



**WRITTEN TESTIMONY BY
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**BEFORE
THE NATIONAL COMMISSION ON MILITARY, NATIONAL
AND PUBLIC SERVICE**

**PUBLIC SERVICE HEARING –
“CRITICAL SKILLS AND BENEFITS”**

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First, thank you to Chairman Heck and the members of the National Commission on Military, National and Public Service for the invitation to testify during the public service hearing on May 15, 2019. I write and will testify on behalf of the National Active and Retired Federal Employees Association (NARFE), its 200,000 dues-paying members and the interests of the more than five million federal employees and annuitants who have chosen to dedicate their careers, in whole or in part, to public service. I appreciate the opportunity to express NARFE's views.

Background on NARFE

Since NARFE's founding in 1921, the association's mission has been to defend and advance the earned pay and benefits of America's civil servants. Today, NARFE's team of professional lobbyists continues to work tirelessly on behalf of the federal community. Supported by grassroots activists, NARFE is a leading voice in Washington and across the country.

Federal benefits and retirement plans are unique, complex and subject to change. NARFE provides federal workers and retirees with the clear, reliable and accessible counsel they need to make critical decisions and gain confidence in a secure financial future.

NARFE's 200,000 members live in every congressional district across the country and include both retired and current federal workers from all branches and levels of the federal government. These proud public servants form a grassroots network of activists who fight on behalf of the more than 5.2 million federal employees, retirees and their survivors who make up the federal community.

Federal workers dedicate their working lives to the betterment of our country, and in return they ask that Congress hold up their end of the bargain – the promises made when they were hired, including their compensation package. NARFE is here to honor their service and ensure they have a secure future.

Testimony Preview

This testimony will begin by identifying two challenges to ensuring that public service continues to contribute to the common good of the American people: the public perception of public service, and the mission-critical skills gap in federal agencies. It will then discuss a framework for meeting these challenges and attracting and retaining individuals with critical skills to public service, explain the role of federal benefits in federal compensation and recruitment efforts, and provide views on policy options outlined in the staff memorandum to the Commission.

Public Perception of Public Service

This hearing comes on the heels of the 35th annual Public Service Recognition Week (PSRW), a time set aside each year to celebrate, honor and thank those who often go unnoticed as they carry out the work necessary to keep our nation safe, secure and running smoothly. NARFE is a proud sponsor of PSRW through our membership in the Public Employees Roundtable, which organizes PSRW. Such a time is necessary because, unfortunately, the American people, and even many of our elected leaders, are unaware of the crucial work federal employees carry out

on behalf of our country. While we spent last week highlighting the often overlooked role government plays in our everyday lives, wouldn't it be nice if such a week was unnecessary?

As such, this Commission's charge could hardly come at a more important time. The American people's trust in the federal government to handle the nation's domestic and international problems recently hit its lowest point in more than two decades, with only 35 percent of Americans trusting our government to handle domestic problems, and 41 percent trusting it to handle international problems.¹ Regardless of whether these perceptions arise due to political dysfunction and growing partisanship, dissatisfaction with actual government operations, a lack of awareness and respect for the federal government and its public servants, or some combination of these and other reasons, they represent a challenge to the value of public service, its role in our society and the federal government's recruitment and retention efforts.

We are only a few months removed from a 35-day partial government shutdown, the longest in our nation's history. While 58 percent of Americans viewed the shutdown as a very serious problem for the country, 22 percent found it only somewhat serious, and another 20 percent found it not too serious (13 percent) or not at all serious (7 percent).² Given the negative impacts of the shutdown, I not only find these numbers alarming, but am even more alarmed that political leaders attempted to use it as leverage in negotiations for 35 long days. Unfortunately for public servants and the Americans they serve, this was not the first shutdown-for-political-leverage game, nor will it likely be the last.

