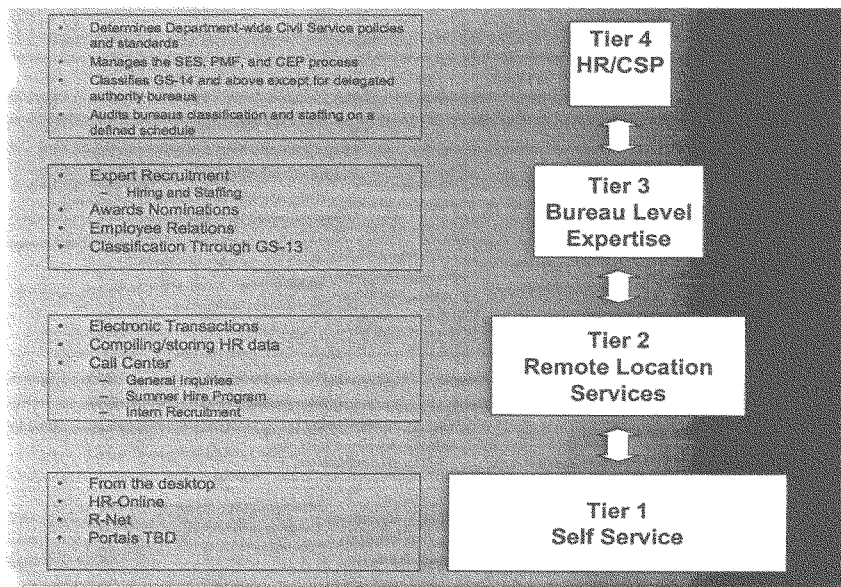
The A Bureau unilaterally took the lead to identify HR-related services the Department provides, identified four levels of services, and requested \$4.3 million in its FY-09 Financial Plan to provide these services. A senior officers briefed M/PRI officers on August 9, 2007 and briefed Tim Warner as well. See Attachment F for the A Bureau Tiered Shared Service Delivery Model.

The A Bureau Model is based on sound research and analysis, but does not focus on:

- a) back room versus front office functions that are Department-wide in scope;
- b) governmental versus non-governmental functions; and
- c) tasks that can be performed at remote sites outside the DC Metropolitan area.

The OIG determined these matters are critical to a Department plan for the future and has recommended that, before the Department finalizes its HR structure or structures, these three core issues be factored into any overall final decision.

One possibility provides for two tiers of service at an off site location with a high ratio of contractors to Department employees, and includes another two tiers staffed in the DC area, as follows:



Establishing tiers of service, some of which can be available to all Department employees from the desk top, is a key element to providing HR information and services Department-wide. Off-site locations (Williamsburg Kentucky, Portsmouth, New Hampshire, and Charleston) are providing venues where DOS attracts and retains (emphasis added) well qualified motivated employees and contractors at the GS-04 through GS-12 levels and equivalents.

Recommendation #9: Following OIG's recommendations, the Department should determine what are front office/ back room personnel functions, what of these functions are governmental and non-governmental, and what of these same functions can be performed at remote sites outside of the DC metropolitan area.

Personnel-related information currently is available from the desk top at the Department's unclassified home page. Unfortunately, there is no single HR collective, and some of site names are not necessarily intuitive to the reader. Attachment G is a print-out of the September 5, 2007 home page, with HR-related topics highlighted in yellow. (This home page has been replaced with another that is less detailed and less conducive to sorting out HR portals.) Appropriately sorted and identified, these sites can be the nucleus of the initial tier of services that employees access from the desk top, and HR personnel, either contractors or direct hire employees, can update and consolidate remotely, as necessary.

Recommendation #10: HR should sort and identify sites available from the desktop to serve as the nucleus of Tier 1 HR information available to all Department employees.

With desk top access as user friendly as possible, the next step is a business analysis of classification, staffing and other HR functions to determine what duties must be performed by government employees, and how all work can be sorted between a front and back office. For all back office duties, remote cost-efficient office sites can be identified to house personnel assigned there, direct hires and contractors alike.

CA and RM each chose to reorganize substantive responsibilities so work flow and work force requirements maximize contracting out non-governmental duties at remote locations. State either owns facilities or rents

them at reasonable cost, and employee costs tend to be lower than prevailing wages in the DC Metropolitan area.

OIG believes HR can benefit from a similar plan, and suggests the Department look at the Charleston Federal Center (other locations are not discounted). OIG also determined individual CoEs are acquiring software outside of Department-wide HR-supported applications, and recommends an IT working group be formed to coordinate and standardize IT platforms and related acquisitions.

M/PRI also is identifying HR functions that might be performed off site. These include transactional aspects of the new Foreign Service exam process, assignments and transfers paperwork requirements, retirement, and student recruitment programs, among others.

Recommendation #11: HR, IRM, and M/PRI should prepare a workload analysis of business processes that focuses on back-office consolidations, governmental versus non-governmental responsibilities, and standardized software applications that HR can support.

Charleston Federal Center

The largest entity at the Charleston Federal Center (the Center) is a Department of Homeland Security Federal Law Enforcement Training Center (FLETC). State is the second largest presence, with a current workforce of approximately 1200 direct hire and contract employees, making it the largest State stateside presence outside of the DC area. FY 2007 maintenance costs were close to \$2,400,000, or about \$9.65 per square foot. (Costs in DC and Rosslyn at annexes that house HR offices were three to four times that amount.)

FLETC's physical fitness center is housed in a building State owns, and was rehabbed by the Border Patrol at an earlier time. Attachment H is an aerial photograph of the site, a local road map of the area, and a 1998 general map prepared by the Charleston Naval Complex Redevelopment Authority. The photograph outlines State's current foot print in purple, and two possible candidate sites FLETC is considering as swaps for the physical fitness center (marked with an "X"). Each map provides general overviews of the North Charleston area and environs. FLETC provides overall security; a

Memorandum of Agreement between State and DHS, regarding operational procedures and valid until October 2010, is at Attachment I.

In early September, 2007, a two-person team from M/PRI and A's Office of Real Property Management traveled to the Center. They met first with Timothy Wiesnet, Passport Director, Jim Millette, Deputy Assistant Secretary for RM, and Glenn Hill, A's Facility Maintenance Officer at the Center. The team learned FLETC officials believe replicating the physical fitness center would approximate \$25 million, and that FLETC hopes to extend occupying the fitness center (approximately 53,000 square feet) for at least ten years.

The team met with FLETC representatives and asked what FLETC might be offered DOS as a swap for the fitness center. FLETC offered up the possible consideration of two sites, one of which is the old Chief's Mess and swimming pool area, which has no usable buildings, and will abut a new four lane entrance/exit check point for the entire facility. The other site includes a very tired World War II building (albeit with new air and heating systems) that AmeriCorps gave up at the end of September. The team asked FLETC to consider other proposals, and is expecting a response this week. (Photos of each parcel are at Attachment J.)

State owns an 8,553 square foot brick building (photos at Attachment K)). Now vacant, the roof leaks, and there is no climate control. The inside probably could be gutted and the building rebuilt.

The fitness center is in excellent shape; FLETC replaced the roof last year, and the building is in excellent condition. See photographs at Attachment L.

A brick building complex sits across from the RM Global Financial Services buildings (photographs of the RM buildings are at Attachment M) and adjacent to an RM parking lot. Attachment N, an aerial photograph, identifies this cluster by Xs on the roofs of the buildings. The team has asked FLETC to consider offering up this complex for the fitness center.

RM made an informal agreement with FLETC that, should State wish to take back the fitness center, State will provide FLETC 18 months notice. In addition, RM offered that, if temporary space was necessary to effectuate an office move to the Center, RM could convert a conference area as a temporary measure.

Recommendation #12: Based on Recommendations #10 and #11 analyses and conclusions, the Department should determine what sites/buildings are suitable for a remote location outside the DC metropolitan area, and prepare occupancy time lines accordingly.

Consolidated List of Recommendations

Recommendation 1. A and FSI will be named Department Shared Services Centers, with FSI retaining NEA/SCA and IRMO, and A retaining IRM and gaining RM.

Recommendation 2. CA, DS, and the T bureaus will continue to operate within their current delegated authorities.

Recommendation 3. HR will delegate classification authority through the GS-13 level to individual bureaus that report to an Under Secretary, while retaining classification authority for all GS-14 and GS-15 level positions Department-wide.

Recommendation 4. HR will retain all classification authorities for all independent office and bureaus, save those that report to S, D, F and the Under Secretaries.

Recommendation 5. S/ES will not be affiliated with any CoE.

Recommendation 6. HR and S/ES will identify, and HR will reassign, HR classification and staffing specialists to S/ES, and HR will delegate classification and staffing authorities, through the GS-13 level, to S/ES/EX.

Recommendation 7. HR, by COB November 9, will submit to M a reorganization plan for HR/CSP; the plan should reflect a robust audit function and delineate what authorities are delegated to individual Department bureaus.

Recommendation 8. The Department will implement soonest the OIG's recommendation that HR, along with M/P, develop a detailed HR requirements implementation plan, developed in conjunction with all the Department's stakeholders, identifying specific milestones and resource requirements, along with service objectives.

Recommendation 9. The Department will determine what are front office/back room personnel functions what of these are governmental and non-governmental, and what of these same functions can be performed at remote sites outside of the DC metropolitan area.

Recommendation 10. HR will sort and identify sites on the State home page to serve as the nucleus of HR information available to all department employees from the desk top.

Recommendation 11. HR, IRM, and M/P will prepare workload analyses of business processes that focus on back-office consolidations, direct hire versus non-governmental responsibilities, and standardized software applications that HR can support.

Recommendation 12. Based on Recommendations #10 and #11 analyses and conclusions, the Department will determine what sites/buildings are suitable at the Charleston Federal Center, and prepare occupancy timelines accordingly.

**Questions for the Record Submitted to
Director General Harry K. Thomas by
Senator Daniel K. Akaka (#3)
Senate Committee on Homeland Security and Governmental Affairs
July 16, 2008**

Question:

Many permanent positions at U.S. embassies overseas are being staffed by Foreign Service personnel on temporary duty assignment to fill the high vacancy rates. Short-term assignments make it more difficult to establish continuity and build relationships with other agencies. What steps has the Foreign Service taken to ensure that continuity will be maintained?

Answer:

While temporary duty assignments are being used to fill some positions in Iraq, Afghanistan, and other overseas posts, the vast majority of Foreign Service positions overseas are staffed by personnel on one, two or three year assignments, in keeping with the regular Foreign Service assignments cycle. Our recent budget requests and the appropriations for FY 2008 supplemental and FY 2009 bridge funding will help us to increase hiring in order to reduce further our reliance on temporary measures.

Where we have used temporary duty assignments, the Department has made every effort to maintain continuity between personnel. The Washington-based support offices play a key role in maintaining that continuity. We also do our best to minimize gaps between assignments and encourage short overlaps, when possible. Locally employed staff can also be an essential part of the equation, by passing on standard operating procedures to new personnel and sustaining relationships with local agencies.

**Questions for the Record Submitted to
Director General Harry K. Thomas by
Senator Daniel K. Akaka (#4)
Senate Committee on Homeland Security and Governmental Affairs
July 16, 2008**

Question:

One of the critical needs identified in the State Department Inspector General report from September 2007 (ISP-I-07-45) is greater training and professional development for human resource professionals. The report identifies the need for greater training and professional development. What steps are you taking to address this critical need?

Answer:

The Department of State has recently partnered with the Society of Human Resource Management (SHRM) to address training and professional development for our human resource staff. We have purchased one-hundred units of the "HR in the Federal Sector" program, and an additional one-hundred units of the "HR Essentials" program. Both programs will be delivered on-line to employees' desktops. Individual progress and proficiency will be monitored and evaluated by the Office of Civil Service Personnel Management (HR/CSP) and training will be organized into cohort learning groups chaired by a senior HR lead. The HR lead will be tasked with coaching participants, reinforcing the learning, and helping the employee in applying the course content to the job. This approach is also

designed to create a greater sense of community and shared experience amongst the bureaus.

This training will be integrated with specialized functional training as well as customized targeted training based on the employee individual development plans to provide a comprehensive training program for HR specialist.

**Questions for the Record Submitted to
Director General Harry K. Thomas by
Senator Daniel K. Akaka (#5)
Senate Committee on Homeland Security and Governmental Affairs
July 16, 2008**

Question:

As the Chief Human Capital Officer (CHCO) for the Department, you have the opportunity of working with the CHCO Council to share best practices and discover ways to address human capital issues at State. How has the Council helped in that process?

Answer:

As a member of the Chief Human Capital Officers' Council, I enjoy having the opportunity to collaborate with colleagues on the wide range of human capital issues that face managers in the federal government. The monthly CHCO meetings are a useful forum to share experiences and discuss the various approaches our agencies have taken in tackling personnel challenges. The Department of State's Deputy CHCO, Linda Tagliatela, also works closely with her CHCO peers on key human capital issues.

In June 2008, I was pleased to co-host with OPM Director Linda Springer a luncheon at the Department of State commemorating CHCO's 5th Anniversary. We will continue to participate in the CHCO meetings, share our experience, and learn from our colleagues around the government as, together, federal agencies address the retirement of the baby boomers, the expectations of the new workforce, and the growing need for interagency cooperation to address increasingly complex issues.

**Questions for the Record Submitted to
Director General Harry K. Thomas by
Senator George V. Voinovich (#1)
Senate Committee on Homeland Security and Governmental Affairs
July 16, 2008**

Question:

The American Foreign Service Association estimates that less than 20 percent of Foreign Service Officers have had formal training in negotiating. Why has this basic skill requirement been largely ignored?

Answer:

The Department has long recognized the importance of negotiating skills for Foreign Service personnel -- "Persuasion and Negotiation" is one of the Core Precepts for Foreign Service tenuring and promotion -- and has developed a robust offering of training courses to help our employees acquire and hone these skills. The Foreign Service Institute offers 25 in-house courses that contain components related to negotiation and persuasion. Some courses, such as *International Negotiation: Art and Skills*, *Advanced International Negotiation*, *Negotiation Skills for Managers*, *Influence Strategies for Achieving Interagency Results*, and *Regional Multilateral Negotiations*, are devoted specifically to negotiation, while others touch on the competencies of negotiation and persuasion more indirectly. The Political and Economic Tradecraft course, for example, reaches more than 250 new diplomats every year and features an extensive unit on negotiation designed to provide a core competency, as well as lay the fundamentals for future negotiation

training. Several other courses relating to negotiation are also available through the FasTrac distance learning program.

In the past three years there have been 4,050 enrollments of Foreign Service generalists and specialists in FSI courses which include content on negotiation and persuasion. (An employee might have multiple enrollments.)

**Questions for the Record Submitted to
Director General Harry K. Thomas by
Senator George V. Voinovich (#2)
Senate Committee on Homeland Security and Governmental Affairs
July 16, 2008**

Question:

In its May 2007 report, the Inspector General recommended that the Under Secretary for Management institute a high-level review of the options for the future of the Civil Service in the Department. Senator Akaka and I discussed this same issue at our August 2007 hearing on State Department human capital. What is the status of this review? Please provide a copy of the review for the record.

Answer:

The high-level review of options for the future of the Civil Service in the Department of State was completed and presented to the Office of the Inspector General on August 6, 2008. A copy of that review is attached as requested.

The Human Resources Bureau is also developing a white paper on the future of the Civil Service. We plan to complete our review this fall and make it available to the next administration as part of the transition.

**Questions for the Record Submitted to
Director General Harry K. Thomas by
Senator George V. Voinovich (#3)
Senate Committee on Homeland Security and Governmental Affairs
July 16, 2008**

Question:

Also in the report, the Inspector General recommended that the Bureau of Human Resources provide a full-time employee to manage the Career Entry Program. This position is critical to the State Department's ability to retain a high-quality workforce. What is the status of this recommendation?

Answer:

One person in the Career Development section of the Human Resource Bureau's Office of Civil Service Personnel (HR/CSP) has been designated to manage the Career Entry Program (CEP). This is the full time responsibility of the employee. We are in the process of revamping and enhancing the program.

The skill sets necessary to handle the staffing components of the program are completely different than those needed to manage the program. Responsibility for the staffing components of CEP will remain with the staffing division. The staffing component is cyclical and does not require a full time resource; however, it will be the primary component of the portfolio of the assigned staffing specialist.

**Questions for the Record Submitted to
Director General Harry K. Thomas by
Senator George V. Voinovich (#4)
Senate Committee on Homeland Security and Governmental Affairs
July 16, 2008**

Question:

The State Department is to be commended for being ranked as the number one employer for women in the 2007 Best Places to Work Rankings. I am concerned, however, that there appears to be a small decrease in the number of women registering for the Foreign Service Exam. What factors do you believe are contributing to this statistic? What is the State Department's plan to address this situation?

Answer:

While the percentage of women who registered for the initial offerings of the redesigned Foreign Service Officer Test (FSOT) in 2007 and 2008 was lower than previous years, we are pleased to report that the percentage of women now registering for the FSOT is slowly increasing. The Department has taken steps to get the message out to women about the new FSOT, particularly through our marketing and advertising activities. Since 2007, marketing messages have been communicated through organizations including, but not limited to: the Society of Women Engineers, National Association of Female Executives, American Women's Business Association, American Association of University Women, Association for Women in Communications, Association for Women in Development, Association for Women in Science, Association for Women in International Trade, Federally Employed Women, Organization of Women in

International Trade, Women in International Security, Women in Technology International, and National Coalition of 100 Black Women.

We also reach out to women candidates through our Diplomats in Residence and through the Washington-based recruiters, particularly at targeted universities and colleges, where enrollment of women outnumbers men. Outreach is often conducted by female officers who can serve as role models. Many of the target organizations on campus with which we work are majority female, such as Study Abroad, foreign language studies, international relations, and regional area studies programs. We will continue to monitor closely the number of women who register for and pass the FSOT as we shape our ongoing outreach strategy and refine and improve our redesigned Foreign Service intake process.

**Questions for the Record Submitted to
Director General Harry K. Thomas by
Senator George V. Voinovich (#5)
Senate Committee on Homeland Security and Governmental Affairs
July 16, 2008**

Question:

ESTA requirements need to be proactively communicated with VWP countries and travelers. How is State communicating with VWP countries to ensure that all VWP travelers understand and comply with ESTA requirements?

Answer:

All appropriate U.S. Missions have been actively promoting ESTA outreach efforts. Each post has made information available on their public websites, in English as well as in local languages. We are tracking outreach efforts and note that posts are focusing their energies on fixing misperceptions in the media, getting information directly to travelers, and educating foreign government contacts about ESTA. In every Visa Waiver Program (VWP) country, the U.S. Mission is engaged in explaining and promoting the ESTA program.

The efforts undertaken by our team in Germany are an example of where our outreach has made a positive impact. The initial ESTA announcement on June 3 met with harsh media criticism. The Embassy's outreach team developed a concentrated plan to work with reporters and schedule speakers at local events, such as the Volksfest, to convey the most accurate information and correct misconceptions about the new program. In response, public opinion regarding the ESTA program has shifted towards a more amenable stance.

Outreach efforts will continue with media surges to announce the rollout of ESTA website content in most VWP languages in October and then mandatory ESTA compliance in January. We will continue to work with DHS to monitor the functioning of the system as use expands.

**Questions for the Record Submitted to
Director General Harry K. Thomas by
Senator George V. Voinovich (#6)
Senate Committee on Homeland Security and Governmental Affairs
July 16, 2008**

Question:

I was recently told by the State Department's Bureau of Legislative Affairs that internal policies require that Congressional letters be delivered in hard copy or via fax before State will write a response. Why aren't electronic copies of Congressional letters that are e-mailed to the State Department's Bureau of Legislative Affairs an acceptable form of correspondence for the State Department to write a response to since electronic copies can be delivered faster than hard copies and can be more easily shared among relevant staff at the Department than faxed copies?

Answer:

The Department of State does accept electronic copies of Congressional letters that are e-mailed to the Department as long as they are on official letterhead and are signed by the Member of Congress. However, the Department cannot provide formal written responses to e-mail inquiries from Congressional staff. The State archival system is not set up to process emails as official congressional correspondence.

**Questions for the Record Submitted to
Director General Harry K. Thomas by
Senator George V. Voinovich (#7)
Senate Committee on Homeland Security and Governmental Affairs
July 16, 2008**

Question:

At an April 29, 2008 Homeland Security and Governmental Affairs Subcommittee on Oversight of Government Management hearing, a Senior Advisor at the State Department agreed to provide me with written information about State's strategic plan for meeting the passport and passport card demand that will be associated with the implementation of WHTI at land and sea ports next year as well as State's plan to transition its WHTI responsibilities to a new Administration next year. After the hearing, State's Bureau of Legislative Affairs told me that internal policies require the Chairman of the full Homeland Security and Governmental Affairs Committee to request such written documentation in writing before it will be provided. What is the rationale for this requirement?

Answer:

Department policy and practice is to be responsive when possible to Committee Members' questions and requests during hearings for follow-up information; however, in most other circumstances, the Department does ask that a request for documents be made in writing from the Chairman to the Secretary to ensure that compliance with the request would be lawful and

reasonable, that the request is not unduly burdensome, and that the Department can efficiently identify and locate the requested information and respond in a timely manner. We apologize for any miscommunication regarding this request policy.

On July 28th the Department provided a written response to the April 29th hearing QFRs. Additionally, a letter was sent to Chairman Akaka and Ranking Member Voinovich on August 4 that provided detailed information regarding the Department's strategic plan for meeting the passport and passport card demand that will be associated with the implementation of WHTI at land and sea ports next year as well as State's plan to transition its WHTI responsibilities to a new Administration next year.

**Results from the
2006 Employee Quality Worklife Satisfaction Survey
Message from the Director General (M/DGHR)**

The Bureau of Human Resources administered the Employee Quality Worklife (QWL) Satisfaction Survey from March 7 to April 7, 2006. Through this survey, we sought feedback on how we are doing as an employer to identify where we can – and must – improve. The questions were grouped into eight topic areas: Overall Satisfaction; Job Satisfaction; Awards, Recognition, and Compensation; Personal Work Experience; Work Environment; Recruitment and Development; Work/Life Balance; and Leadership and Supervision.

This message provides a summary of the key results from the 2006 QWL Survey. Where data is available, we also provide comparable 2004 trend data, and benchmarks with other Federal Agencies and the private sector. A complete posting of the survey results is available on the HR Intranet website at http://hrweb.hr.state.gov/prd/hrweb/rma/survey_results.html.

Summary of Results and Trends

Survey invitations were sent to a random sample of 4,104 employees as a representative cross-section of State employees to maintain statistical validity of the results. This sampling approach allowed us to achieve a 66% response rate so that we have a high degree of confidence in the results. The following table provides a breakdown of the response rate by our three employee groups—Civil Service, Foreign Service Generalist, and Foreign Service Specialist.

Population	Number of Respondents	Number in Random Sample	Response Rate	Margin of Error
Civil Service	903	1,395	65%	+/- 2%
FS Generalist	917	1,350	68%	+/- 2%
FS Specialist	887	1,359	65%	+/- 2%
Overall	2,707	4,104	66%	+/- 1%

AREAS OF STRENGTH:

First, we are trending up in key areas used in the “Best Places to Work” (BPTW) Index as determined by the Partnership for Public Service. In 2005, the Department ranked 10th overall (2nd among Cabinet level agencies)—up from 19th in 2003—out of 30 Federal agencies. Looking at the four questions that make up this index, the Department’s BPTW Index has moved from 57% in 2003, to 66% in 2005 to 70% this year. The four questions and results are as follows:

BPTW Index Questions	State 2006 Results	State 2004 FHCS Results	2004 FHCS Federal Agencies	2004 Private Industry
Current job satisfaction	77%	68%	68%	71%
DoS overall satisfaction	70%	63%	58%	66%
DoS compared to other federal organizations	67%	62%	57%	57%
I would recommend DoS as a good place to work	67%	69%	64%	Not Available

Second, of the eight survey topic areas, Personal Work Experiences was rated the most highly, with a median positive

score of 80%, a remarkably high score that reflects employee understanding of the value and importance of the work of the Department. Examples of questions that were asked in this area include—The work I do is important (86% Positive); I like the kind of work I do (82% Positive); My work gives me a feeling of personal accomplishment (78% Positive).

AREAS FOR IMPROVEMENT:

Based on industry best practices of best-in-class organizations, we have set a 70% satisfaction level as a "stretch" goal for QWL survey areas, meaning that while industries may well fall below that mark, as we do in several categories, it is achievable. Accordingly, for each of the eight survey topic areas, here is how we did, in descending order:

Survey Topic Area	Median Score of All Questions in Topic Area
Personal Work Experience	80%
Overall Satisfaction	70%
Work Environment	68%
Work/Life Balance	62%
Recruitment and Development	62%
Leadership and Supervision	59%
Job Satisfaction	57%
Awards, Recognition and Compensation	42%

With the exception of Personal Work Experience and Overall Satisfaction, most survey areas scored below the 70% satisfaction levels. Again, it is important to note that the 70% satisfaction level is a Bureau of HR stretch goal that we seek to achieve to ensure that we remain among the best-in-class throughout the Federal Government. When comparing the Department's 2006 median scores to the 2004 FHCS Government-wide results, we are very much in line or ahead of most other Federal Agencies.

When survey respondents were asked which areas needed the most improvement in the Department, the top three areas cited by employees as "Priorities for Improvement" include:

1. Making better use of the talents of employees
2. Streamlining the bureaucratic process
3. Career development opportunities (training, rotations, etc.)

ADDITIONAL INTERESTING RESULTS:**Employee Satisfaction and Intent to Leave**

The 2006 QWL survey included 12 survey questions that the Office of Personnel Management (OPM) identified as highly correlated to employee satisfaction and intent to leave. Of these 12 questions, eight items improved or stayed the same compared to the 2004 FHCS results. Four items declined. Three of those were falling within the topic area of Leadership and Supervision. One question related to Career Development. Of the four items showing declines, the three Leadership and Supervision questions remained higher than the government-wide 2004 FHCS results, with the one question relating to Career Development falling below the government-wide 2004 FHCS results. The 12 questions in this category and results in descending order are as follows:

Survey Questions	State 2006 Results	State 2004 FHCS Results	2004 FHCS Federal Agencies	2004 Private Industry
I like the kind of work I do	82	82	82	82
My work gives me a feeling of personal accomplishment	78	70	72	75
My pay	72	66	65	--
My job makes good use of my knowledge, skills, and abilities	70	68	68	74
Overall, how do you rate the job being done by your immediate supervisor/team leader?	67	72	67	75
My workload is reasonable	62	62	59	--
I am given a real opportunity to improve my knowledge and skills	60	70	64	62
I have a high level of respect for my organization's senior (SFS/SES and above) leaders	59	64	47	--
My involvement in decisions that affect my work	58	58	52	58
Recognition I receive for doing a good job	57	53	50	56
Training I receive for my present job	57	57	55	67
Policies and practices of my senior leaders (SFS/SES and above)	42	49	39	--

Cross-cutting Demographic Differences

In general, the 2006 QWL survey results highlighted several cross-cutting demographic differences such as:

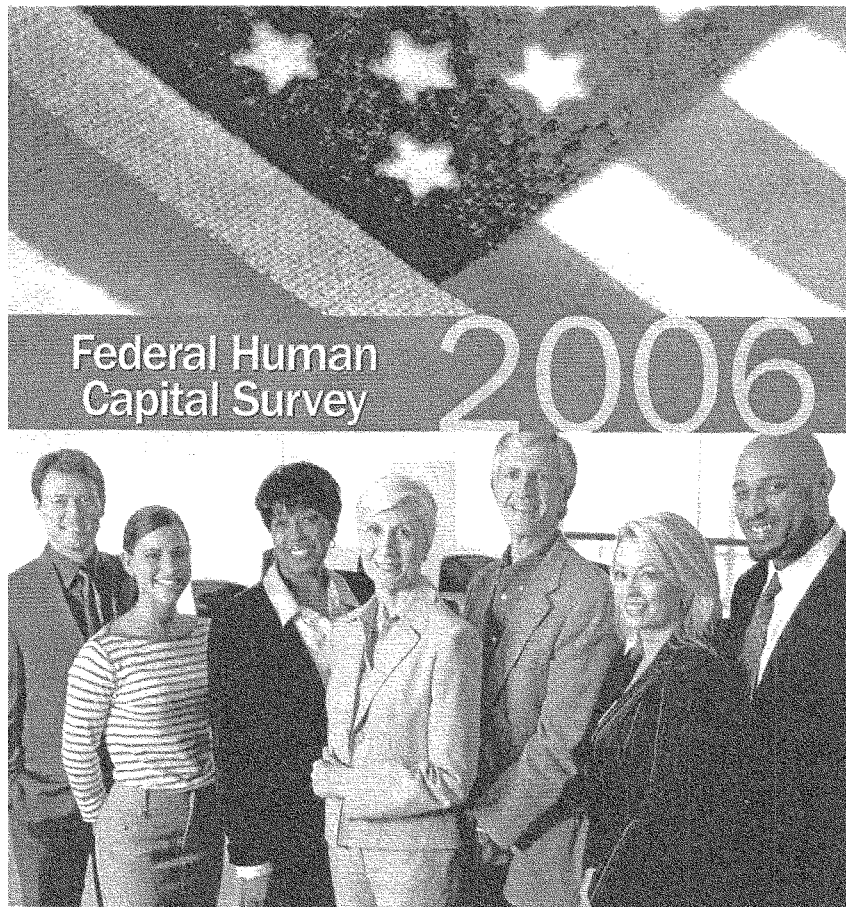
- Employees with fewer years of government service were often more satisfied with the Department of State, morale, and work/life balance;
- Based on pay grade, senior-level employees (SES/SFS employees) are often more satisfied with their job, pay, and reward/recognition, as compared to middle- (FO1 to FO3, and CS equivalent) or junior- (FO4 to FO6, and CS equivalent) level employees.

Next Steps

The survey provides much food for thought. While our employees value their work, believe they are making a contribution, and are satisfied working at the Department, there is room for improvement. It is interesting to compare

our results to those of our sister federal agencies and private industry – and we stand up very well in the comparison – but that is not our goal. Our goal is to create an environment in which employees can and want to excel; one in which, at the end of each day, they are proud of their contributions to our nation and the American people.

We have set a tall task for ourselves. We will begin with a renewed focus on leadership and management, from the top down, from training to showcasing best practices, from the assignments process to promotions. You will be hearing more of this in the weeks and months ahead. But let me say now that every member of the Department, regardless of rank or service, has a role to play in creating a culture of excellence in leadership and management. It is time to put into practice the principles learned in FSI leadership courses. It is time to move the leadership practices of the Department into the 21st Century. I look forward to working with you towards that goal.



Results from the 2006 Federal Human Capital Survey
Department of State



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ABOUT THIS MANAGEMENT REPORT

The success of each agency depends on the talent and motivation of the Federal workforce.

Recruiting and retaining the very best and brightest individuals depend, in large part, on the quality of the work environment. In support of the President's Management Agenda, the Office of Personnel Management (OPM) gathers data to assess the state of human capital management across the Federal Government and provides agency managers information they can use to improve agency management practices and the work environment for Federal employees.

This is the third time OPM has conducted the Federal Human Capital Survey (FHCS). The FHCS was first conducted in 2002, and then again in 2004 and 2006. There were many changes in agency results between the 2002 and 2004 surveys, and agencies have made many more human capital improvements since 2004. The findings from the 2006 survey offer a snapshot of Federal employees' perceptions of workforce management in their agencies today. By looking at trends across the 2002, 2004, and 2006 surveys, agency leaders also will see how far they have come and what remains to be done.

To guide agencies in addressing human capital management issues, OPM created the Human Capital Assessment and Accountability Framework (HCAAF), which provides standards of success for agencies to measure their progress and achievements in managing their workforces. Each quarter, agencies are evaluated on their progress in meeting the HCAAF standards. The FHCS provides one source of information for evaluating success in three essential systems included in the HCAAF:

Leadership and Knowledge Management, Results-Oriented Performance Culture, and Talent Management. OPM developed metrics for each of these systems, including four indices based on items in the FHCS. For more information on these metrics, refer to OPM's Website at:

http://www.opm.gov/hcaaf_resource_center/assets/hcaaf_ssm.pdf

All of the items in the HCAAF indices also appear on the Annual Employee Survey, which is required under section 1128 of the National Defense Authorization Act for Fiscal Year 2004 (Public Law 108-136, November 24, 2003). OPM issued regulations prescribing 45 survey questions all agencies must assess and report annually starting calendar year 2007. The items are in the Federal Register: August 24, 2006 (Volume 71, Number 164). OPM included 44 of the 45 items on the 2006 FHCS. See Appendix A for a listing of these items -- displayed in bold face type.

THIS REPORT:

- ▣ **Presents multiple perspectives on your agency's results.** The various views give a broad but interconnected picture of your results, and include:

 - Results for the top 10 and bottom 10 survey items for your agency;
 - Results for survey items that increased or decreased by 5 or more percentage points since 2004;
 - Results for items where your agency leads and items where your agency trails the Federal Government average by 5 or more percentage points;
 - Results for the four HCAAF Indices (Leadership and Knowledge, Management Index, Results-Oriented Performance Culture Index, Talent Management Index, and Job Satisfaction Index);
 - Results for items used in the Performance Appraisal Assessment Tool (PAAT);
 - Comparisons with private sector results;
 - A Decision Aid: a one table summary of all survey items, which illustrates items consistently identified as your agency's strengths or challenges across the various perspectives;
 - Appendices that show results for all items, benchmarked against agency high, median, and low results; a trend analysis of 2002, 2004, and 2006 results; and a description of the survey methodology.
- ▣ **Provides you with next steps and guidelines on "Action Planning."** This section describes how to target appropriate actions for short-term and long-term improvement.

Working with this information and other HCAAF measures, your agency can make a thorough assessment of its own progress in strategic human capital management and develop a plan of action for further improvement. Refer to the <https://hcs2006.opm.gov> Website or contact your OPM Human Capital Officer for additional agency results and ideas for moving from results to action.

THE 2006 FEDERAL HUMAN CAPITAL SURVEY

More than 436,000 employees were selected to participate in this survey.

When were Federal employees surveyed?

OPM conducted the FHCS during the summer of 2006. The survey was administered electronically. Paper versions were provided to employees without Internet access.

Which Federal employees participated in the survey?

The survey sample included more than 436,000 employees from 29 major Federal agencies, as well as selected small and independent agencies. The sample was designed to be representative of the full-time, permanent Federal workforce. The Governmentwide response rate was 57 percent.

What did the survey measure?

The 84-item survey included 11 demographic questions and 73 items that measured Federal employees' perceptions about how effectively agencies manage their workforces. Survey questions addressed three HCAAF systems—Leadership and Knowledge Management, Results-Oriented Performance Culture, and Talent Management. Respondents also rated their personal work experiences, their learning (or knowledge management) environment, their job satisfaction, and their satisfaction with benefits.

Employees provided perceptions about their own jobs as well as their work units and agencies. There are 71 items in common between the 2006 and 2004 surveys and 59 items in common between the 2006 and 2002 surveys. The following two items were added to the 2006 survey:

- 7. I have trust and confidence in my supervisor.
- 27. Pay raises depend on how well employees perform their jobs.

What do the survey results represent?

The survey results represent a snapshot in time of the perceptions of the Federal workforce. Statisticians weighted returned survey data to adjust for differences between the makeup of the survey respondents and the population of Federal employees surveyed. The Governmentwide results have a plus or minus 1 percent margin of error.

YOUR AGENCY RESULTS AT A GLANCE

*How far we've come in creating better working environments
for our employees, and what remains to be done . . .*

The next sections of this report open with highlights of your agency's 2006 FHCS results and a comparison of your agency's survey respondents and population on selected demographics. The following sections include more detailed 2006 results for your agency as well as comparisons between your 2006 results and (1) your 2004 results, (2) 2006 Governmentwide averages, and (3) relevant private sector results on personal experiences and job satisfaction.

Rules of Thumb

Many comparisons are made throughout this report. Although significance tests could be run on each comparison, it is impractical to do so, and for large agencies or the Federal Government, even very small differences will be significant. Therefore, when reviewing and interpreting results, it is often useful to apply rules of thumb to determine the "notable" or "meaningful" results. These rules of thumb apply both to looking at your own results, as well as when making comparisons.

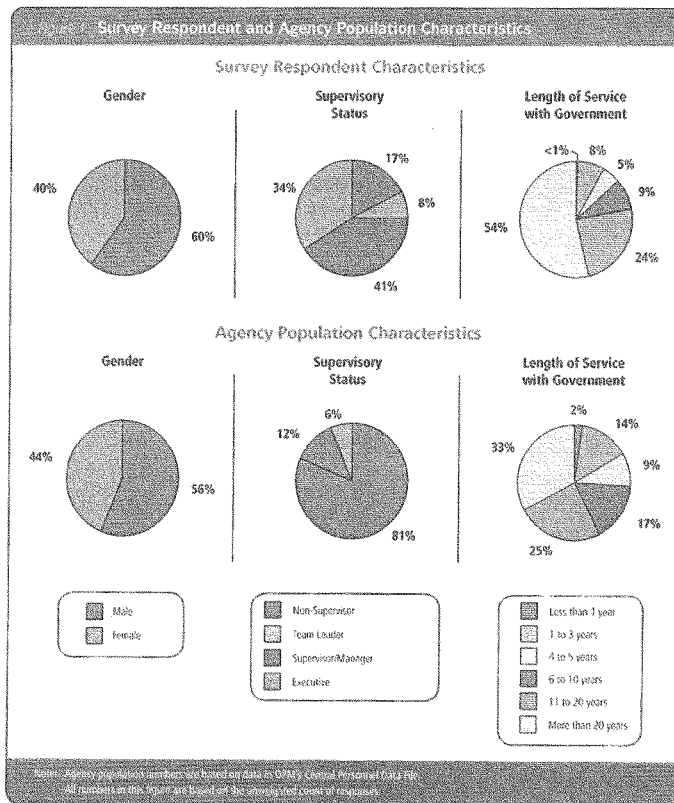
- Items that are 65 percent or more positive are strengths
- Items that are 35 percent or more negative are weaknesses
- A difference of 5 percentage points or more is notable (e.g., increased by 5 percentage points from 2004 to 2006, difference of 5 percentage points or more between agency rating and Governmentwide average or between agency and private sector ratings)
- Neutral responses that are 30 percent or more may indicate opportunities for more communication

Reminder: The 2006 FHCS included 73 items plus 11 demographic items; 71 were common between the 2004 and 2006 surveys.

Your Agency Findings at a Glance

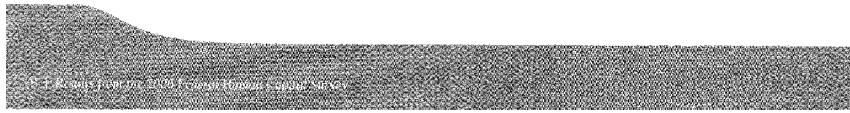
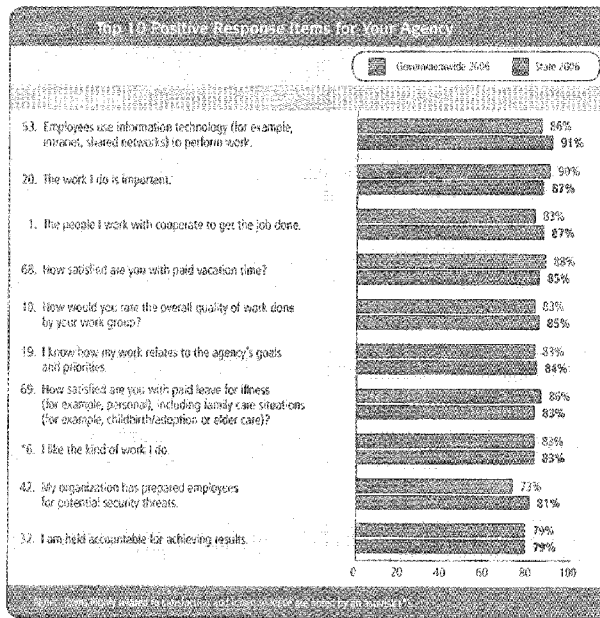
- Field Period: **August 1st – August 31st**
- Sample Size: **2,187**
- Your agency results have a margin of error of +/- 4%
- Response Rate: **60%**
- **1,310** employees responded in your agency
- **29** items had positive ratings of 65 percent or more (strengths)
- **2** items had negative ratings of 35 percent or more (weaknesses)
- **4** items increased by 5 percentage points or more since 2004
- **9** items decreased by 5 percentage points or more since 2004
- **29** items were 5 percentage points or more above the Governmentwide average
- **4** items were 5 percentage points or more below the Governmentwide average
- Your agency HCAAF Indices rankings out of 36 agencies are:
10th on Leadership & Knowledge Management
13th on Results Oriented Performance Culture
11th on Talent Management
6th on Job Satisfaction

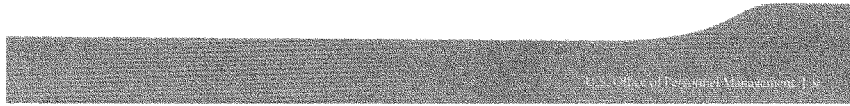
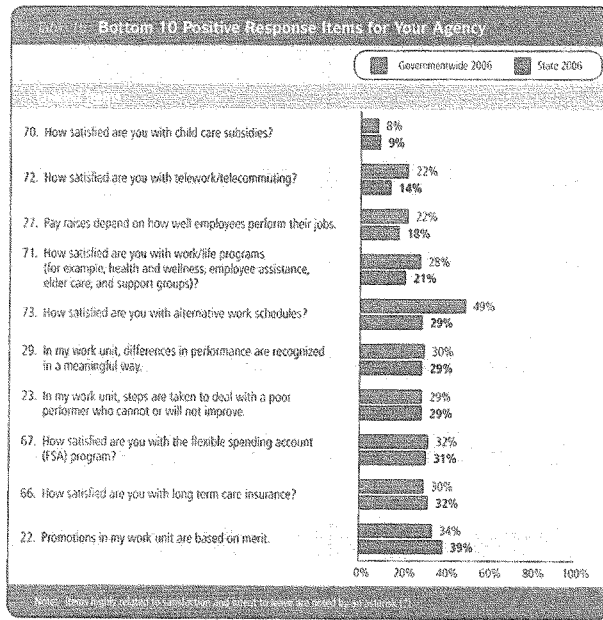
SNAPSHOT OF YOUR SURVEY RESPONDENT AND AGENCY POPULATION CHARACTERISTICS



TOP 10 AND BOTTOM 10 ITEMS FOR YOUR AGENCY

The next two tables display your agency's 10 highest and lowest positive ratings. The tables also include 2006 Governmentwide ratings for comparison.