This shutdown cost \$11 billion in lost economic activity, \$3 billion of which will never be made up.³ More than 420,000 federal employees worked for a month without pay, while another 380,000 were furloughed without pay.⁴ While they all received delayed back pay, the costs of delayed pay were real and damaging – rationed medical care,⁵ interest charges and late fees, and damaged credit, to say nothing of the unnecessary economic anxiety forced upon these individuals and their families. But even as these public servants' pay was delayed for a month, an untold number of contractors were not granted any back pay at all despite being forced off the job due to political dysfunction.⁶ Government operations were obviously hampered, harming the American public and countless businesses that relied on federal operations, the examples of

¹ Brenan, Megan. "Americans' Trust in Government to Handle Problems at New Lows." *Gallup*, January 31, 2019, <https://news.gallup.com/poll/246371/americans-trust-government-handle-problems-new-low.aspx>.

² Pew Research Center, January 16, 2019, <https://www.people-press.org/2019/01/16/most-border-wall-opponents-supporters-say-shutdown-concessions-are-unacceptable/>.

³ Congressional Budget Office, January 2019, "The Effects of the Partial Government Shutdown," <https://www.cbo.gov/system/files/2019-01/54937-PartialShutdownEffects.pdf>.

⁴ United States Senate Committee on Appropriations, Staff for Vice Chairman Leahy, December 12, 2018, "Projected Impact of a Trump Shutdown," <https://www.appropriations.senate.gov/news/minority/projected-impacts-of-a-trump-shutdown>.

⁵ McCausland, Phil and Suzanne Ciechalski. "Federal worker forced to ration insulin due to government shutdown." *NBC News*, January 13, 2019, <https://www.nbcnews.com/news/us-news/federal-worker-forced-ration-insulin-because-government-shutdown-n958066>.

⁶ Gregorian, Dareh. "Back pay for federal contractors missing from federal funding bill." *NBC News*, February 15, 2019, <https://www.nbcnews.com/politics/politics-news/back-pay-federal-contractors-missing-government-funding-bill-n971886>.

which are seemingly endless.⁷ The willingness to accept these consequences allowed the shutdown to occur and continue through 35 days, and that willingness represents a threat to our democracy's ability to function. None of us should be surprised that our government is facing a recruitment problem, and NARFE appreciates this Commission's work in identifying and working to correct this problem.

While the public perception of the federal government as an abstract entity may not fully reflect it, the reality is that Americans rely greatly on the work of federal employees every day. Our citizens depend on civilian defense employees to support and equip our military, doctors and nurses to care for veterans returning home from war, cybersecurity professionals to protect critical infrastructure and respond to emerging threats, scientists and researchers to develop new cures for cancers and disease, federal law enforcement and intelligence officers to protect us from foreign and domestic threats to our physical security, prosecutors and judges to uphold the laws, prison guards to keep violent criminals off our streets, postal workers to keep our communities connected and our economy churning, revenue agents to ensure we have the funds to carry out these missions, and much more. While Americans will continue to disagree on the proper scope of government as they always have, we call for unity where it comes to ensuring that the work of the federal government is done well.

Mission-Critical Skills

Unfortunately, the diminishing value Americans and some of its political leaders are placing on public service is not the only challenge to the role of public service in our country. Since 2001, the United States Government Accountability Office (GAO) included Strategic Human Capital Management on its high-risk list, explaining in its 2019 High-Risk Report, "mission-critical skills gaps both within federal agencies and across the federal workforce pose a high risk to the nation because they impede the government from cost-effectively serving the public and achieving results."⁸ Worse yet, the age demographics of the federal workforce and trends in federal retirement threaten to aggravate this problem. Nearly one-third (606,000) of employees are older than 55, while only 8 percent (173,000) of employees are younger than 30. By comparison, in the private sector, 23 percent of the workforce is younger than 30.⁹ With more than 31 percent of federal employees on board by the end of fiscal year 2017 eligible to retire in the next five years,¹⁰ the lack of younger employees to meet critical needs is troubling. At a time when the value our nation places on public service seems to be at an all-time low, our need for a major influx of talent into public service appears to be near an all-time high.

⁷ See, e.g. Kaur, Harmut and Christina Kline. "How the government shutdown is affecting Americans." *CNN*, January 9, 2019, https://www.cnn.com/us/live-news/government-shutdown-personal-stories/h_945a308f6c9214c6b5d7792cc36366b6?fbclid=IwAR2CVCKN7sLUqK2rsPvrvTtkXV5GTDmfASQ9bNXPIlr3K1sJZiz-x4IO15c.

⁸ U.S. Government Accountability Office, March 6, 2019, "HIGH RISK SERIES: Substantial Efforts Needed to Achieve Greater Progress on High-Risk Areas," (GAO-19-157SP), <https://www.gao.gov/assets/700/697245.pdf>, p. 75.

⁹ Office of Management and Budget, March 2019, "Analytical Perspectives, Fiscal Year 2020 Budget of the United States of America," https://www.whitehouse.gov/wp-content/uploads/2019/03/ap_7_strengthening-fy2020.pdf, p. 68.

¹⁰ U.S. Government Accountability Office, "Strategic Management of Human Capital – High Risk Issue; Issue Summary," https://www.gao.gov/key_issues/strategic_human_capital_management/issue_summary#t=0.

Addressing Challenges for Public Service

Public Perception of Public Service

I am testifying before you because hundreds of thousands of current and former NARFE members chose a career in federal service and wanted to further that service in their workplace or retired life on behalf of the entire federal community by joining NARFE. The NARFE members are wonderfully patriotic, choosing to serve their country through federal service, and feel strongly, rightfully so, that the value of the work they do or did is not felt by the greater public. Even in retired life, they are taking steps to overcome the negative perception of public service.

Countering negative public perceptions of the federal government presents a substantial challenge, but not an insurmountable one. It also may be primarily the responsibility of non-governmental organizations, such as NARFE and those represented among my fellow panelists, to do so, as there are (and should be) limits on the federal government engaging in propaganda and overzealous self-promotion for political ends.¹¹ But federal agencies should inform the public about what they do, promoting service with the agency and recruiting aspiring public servants into their fold. I urge the Commission to consider providing recommendations to Congress to allow federal agencies to expand their role in doing so.

Even as the sources of negative public perceptions of public service – to the extent they are even fully identified – remain beyond the scope of the federal government to address directly, the Commission should recognize that perceptions are a problem, that federal agencies are not powerless to change them, and that improving perceptions could help address challenges in filling mission-critical skills gaps. Doing so could improve the ability of government to handle the nation’s problems and help improve the public’s perception of that ability.

We also cannot ignore that negative public perception could, in part, be driven by a lack of understanding or even ignorance of who federal employees are and what they do. Certainly, it’s incumbent upon NARFE members and all federal employees to speak of what they do or did with their friends and neighbors with pride and distinction. However, that’s not where the education campaign should begin and end.

Currently, only eight states require students to pass a year-long civics/government course to graduate, only 19 states require students to pass any civics/government course and only 36 states require a civics/government course at all.¹² While more states require courses and exams in U.S. history,¹³ these courses may not include the civics education necessary to equip individuals to

¹¹ U.S. Government Accountability Office, March 2015, “Principles of Federal Appropriations Law: Annual Update of the Third Edition,” (GAO-15-303SP), <https://www.gao.gov/assets/670/668991.pdf>, p.4-24 (“Since 1951, appropriation acts have included provisions precluding the use of the appropriations for ‘publicity or propaganda.’ While Congress has never defined the meaning of publicity or propaganda, GAO has recognized three types of activities that violate the publicity or propaganda prohibitions: self-aggrandizement, covert propaganda, and materials that are purely partisan in nature.”)