INCREASES AND DECREASES FOR YOUR AGENCY

The next table shows the survey items that had the greatest changes in percent positive rating for your agency since the 2004 FHCS. Positive ratings are the sum of two positive categories (e.g., Strongly Agree/Agree or Very Satisfied/Satisfied). These tables display up to 10 items with positive ratings that increased or decreased at least 5 percentage points from 2004 to 2006. If your agency had more than 10 items that changed by 5 percentage points or more, only the 10 items with the greatest changes are shown. It is possible your agency had fewer than 10 items that changed 5 percentage points or more since 2004.

Table 1. Increases and Decreases in Positive Responses				
Survey Item	2004	2006	Change	
49. Employees have electronic access to learning and training programs readily available at their desk.	68	77	+9	
*5. My work gives me a feeling of personal accomplishment.	70	77	+7	
43. Complaints, disputes or grievances are resolved fairly in my work unit.	38	45	+7	
25. Employees are rewarded for providing high quality products and services to customers.	43	49	+6	
73. How satisfied are you with alternative work schedules?	41	29	-12	
37. In my organization, leaders generate high levels of motivation and commitment in the workforce.	50	40	-10	
*17. My workload is reasonable.	62	55	-7	
16. I have sufficient resources (for example, people, materials, budget) to get my job done.	57	51	-6	
*36. I have a high level of respect for my organization's senior leaders.	64	58	-6	
38. My organization's leaders maintain high standards of honesty and integrity.	62	56	-6	
71. How satisfied are you with work/life programs (for example, health and wellness, employee assistance, elder care, and support groups)?	27	21	-6	
65. How satisfied are you with life insurance benefits?	65	60	-5	
66. How satisfied are you with long term care insurance?	37	32	-5	

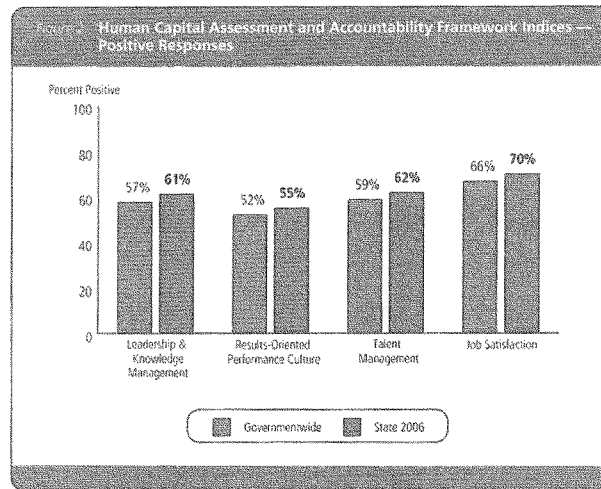
AGENCY ITEMS ABOVE AND BELOW THE 2006 GOVERNMENTWIDE AVERAGE

This table displays up to 10 items with positive ratings that are at least 5 percentage points above or below the Governmentwide average. Again, your agency may have greater or fewer than 10 items that differ from the Governmentwide average by 5 percentage points or more, but only up to 10 items with the greatest differences are displayed.

Items Above and Below the 2006 Governmentwide Average on Percent Positive				
Item	Agency	Gov'twide Avg.	Difference	
*58. How satisfied are you with your opportunity to get a better job in your organization?	36	47	+11	
*2. I am given a real opportunity to improve my skills in my organization.	62	72	+10	
14. My work unit is able to recruit people with the right skills.	44	54	+10	
30. My performance appraisal is a fair reflection of my performance.	64	73	+9	
*36. I have a high level of respect for my organization's senior leaders.	49	58	+9	
45. Prohibited Personnel Practices (for example, illegally discriminating for or against any employee/applicant, obstructing a person's right to compete for employment, knowingly violating veterans' preference requirements) are not tolerated.	59	68	+9	
26. Creativity and innovation are rewarded.	39	47	+8	
42. My organization has prepared employees for potential security threats.	73	81	+8	
33. Supervisors/team leaders in my work unit are committed to a workforce representative of all segments of society.	54	61	+7	
35. Managers/supervisors/team leaders work well with employees of different backgrounds.	64	71	+7	
73. How satisfied are you with alternative work schedules?	49	29	-20	
50. My training needs are assessed.	51	42	-9	
72. How satisfied are you with telework/telecommuting?	22	14	-8	
71. How satisfied are you with work/life programs (for example, health and wellness, employee assistance, elder care, and support groups)?	28	21	-7	

HUMAN CAPITAL ASSESSMENT AND ACCOUNTABILITY FRAMEWORK (HCAAF) INDICES

This graph shows your agency results compared with Governmentwide results for the four HCAAF Indices. There are a total of 39 items that make up the indices. The four indices are: Leadership and Knowledge Management Index, Results-Oriented Performance Culture Index, Talent Management Index, and Job Satisfaction Index. See Appendix A for the results of the individual items that make up the HCAAF Indices.



The **Leadership & Knowledge Management Index** indicates the extent employees hold their leadership in high regard, both overall and on specific facets of leadership. It is made up of items 7, 9, 17, 35, 36, 37, 39, 40, 41, 42, 55, and 57.

The **Results-Oriented Performance Culture Index** indicates the extent employees believe their organizational culture promotes improvement in processes, products and services, and organizational outcomes. It is made up of items 1, 12, 19, 21, 22, 23, 24, 26, 27, 29, 30, 31, and 56.

The **Talent Management Index** indicates the extent employees think the organization has the talent necessary to achieve organizational goals. It is made up of items 2, 11, 14, 18, 48, 50, and 59.

The **Job Satisfaction Index** indicates the extent employees are satisfied with their jobs and various aspects thereof. It is made up of items 5, 6, 20, 54, 58, 60, and 61.

PERFORMANCE APPRAISAL ASSESSMENT TOOL (PAAT) ITEMS

As the initiative owner for the Strategic Management of Human Capital under the President's Management Agenda, OPM is committed to providing products and technical assistance to help agencies design and operate appraisal programs that support results-focused, high performance cultures. The Performance Appraisal Assessment Tool (PAAT) can help agencies assess their appraisal programs. Agencies can apply this tool to identify the strengths and weaknesses of their programs and develop plans and strategies for making necessary improvements. Fifteen items from the 2006 FHCS provide information on the status of your agency's appraisal program. These items comprise 20 percent of your agency PAAT score. Table 4 compares your agency's 2004 and 2006 results with Governmentwide results for the items in the PAAT.

Item	2004	2006	Govtwide
Alignment			
19. I know how my work relates to the agency's goals and priorities.	83	84	83
39. Managers communicate the goals and priorities of the organization.	63	61	58
Empowerment			
*24. Employees have a feeling of personal empowerment with respect to work processes.	45	47	42
32. I am held accountable for achieving results.	76	79	79
Recognition/Reward			
25. Employees are rewarded for providing high quality products and services to customers.	43	49	45
Differentiating Quality of Performance			
29. In my work unit, differences in performance are recognized in a meaningful way.	31	29	30
Awards			
28. Awards in my work unit depend on how well employees perform their jobs.	43	42	40
*56. How satisfied are you with the recognition you receive for doing a good job?	53	52	49
23. In my work unit, steps are taken to deal with a poor performer who cannot or will not improve.	28	29	29
Employee Involvement			
*54. How satisfied are you with your involvement in decisions that affect your work?	58	58	54
Supervisor/Team Leader			
31. Discussions with my supervisor/team leader about my performance are worthwhile.	63	62	56
47. Supervisors/team leaders provide employees with constructive suggestions to improve their job performance.	63	63	58
Training and Development			
*2. I am given a real opportunity to improve my skills in my organization.	70	72	62
Systemwide Initiatives			
40. Managers review and evaluate the organization's progress toward meeting its goals and objectives.	59	56	56
Perceived Appraisal Management			
30. My performance appraisal is a fair reflection of my performance.	71	73	64

PRIVATE SECTOR COMPARISONS

You can compare a subset of your agency's 2006 FHCS results with similar assessments collected from employees performing a wide range of jobs in a set of large private sector companies, primarily in the U.S. Positive responses for your agency and the private sector are presented in the table below for 14 items appearing in the 2006 FHCS.

Private Sector Comparison — Positive Responses			
1. The people I work with cooperate to get the job done.	82	87	+5
*2. I am given a real opportunity to improve my skills in my organization.	60	72	+12
3. I have enough information to do my job well.	74	75	+1
4. I feel encouraged to come up with new and better ways of doing things.	67	67	0
*5. My work gives me a feeling of personal accomplishment.	73	77	+4
*6. I like the kind of work I do.	76	83	+7
*9. Overall, how good a job do you feel is being done by your immediate supervisor/team leader?	74	72	-2
*54. How satisfied are you with your involvement in decisions that affect your work?	54	58	+4
*55. How satisfied are you with the information you receive from management on what's going on in your organization?	60	53	-7
*56. How satisfied are you with the recognition you receive for doing a good job?	52	52	0
*58. How satisfied are you with your opportunity to get a better job in your organization?	40	47	+7
*59. How satisfied are you with the training you receive for your present job?	61	56	-5
60. Considering everything, how satisfied are you with your job?	71	72	+1
62. Considering everything, how satisfied are you with your organization?	63	62	-1

Note: Four items in this table had slightly different wording in the private sector surveys.

- 2. I am given a real opportunity to improve my skills in the company.
- 55. How satisfied are you with the information you receive from management on what's going on in the company?
- 58. How satisfied are you with your opportunity to get a better job in this company?
- 62. Considering everything, how would you rate your overall satisfaction with the company at the present time?

DECISION AID: MOVING FROM RESULTS TO ACTION

The next set of tables provides key information, presented in item order, to help your agency decide where to focus its action planning efforts. According to the rules of thumb described earlier, results are displayed in green or red. For example, if your first item is 65 percent positive or higher, this result is displayed in green. If your “% Positive Comparisons to” the Governmentwide average is -7, this result is displayed in red because it meets the rule of thumb of being 5 or more percentage points below the Governmentwide average. In general, green means your agency performed well according to that view; red means your agency did not perform as well. Agencies should consider targeting items that show “red” results for action planning.

Decision Aid					
1. The people I work with cooperate to get the job done.	87	6	+4	0	+5
*2. I am given a real opportunity to improve my skills in my organization.	72	13	+10	+2	+12
3. I have enough information to do my job well.	75	9	+3	0	+1
4. I feel encouraged to come up with new and better ways of doing things.	67	14	+7	+2	0
*5. My work gives me a feeling of personal accomplishment.	77	11	+4	+7	+4
*6. I like the kind of work I do.	83	7	0	+1	+7
7. I have trust and confidence in my supervisor.	69	13	+5	—	—
8. I recommend my organization as a good place to work.	70	11	+6	+1	—
*9. Overall, how good a job do you feel is being done by your immediate supervisor/team leader?	72	9	+6	0	-2
10. How would you rate the overall quality of work done by your work group?	85	2	+2	-1	—
11. The workforce has the job-relevant knowledge and skills necessary to accomplish organizational goals.	75	9	+1	-3	—
12. My supervisor supports my need to balance work and family issues.	78	6	0	-1	—
13. Supervisors/team leaders in my work unit provide employees with the opportunities to demonstrate their leadership skills.	67	13	+7	+2	—
14. My work unit is able to recruit people with the right skills.	54	17	+10	-1	—
15. The skill level in my work unit has improved in the past year.	51	14	0	+1	—

Table 1. Decision Aid (continued)

16. I have sufficient resources (for example, people, materials, budget) to get my job done.	51	31	+3	-6	—
*17. My workload is reasonable.	55	28	-4	-7	—
*18. My talents are used well in the workplace.	63	20	+2	0	—
19. I know how my work relates to the agency's goals and priorities.	34	7	+1	+1	—
20. The work I do is important.	37	5	-3	+1	—
21. Physical conditions (for example, noise level, temperature, lighting, cleanliness in the workplace) allow employees to perform their jobs well.	66	20	-1	+2	—
22. Promotions in my work unit are based on merit.	39	28	+5	-1	—
23. In my work unit, steps are taken to deal with a poor performer who cannot or will not improve.	29	39	0	+1	—
*24. Employees have a feeling of personal empowerment with respect to work processes.	47	21	+5	+2	—
25. Employees are rewarded for providing high quality products and services to customers.	49	22	+4	+6	—
26. Creativity and innovation are rewarded.	47	24	+8	+4	—
27. Pay raises depend on how well employees perform their jobs.	18	47	-4	—	—
28. Awards in my work unit depend on how well employees perform their jobs.	42	26	+2	-1	—
29. In my work unit, differences in performance are recognized in a meaningful way.	29	32	-1	-2	—
30. My performance appraisal is a fair reflection of my performance.	73	9	+9	+2	—
31. Discussions with my supervisor/team leader about my performance are worthwhile.	62	14	+6	-1	—
32. I am held accountable for achieving results.	79	7	0	+3	—
33. Supervisors/team leaders in my work unit are committed to a workforce representative of all segments of society.	61	8	+7	+2	—
34. Policies and programs promote diversity in the workplace (for example, recruiting minorities and women, training in awareness of diversity issues, mentoring).	62	9	+5	-2	—
35. Managers/supervisors/team leaders work well with employees of different backgrounds.	71	9	+7	0	—
*36. I have a high level of respect for my organization's senior leaders.	58	19	+9	-6	—

Source: Bureau of the Census, Government and Industry Survey, 1995, Table 1.

Decision Aid (continued)					
37. In my organization, leaders generate high levels of motivation and commitment in the workforce.	40	25	+2	-10	---
38. My organization's leaders maintain high standards of honesty and integrity.	56	17	+7	-6	---
39. Managers communicate the goals and priorities of the organization.	61	17	+3	-2	---
40. Managers review and evaluate the organization's progress toward meeting its goals and objectives.	56	16	0	-3	---
41. Employees are protected from health and safety hazards on the job.	71	10	-4	+2	---
42. My organization has prepared employees for potential security threats.	81	6	+8	+1	---
43. Complaints, disputes or grievances are resolved fairly in my work unit.	45	14	+6	+7	---
44. Arbitrary action, personal favoritism and coercion for partisan political purposes are not tolerated.	50	21	+5	0	---
45. Prohibited Personnel Practices (for example, illegally discriminating for or against any employee/applicant, obstructing a person's right to compete for employment, knowingly violating veterans' preference requirements) are not tolerated.	68	7	+9	+3	---
46. I can disclose a suspected violation of any law, rule or regulation without fear of reprisal.	49	19	+1	0	---
47. Supervisors/team leaders provide employees with constructive suggestions to improve their job performance.	63	15	+5	0	---
48. Supervisors/team leaders in my work unit support employee development.	70	11	+6	-3	---
49. Employees have electronic access to learning and training programs readily available at their desk.	77	8	+2	+9	---
50. My training needs are assessed.	42	27	-9	-1	---
51. Managers promote communication among different work units (for example, about projects, goals, needed resources).	59	20	+6	+1	---
52. Employees in my work unit share job knowledge with each other.	77	10	+3	-1	---
53. Employees use information technology (for example, intranet, shared networks) to perform work.	91	3	+5	-1	---
*54. How satisfied are you with your involvement in decisions that affect your work?	58	20	+4	0	+4
*55. How satisfied are you with the information you receive from management on what's going on in your organization?	53	25	+6	+1	-7



Table 1. Decision Aid (continued)

*56. How satisfied are you with the recognition you receive for doing a good job?	52	26	+3	-1	0
*57. How satisfied are you with the policies and practices of your senior leaders?	45	25	+4	-4	—
*58. How satisfied are you with your opportunity to get a better job in your organization?	47	25	+11	+4	+7
*59. How satisfied are you with the training you receive for your present job?	56	19	+2	-1	-5
60. Considering everything, how satisfied are you with your job?	72	12	+4	+4	+1
*61. Considering everything, how satisfied are you with your pay?	64	17	+3	-2	—
62. Considering everything, how satisfied are you with your organization?	62	16	+6	-1	-1
63. How satisfied are you with retirement benefits? †	64	8	+3	-2	—
64. How satisfied are you with health insurance benefits? †	64	16	+6	0	—
65. How satisfied are you with life insurance benefits? †	60	8	0	-5	—
66. How satisfied are you with long term care insurance? †	32	8	+2	-5	—
67. How satisfied are you with the flexible spending account (FSA) program? †	31	4	-1	+3	—
68. How satisfied are you with paid vacation time?	85	6	-3	0	—
69. How satisfied are you with paid leave for illness (for example, personal), including family care situations (for example, childbirth/adoption or elder care)?	83	6	-3	+2	—
70. How satisfied are you with child care subsidies? †	9	7	+1	-4	—
71. How satisfied are you with work/life programs (for example, health and wellness, employee assistance, elder care, and support groups)? †	21	9	-7	-6	—
72. How satisfied are you with telework/telecommuting? †	14	18	-8	+2	—
73. How satisfied are you with alternative work schedules? †	29	14	-20	-12	—

Note: Data were weighted by education and gender to more closely reflect the U.S. population.

*50th percentile of the population; †50th percentile of the population in 2005. † You were to estimate your health care expenditure for 2004.

† For each category, the value to your right (FSA) indicates your score for all response options on the scale.



ACTION PLANNING

This is a wonderful opportunity to make a difference to improve both your agency and the entire Federal workforce.

The overall goal for working with your agency results is to determine what you can do to continually improve how your agency manages its workforce. Continuous improvement means constantly adapting. It requires making change, monitoring progress, and evaluating the impact on your human capital management challenges. The following simple steps guide you through using your survey results to help your agency meet its strategic human capital management goals.

Reflect and Review – Thoroughly examine the results.

Compare your agency's results with Governmentwide results

- * What areas are you performing well in—your agency's strengths?
- * What areas are you facing difficulties in—your agency's challenges?

Compare your agency's 2006 results with your 2004 and 2002 benchmarks

- * Were actions taken since the last survey, or are new issues impacting the agency that may help explain the results?
- * Are you seeing new improvements?
- * Are there new areas needing improvement?
- * In which areas do you continue to do well? Build on those strengths.

Look at your results vis à vis your Strategic Human Capital Plan

- * Identify tactical issues (focused on a particular, timely issue) and strategic issues (broader issues but linked to organizational goals). Both are important—addressing some issues will provide short-term visible results, and others will require long-term change to meet strategic goals.
- * Use your managerial judgment to identify action targets. What does your agency's management team think are the most important human capital areas to address? What survey items are related to the agency's strategic goals?
- * Pay attention to items where a large percentage (i.e., 30 percent or more) of people gave a neutral response or items with relatively larger "Do Not Know" responses. If many people chose either the neutral response or "Do Not Know" as an option, it may be an area worth investigating. Employees may need more information about this area.
- * Look at your results by different employee segments (e.g., supervisory vs. non-supervisory employees, field vs. headquarters) to identify key issues for different groups. Refer to the FHCS Website for additional data analysis advice (<https://fhcs2006.opm.gov>).