¹² Education Week, October 2018, “Date: Most States Require History, But Not Civics,”

<https://www.edweek.org/ew/section/multimedia/data-most-states-require-history-but-not.html>

¹³ *Id.*

participate fully and effectively in our democratic system.¹⁴ How can we expect to attract the next generation of public servants if they are unaware of even the basic tenets of our government and how it serves its people? We must not wait until one is preparing to graduate college to discuss a career in government.

As such, I commend the Commission for its focus on reinvigorating civic education, and encourage its efforts in that regard. These efforts will be an important part of the solution to negative public perception of government.

Mission-Critical Skills

The Commission's interim report and its staff recommendations focus on directly addressing the mission-critical skills gaps and government operation by: (i) improving basic hiring processes at government agencies; and (ii) attracting and retaining public service employees. We fully support these goals, even as we know we must all do more to recognize and promote the value of public service. I provide detailed views on specific recommendations below. Attaining these goals would ensure that the federal government has the well-qualified, high-performing workforce that the American people deserve. Any organization is only as strong as the people who compose it. Given that the GAO has identified the mission-critical skills gap as posing a high risk to our nation, focusing on effective and efficient federal hiring processes and ensuring federal agencies are doing everything possible to attract and retain individuals into public service with critical skills is the appropriate course for this Commission, and we are grateful to have an opportunity to express NARFE's views.

The Role of Federal Employee Benefits

Benefits constitute an important part of any compensation package, including the federal employee compensation package. The federal government must recognize that benefits are provided through taxpayer dollars, and therefore, we must be responsible in how we spend those dollars. However, for the government to be an employer of choice to meet the needs of our country and not an employer of last resort, the overall benefits package must be competitive with larger private-sector companies vying for the same candidates. With an ever-changing workforce demographic, finding such a balance will be tricky, but possible.

Retirement and Health Benefits

Retirement and health benefits are a major part of the mix of compensation used to recruit and retain employees. A Towers Watson survey¹⁵ regarding what employees value when deciding whether to take or stay at a job found the following:

¹⁴ See Hansen, Michael, et. al.. "The 2018 Brown Center Report on American Education: How Well Are American Students Learning?" *Brown Center on Education Policy at Brookings*. June 2018, https://www.brookings.edu/wp-content/uploads/2018/06/2018-Brown-Center-Report-on-American-Education_FINAL1.pdf, pp. 16-26.

¹⁵ Nyce, Steve. "Attraction and Retention – What Employee Value Most." *Towers Watson*, March 2012, <https://www.towerswatson.com/en-US/Insights/Newsletters/Americas/insider/2012/Attraction-and-Retention-What-Employees-Value-Most-March-2012>.

- **Retirement benefits.** 35 percent of respondents said retirement benefits were an important reason to work for an employer, while 47 percent said it was important reason to stay. Further, more than three-quarters of new hires at companies sponsoring defined benefit (DB) plans say the retirement program gives them a compelling reason to stay on the job, and 85 percent hope to work with their employer until they retire.
- **Health benefits.** 46 percent of respondents said health benefits were an important reason to work for an employer, while 55 percent said it was important reason to stay. A different survey found that 88 percent of respondents said the quality and options of health benefits was important.¹⁶
- **Retiree health benefits.** 45 percent of respondents said retiree medical benefits were an important reason to work for an employer, while 61 percent said it was important reason to stay.

As you know, federal employment benefits include all three of these, all of which contribute to the overall federal compensation package.

Federal and postal employees who began their service on or after January 1, 1984, are covered by the Federal Employees Retirement System (FERS). Signed into law by President Ronald Reagan, the creation of FERS was motivated by changes in law that placed new federal hires under Social Security, and it was designed to provide retirement benefits roughly equivalent to the previous system – the Civil Service Retirement System (CSRS) – but with greater job mobility. FERS provides a three-legged stool of benefits: (i) a basic defined benefit, equal to only 1 to 1.1 percent of the highest three years of salary times years of service for most employees, and significantly lower than the CSRS benefit; (ii) Social Security coverage; and (iii) the Thrift Savings Plan (TSP). Social Security and the TSP are portable. With regard to the importance of federal retirement benefits to retention, the Congressional Budget Office found that “the pension plan boosts retention among workers who are nearing the point in their service at which they become eligible for a pension immediately upon separation and reduces retention among workers who have passed that point.”¹⁷

Federal employees and retirees receive employer-sponsored health insurance benefits through the Federal Employees Health Benefits (FEHB) program. The FEHB program provides health insurance coverage to more than 2.1 million federal employees, 1.9 million federal annuitants and 4.1 million of their dependents, covering more than 8.1 million individuals in total.¹⁸ It offers a choice of more than 250 different health plans to choose from, but as a practical matter, enrollees generally have a choice of about 15 different private insurance plans. The government

¹⁶ JustWorks, October 8, 2018, “6 Surprising Statistics About Benefits Employees Want,” <https://justworks.com/blog/6-surprising-statistics-benefits-employees-want-infographics>.

¹⁷ Congressional Budget Office, August 2017, “Options for Changing the Retirement System for Federal Civilian Workers,” https://www.cbo.gov/system/files/115th-congress-2017-2018/reports/53003-federalretirement_1.pdf, p. 18. (hereinafter “CBO Options”)

¹⁸ Office of Personnel Management, January 2018, “Statistical Abstracts for Fiscal Year 2017,” Federal Employee Benefits Programs, Exhibit H2.

provides a contribution of 72 percent of the weighted average of all plan premiums, but no more than 75 percent of any individual plan premium.

Federal employee and retiree satisfaction with FEHB is high. When surveyed, more than 98 percent of federal annuitants rated their FEHB coverage as important (10.3 percent) or extremely important (88.5 percent).¹⁹ More than 90 percent of federal employees rated their FEHB coverage as important (11.8 percent) or extremely important (78.3 percent).²⁰

Survey results also suggest that FEHB benefits play an important role in both recruitment and retention. The 2017 Federal Employee Benefits Survey (FEBS)²¹ asked, “To what extent did the availability of health insurance through FEHB influence your decision to take a job with the Federal Government?” The responses were telling: 45 percent of respondents reported “great extent” while another 26 percent reported “moderate extent.” But the responses to the following question – “To what extent did the availability of health insurance through FEHB influence your decision to remain in a job with the Federal Government?” – were even more telling. Only 12 percent responded “not at all” while 61 percent said a “great extent” and 20 percent answered a “moderate extent.” Succinctly, more than 80 percent of those responding to the FEBS reported that their health insurance coverage through the federal government is a reason to stay. But we must first get them in the door.

Federal retirement and health benefits make up, in part, for the fact that private-sector workers are paid 31.98 percent more than federal workers engaged in substantially equal work, according to the Federal Salary Council (FSC).²² The FSC, an advisory board to the executive branch, compares federal and private-sector pay for similar jobs based on Bureau of Labor Statistics survey data. The FSC findings account for the fact that the federal jobs tilt heavily toward higher paying occupations. In fact, 57.1 percent of the federal workforce consists of the highest paid occupations, such as lawyers, doctors, engineers and managers, compared to just 36.2 percent of the private sector.²³ Even as a declining percent of private-sector companies offer any retirement benefits to their workers, let alone defined benefit plans²⁴ or retiree health care,²⁵ what the

¹⁹ Office of Personnel Management, March 2017, “2016 Federal Annuitants Benefits Survey Report,” <https://www.opm.gov/policy-data-oversight/data-analysis-documentation/employee-surveys/federal-annuitant-benefits-survey-results-summary.pdf>, p. 11.

²⁰ *Id.*

²¹ Office of Personnel Management, April 2018, “2017 Federal Employee Benefits Survey Report,” <https://www.opm.gov/policy-data-oversight/data-analysis-documentation/employee-surveys/2017-federal-employee-benefits-survey-results.pdf>, p. 9. (hereinafter “FEBS”)

²² Federal Salary Council, July 10, 2018, “Level of Comparability Payments for January 2019 and Other Matters Pertaining to the Locality Pay Program,” <https://www.opm.gov/policy-data-oversight/pay-leave/pay-systems/general-schedule/federal-salary-council/recommendation17.pdf>, p. 2.