Plan, Discuss, and Decide

- * Determine your priorities.
- * Be sure to involve employee representatives in developing action plans.
- * Develop integrated action plans with relevant managers; you may want to consider involving employees in developing action plans; consider the following factors in developing improvement actions:
 - Costs (time, money, people, resources)
 - Timeframes for implementation and followup
 - Who is responsible for the action
- * Consider supplementing the survey results with qualitative information from employee focus groups to determine the source of comparatively low ratings and generate action plans.
- * Look at action items that:
 - can be solved in the short term—simply and quickly, with minimal effort; this will generate momentum for change and create quick success through fast, visible actions;
 - can be completed within the next 2 to 3 months; and
 - require greater effort and further understanding.
- * Select some action items that can be solved simply and quickly. Quick successes will help people stay committed to implementing those actions that need more time.

Provide Feedback

- * Communicate both positive and negative results to employees. Share successes in making change.
- * Monitor and communicate progress and impacts. Work actions down and then results back up.
- * Consider establishing a working group for continuous improvement monitoring.
- * Show top-level support! Employees will only care if they believe top leadership cares.

Use Organizational Resources

- * Work with your OPM Human Capital Officer to make sure action plans are aligned with your agency Strategic Human Capital Plan. Your Human Capital Officer is available to answer questions related to the survey results as well.

APPENDIX A ITEM RESULTS AND BENCHMARKS

Appendix A shows your agency's positive, neutral, and negative scores on all of items in the 2006 Federal Human Capital Survey (FHCS), as well as the demographic responses. It also provides the following benchmark scores:

- * Your agency rank on each item; the item rank is based on the 42 agencies that received a management report. (Note: Department of Defense was separated into Army, Army Corps of Engineers, Air Force, Navy, Marine Corps, and Other Defense for those item rankings.)
- ** The highest, median, and lowest positive scores (benchmarks) from among the results for each of the PMC agencies and the 12 small and independent agencies with 800 or more employees.

The benchmark scores allow you to assess your relative ranking among the other 2006 FHCS agencies.

The three Governmentwide scores for each item represent the agency that scored the highest for the item, the agency that scored the lowest, and the median score (the middle value among all 42 agency scores). If your agency had a positive rating of 86 percent for an item, and the benchmarks are 95 percent for high, 85 percent for median, and 75 percent for low, then you can conclude your agency is in the mid-range of agency scores for that item.

Item	Your Agency			With Peer Benchmarks			
	Score	High	Low	High	Median	Low	
1. The people I work with cooperate to get the job done.	87	7	6	9 ^a	95	85	77
*2. I am given a real opportunity to improve my skills in my organization.	72	15	13	6 ^b	78	64	45
3. I have enough information to do my job well.	75	16	9	11 ^b	83	73	60
4. I feel encouraged to come up with new and better ways of doing things.	67	19	14	5 ^b	76	61	42
*5. My work gives me a feeling of personal accomplishment.	77	12	11	7 ^b	85	73	62
*6. I like the kind of work I do.	83	10	7	14 ^b	89	82	76
7. I have trust and confidence in my supervisor.	69	17	13	8 ^b	76	65	50
8. I recommend my organization as a good place to work.	70	19	11	8 ^b	81	64	38
*9. Overall, how good a job do you feel is being done by your immediate supervisor/team leader?	72	19	9	7 ^a	78	68	53
10. How would you rate the overall quality of work done by your work group?	85	14	2	11 ^b	91	84	75

Item Results and Benchmarks (continued)

Item	2006 Survey Percentages			2006 NHCE Benchmarks (by Percentile)		
	Female	Male	Total	50th	75th	90th
11. The workforce has the job-relevant knowledge and skills necessary to accomplish organizational goals.	75	15	9	18 th	88	53
12. My supervisor supports my need to balance work and family issues.	78	14	6	28 th	88	64
13. Supervisors/team leaders in my work unit provide employees with the opportunities to demonstrate their leadership skills.	67	20	13	8 th	74	44
14. My work unit is able to recruit people with the right skills.	54	26	17	8 th	81	25
15. The skill level in my work unit has improved in the past year.	51	28	14	17 th	59	42
16. I have sufficient resources (for example, people, materials, budget) to get my job done.	51	18	31	17 th	67	32
*17. My workload is reasonable.	55	16	28	34 th	76	41
*18. My talents are used well in the workplace.	63	16	20	14 th	68	48
19. I know how my work relates to the agency's goals and priorities.	84	8	7	18 th	91	73
20. The work I do is important.	87	8	5	30 th	94	83
21. Physical conditions (for example, noise level, temperature, lighting, cleanliness in the workplace) allow employees to perform their jobs well.	66	14	20	29 th	89	51

* Items marked with an asterisk are not included in the Agency Workload and Talent Utilization Survey.

Appendix A Item Results and Benchmarks (continued)								
Item	2015 Item Performance			2008-2014 Benchmarks (in Percent)				
	2015	2014	2013	2008	2009	2010	2011	2012
22. Promotions in my work unit are based on merit.	39	26	28	14 th	54	38	22	
23. In my work unit, steps are taken to deal with a poor performer who cannot or will not improve.	29	23	39	16 th	44	29	22	
*24. Employees have a feeling of personal empowerment with respect to work processes.	47	29	21	8 th	59	43	28	
25. Employees are rewarded for providing high quality products and services to customers.	49	27	22	18 th	67	48	25	
26. Creativity and innovation are rewarded.	47	27	24	8 th	61	41	25	
27. Pay raises depend on how well employees perform their jobs.	18	29	47	37 th	47	25	13	
28. Awards in my work unit depend on how well employees perform their jobs.	42	26	26	21 st	56	42	27	
29. In my work unit, differences in performance are recognized in a meaningful way.	29	33	32	27 th	43	31	19	
30. My performance appraisal is a fair reflection of my performance.	73	15	9	4 th	78	65	52	
31. Discussions with my supervisor/team leader about my performance are worthwhile.	62	22	14	5 th	66	58	46	
32. I am held accountable for achieving results.	79	13	7	31 st	89	81	68	
33. Supervisor/team leaders in my work unit are committed to a workforce representative of all segments of society.	61	24	8	5 th	68	55	43	
34. Policies and programs promote diversity in the workplace (for example, recruiting minorities and women, training in awareness of diversity issues, mentoring).	62	21	9	9 th	78	57	46	
35. Managers/supervisors/team leaders work well with employees of different backgrounds.	71	17	9	5 th	76	64	53	

*2015 Item Results are based on data from the 2015 survey. All other data are based on data from the 2008-2014 surveys. Percentages are based on the number of employees who responded to the survey.

Item	2010 Score (Percentage)			2010 FACS Benchmark (Percentage)			
	Mean	SD	SE	Mean	SD	SE	
*36. I have a high level of respect for my organization's senior leaders.	58	23	19	6 th	67	50	33
37. In my organization, leaders generate high levels of motivation and commitment in the workforce.	40	33	25	16 th	53	38	22
38. My organization's leaders maintain high standards of honesty and integrity.	56	23	17	7 th	65	49	29
39. Managers communicate the goals and priorities of the organization.	61	21	17	16 th	73	60	36
40. Managers review and evaluate the organization's progress toward meeting its goals and objectives.	56	24	16	27 th	72	58	31
41. Employees are protected from health and safety hazards on the job.	71	17	10	28 th	91	77	52
42. My organization has prepared employees for potential security threats.	81	12	6	3 rd	87	73	50
43. Complaints, disputes or grievances are resolved fairly in my work unit.	45	26	14	2 nd	48	38	28
44. Arbitrary action, personal favoritism and coercion for partisan political purposes are not tolerated.	50	21	21	6 th	58	46	31
45. Prohibited Personnel Practices (for example, illegally discriminating for or against any employee/applicant, obstructing a person's right to compete for employment, knowingly violating veterans' preference requirements) are not tolerated.	68	15	7	3 rd	72	59	42
46. I can disclose a suspected violation of any law, rule or regulation without fear of reprisal.	49	21	19	12 th	63	46	29
47. Supervisors/team leaders provide employees with constructive suggestions to improve their job performance.	63	20	15	9 th	71	59	45
48. Supervisors/team leaders in my work unit support employee development.	70	18	11	10 th	82	66	48
49. Employees have electronic access to learning and training programs readily available at their desk.	77	11	8	15 th	94	75	34
50. My training needs are assessed.	42	29	27	30 th	64	49	27
51. Managers promote communication among different work units (for example, about projects, goals, needed resources).	59	19	20	8 th	66	54	35
52. Employees in my work unit share job knowledge with each other.	77	13	10	12 th	87	75	63
53. Employees use information technology (for example, intranet, shared networks) to perform work.	91	6	3	14 th	96	89	77

Note: Items highly related to each other and which do not have an asterisk (*) are based on the Agency Employee Survey and are displayed in bold face.

Table 4 Item Results and Benchmarks (continued)

Item	2014 Item Percentages			2014 PHS Benchmarks (by Percentile)			
	Positive	Neutral	Concern	90th	75th	50th	25th
*54. How satisfied are you with your involvement in decisions that affect your work?	58	22	20	9 th	66	55	39
*55. How satisfied are you with the information you receive from management on what's going on in your organization?	53	22	25	6 th	64	48	30
*56. How satisfied are you with the recognition you receive for doing a good job?	52	22	26	17 th	69	52	35
*57. How satisfied are you with the policies and practices of your senior leaders?	45	30	25	10 th	55	41	25
*58. How satisfied are you with your opportunity to get a better job in your organization?	47	29	25	2 nd	49	36	20
*59. How satisfied are you with the training you receive for your present job?	56	25	19	12 th	69	53	36
60. Considering everything, how satisfied are you with your job?	72	16	12	5 th	77	68	56
*61. Considering everything, how satisfied are you with your pay?	64	19	17	18 th	74	63	53
62. Considering everything, how satisfied are you with your organization?	62	22	16	10 th	73	58	36
63. How satisfied are you with retirement benefits?	64	16	8	21 st	84	64	54
64. How satisfied are you with health insurance benefits?	64	15	16	19 th	88	64	50
65. How satisfied are you with life insurance benefits?	60	21	8	18 th	82	60	49
66. How satisfied are you with long term care insurance?	32	26	8	9 th	56	31	24
67. How satisfied are you with the flexible spending account (FSA) program?	31	23	4	30 th	66	36	22
68. How satisfied are you with paid vacation time?	85	9	6	35 th	95	89	82
69. How satisfied are you with paid leave for illness (for example, personal), including family care situations (for example, child/birth/adoption or elder care)?	83	11	6	33 rd	94	87	76
70. How satisfied are you with child care subsidies?	9	15	7	4 th	13	8	5
71. How satisfied are you with work/life programs (for example, health and wellness, employee assistance, elder care, and support groups)?	21	22	9	37 th	51	28	14
72. How satisfied are you with telework/telecommuting?	14	14	18	40 th	57	25	11
73. How satisfied are you with alternative work schedules?	29	15	14	40 th	80	60	14

Note: Items with a * indicate a statistically significant difference between 2014 and 2013. PHS benchmarks are based on a national survey of 100,000 employees. Percentages are rounded to the nearest whole number.

Demographic Characteristics		2006 Percent of Employees
74. Where do you work?		
Headquarters		41
Field		59
75. What is your supervisory status?		
Non-supervisor		17
Team Leader		8
Supervisor		18
Manager		23
Executive		34
76. Are you:		
Male		60
Female		40
77. Are you Hispanic or Latino?		
Yes		5
No		95
78. Are you:		
White		78
Black or African American		13
Native Hawaiian or Other Pacific Islander		<1
Asian		4
American Indian or Alaska Native		1
Two or more races (Not Hispanic or Latino)		3
79. What is your age group?		
25 and under		1
26-29		2
30-39		12
40-49		28
50-59		47
60 or older		11

Note: All figures in this table are based on the survey and represent estimates.
Percentages for the Annual Employee Survey are displayed in bold font.

Demographic Characteristics (continued)		Number of respondents
80. What is your pay category/grade?		
Federal Wage System (for example, WB, WD, WG, WL, WM, WS, WY)		<1
GS 1-6		<1
GS 7-12		23
GS 13-15		37
Senior Executive Service		35
Senior Level (SL) or Scientific or Professional (SI)		<1
Other		3
81. How long have you been with the Federal Government (excluding military service)?		
Less than 1 year		<1
1 to 3 years		8
4 to 5 years		5
6 to 10 years		9
11 to 20 years		24
More than 20 years		54
82. How long have you been with your current agency (for example, Department of Justice, Environmental Protection Agency)?		
Less than 1 year		1
1 to 3 years		10
4 to 5 years		6
6 to 10 years		14
11 to 20 years		25
More than 20 years		43
83. Are you considering leaving your organization within the next year, and if so, why?		
No		73
Yes, to retire		11
Yes, to take another job within the Federal Government		8
Yes, to take another job outside the Federal Government		5
Yes, other		3
84. I am planning to retire:		
Within one year		7
Between one and three years		16
Between three and five years		18
Five or more years		59

Note: All numbers in this table are based on the unweighted count of responses.

APPENDIX B
TREND ANALYSIS:
2002 VS. 2004 VS. 2006 RESULTS

This set of trend analysis tables displays your agency's positive results for each item for all three years of the survey administration. Only the items that were included in all three years - the 2002, 2004, and 2006 Federal Human Capital Survey (FHCS) - are displayed. The last column of the table indicates whether or not there were significant increases, decreases, or no changes in positive ratings from 2002 to 2004 (the first arrow in the pair) and from 2004 to 2006 (the second arrow). Arrows slanting up indicate a statistically significant increase, and arrows slanting down indicate a statistically significant decrease. Horizontal arrows indicate the change was not statistically significant. For example, symbols →↗ indicate there was no significant change in positive ratings from 2002 to 2004, but there was a significant increase in positive ratings from 2004 to 2006.

Appendix B: Trend Analysis				
1. The people I work with cooperate to get the job done.	82	87	87	↗→
*2. I am given a real opportunity to improve my skills in my organization.	52	70	72	↗→
3. I have enough information to do my job well.	65	75	75	↗→
4. I feel encouraged to come up with new and better ways of doing things.	53	65	67	↗→
*5. My work gives me a feeling of personal accomplishment.	68	70	77	→↗
*6. I like the kind of work I do.	80	82	83	→→
8. I recommend my organization as a good place to work.	58	69	70	↗→
*9. Overall, how good a job do you feel is being done by your immediate supervisor/team leader?	58	72	72	↗→
10. How would you rate the overall quality of work done by your work group?	82	86	85	→→

Trend Analysis (continued)				
11. The workforce has the job-relevant knowledge and skills necessary to accomplish organizational goals.	71	78	75	↔→
12. My supervisor supports my need to balance work and family issues.	79	79	78	→→
13. Supervisors/team leaders in my work unit provide employees with the opportunities to demonstrate their leadership skills.	57	65	67	↔→
14. My work unit is able to recruit people with the right skills.	41	55	54	↔→
15. The skill level in my work unit has improved in the past year.	54	50	51	→→
16. I have sufficient resources (for example, people, materials, budget) to get my job done.	43	57	51	↔→
17. My workload is reasonable.	63	62	55	→↔
18. My talents are used well in the workplace.	54	63	63	↔→
19. I know how my work relates to the agency's goals and priorities.	89	83	84	→→
20. The work I do is important.	90	86	87	→→
21. Physical conditions (for example, noise level, temperature, lighting, cleanliness in the workplace) allow employees to perform their jobs well.	61	64	66	→→
22. Promotions in my work unit are based on merit.	35	40	39	→→
23. In my work unit, steps are taken to deal with a poor performer who cannot or will not improve.	23	28	29	→→
24. Employees have a feeling of personal empowerment with respect to work processes.	30	45	47	↔→
25. Employees are rewarded for providing high quality products and services to customers.	38	43	49	→↔
26. Creativity and innovation are rewarded.	36	43	47	↔→
28. Awards in my work unit depend on how well employees perform their jobs.	46	43	42	→→
30. My performance appraisal is a fair reflection of my performance.	70	71	73	→→

Trend Analysis (Continued)

31. Discussions with my supervisor/team leader about my performance are worthwhile.	57	63	62	→→
32. I am held accountable for achieving results.	72	76	79	→→
33. Supervisors/team leaders in my work unit are committed to a workforce representative of all segments of society.	59	59	61	→→
34. Policies and programs promote diversity in the workplace (for example, recruiting minorities and women, training in awareness of diversity issues, mentoring).	60	64	62	→→
35. Managers/supervisors/team leaders work well with employees of different backgrounds.	69	71	71	→→
37. In my organization, leaders generate high levels of motivation and commitment in the workforce.	35	50	40	↔↘
38. My organization's leaders maintain high standards of honesty and integrity.	56	62	56	→↘
40. Managers review and evaluate the organization's progress toward meeting its goals and objectives.	65	59	56	→→
43. Complaints, disputes or grievances are resolved fairly in my work unit.	45	38	45	→↔
44. Arbitrary action, personal favoritism and coercion for partisan political purposes are not tolerated.	49	50	50	→→
46. I can disclose a suspected violation of any law, rule or regulation without fear of reprisal.	53	49	49	→→
48. Supervisors/team leaders in my work unit support employee development.	58	73	70	↔→
49. Employees have electronic access to learning and training programs readily available at their desk.	34	68	77	↔↔
50. My training needs are assessed.	33	43	42	↔→
51. Managers promote communication among different work units (for example, about projects, goals, needed resources).	46	58	59	↔→
52. Employees in my work unit share job knowledge with each other.	75	78	77	→→
*54. How satisfied are you with your involvement in decisions that affect your work?	45	58	58	↔→
*55. How satisfied are you with the information you receive from management on what's going on in your organization?	44	52	53	↔→
*56. How satisfied are you with the recognition you receive for doing a good job?	43	53	52	↔→

Percentages are based on 2006 Federal Health Capital Survey data. Percentages are rounded to a whole number. Trends indicated on the Annual Employee Survey are displayed in bold font.

Trend Analysis (continued)				
*58. How satisfied are you with your opportunity to get a better job in your organization?	37	43	47	→→
*59. How satisfied are you with the training you receive for your present job?	45	57	56	↔→
60. Considering everything, how satisfied are you with your job?	66	68	72	→→
*61. Considering everything, how satisfied are you with your pay?	65	66	64	→→
62. Considering everything, how satisfied are you with your organization?	55	63	62	↔→
63. How satisfied are you with retirement benefits?	68	66	64	→→
64. How satisfied are you with health insurance benefits?	61	64	64	→→
65. How satisfied are you with life insurance benefits?	54	65	60	↔→
66. How satisfied are you with long term care insurance?	24	37	32	↔→
68. How satisfied are you with paid vacation time?	87	85	85	→→
70. How satisfied are you with child care subsidies?	6	13	9	↔↔
72. How satisfied are you with telework/telecommuting?	8	12	14	↔→
73. How satisfied are you with alternative work schedules?	36	41	29	→↔

Source: Bureau of Economic Analysis, "How Satisfied Are You with Your Compensation?" (http://www.bls.gov/news.release/comp2.nr00.htm)

APPENDIX C

2006 FEDERAL HUMAN CAPITAL SURVEY: SURVEY METHODOLOGY

The Office of Personnel Management (OPM) conducted the 2006 Federal Human Capital Survey (FHCS) to collect data on Federal employees' perceptions about how effectively agencies are managing their workforces. The FHCS is a tool that measures employees' perceptions of whether, and to what extent, conditions that characterize successful organizations are present in their agencies. This survey was administered for the first time in 2002 and then again in 2004 and 2006. The survey provides general indicators of how well the Federal Government is running its human resources management systems, serves as a tool for OPM to assess individual agencies and their progress toward "green" status on Strategic Management of Human Capital under the President's Management Agenda, and gives senior managers critical information to answer the question: What can I do to make my agency work better? OPM and agency managers will use the findings to develop policies and action plans for improving agency performance.

The Survey

The 84-item survey included 11 demographic questions and 73 items that measured Federal employees' perceptions about how effectively agencies manage their workforces. The 84 items in the questionnaire are grouped into eight topic areas respondents see as they proceed through the survey: Personal Work Experiences; Recruitment, Development, and Retention; Performance Culture; Leadership; Learning (Knowledge Management); Job Satisfaction; Satisfaction with Benefits; and Demographics. There are 71 items in common between the 2006 and 2004 FHCS and 59 items in common between the 2006 and 2002 FHCS.