²³ FY19 White House Budget, Analytical Perspectives, “Strengthening the Federal Workforce,” p. 67, available at: https://www.whitehouse.gov/wp-content/uploads/2018/02/ap_7_strengthening-fy2019.pdf.

²⁴ “In March 2018, 51 percent of private industry workers had access to only defined contribution retirement plans through their employer. An additional 13 percent had access to both defined benefit and defined contribution retirement plans at their workplace, while 4 percent of private industry workers had access to only defined benefit retirement plans.” Bureau of Labor Statistics, October, 2, 2018, “51 percent of private industry workers had access to only defined contribution retirement plans,” <https://www.bls.gov/opub/ted/2018/51-percent-of-private-industry-workers-had-access-to-only-defined-contribution-retirement-plans-march-2018.htm>.

private sector lacks in benefits, it often makes up for in pay, profit-sharing and the prospect of substantial financial reward, all benefits the federal government does not and often cannot offer.

Paid Parental Leave

While federal employees largely feel positively with regard to their health and retirement benefits, there are some benefits where the federal government lags behind the private sector, notably in paid parental leave. As of 2018, the 20 largest private-sector employers in the United States offered some form of paid parental leave to at least some of their employees.²⁶ Starbucks offers 18 weeks for the birth mother and 12 for the other parent for salaried employees. Walmart provides 16 weeks for primary parents and six for the other parent for both salaried and hourly employees. Amazon allows 14 weeks for birth mothers and six weeks for the other parent. Netflix allows up to a year of time off. Even our uniformed military personnel, both men and women, are provided time off following the birth of a child. Yet, the United States government, the largest employer in the United States, offers nothing to its civilian employees.

Paid parental leave reflects the value we place on family and parenting. Families should not be forced to make difficult trade-offs between spending invaluable time to care for and bond with their new child and being able to pay their bills and save for their child's future.

But this policy is not only about our values. It's also just smart human resource management practice. Existing federal sick and annual leave benefits do not meet the needs of existing parents. A paid parental leave policy would bridge this gap. According to the Institute for Women's Policy Research, accruing 12 weeks of paid leave for use under the Family and Medical Leave Act would take more than four years from an employee's date of hire.²⁷ This calculation does not, however, account for any use of sick leave for personal or family illness beyond the average use of three days or the use of sick leave to address complications that may occur after birth, adoption or foster placement.

Second, paid parental leave has been shown to improve the recruitment and retention of young workers. When deciding to accept a job offer, 66 percent of respondents said the employer's paid parental leave policy is important, and 20 percent said it was the most important benefit.²⁸ Two-thirds of college students say that balancing work and family is a priority for them.²⁹ Work-family balance is valued by both men and women, especially those with children. In a 2014 study of highly educated professional fathers in the U.S., nine out of 10 reported that it would be

²⁵ "In 2018, 18% of large firms that offer health benefits to their workers offer retiree coverage, a significantly lower percentage than in recent years." Kaiser Family Foundation, October 2018, "2018 Employer Health Benefits Survey, <https://www.kff.org/report-section/2018-employer-health-benefits-survey-section-11-retiree-health-benefits/>

²⁶ Miller, Claire Cain. "Lowe's Joins Other Big Employers in Offering Paid Parental Leave," *NY Times*, February 1, 2018, <https://www.nytimes.com/2018/02/01/upshot/lowes-joins-other-big-employers-in-offering-paid-parental-leave.html>.

²⁷ Miller, Kevin, Allison Suppan Helmuth and Robin Farabee-Siers. "The Need for Paid Parental Leave for Federal Employees: Adapting to a Changing Workforce," *Institute for Women's Policy Research*, <https://iwpr.org/wp-content/uploads/wpallimport/files/iwpr-export/publications/A141.pdf>, p. 6-7.

²⁸ JustWorks, October 8, 2018, "6 Surprising Statistics About Benefits Employees Want," <https://justworks.com/blog/6-surprising-statistics-benefits-employees-want-infographics>.

²⁹ Miller, p. 5.

important when looking for a new job that the employer offered paid parental leave, and six out of 10 considered it very or extremely important. These numbers were even higher for millennial workers.³⁰

This tells us that younger workers may value paid parental leave and work-family balance greater than the job security offered by the federal government. While federal government employment has traditionally been viewed as reliable, a factor that is important to older generations of workers, younger workers have other priorities and values that mean more to them in the workplace. Surveys have shown that people of all generations, especially the youngest workers, are far less likely to endorse traditional gender roles relating to work and family responsibilities.³¹ As mentioned, the federal government is facing challenges recruiting young workers, so adding paid parental leave could help fill a glaring need.

Finally, paid parental leave policies have been shown to reduce turnover costs significantly. In 2009, the Institute for Women's Policy Research estimated that the federal government could prevent 2,650 departures per year among female employees by offering paid parental leave, preventing \$50 million per year in turnover costs.³² In addition to saving money through reduced turnover costs, the Congressional Budget Office (CBO) estimates that implementing paid parental leave policies across the federal government would not increase mandatory spending. Simply, that means that allowing Feds to take leave following the birth or adoption of a child would not cost the government, or taxpayers, any money.

Private-Public Compensation Comparisons

Given the size of the federal workforce it is difficult to take a wholesale approach to comparing benefits with the private sector. There is no one private-sector American company that comes to close employing 2 million individuals. Adding to this challenge, even the largest businesses offer benefits that differ from one another.

Rather than compare one to the other, we implore the Commission and Congress to take a step back and ask, what can the federal government offer to attract and retain highly skilled, mission-critical individuals to public service? A call to serve the mission will attract some, with a benefits package taking a back seat to one's desire to serve our country. But we will continue to have a difficult time promoting the call to mission if we fail to promote service affirmatively and continue to hear many of our elected leaders denigrate it.

We must also recognize that not every applicant will feel a call to the mission of an agency, but rather possess a skill set that the federal government desperately needs. How can we meet the needs of job seekers while acknowledging that everyone wants different things? For some, as the evidence suggests, health benefits may take top priority, while for others it will be work-life balance or flexibility. For some, it may simply be pay. Once we can successfully encourage one

³⁰ U.S. Department of Labor, "[Paternity Leave: Why Parental Leave for Fathers is So Important for Working Families.](#)"

³¹ Miller, p. 4.

³² *Id.*, p. 10.

to apply to serve and then wade through the hiring process (more on that below), we must recognize that there may not be a one-size-fits-all benefits package.

Principles to Guide Changes to Federal Employee Benefits

Given the federal government's mission-critical skills gap, it is natural to assess every aspect of federal employee hiring, recruiting and retention efforts, including how the federal government compensates its workforce. NARFE welcomes continual conversation on this topic.

But as the Commission considers changes to federal employee benefits, I urge it to abide by the following principles:

1. Only apply changes prospectively to future hires.

Current employees and retirees earned their retirement and health benefits in exchange for their past and continuing employment with the federal government. Changing benefits for employees who accepted jobs through an offer that included not only pay, but the promise of certain benefits, would renege on that promise. Changing benefits retroactively for those who have already earned them through their past work fails to honor the commitments made to millions of retirees and their surviving spouses in exchange for their public service. That said, if each individual current employee is offered a choice between their existing package and a new one, any change in their benefits packages would need to be mutually agreed upon and acceptable.