The Sample

The 2006 FHCS was administered to full-time, permanent employees from the agencies represented on the President's Management Council. Small and independent agencies were offered the opportunity to participate in the survey. Fifty-nine of the small and independent agencies chose to administer the survey.

The sample was designed to ensure representative survey results would be reported by agency/subagency and supervisory status (i.e., non-supervisors, supervisors, and executives) as well as for the overall Federal workforce.

Sample type. The sample was a probability sample; that is, each employee in the target population had a known, non-zero probability of selection. Probability sampling is a prerequisite to generalizing from survey respondents to the survey population.

Sampling frame. The sampling frame was the lists of employees from all agencies participating in the survey. Employees were grouped into 875 sample subgroups corresponding to agency, subagency, and supervisory status reporting requirements. A total of 436,020 employees were randomly selected to participate in the survey. In 11 agencies, at the agency's request, all full-time, permanent employees were invited to participate.

Data Collection

Mode/Method. The 2006 FHCS was a self-administered Web survey. OPM distributed paper versions of the survey to components of agencies that did not have electronic access.

Response Rate. Of the 390,657 employees receiving surveys, 221,479 completed the survey, for a Governmentwide response rate of 57 percent.

Data Weighting

Data collected from 2006 FHCS respondents were weighted to produce survey estimates that accurately represent the survey population. Unweighted data are likely to produce biased estimates of population results. The weights developed for the 2006 FHCS take into account the variable probabilities of selection across the sample domains, nonresponse, and known demographic characteristics of the survey population. Thus, the final data set reflects the agency composition and demographic makeup of the Federal workforce and the agencies.

Reported Data

The percentages presented throughout the report are weighted data that are representative of the survey population of Federal employees and your agency's employees. Appropriate domain weights were applied to the answers of each respondent. This process did not change any answers; rather, it gave accurate relative importance to a respondent's answers, adjusting for over- and under-represented groups of respondents.

2007 Employee Quality of Worklife Survey

Introduction

The Bureau of Human Resources administered the Employee Quality of Worklife Survey online from October 2nd until November 2nd, 2007. It sought data on employee feelings toward work environment, professional development opportunities, recognition, and leadership.

The survey was sent to 3,396 US Department of State full time permanent (FTP) employees and 2,423 were returned for a response rate of 62%. Eight hundred fifty responses were gathered from Civil Servants, who comprise 35% of all Department of State FTP employees and 35% of the survey respondents and 1573 responses were gathered from Foreign Service Specialists and Generalists, who comprise 65% of Department of State FTP employees, and 65% of respondents. This indicates that a representative sample of Department of State employees was taken. The demographic breakdown of the respondents is as follows:

Table 1 : Demographic Breakdown

Supervisory Status *	Population	Respondents
Non-supervisor	79%	40%
Team Leader	1%	14%
Supervisor	13%	22%
Manager	1%	19%
Executive	6%	5%
Gender		
Male	56%	56%
Female	44%	44%
Racial Category		
White	73%	77%
Black or African-American	16%	16%
Hispanic	3%	1%
Asian	3%	5%
American Indian or Alaska Native	2%	1%
Unspecified	10%	0%
Service Type		
Civil Service	35%	35%
Foreign Service – Generalist	33%	33%
Foreign Service – Specialist	32%	32%

* Supervisory status results reflect the survey respondent's self-identification of their supervisory status which may vary from the employee's official record.

While most survey questions were asked of all employees, questions regarding overseas assignments were asked only of Foreign Service employees and questions regarding succession planning were asked only of Supervisors and Managers. By focusing on distinct groups within the Department of State, the Bureau of Human Resources gained better understanding of niche strengths and areas for improvement.

This document provides a summarization of each survey section. The data was analyzed by career type (Civil Service, Foreign Service Specialist, and Foreign Service Generalist) and

seniority (Senior level is CM, MC, and OC for Foreign Service, and SES pay plan for Civil Service. Mid-level is FS01 through 03 for Foreign Service and GS15 through GS10 for Civil Service. Junior level is FS04 and below for Foreign Service, and GS9 and lower for Civil Service.). Where data is available, a comparison to the responses from 2006 Satisfaction Survey is also provided.

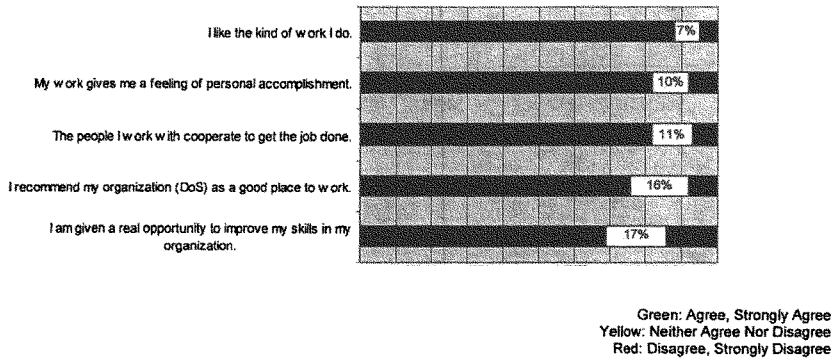
Personal Work Experiences

Responses for this section were generally positive, with 88% of employees reporting that they enjoy the work they do. This positive sentiment was expressed in most of the responses in this section. Over 80% of employees agreed with the statements, “My work gives me a feeling of personal accomplishment.” and “The people I work with cooperate to get the job done.” Over three quarters of the respondents would recommend the Department of State as a good place to work.”

Overall, responses to Personal Work Experiences questions were generally similar regardless of Foreign or Civil Service. The greatest disparity was between differing levels of seniority with more senior level employees reporting as being satisfied with their work and organization.

The statement that received the least positive response was “I am given a real opportunity to improve my skills in my organization.” Fourteen percent of respondents disagreed with this statement, with non-supervisory and junior-level employees least likely to agree.

Figure 1 : Personal Work Experiences



Work Environment

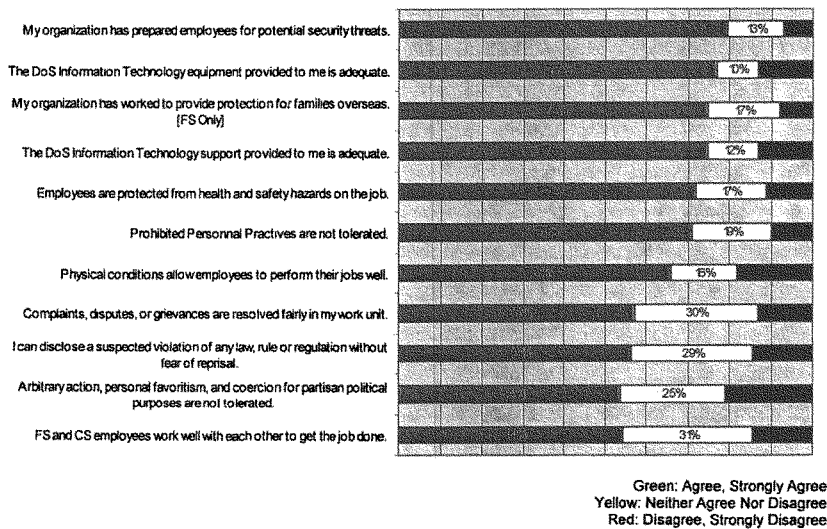
The Work Environment section of the survey asked employees to indicate how strongly they agreed with statements regarding the physical and interpersonal environment in which they work. The questions dealt with issues ranging from office lighting to the presence of illegal discrimination.

The most positive responses were to statements regarding physical safety and information technology. The most positive response was to the statement, “My organization has prepared

employees for potential security threats.” which received a 79% level of agreement. This positive response was highest among Foreign Service Specialists, who agreed at a rate of 85%. The following statements: “The DoS information technology (IT) *support* provided me is adequate for my work.” and “The DoS information technology (IT) *equipment* provided me is adequate for my work.” both elicited positive responses of 75% or higher.

The two most negative response rates were to statements regarding favoritism and physical conditions. The statement “Physical conditions (for example, noise level, temperature, lighting, cleanliness in the workplace) allow employees to perform their jobs well” had an 18% rate of disagreement. The statement: “Arbitrary action, personal favoritism, and coercion for partisan purposes are not tolerated.” elicited only a 54% agreement rate (as well as a 21% disagreement rate), though Senior employees were much more like to agree (71%). The statement “Foreign Service and Civil Service employees work well with each other in the Department to get the job done.” also received a low positive response, with only 54% agreeing. Positive responses to this statement also rose with seniority, with Senior employees agreeing at a rate of 68%.

Figure 2 : Work Environment



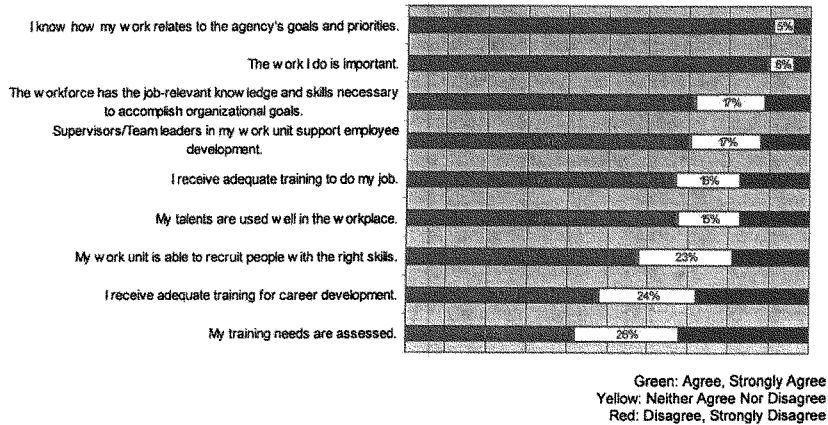
Recruitment, Development, and Retention

Responses to statements in this section were widely varied, though generally positive. Overall, 91% of employees agreed with the statement “I know how my work relates to the agency’s goals and priorities.” and 90% indicated that they felt the work they do is important.

Overall, employees appear to be relatively satisfied with the training they get to do their jobs but not as happy when it comes to assessing their training needs or career development. Only 48%

of employees reported that they receive adequate training for career development and only 42% agree that their training needs are assessed. Positive responses were most frequent among Senior level employees, with Junior and Mid-Level employees reporting higher levels of disagreement. However, senior employees were the least likely to say that their training needs were assessed.

Figure 3 : Recruitment, Development and Retention

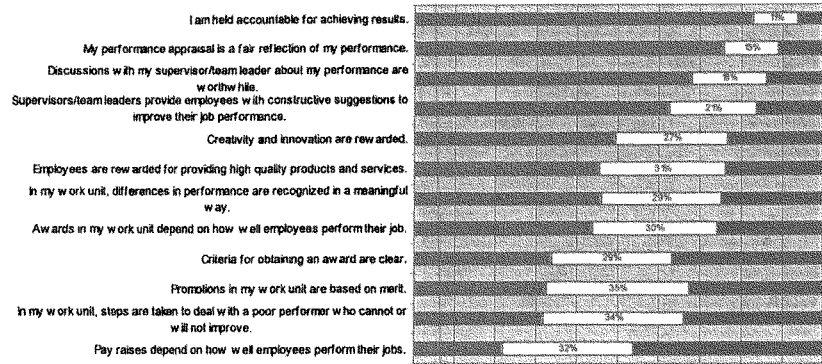


Performance Culture

The Performance Culture section of the survey asked employees to respond to statements regarding performance appraisals, awards, promotions, accountability, and supervisors. Positive response rates varied widely from question to question. Overall, 83% of employees feel they are held accountable for achieving results and 76% agree that their performance appraisals are accurate reflections of their performance. They also view interaction with their supervisors and team leaders as worthwhile (68%) and constructive (62%).

This section contained some of the highest negative response rates in the survey. Forty six percent of respondents disagreed with the statement, “Pay raises depend on how well employees perform their jobs,” and 37% disagreed with the statement “Criteria for obtaining an award are clear.” Also, less than half of respondents agreed with the statement, “Creativity and innovation are rewarded.” Similar questions such as “Awards in my work unit depend on how well employees perform their job”(43% overall agreement level) and “Promotions in my work unit are based on merit” (33% agreement) indicate a lack of perceived fairness in the workplace among some segments of the workforce. The lowest level of agreement was for the statement “Pay raises depend on how well employees perform their jobs” at 22%. Overall agreement with this statement was highest among Civil Servants at 31%, and lowest among Foreign Service Generalists, at 13%.

Figure 4: Performance Culture

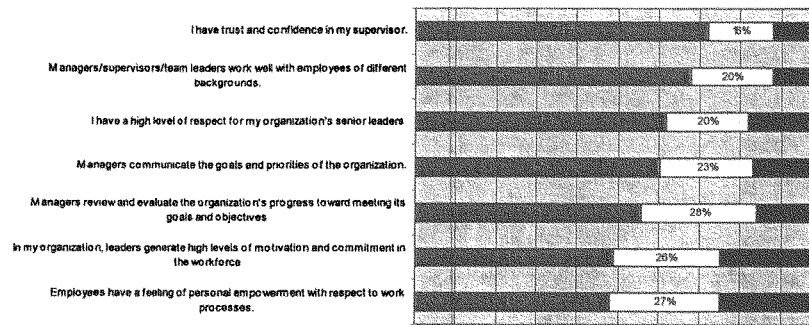


Green: Agree, Strongly Agree
 Yellow: Neither Agree Nor Disagree
 Red: Disagree, Strongly Disagree

Leadership

Responses to questions regarding leadership were also mixed. When asked the question, “Overall, how good a job do you feel is being done by your immediate supervisor/team leader?” 72% of the respondents indicated that they thought their supervisor was doing a good job. (Note: This question was asked separately and is not included among the responses shown in Figure 5) An equivalent percentage also agreed with the statement “I have trust and confidence in my supervisor.” Unlike some other sections of the survey, responses to this question did not vary by seniority.

Figure 5 : Leadership



Green: Agree, Strongly Agree
 Yellow: Neither Agree Nor Disagree
 Red: Disagree, Strongly Disagree

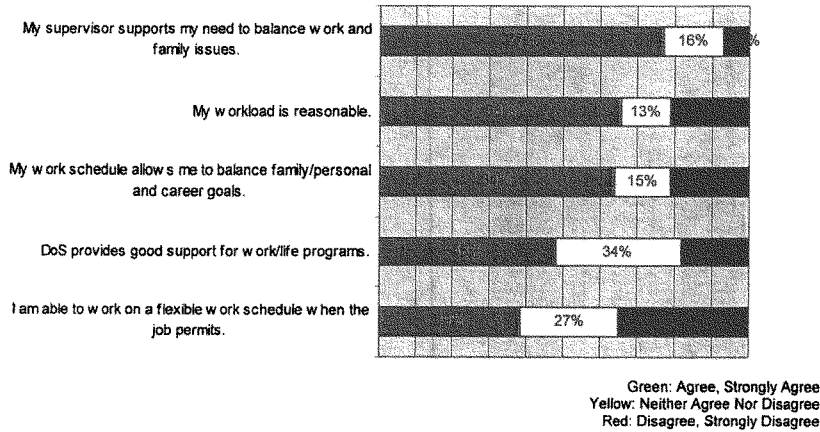
Though generally approving of their individual supervisors, when asked if their leaders “generate high levels of motivation and commitment in the workforce,” 49% of all employees responded positively while 63% of Senior employees agreed. Overall, only 48% of employees “have a feeling of personal empowerment with respect to work processes”. Response from senior level employees was more positive, with 68% agreeing with this statement.

Work/Life Balance

Though 77% of employees agreed with the statement “My supervisor supports my need to balance work and family issues,” a smaller percentage (66%) found their workload to be reasonable. Resultantly, only 64% of employees agreed with the statement “My work schedule allows me to balance family/personal and career goals.

Responses to statements in this section of the survey varied greatly between Foreign and Civil Service employees. Overall, only 39% of employees reported that they are able to work on flexible schedules (compressed day off, telework, or alternative work schedule). This percentage was significantly lower for Foreign Service Generalists, with only 23% reporting that they have this capability. Civil Service employees were the most likely to indicate that they were able work flexible schedules (57%). However, this declined with seniority, with only 27% of senior Civil Servants agreeing with this statement. Employee agreement was also low (48%) with the statement “DoS provides good support for work/life programs (e.g. health and wellness, employee assistance, elder care, and support groups).” Once again, this statement received the lowest positive response rates from Foreign Service Generalists, with only 35% agreeing.

Figure 6 : Work/Life Balance



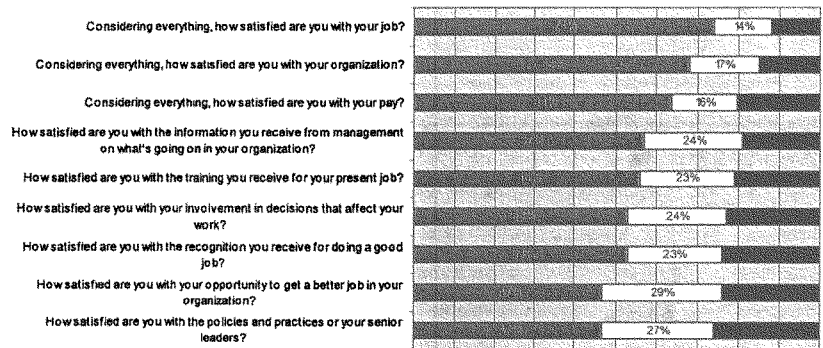
Job Satisfaction

This section of the survey asked employees to rate their overall satisfaction with the Department in a variety of areas. Overall, a large majority of respondents (74%) reported that they are satisfied with their job and 68% that they are satisfied with Department of State as a whole. A slightly smaller majority, 63%, indicated that they are satisfied with their pay.

There were high numbers of negative responses to questions relating to job opportunities. Twenty four percent of employees responded negatively to the question “How satisfied are you with your opportunity to get a better job in your organization?” The overall positive response rate to this question was a low 47%, but this number was significantly affected by responses from Civil Service employees, only 39% of whom were satisfied with their job opportunities. This satisfaction level actually decreased with rising seniority levels, with only 33% of Senior Civil Service employees satisfied with their opportunity for advancement within their organization.

Overall, 61% of respondents rated the Department of State as “Excellent” or “Good” as an organization to work for as compared to other Federal agencies. Foreign Service Generalists had the highest satisfaction level, with 65% rating the Department highly. Seventy four percent of the Senior level respondents also regarded the Department favorably.

Figure 7 : Job Satisfaction



Green: Satisfied, Very Satisfied
 Yellow: Neither Satisfied Nor Dissatisfied
 Red: Disagree, Strongly Disagree

As expected, responses differed by service. Foreign Service respondents selected “Overseas pay equity” as the area needing the most improvement (52% of all FS respondents), followed by “Streamlining the bureaucratic process” (40% of the respondents). Civil Servants selected “Making better use of the talent of its employees” most often (49% of all CS respondents), followed by “Career development opportunities” (44%).

Succession Planning

The Succession Planning section of the survey was given only to employees who identified themselves as supervisors, managers, executives or team leaders. (Note: Significant discrepancies existed between the system of record and individual employee responses with roughly twice as many employees identifying themselves as supervisors or managers.) Questions focused on the outlook toward potential candidates for leadership positions. Of those surveyed, only 44% indicated that they had been involved, formally or informally, in succession planning within their unit or organization. Approximately half of the respondents agreed that potential candidates for leadership positions in their organization have the functional or technical knowledge required to assume these positions and only 46% believe that there are a sufficient number of qualified persons to assume management positions in their organizations as they become vacant.

Employees were also asked to select from a list those Leadership and Management competency areas they felt employees needed the most improvement. Leading People (e.g. developing others, teambuilding, and conflict management) was by far the most frequently selected option, at 69%. Performance Management (45%), Leading Change (43%), and Results Driven (35%) were also chosen by high percentages of respondents.

Figure 10 : Succession Planning

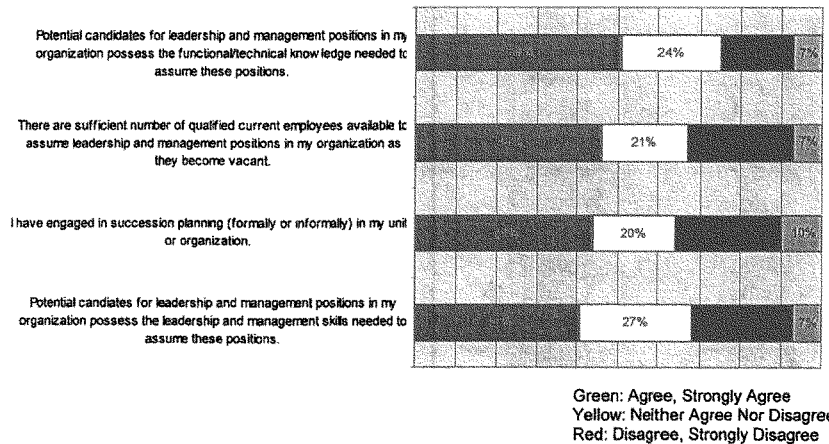
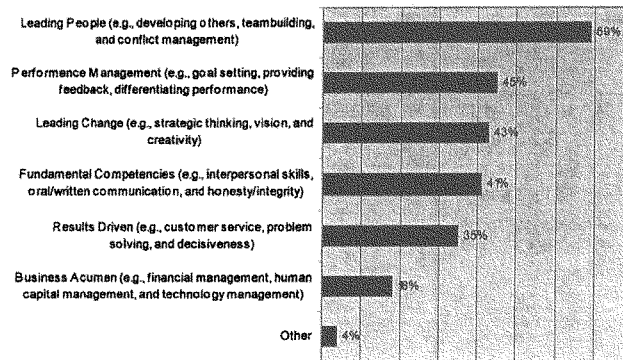


Figure 11 : Succession Planning (continued)

Which of the Leadership and Management Competency areas listed below do you feel employees need most improvement? *Select up the three answers.*



Overseas Assignment

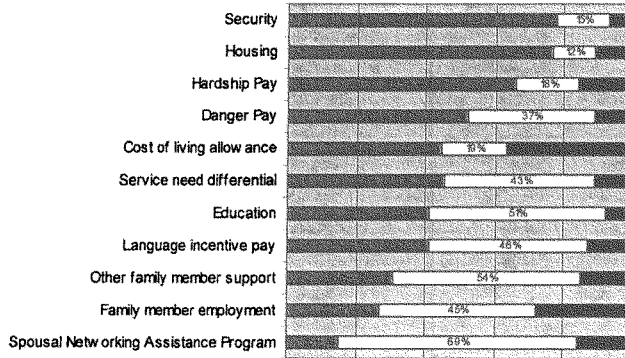
Questions relating to Overseas Assignments were given to only Foreign Service employees. They were asked to respond to a list of allowances and other aspects of overseas assignments, indicating how satisfied they were with each of those items, and the importance of each one in their decision to bid on overseas positions during their last assignment cycle.

In terms of satisfaction levels, employees appeared happiest with security, housing, and hardship pay. These items also ranked highest in terms of importance when deciding to bid on an overseas position. Employees rated security highest in both sections (78% were satisfied with security and 80% rated security as important in their decision to bid.), followed by Housing and Hardship Pay. It must be noted that this section contained the highest levels of neutral responses (“Neither satisfied nor dissatisfied” or “Neither important nor unimportant”) among all survey sections.

The Cost of living allowance (COLA) elicited both high levels of dissatisfaction (37% dissatisfied) and a high level of importance (55% felt it was important) in the decision to bid on overseas positions. The most negative responses in this section of the survey were elicited by items related to family member services. Though 47% of respondents felt that Family Member Employment was very important in their decision to bid on positions, only 27% reported being satisfied in this area. The Spousal Networking Assistance Program also received the lowest positive marks as well as the greatest number of neutral responses, indicating that the program may not be adequately publicized.

Figure 12 : Overseas Assignments

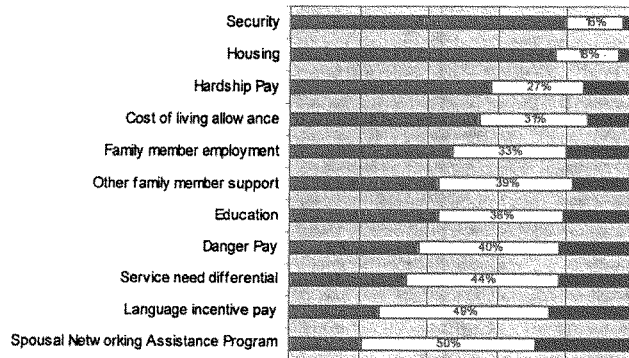
How satisfied are you with the following aspect of overseas assignments?



Green: Satisfied, Very Satisfied
 Yellow: Neither Satisfied Nor Dissatisfied
 Red: Dissatisfied, Strongly Dissatisfied

Figure 13 : Overseas Assignments (continued)

How important was each of the following in your decision to bid on overseas positions during the last assignment cycle in which you submitted bids?



Green: Important, Very Important
 Yellow: Neither Important Nor Unimportant
 Red: Unimportant, Very Unimportant

Comparison with 2006 Quality of Work Life Survey Results**Improvement:**

Employee satisfaction levels improved in a number of areas when compared with results from the 2006 Quality of Worklife Survey. Higher satisfaction levels were recorded in the areas of leadership, training, recognition, and overall satisfaction with DoS.

Incremental improvement in the area of leadership was demonstrated by two questions in particular. The first was, "Overall, how good a job do you feel is being done by your immediate supervisor/team leader?" with 72% of employees responding "Very Good" or "Good" an increase of 4 percentage points over last year's figure. The second was increased agreement with the statement "Supervisors/team leaders provide employees with constructive suggestions to improve their job performance." which grew from 55% to 62%, or 7 percentage points.

Improvement in the area of training and recognition was indicated through the responses to several questions. Most notable was the increase of 12 percentage points in agreement with the statement "In my work unit, differences in performance are recognized in a meaningful way.", rising from 34% to 46%. Agreement with the statement, "I am given a real opportunity to improve my skills in my organization." rose from 60% to 69%.

Overall growth in satisfaction with the Department of State was indicated through the statement "I recommend my organization DoS as a good place to work." Positive responses to this statement rose by 9 percentage points, from 67% to 76%.

Decline:

There are a few areas where Department of State employee satisfaction declined since the 2006 survey. Much of the decline is focused in the areas of satisfaction with pay and benefits and personal empowerment. For example, the overall positive response to the question, "Considering everything, how satisfied are you with your pay?" decreased by 9 percentage points from 72% to 63%. Also, the statement "Employees have a feeling of personal empowerment with respect to work processes." showed a decrease in positive responses of 13 percentage points, falling from 61% to 48%.

In the Foreign Service-specific questions, there were also areas of decreased satisfaction. Satisfaction with Service Need Differentials fell from 54% to 45%, a decrease of 9 percentage points. Satisfaction with Language Incentive Pay fell from 50% to 41%, a decrease of 9 percentage points. The largest drop was seen in response to Other Family Member Support, which fell from 43% to 31%, a decrease of 12 percentage points.

BACKGROUND
A DOMESTIC CRISIS WITH GLOBAL IMPLICATIONS: REVIEWING THE
HUMAN CAPITAL CRISIS AT THE STATE DEPARTMENT
July 16, 2008

BACKGROUND

In 2001 former Secretary of State Colin L. Powell launched the Diplomatic Readiness Initiative (DRI) to ensure global readiness and increase the staff of the State Department significantly over the following four years.¹ The program was largely effective in boosting the staffing needs of the Department. However, the ongoing conflicts in Iraq and Afghanistan, which placed new burdens on the staffing needs at the Department of State, have eroded those gains.

The attrition rate, the number of State Department staff retiring, has also impacted the DRI gains, and will continue to be problematic. Sixty percent of the entire federal workforce will be eligible to retire in the next ten years, and an estimated forty percent of the federal workforce will retire in the next ten years.² According to the Partnership for Public Service, the Department needed to hire 1,400 Foreign Service Officers between 2008 and 2009 to replace the outgoing employees and 1,400 to 1,600 civil service employees in the next two years as well.³ Those replacements address the attrition rate, but not the staffing shortages which currently exist.

Introduced in part to address staffing shortfalls and to respond to the changing global political climate and U.S. foreign policy concerns, Secretary of State Condoleezza Rice launched the Transformational Diplomacy Initiative (TDI) in January 2006. Transformational Diplomacy focuses on five areas: Global Repositioning, Regional Focus, Localization, Meeting New Challenges with New Skills, and Empowering Diplomats to work jointly with other federal agencies.⁴ Within those areas, the human capital needs are being addressed through efforts to increase the Foreign Service training programs, an expedited hiring process of 45-days or less, and mentor programs.⁵

Currently, there are approximately 11,500 Foreign Service employees including Generalists in the Public Diplomacy, Economic, Political Affairs, and Management cones, as well as other employees in areas such as diplomatic security, information technology, medical services, and administrative support. In addition, the Department

¹ *Diplomatic Readiness: The Human Resources Strategy*, United States Department of State, Secretary Colin Powell, 2002.

² U.S. Office of Personnel Management, Budget Justification for Fiscal Year 2009, February 4, 2008.

³ *Where the Jobs Are: Mission Critical Opportunities in America*, the Partnership for Public Service, July 3, 2007, <http://ourpublicservice.org/OPS/publications/viewcontentdetails.php?id=118>.

⁴ Secretary Rice announced the Transformational Diplomacy effort on January 18, 2006, at a speech at Georgetown University. For more information on the program, visit the U.S. Department of State's Web site at <http://www.state.gov/t/pa/prs/ps/2006/59339.htm>.

⁵ *2006 Report to Employees Advancing Transformational Diplomacy*, U.S. Department of State, Office of Management Policy, July 31, 2006.

has about 8,400 civil service employees and 38,000 locally employed staff at 267 posts abroad and 35 domestic locations. Table 1 below was provided by the State Department and shows the reported vacancy rate, but indicating that these numbers are not an accurate picture because of all the TDY positions.

According to the State Department, in calculating vacancy rates, they do not include personnel who are on TDY as encumbering the position. The high vacancy rate for Near East Asia, which includes the Baghdad Embassy, is driven by a high number of TDY employees filling many of the positions in Baghdad. There are currently more than 60 Baghdad positions filled with employees in TDY status, even if those employees are in Iraq for a full 12 months. These positions are considered "vacant" in the central system, even if they are, in fact, occupied by an employee on TDY status. In addition, the high number of TDY employees in Iraq creates artificially low vacancy rates elsewhere throughout the Department since these same employees are being recorded as posted to other positions.

Table 1

Overall	13.3%
Domestic	18.2%
Overseas	11.3%
Africa Region	9.9%
Western Hemisphere Americas	8.3%
East Asia and Pacific	10.5%
Europe	7.7%
Near East Asia	18.9%
South Central Asia	13.2%

In a June 18, 2007, cable to the Embassy in Baghdad, Secretary Rice announced that U.S. diplomatic positions in Iraq must be filled before any other State Department openings in Washington or overseas are made available. This announcement followed reports that Foreign Service Officers who have increasingly been forced to serve in hardship posts, including Iraq and Afghanistan, were being diagnosed with Post-Traumatic Stress Disorder (PTSD). Secretary Rice also announced that she was changing the way assignments were being made. Because of the danger involved in serving at these posts, Foreign Service Officers are required to leave their families behind, something that many FSOs are not willing to do. Separation from families during hardship post assignments can also exacerbate the feeling of isolation and heighten the effects of PTSD. A number of recent articles⁶ in the media have pointed to the increasingly stressful conditions under which existing State Department Foreign and Civil Service employees are having to operate and the impact that the wars in Iraq and Afghanistan have had on the foreign policy professionals stationed there.⁷

⁶ "Personnel May Wish to Sleep in Another Country", Al Kamen, *Washington Post*, July 13, 2007.

⁷ For example, a July 13, 2007 article in the *Washington Post* reported on a recommendation by U.S. Embassy officials in Baghdad that cots were being authorized so that Embassy personnel could sleep in their offices for security reasons. Offices, the article noted, are in concrete buildings and are therefore able

According to the State Department, the Foreign Service has a structural deficit of around 190 Generalists, who are the core Economics, Political Affairs, Management, and Public Diplomacy FSOs, at the FS-02 or mid-career level, created by hiring below attrition levels in the 1990s. The gap is particularly acute in the Public Diplomacy caused by under-hiring at U.S. Information Agency prior to the merger in 1999. That gap is starting to close as entry-level officers hired under the Diplomatic Readiness Initiative in 2002-2004 move up into the mid-ranks. According to the State Department, there are new deficits beginning to appear at the entry-levels, however, as the Department's requirements, including the consular workload abroad, have increased without a commensurate increase in personnel.

The U.S. Ambassador to Iraq Ryan Crocker, in a May 31, 2007, cable to Washington, issued an "urgent plea" for more and better staffers, emphasizing that the Embassy could not do their work if they do not have the Department's best people. The cable led Secretary Rice to order that U.S. diplomatic positions in Iraq be filled before any other State Department openings in Washington or overseas are made available. According to the article, the move represents a further tightening of the rules for filling jobs at State because of the wars in Iraq and Afghanistan.⁸

As far as workforce development, a significant training and personnel readiness gap exists. Personnel readiness includes surge and rotational gaps caused by personnel in motion as employees are assigned training. Based on a detailed training and person in motion study, the State Department estimates that this gap is currently at 1,030 positions. This would equate to approximately 15% of the Foreign Service position base.

According to the Department of State, the new Foreign Service Officer (FSO) selection process began in the fall of 2007. 2,254 candidates took the new online FSO Test at its first offering in September 2007. 2,417 took it in December 2007, and 3,210 in March 2008. More than 2,800 candidates have signed up to take the July 12-19 test as of July 1, 2008. 90% of test takers rated the online test experience favorable. State plans to offer the test three times annually.

Overall, approximately 40% have passed the FSO online Test. Of those who passed the September test, 150 went on to pass the Oral Assessment. 141 of those who passed the December test went on to pass the Oral Assessment.

The new element in the process, the Qualifications Evaluation Panel (QEP), takes a Total Candidate approach and is intended to focus attention on the quality of candidates'

to provide better protection against mortar and other projectile attacks in the so-called Green Zone. In March 21, 2007 and May 2, 2007 articles in USA Today, Barbara Slavin reported that dangerous duty in Iraq has increasingly impacted State Department diplomats, leaving many of them with post-traumatic stress disorder. The article quotes a deputy assistant secretary of State for the Near East, Jim Jeffrey, as saying that he considers Iraq far more dangerous than his tour in Vietnam. The Bush Administration has been shifting diplomats from postings in Europe to danger zones as part of the strategy to use more resources to fight terrorism. However, according to the article, this has led to a shortage of diplomats.

⁸ "Rice orders that diplomatic jobs in Iraq be filled first," Washington Post, June 21, 2007.

education, work history, and experiences -- all of which can be important contributors to FSO success. The Oral Assessment pass rate jumped from 20 percent under the old system to 33 percent. This higher pass rate suggests that the QEP screened out some candidates who, under the old process, would have passed the online test but failed the Oral Assessment. 63 out of 307 new hires in 2007 spoke critical needs languages such as Arabic, Chinese, and Korean.

STATE INSPECTOR GENERAL REPORT ON HUMAN RESOURCES BUREAU⁹

The State Department Inspector General (IG) released two reports in May and September 2007 that examined the Bureau of Human Resources (HR). The report was divided into two parts because of the scope of the large scope of the issues being addressed. The first part examined the Executive Office and the Offices of Career Development and Assignments, Policy Coordination, Civil Service Personnel, Resource Management and Analysis, and Overseas Employment; and included 42 formal recommendations and 11 informal recommendations. The second report focused on the executive direction and leadership of the bureau, the Office of Recruitment, Examination, and Employment; the Office of Retirement; the Office of Performance Evaluations; the Office of Employee Relations; and the Grievance staff. The second report included 17 formal recommendations and 8 informal recommendations.

According to one of the findings in the May 2007 report, “the Civil Service personnel system, as currently structure, does not facilitate the optimal training, development, promotion, and utilization of these employees.” Included in these reports are more than 60 recommendations. The reports show that more than two years after the launch of the Transformational Diplomacy Initiative (TDI) the Department has not successfully addressed the staffing and management needs of the foreign or civil service.

Director General Harry K. Thomas, Jr., who heads the HR office, and his senior staff recognized the many problems set forth by the report and in a number of cases had a vision to start dealing with them. Since the release of the reports, the State HR has been working with the IG’s office to address the 59 formal recommendations and 19 informal recommendations. The following recommendations are still under discussion as of July 9, 2008:

May 2007 Report:

- **Recommendation 2:** The Under Secretary for Management should institute a high level external review of the options for the future of the Civil Service in the Department of State.
- **Recommendation 6:** The Bureau of Human Resources should establish certification requirements for human resources specialists that must be achieved,

⁹ Report of Inspection, Bureau of Human Resources, Parts I and II, Report Numbers ISP-I-07-16, May 2007, and ISP-I 07-45, September 2007, U.S. Department of State and the Broadcasting Board of Governors, Office of Inspector General.

maintained, and verified by a regime of periodic testing and monitored by a database established and maintained by the bureau.

- **Recommendation 12:** The Bureau of Human Resources should provide a full-time employee to manage the Career Entry Program.
- **Recommendation 13:** The Bureau of Human Resources, in coordination with the Foreign Service Institute, should establish an Executive Advisory Board to provide oversight of the Career Entry Program and include representatives from the Office of Civil Service Personnel Management; Office of Recruitment, Examination and Employment; Foreign Service Institute; and an individual from outside the Department.
- **Recommendation 25:** The Bureau of Human Resources should develop training manuals and mandatory in-house courses for Assignments Division technicians.
- **Recommendation 33:** The Bureau of Human Resources should, in coordination with the Bureau of Resource Management, establish a global savings mechanism to supplement the locally employed staff 's retirement plan.
- **Recommendation 36:** The Bureau of Resource Management, in coordination with the Bureau of Human Resources, should establish liquidation controls in the Department's financial systems to prevent payments for post assignment travel in excess of authorized obligations.

September 2007 Report:

- **Recommendation 5:** The Bureau of Human Resources should implement the current planned Office of Retirement reforms and improvements, and provide periodic progress reports to customers and management.

FISCAL YEARS 2008 & 2009 BUDGET REQUEST

The President requested approximately \$112 million from Congress to address the staffing shortfall in his Budget for fiscal year 2009. In the 2008 Emergency Supplemental Appropriations bill (P.L. 110-252) Congress approved \$25 million for the State Department to address the staffing shortfall of Foreign Service Officers, career civil service, and support staff. State is required to submit a report to Congress by August 14, 2008, detailing how it plans to spend the \$25 million. In addition, a provision for \$20 million in "bridge" funding was included to carry over into fiscal year 2009.

OTHER CHALLENGES WITH STAFFING SHORTFALLS

One of the additional challenges for the State Department in recruiting Foreign Service Officers is the pay differential between those FSOs in the United States and those serving overseas. FSOs in the United States receive a locality pay supplement as part of their annual pay adjustment whereas FSOs working overseas do not. An FSO working at a U.S. Embassy overseas could be working with other civil servants who are eligible for

locality pay to supplement their income. While Foreign Service Officers serving overseas receive a housing supplement to cover their housing costs in the foreign post, the pay differential between Washington, DC and overseas pay is approximately 19 percent.¹⁰

In his budget for fiscal year 2007, President Bush proposed \$32 million from Congress to extend locality pay to Foreign Service Officers.¹¹ The draft bill would have extended the locality pay of the Washington-Baltimore pay area to those FSOs serving overseas and phased in the pay adjustment over the course of three years.¹² The draft proposal also included pay-for-performance provisions that resulted in its ultimate stalemate in Congress.¹³ The President included the proposal in the fiscal year 2008 budget request.¹⁴

Congressman Chris Smith (R-NJ) introduced two pieces of legislation, H.R. 3202 and H.R. 3203, that would extend locality pay for Foreign Service Officers and one that would extend a pay for performance and performance management system to the Foreign Service. Those bills were pending before the House Foreign Affairs Committee and Oversight and Government Reform Committee as of July 14, 2008.

In an effort to recruit and retain employees, the State Department has been using its workforce flexibilities with some success. According to the latest report, the Office of Personnel Management reported that the State Department ranks third among agencies using the Student Loan Repayment Program, which allows agencies to pay back employees student loans up to \$10,000 annually and \$60,000 aggregate.¹⁵ In 2006 the Department of State enrolled 869 employees and paid out \$4,159,489 in student loan repayment funds.¹⁶ The Department has also made some use of its telework program but still falls significantly short of meeting the potential of this flexibility. According to the Office of Personnel Management, 1,236 State Department employees are teleworking on a regular basis and 9,556 employees are eligible to telework, representing 12.93 percent of the total eligible population.¹⁷

The Government Accountability Office (GAO), in an August 2006 report (GAO-06-894) entitled "Department of State: Staffing and Foreign Language Shortfalls Persist Despite Initiatives to Address Gaps," concluded that staffing shortfalls persist at the Department of State, despite efforts to reverse them. GAO ascribed those shortfalls to the ongoing conflicts in Iraq and Afghanistan and the need for State Department staff at those posts.

¹⁰ Ibid.

¹¹ *Budget for the United States Government, Fiscal Year 2007*, President George W. Bush, February 6, 2006, <http://www.gpoaccess.gov/usbudget/fy07/browse.html>.

¹² *Administration seeks Foreign Service pay-for-performance*, Govexec.com, Karen Rutzick, February 17, 2006.

¹³ Ibid.

¹⁴ *Budget for the United States Government for Fiscal Year 2008*, President George W. Bush, February 5, 2007.

¹⁵ *Federal Student Loan Repayment Program, Fiscal Year 2006, Report to Congress*, United States Office of Personnel Management, April 2007, <http://www.opm.gov/oca/pay/studentloan/>.

¹⁶ Ibid.

¹⁷ *Status of Telework in the Federal Government, Report to Congress*, United States Office of Personnel Management, June 2007, http://www.telework.gov/surveys/2006_TW20Report.pdf.

GAO also questioned the efficacy of a number of initiatives to encourage mid-career level State Department employees to relocate to these hardship posts. Employees cited family issues and locality pay as disincentives for Foreign Service Officers (FSOs) to bid on those posts. Finally, GAO found that a shortage of staff with foreign language proficiency persists and recommended that State conduct a risk assessment of critical language needs in regions and countries of strategic importance.

GAO also found that serious language gaps remain, despite efforts to improve capabilities, particularly in language-designated positions and critical posts. Such shortfalls can adversely impact State's ability to communicate with foreign audiences and execute critical duties. It will also complicate efforts for State to pursue public diplomacy efforts and to strengthen the U.S. image abroad.

In order to enhance staffing levels and language proficiency, particularly at "hardship" posts, GAO made five recommendations, including consideration of an assignment system that allows for longer tours, consecutive assignments in certain countries, and more regional specialization in certain areas, and a risk assessment of critical language needs in regions and countries of strategic importance.

The State Department generally concurred with GAO's findings, which included the proposal that it use directed assignments when needed. State also agreed to examine its incentive programs for hardship posts and the effectiveness of its efforts to improve the language capabilities of staff, although GAO has countered that State does not conduct the kind of assessment it had recommended. GAO recommended an assessment that would allocate language resources based on the strategic importance of a country or region and the risks associated with not having language-proficient staff at posts in those locations.¹⁸

On June 1, 2007, the Foreign Affairs Council (FAC)¹⁹, a non-partisan umbrella group of eleven organizations focused on the processes of diplomacy, leadership, and management of the Foreign Service and the State Department, released its third biennial assessment of the stewardship of the Secretary of State as a leader and manager entitled "Managing Secretary Rice's State Department: An Independent Assessment." Their findings were similar to those of the GAO in its August 2006 report.

The report concluded that the toll the conflicts in Iraq and Afghanistan were taking on FSOs and other State Department employees was being seen in understaffing at other critical diplomatic posts, diversion of financial and other resources, and sinking morale. As a result, FAC concluded that the Department of State was unable to neither meet U.S. foreign policy needs in priorities nor implement Secretary of State Condoleezza Rice's

¹⁸ "Department of State: Staffing and Language Shortfalls Persist Despite Initiative to Address Gaps", Government Accountability Office (GAO-06-894), August 2006, p. 35.

¹⁹ The Foreign Affairs Council members include the American Academy of Diplomacy, American Foreign Service Association, Associates of the American Foreign Service Worldwide, Association for Diplomatic Studies and Training, Association of Black American Ambassadors, Business Council for International Understanding, Council of American Ambassadors, Una Chapman Cox Foundation, Nelson B. Delavan Foundation, Public Members Association of the Foreign Service (USA).

Transformational Diplomacy initiative. The assessment also found that roughly 200 existing jobs, most of them overseas, remain unfilled and that an additional 900 training slots were needed to provide State Department personnel with the language and functional skills the department currently lacked.²⁰

As a follow up to the FAC report, the American Academy of Diplomacy received a grant from the Cox Foundation to undergo a zero-based budget study of the State Department, which focuses on the staffing and human resources needs. The study is in its final stages with a report likely to be released in the September 2008.

LEGISLATION

- **S. 451, National Foreign Language Coordination Act of 2007**, introduced by Senator Daniel K. Akaka on January 31, 2007, to establish a National Foreign Language Coordination Council and develop a national foreign language strategy, which has been referred to the Senate Committee on Health, Education, Labor, and Pensions. S. 451 has four cosponsors: Senators Thad Cochran (R-MS), Christopher Dodd (D-CT), Richard Durbin (D-IL), and Russell Feingold (D-WI). The House has a companion bill, **H.R. 747**, was introduced by Rep. Brian Baird (D-WA) and referred to the House Committee on Education and Labor, Subcommittee on Higher Education, Lifelong Learning, and Competitiveness on May 18, 2007. H.R. 747 has five cosponsors: Rep. Bob Etheridge (D-NC), Rep. Raul Grijalva (D-AZ), Rep. Rush Holt (D-NJ), Rep. Dennis Moore (D-KS), and Rep. Earl Pomeroy (D-ND). The bill is part of the National Defense Authorization Act for FY2008 (S.1547) which was voted out of the Senate Armed Services Committee on June 5, 2007 (written report No. 110-77).
- **S. 613, Reconstruction and Stabilization Civilian Management Act of 2007**, introduced by Senator Richard Lugar on February 15, 2007, to direct the State Department and the U.S. Agency for International Development (USAID) to develop an expert civilian response capability to carry out stabilization and reconstruction activities in a country or region that is in, or is in transition from, conflict or civil strife. The bill was referred to the Senate Foreign Relations Committee, reported favorably out of Committee, and placed on the Senate Calendar. The bill has three cosponsors: Senators Joseph Biden (D-DE), Chuck Hagel (R-NE), and John Warner (R-VA). The House has a companion bill, H.R. 1084, which was introduced by Rep. Sam Farr (D-CA) and has 14 cosponsors. It was referred to the House Committee on Foreign Affairs.
- **H.R. 3202, Foreign Service Overseas Pay Equity Act of 2007**, introduced by Congressman Chris Smith (R-NJ), on July 27, 2007, amends the Foreign Service Act of 1980 to: (1) extend comparability pay adjustments to Foreign Service members assigned abroad; and (2) amend the death gratuity computation payable

²⁰ *Managing Secretary Rice's State Department: An Independent Assessment*, Foreign Affairs Council, President Ambassador Thomas Boyatt, June 2007.

to surviving dependents of Foreign Service employees who die from injuries sustained in the performance of duty abroad.

- **H.R. 3203**, Foreign Service Global Compensation Act of 2007, introduced by Congressman Chris Smith (R-NJ), on July 27, 2007, Foreign Service Global Compensation Act of 2007 - Amends the Foreign Service Act of 1980 to revise the Foreign Service compensation system, including: (1) transition to a performance-based system; and (2) uniform compensation for worldwide service. Sets forth the rate of basic salary payable to a Foreign Service employee at the time of death for death gratuity compensation purposes.

ADDITIONAL RESOURCES

• *Report of Inspection, Bureau of Human Resources, Parts I and II*, Report Numbers ISP-I-07-16, May 2007, and ISP-I 07-45, September 2007, U.S. Department of State and the Broadcasting Board of Governors, Office of Inspector General.

• Foreign Affairs Council, *Task Force Report, Managing Secretary Rice's State Department: An Independent Assessment*, June 2007
<http://www.afsa.org/fac/>.

• Congressional Research Service (RL33721), *The Foreign Service and a New Worldwide Compensation System*, February 22, 2007
<http://www.congress.gov/erp/rl/html/RL33721.html>

• Congressional Research Service (RL33848), *United Nations System Funding: Congressional Issues*, February 15, 2007
<http://www.congress.gov/erp/rl/html/RL33611.html>

• "United Nations: Targeted Strategies Could Help Boost U.S. Representation", Government Accountability Office (GAO-01-839), July 27, 2001

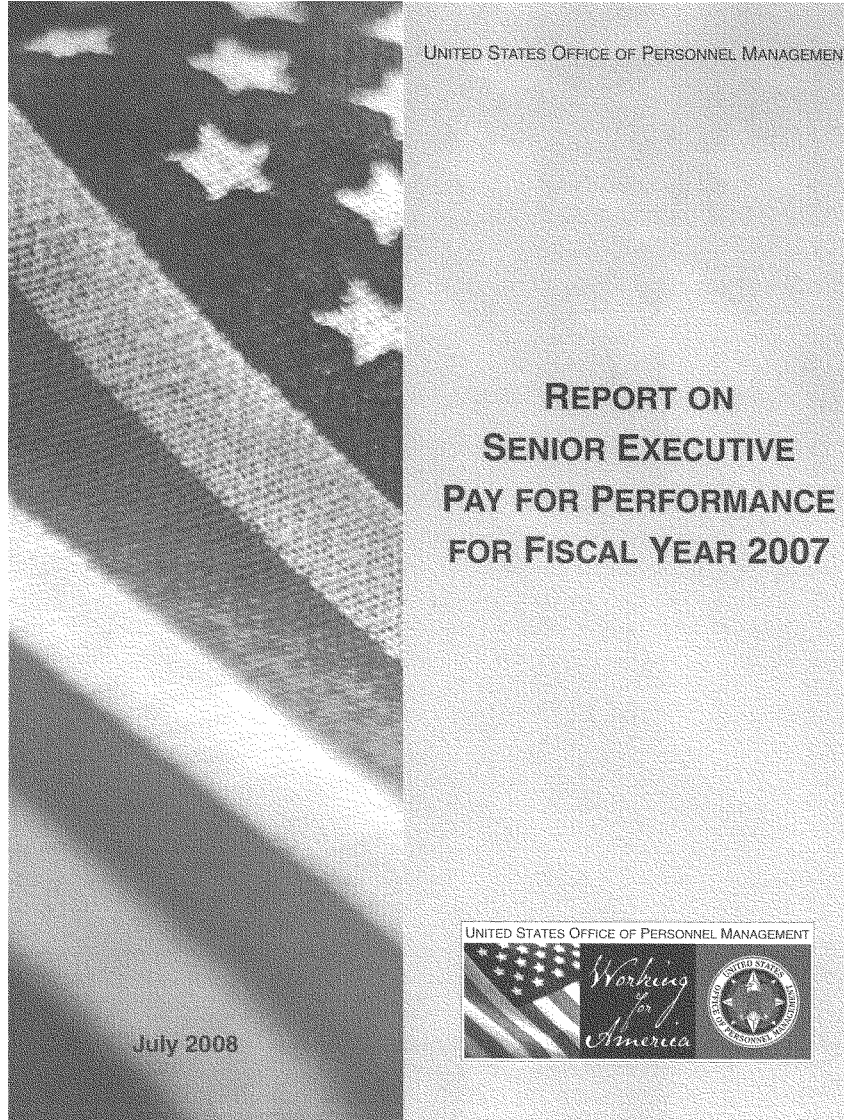
• "United Nations, Additional Efforts Needed to Increase U.S. Employment at UN Agencies", Government Accountability Office (GAO-06-988), September 2006

• Executive Order 11,552, 35 Fed. Reg. 13,569, dated August 24, 1970

• "Investing in the United Nations for a Stronger Organization Worldwide", Secretary-General Kofi Annan, March 7, 2006

• The United Nations International Civil Service Commission,
<http://icsc.un.org/about2.asp>

- “United Nations Reform Highlights Since 1997”, United Nations Secretary-General Reference Reports and Materials, <http://www.un.org/reform/highlights.shtml#a>
- “Managing Secretary Rice’s State Department: An Independent Assessment”, Foreign Affairs Council, June 2007
- “Federal Student Loan Repayment Program, Fiscal Year 2006, Report to Congress”, United States Office of Personnel Management, April 2007, <http://www.opm.gov/oaca/pay/studentloan/>
- Status of Telework in the Federal Government, Report to Congress*, United States Office of Personnel Management, June 2007, http://www.telework.gov/surveys/2006_TW20Report.pdf
- Budget for the United States Government, Fiscal Year 2007*, President George W. Bush, February 6, 2006, <http://www.gpoaccess.gov/usbudget/fy07/browse.html>
- 2006 Report to Employees Advancing Transformational Diplomacy*, U.S. Department of State, Office of Management Policy, July 31, 2006
- “Personnel May Wish to Sleep in Another Country”, Al Kamen, *Washington Post*, July 13, 2007
- “Administration seeks Foreign Service pay-for-performance”, Govexec.com, Karen Rutzick, February 17, 2006
- “Dangerous duty in Iraq grinds down diplomats; Hundreds have served since 2003; many feel stress long after leaving”, Barbara Slavin, *USA Today*, March 21, 2007
- “U.S. diplomats returning from Iraq with post-traumatic stress disorder; State Dept. Plans to study effects of war zone work”, Barbara Slavin, *USA Today*, May 2, 2007
- Diplomatic Readiness: The Human Resources Strategy*, United States Department of State, Secretary Colin Powell, 2002
- Where the Jobs Are: Mission Critical Opportunities in America*, the Partnership for Public Service, July 3, 2007, <http://ourpublicservice.org/OPS/publications/viewcontentdetails.php?id=118>






The Director

UNITED STATES OFFICE OF PERSONNEL MANAGEMENT

Washington, DC 20415

JUL 22 2008

MEMORANDUM FOR HEADS OF EXECUTIVE DEPARTMENTS AND AGENCIES

FROM: LINDA M. SPRINGER 
DIRECTOR

Subject: Report on Senior Executive Service Pay for Performance for
Fiscal Year 2007

This report includes the rating, pay, and awards data for the fourth year of pay for performance for Federal executives in the Senior Executive Service. Agencies continue to effectively use their appraisal systems to make distinctions in performance and to make appropriate pay and awards determinations based on individual and organizational performance. Agencies also continue to improve their pay-for-performance systems, using their systems to link executive performance with organizational goals and focus on achieving organizational results, as demonstrated by the number of certified performance appraisal systems for members of the Senior Executive Service (SES) and employees in senior-level (SL) and scientific or professional (ST) positions.

We expect agencies to continue to improve and refine their pay-for-performance systems. If you should have questions regarding this report, please contact the Excellence in Performance Management Implementation Group at 202-606-1633.

Attachments

cc: President's Management Council
Chief Human Capital Officers
Human Resources Directors

**Report on Senior Executive Service
Pay for Performance for
Fiscal Year 2007**

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Appendix II: List of Certified Pay for Performance Systems in Calendar Year 2007

Introduction

Since 2004, Senior Executive Service (SES) members have been covered by pay-for-performance. Congress also provided for the certification of their appraisal systems. Authority for this certification was established in law and is regulated jointly by the U.S. Office of Personnel Management (OPM) and the Office of Management and Budget (OMB). For agencies to be able to pay their executives above the Executive level III, up to level II, and up to the higher aggregate pay level, agencies first must have their pay-for-performance systems certified by OPM, with concurrence by OMB.

Prior to 2004, the quality of SES performance management systems varied from agency to agency. While all systems met basic design criteria, the quality of the design and implementation of those systems were not consistent across the Government. For example, regulations required executives be held accountable for organizational performance in their performance plans, but many agency systems while meeting basic regulatory requirements did not make this a significant factor in executive appraisal. In addition, many agencies had SES appraisal systems that did not provide for making distinctions in performance above the Fully Successful (or equivalent) level—and among the agencies with systems that *did* provide for performance levels above Fully Successful, some rated all executives at the highest level anyway, demonstrating that those agencies were not identifying their top performers and were not making performance distinctions.

Now, agencies with certified appraisal systems are demonstrating that SES members' performance is directly linked to organizational goals, that executives are being held accountable for achieving results and for the performance management of their subordinates, and that the result of the appraisal process is directly related to pay adjustments and awards. (See Appendix I for a list and explanation of appraisal system certification criteria.) At the end of calendar year 2004, certified SES appraisal systems covered 76 percent of all SES members. By the end of 2007, certified systems covered 99 percent of all SES members. (See Appendix II for a list of systems certified in FY 2007.)

This report provides the results of agency SES pay-for-performance, including the ratings, pay adjustments, and awards decisions that are based on the design and implementation of agency appraisal and pay policies. The data show agencies are making distinctions in levels of performance and are recognizing their top-performing executives with the highest pay adjustments and awards.

This report also provides results of OPM's recent survey of SES members, which was conducted shortly after the SES performance payout early in 2008. While this report refers to survey questions addressing pay for performance, further information about other related topics, including agency efforts to communicate information about these systems to senior executives, can be found at <http://www.opm.gov/surveys/results/index.asp>.

Summary of Tables

OPM's survey of SES members found that 93 percent of respondents believe their pay should be based on performance and 91 percent indicated they are held accountable for achieving results. The data tables provided in this report show that agencies are applying sound pay-for-performance principles, including making meaningful performance distinctions based on rigorous assessments of their SES members' performance. The following is a summary of the FY 2007 results.

- Agencies reported data on 7,338 SES members for FY 2007, an increase of 2.8 percent over FY 2006.
- The percentage of career SES members rated at the highest level increased by 3.3 percent, from 43.4 percent to 46.7 percent, as displayed in Table 1. Because executive ratings are based primarily on achieving results, agencies are indicating through their SES performance ratings that many organizational goals are being achieved. Most respondents to OPM's survey of SES members say their performance appraisal takes into account the most important part of their job (72 percent), and most thought their ratings were based to a great or very great extent on individual (74 percent) and organizational (68 percent) performance.
- Table 2 shows the total number and percentage of SES members rated, regardless of appointment type, and an increase of 3.4 percent rated at the highest level as compared to FY 2006. OPM's survey of SES members found that most respondents (68 percent) felt their appraisal was a fair reflection of their performance.
- Table 3 shows the rating distribution for all career executives rated under a five-level system (i.e., Pattern H) and under a four-level system (i.e., Pattern F), which are the only rating patterns that meet certification criteria. The data in this table show agencies are distributing higher performance awards and pay adjustments to its top performers. Averages were determined using the total population rated at each rating level. While the data show pay distinctions are being made among different levels of performance, OPM's survey of SES members found relatively few believe pay and bonus distinctions are meaningfully different among executives (26 percent and 32 percent, respectively). However, many executives indicate they were not given a summary of their agency's SES overall performance ratings, performance awards, and pay adjustments (65 percent), which may explain why executives do not perceive meaningful distinctions are being made.
- Table 4 displays the average salaries and pay adjustments in FY 2006 and FY 2007 for SES members receiving pay adjustments. The average salary (as a percentage of basic pay prior to any pay adjustment) increased by 3.5 percent in 2007. OPM's survey of SES members found most executives indicated that salary increases are linked to appraisals (64 percent). Also, most respondents (61 percent) are satisfied with their pay but this number is lower than results for SES members on a comparable question in the 2006 Federal Human Capital Survey (73 percent).

- Over all, the percentage of career SES receiving performance awards (4,914 members) remained almost unchanged, with a decrease of one tenth of one percent as shown in Table 5. OPM's survey reported that most executives are satisfied with the recognition they receive for doing a good job (67 percent) and felt bonuses were linked to appraisals (72 percent).

TABLE 1
Career SES Performance
FY 2004 - FY 2007

AGENCY	FY 2004		FY 2005		FY 2006		FY 2007		Percent Change FY 2006-FY 2007
	Career SES Rated	Percent at Highest Level	Career SES Rated	Percent at Highest Level	Career SES Rated	Percent at Highest Level	Career SES Rated	Percent at Highest Level	
AGRICULTURE	280	36.6%	283	39.9%	307	39.4%	307	40.4%	1.0%
AID	17	52.9%	19	52.6%	19	52.6%	19	57.9%	5.3%
COMMERCE	263	49.0%	247	44.9%	247	42.9%	249	53.4%	10.5%
DEFENSE	1,049	99.5%	1,066	32.3%	1,068	31.4%	1,084	32.0%	0.6%
EDUCATION	60	98.3%	66	53.0%	68	42.7%	64	53.1%	10.4%
ENERGY	347	41.8%	356	39.6%	360	34.2%	368	37.2%	3.0%
EPA	264	59.8%	265	30.6%	266	34.2%	266	35.0%	0.8%
GSA	75	25.3%	78	33.3%	69	23.2%	68	48.5%	25.3%
HHS	307	51.8%	320	55.6%	340	59.1%	355	63.6%	4.5%
HOMELAND SECURITY	204	83.3%	218	54.1%	239	53.6%	300	52.3%	-1.3%
HUD	69	40.6%	67	55.2%	72	43.1%	76	57.9%	14.8%
INTERIOR	219	21.5%	220	18.2%	211	22.3%	213	22.5%	0.2%
JUSTICE	523	60.4%	540	62.0%	563	62.9%	601	66.9%	4.0%
LABOR	141	34.8%	145	38.6%	144	38.2%	144	38.9%	0.7%
NASA	401	76.1%	399	52.6%	382	55.5%	415	59.0%	3.5%
NRC	150	9.3%	144	9.0%	149	9.4%	144	29.2%	19.8%
OMB	55	34.5%	53	22.6%	53	7.5%	47	10.6%	3.1%
OPM	42	50.0%	43	41.9%	36	27.8%	43	23.3%	-4.5%
SBA	30	70.0%	31	51.6%	28	28.6%	31	41.9%	13.3%
SSA	133	54.9%	127	68.3%	141	64.5%	127	63.8%	-0.7%
STATE	125	93.6%	126	59.5%	111	69.4%	113	69.0%	-0.4%
TRANSPORTATION	180	31.7%	162	22.8%	175	30.3%	178	40.9%	10.6%
TREASURY	386	40.9%	385	43.6%	371	44.7%	374	43.8%	-0.9%
VA	262	64.5%	261	61.7%	270	57.0%	277	58.1%	1.1%
ALL OTHERS	266	55.6%	283	53.7%	443	51.4%	447	52.1%	0.7%
GOVERNMENTWIDE	5,848	59.4%	5,906	43.4%	6,130	43.4%	6,308	46.7%	3.3%

TABLE 2

FY 2005 - FY 2007 Ratings for Career, Non-Career and Limited Term SES Employees

AGENCY	FY 2005			FY 2006			FY 2007			Percent Change FY 2006-FY 2007
	SES Rated	Rated at Highest Level	Percent at Highest Level	SES Rated	Rated at Highest Level	Percent at Highest Level	SES Rated	Rated at Highest Level	Percent at Highest Level	
AGRICULTURE	321	141	43.9%	350	157	44.9%	353	164	46.5%	1.6%
AID	19	10	52.6%	19	10	52.6%	19	11	57.9%	5.3%
COMMERCE	283	127	44.9%	282	122	43.3%	290	157	54.1%	10.8%
DEFENSE	1,113	351	31.5%	1,173	369	30.8%	1,199	385	32.1%	1.3%
EDUCATION	76	37	48.7%	81	32	39.5%	76	39	51.3%	11.8%
ENERGY	367	142	38.7%	398	138	34.7%	405	152	37.5%	2.8%
EPA	287	98	34.1%	289	109	37.7%	288	113	39.2%	1.5%
GSA	98	32	32.7%	86	19	22.1%	85	40	47.1%	25.0%
HHS	365	211	57.8%	382	240	61.2%	405	268	66.1%	4.9%
HOMELAND SECURITY	267	155	58.1%	294	163	55.4%	368	204	55.4%	0.0%
HUD	81	50	61.7%	90	48	53.3%	91	57	62.6%	9.3%
INTERIOR	248	45	18.1%	239	52	21.8%	244	53	21.7%	-0.1%
JUSTICE	562	375	64.4%	612	399	65.2%	647	447	69.1%	3.9%
LABOR	168	72	42.9%	170	78	45.9%	168	73	43.4%	-2.5%
NASA	406	216	53.2%	397	222	55.9%	427	252	59.0%	3.1%
NRC	145	13	9.0%	149	14	9.4%	144	42	29.2%	19.8%
OMB	53	12	22.6%	66	5	7.6%	57	5	8.7%	1.1%
OPM	52	19	36.5%	42	13	31.0%	49	10	20.4%	-10.6%
SBA	42	22	52.4%	38	11	28.9%	42	19	45.2%	16.3%
SSA	137	83	60.6%	149	96	64.4%	134	85	63.4%	-1.0%
STATE	130	75	57.7%	147	104	70.7%	147	104	70.7%	0.0%
TRANS	185	45	24.3%	196	60	30.6%	205	90	43.9%	13.3%
TREASURY	408	189	46.3%	394	182	46.2%	400	178	44.5%	-1.7%
VA	271	169	62.4%	278	161	57.9%	286	170	59.4%	1.5%
ALL OTHERS	306	161	52.6%	476	242	50.8%	487	261	53.6%	2.8%
GOVERNMENTWIDE	6,410	2,850	44.5%	6,807	3,046	44.7%	7,016	3,379	48.1%	3.4%

TABLE 3
Aggregate Career SES Pay Distribution
FY 2007
(Rating Patterns Pursuant to 5 CFR 430.208(d))

AGENCY		SES Rated	Percent Rated at Level	Average Salary Before Adjustment	Average Performance Award	Average Salary Adjustment	Average Performance Award as a Percent of Salary Before Adjustment	Average Salary Adjustment as a Percent of Salary Before Adjustment	Average Salary Adjustment + Average Performance Award as a Percent of Salary Before Adjustment	Average Performance Award as a Percent of Average Salary + Adjustment + Average Performance Award
H Pattern		5,584								
Rating Levels										
(5) Outstanding or Equivalent		2,584	46.3%	\$157,246	\$15,051	\$6,216	9.6%	3.9%	13.5%	8.4%
Exceeds Expectations (4)		2,416	43.3%	\$152,423	\$8,615	\$5,362	5.6%	3.5%	9.1%	5.2%
Fully Successful (3)		574	10.3%	\$149,004	\$2,492	\$3,696	1.7%	2.5%	5.1%	1.6%
Minimally Successful (2)		0	0.0%	\$145,566	\$0	\$0	0.0%	0.0%	0.0%	0.0%
Unacceptable (1)		0	0.0%	\$0	\$0	\$0	0.0%	0.0%	0.0%	0.0%
F Pattern		724								
Rating Levels										
(5) Outstanding or Equivalent		364	50.3%	\$159,019	\$17,140	\$6,362	10.8%	4.0%	14.8%	9.4%
Fully Successful (3)		357	49.3%	\$154,198	\$7,022	\$5,043	4.5%	3.3%	7.8%	4.2%
Minimally Successful (2)		3	0.4%	\$149,660	\$0	\$0	0.0%	0.0%	0.0%	0.0%
Unacceptable (1)		0	0.0%	\$0	\$0	\$0	0.0%	0.0%	0.0%	0.0%

TABLE 4
Salaries for Career, Non-Career and Limited Term SES Employees

AGENCY	FY 2006				FY 2007			
	Average Rate of Basic Pay Before Salary Adjustment	Average Rate of Basic Pay After Salary Adjustment	Average Salary Adjustment as Percent of Basic Pay Before Adjustment	Average Salary Adjustment as Percent of Basic Pay After Adjustment	Average Rate of Basic Pay Before Salary Adjustment	Average Rate of Basic Pay After Salary Adjustment	Average Salary Adjustment as Percent of Basic Pay Before Adjustment	Average Salary Adjustment as Percent of Basic Pay After Adjustment
AGRICULTURE	\$163,717	\$160,384	\$6,673	4.3%	\$167,476	\$161,980	\$4,517	2.9%
AID	\$152,332	\$153,855	\$1,523	1.0%	\$153,438	\$157,848	\$5,303	3.5%
COMMERCE	\$148,447	\$152,418	\$3,971	2.7%	\$151,282	\$156,347	\$4,923	3.3%
DEFENSE	\$147,974	\$152,001	\$4,028	2.7%	\$150,950	\$155,941	\$5,185	3.4%
EDUCATION	\$148,167	\$153,855	\$5,661	3.8%	\$152,981	\$159,169	\$7,489	4.9%
ENERGY	\$151,681	\$156,397	\$4,716	3.1%	\$154,576	\$160,072	\$5,496	3.6%
EPA	\$153,233	\$157,864	\$4,640	3.0%	\$157,927	\$163,446	\$4,971	3.1%
GSA	\$151,746	\$155,465	\$3,709	2.4%	\$151,982	\$155,009	\$4,047	2.7%
HHS	\$151,430	\$156,743	\$5,313	3.5%	\$155,827	\$160,893	\$5,750	3.7%
HOMELAND SECURITY	\$149,018	\$152,653	\$3,638	2.4%	\$150,794	\$157,227	\$6,407	4.2%
HUD	\$148,929	\$154,669	\$5,740	3.9%	\$152,842	\$161,408	\$8,566	5.6%
INTERIOR	\$150,157	\$156,077	\$5,920	3.9%	\$153,796	\$160,044	\$5,818	3.8%
JUSTICE	\$150,755	\$156,878	\$6,123	4.1%	\$154,912	\$160,624	\$5,767	3.7%
LABOR	\$152,201	\$157,887	\$5,651	3.7%	\$156,817	\$164,078	\$7,281	4.6%
NASA	\$147,738	\$151,615	\$3,874	2.6%	\$151,740	\$155,675	\$4,962	3.3%
NRC	\$151,386	\$153,605	\$2,219	1.5%	\$152,753	\$157,965	\$5,212	3.4%
OMB	\$145,450	\$151,618	\$6,168	4.2%	\$152,225	\$159,569	\$7,509	4.9%
OPM	\$150,286	\$155,742	\$5,456	3.6%	\$153,195	\$159,210	\$6,015	3.9%
SBA	\$155,701	\$160,619	\$4,918	3.2%	\$157,876	\$164,074	\$6,205	3.9%
SSA	\$151,046	\$155,435	\$4,389	2.9%	\$155,040	\$158,914	\$3,874	2.5%
STATE	\$150,403	\$155,862	\$5,465	3.6%	\$154,349	\$160,066	\$5,707	3.7%
TRANSPORTATION	\$150,298	\$153,340	\$3,103	2.1%	\$152,631	\$156,853	\$4,223	2.8%
TREASURY	\$149,024	\$154,504	\$5,479	3.7%	\$153,047	\$158,471	\$5,424	3.5%
VA	\$152,727	\$157,099	\$4,372	2.9%	\$154,531	\$160,179	\$5,270	3.4%
ALL OTHERS	\$152,648	\$156,332	\$3,673	2.4%	\$153,438	\$157,646	\$5,303	3.5%
GOVERNMENTWIDE	\$150,464	\$155,203	\$4,738	3.1%	\$153,662	\$158,865	\$5,434	3.5%

TABLE 5
Career SES Awards
FY 2004 - FY 2007

AGENCY	FY 2004		FY 2005		FY 2006		FY 2007		Change in Percent Receiving Awards FY 2006-FY 2007
	Average Award	Percent of SES Receiving Awards	Average Award	Percent of SES Receiving Awards	Average Award	Percent of SES Receiving Awards	Average Award	Percent of SES Receiving Awards	
AGRICULTURE	\$15,861	81.4%	\$15,945	83.7%	\$13,905	88.9%	\$13,745	87.3%	-1.6%
AID	\$8,889	52.9%	\$12,444	10.5%	\$10,959	52.6%	\$11,300	23.8%	-28.8%
COMMERCE	\$12,299	77.9%	\$11,749	81.2%	\$12,588	82.6%	\$12,267	84.5%	1.9%
DEFENSE	\$16,958	43.4%	\$14,788	85.3%	\$11,988	91.0%	\$13,939	88.4%	-2.5%
EDUCATION	\$10,325	67.8%	\$10,652	76.4%	\$12,691	74.0%	\$15,846	80.6%	6.6%
ENERGY	\$8,863	64.0%	\$9,064	51.9%	\$8,417	64.7%	\$14,116	79.3%	14.8%
EPA	\$11,797	50.4%	\$10,509	62.2%	\$10,785	67.7%	\$11,477	68.0%	0.3%
GSA	\$12,536	70.2%	\$12,269	97.5%	\$13,436	86.2%	\$14,101	82.7%	-14.4%
HHS	\$12,536	70.2%	\$12,852	82.2%	\$13,436	86.2%	\$13,629	88.6%	2.4%
HOMELAND SECURITY	\$16,424	46.6%	\$14,935	48.4%	\$14,937	70.3%	\$13,450	74.1%	3.8%
HUD	\$8,092	60.9%	\$9,761	56.5%	\$11,008	93.1%	\$13,036	93.7%	0.6%
INTERIOR	\$13,017	30.1%	\$11,658	39.5%	\$12,628	55.9%	\$13,119	65.3%	9.4%
JUSTICE	\$11,858	56.5%	\$14,749	53.6%	\$15,172	56.1%	\$16,648	53.5%	-2.6%
LABOR	\$11,989	89.4%	\$12,498	95.9%	\$13,959	91.7%	\$14,288	96.5%	4.8%
NASA	\$17,483	42.6%	\$15,857	48.4%	\$17,139	56.5%	\$16,611	55.6%	-0.9%
NRC	\$16,946	62.0%	\$16,261	88.2%	\$16,716	83.9%	\$17,917	66.9%	3.0%
OMB	\$10,100	48.3%	\$11,579	35.8%	\$11,909	41.5%	\$11,375	48.0%	6.5%
OPM	\$15,044	69.0%	\$14,100	80.0%	\$15,442	97.2%	\$14,765	95.4%	-1.8%
SBA	\$9,518	100.0%	\$9,721	69.4%	\$9,236	89.3%	\$9,477	83.9%	-5.4%
SSA	\$14,419	63.2%	\$14,572	72.4%	\$14,487	75.2%	\$15,175	57.3%	-17.9%
STATE	\$11,037	32.8%	\$10,976	32.3%	\$11,025	53.2%	\$11,034	46.8%	-6.4%
TRANSPORTATION	\$10,790	51.4%	\$11,189	52.0%	\$8,793	78.3%	\$9,628	76.0%	-2.3%
TREASURY	\$15,607	64.4%	\$15,173	65.0%	\$15,724	70.4%	\$16,074	70.0%	-0.4%
VA	\$16,287	89.3%	\$16,713	75.4%	\$16,626	82.2%	\$17,736	74.0%	-8.2%
ALL OTHERS	\$12,360	56.4%	\$13,146	37.6%	\$13,099	64.0%	\$13,359	68.6%	4.8%
GOVERNMENTWIDE	\$13,734	58.2%	\$13,814	66.5%	\$13,290	74.8%	\$14,221	74.5%	-0.1%

Appendix 1: Background

In 2004, the Federal Government implemented pay-for-performance for its senior executives. Congress also provided for the certification of their appraisal system for its Senior Executive Service (SES) members. This certification was established in law and is regulated jointly by the U.S. Office of Personnel Management (OPM) and the Office of Management and Budget (OMB). For agencies to be able to pay their executives above the Executive level III, up to level II, and up to the higher aggregate pay level, agencies first must have their pay-for-performance systems certified by OPM, with concurrence by OMB. In order to achieve certification, agency systems must meet the following criteria:

- **Accountability.** SES appraisal systems require, and member performance plans contain, a critical element that holds executives accountable for the performance management of their subordinates and alignment of subordinate performance plans.
- **Alignment.** SES appraisal systems require that SES member performance plans clearly link with and support organizational goals established in strategic plans, annual performance plans, or other organizational planning or budget documents.
- **Measurable Results.** SES appraisal systems require, and member performance plans hold members accountable for, achieving measurable results, crediting measurable results as at least 60 percent of the summary rating.
- **Balance.** SES appraisal systems require, and member performance plans provide for, balance, so that in addition to measuring expected results, the performance plans include appropriate measures or indicators of the uses of employee and customer/stakeholder feedback.
- **Consultation.** SES appraisal systems require, and member performance plans indicate, executives are involved in the development of their performance plans.
- **Organizational Assessment and Guidelines.** Appropriate organizational performance assessments are made, results are communicated to members, rating officials and Performance Review Boards (PRB), and guidelines are provided by the head of the agency or designee on incorporating organizational performance into the appraisal, pay, and awards process.
- **Oversight.** The head of the agency or designee has oversight of the results of appraisals, pay adjustments, and awards, ensures the system operates effectively and efficiently, and ensures appraisals, pay adjustments, and awards are based on performance.
- **Training.** The agency has trained its executives on the design and implementation, and communicated the results, of its pay-for-performance system. This includes informing executives of the ratings distributions and average pay adjustments and awards granted.
- **Performance Differentiation.** The appraisal system includes a summary level that reflects Outstanding (or equivalent) performance to appraise and rate performance, performance requirements are established that describe and allow for differentiating levels of performance, the rating distribution indicates meaningful performance differentiations are made, and the rating distribution appropriately reflects organizational performance.

- **Pay Distinctions.** The agency grants pay adjustments and awards based on performance; demonstrates it grants higher pay adjustments and awards to top performing executives over other executives; and pay and awards decisions meet regulatory requirements.

Currently, the regulations allow for two types of certification. Provisional certification, which covers 1 calendar year, is granted to systems that meet design and implementation requirements but cannot yet fully demonstrate results, or that may still have some minor weakness in system implementation. Full certification, which covers 2 calendar years, is granted to systems that completely meet all design and implementation requirements and can demonstrate 2 years of acceptable results through the ratings, pay, and awards decisions made by the agency.

At the end of calendar year 2004, 34 SES appraisal systems met certification criteria. These certified systems covered 76 percent of SES members Governmentwide. Of those systems, only 2 met full certification criteria (6 percent). By the end of 2007, 46 SES appraisal systems met certification criteria. These certified systems covered 99 percent of SES members Governmentwide. Of those systems, 20 met full certification criteria (44 percent). In the future, OPM expects all applicant SES appraisal systems will meet full certification criteria.

Background of Statutory and Regulatory Language

Section 1322 of the Chief Human Capital Officers Act of 2002, added a new paragraph (d) to 5 U.S.C. 5307 establishing conditions that, if met, would permit an agency to apply a higher aggregate limitation on pay, equivalent to the rate payable to the Vice President, for certain SES members who are paid under 5 U.S.C. 5383 and employees in senior-level and scientific or professional positions (SL/ST) paid under 5 U.S.C. 5376. However, to apply this higher aggregate pay limitation, the statute requires an agency first demonstrate it has designed and applied performance appraisal systems for these employees that make meaningful distinctions based on relative performance, as certified by OPM, with OMB concurrence.

As a separate but related matter, section 1125 of the National Defense Authorization Act for Fiscal Year 2004 (Public Law 108-136, November 24, 2003) (1) amends 5 U.S.C. 5382 and 5383 by replacing a six-level pay system for SES members with a single, open-range “payband” with only the minimum and maximum rates of pay set by law and (2) requires certification under 5 U.S.C. 5307 to allow an increase in the maximum rate of basic pay, from level III to level II of the Executive Schedule, for SES members.

OPM has issued implementing regulations for both of these statutes. Regulations addressing the certification of agency appraisal systems, issued jointly with OMB, are found at subpart D of part 430 of title 5, Code of Federal Regulations. Regulations addressing the SES pay system are found at subpart D of part 534 of title 5, Code of Federal Regulations.

Appendix II:
Certified SES Pay-for-Performance Systems in Calendar Year 2007

- Broadcasting Board of Governors
- Chemical Safety Board
- Consumer Product Safety Commission
- Department of Agriculture
- Department of Commerce
- Department of Defense
- Department of Education
- Department of Energy
- Department of Health and Human Services
- Department of Housing and Urban Development
- Department of Housing and Urban Development Office of Inspector General (OIG)
- Department of Homeland Security
- Department of Interior
- Department of Justice
- Department of Labor
- Department of State
- Department of Transportation
- Department of Treasury
- Department of Veterans Affairs
- Environmental Protection Agency
- Equal Employment Opportunity Commission
- Federal Communications Commission
- Federal Energy Regulatory Commission
- Federal Trade Commission
- General Services Administration
- Merit System Protection Board
- National Aeronautics and Space Agency
- National Aeronautics and Space Agency (OIG)
- National Endowment for the Arts
- National Labor Relations Board
- National Science Foundation
- National Transportation Safety Board
- Nuclear Regulatory Commission
- Office of Government Ethics
- Office of Management and Budget
- Office of National Drug Control Policy
- Office of Navajo and Hopi Indian Relocation
- Office of Personnel Management
- Patent and Trademark Office
- Railroad Retirement Board

Certified SES Pay-for-Performance Systems in Calendar Year 2007 (Continued)

- Small Business Administration
- Small Business Administration OIG
- Social Security Administration
- Surface Transportation Board
- U.S. Trade Representatives
- U.S. Agency for International Development

Staffing Shortfalls for Foreign Service Officers

<i>Near East Asia</i>	18.9 %
<i>South Central Asia</i>	13.2%
<i>East Asia and Pacific</i>	10.5%
<i>Africa Region</i>	9.9%
<i>Western Hemisphere Americas</i>	8.3%
<i>Europe</i>	7.7%
Domestic	18.2%
Overseas	13.2%
Overall	13.3%