2. Maintain overall compensation at an equivalent (or greater) value.

Benefit changes should not be a guise for overall compensation cuts. As noted above, federal retirement and health benefits make up for the fact that federal employees receive lower pay than their private-sector counterparts and forego the prospect of substantial financial gain. Diminishing overall federal employee compensation is not going to help with recruitment and retention. Rather, it will only make the recruitment and retention of a new generation of public servants necessary to meet mission-critical skills gaps more difficult.

3. Preserve income and health security for public servants in retirement.

Current federal retirement and health benefits provide public servants with both income and health security in retirement. FERS provides a balance of guaranteed income through Social Security benefits and a FERS annuity, but in addition, it has the ability to grow a larger retirement nest egg through the TSP comparable with large private-sector 401(k) plans. As noted, more than 90 percent of federal employees and more than 98 percent of retirees report that they find their health benefits through FEHB to be extremely important or important, despite their alternative, often cheaper, options through Medicare and supplemental plans.

Even though federal retirement benefits compare favorably to private-sector benefits, there is a growing recognition³³ that a retirement security crisis exists in America – that private-sector

³³ See, e.g.: PBS News Hour, June 13, 2018, "The numbers you need to know about the retirement crisis," <https://www.pbs.org/newshour/economy/making-sense/the-numbers-you-need-to-know-about-the-retirement-crisis>;

benefits and private savings are not meeting individual needs. A report from the National Institute on Retirement Security paints a grim picture of private-sector retirement preparation, finding the following:

- “The typical working American has no retirement savings. When all working age individuals are included – not just individuals with retirement accounts – the median retirement account balance is \$0 among all working individuals. Even among workers who have accumulated savings in retirement accounts, the typical worker had a modest account balance of \$40,000. Furthermore, 68.3 percent of individuals age 55 to 64 have retirement savings equal to less than one times their annual income, which is far below what they will need to maintain their standard of living over their expected years in retirement;”³⁴ and
- “Even after counting an individual’s entire net worth – a generous measure of retirement savings – three-fourths (76.7 percent) of Americans fall short of conservative retirement savings targets for their age and income based on working until age 67.”³⁵

It is no surprise that public sentiment matches this financial reality, as “three-fourths of Americans say the nation faces a retirement crisis.”³⁶ Moreover, “70 percent say the average worker cannot save enough on their own to guarantee a secure retirement,” and “65 percent say it’s likely they will have to work past retirement age to have enough money to retire.”³⁷ Furthermore, 76 percent of Americans say “all American workers should have a pension plan in order to be self-reliant and independent in retirement.”³⁸ This retirement crisis could not be more apparent.

In response, public policymakers are attempting to address the challenge. In April, the House Committee on Ways and Means advanced bipartisan legislation to increase retirement savings.³⁹ The committee also held a hearing on expanding Social Security in March,⁴⁰ even though

Holmes, Frank. “The Retirement Crisis is Much Worse Than You Think.” *Forbes*, March 20, 2019, <https://www.forbes.com/sites/greatspeculations/2019/03/20/the-retirement-crisis-is-much-worse-than-you-think/#656f26e73949>.

³⁴ Brown, Jennifer Erin, Joelle Saad-Lessler and Diane Oakley. “Retirement in America: Out of Reach for Working Americans?” *National Institute on Retirement Security*, September 2018, https://www.nirsonline.org/wp-content/uploads/2018/09/SavingsCrisis_Final.pdf, p. 1.

³⁵ *Id.*

³⁶ Oakley, Diane and Kelly Kenneally. “Retirement Insecurity 2019: Americans’ Views on the Retirement Crisis.” *National Institute on Retirement Security*, March 2019, https://www.nirsonline.org/wp-content/uploads/2019/02/OpinionResearch_final-1.pdf, p. 2.

³⁷ *Id.*

³⁸ *Id.* at 17.

³⁹ United States House of Representatives, Committee on Ways & Means, April 2, 2019, “Ways & Means Committee Passes Landmark Retirement Legislation,” <https://waysandmeans.house.gov/media-center/press-releases/ways-means-committee-passes-landmark-retirement-legislation>; *See also* United States House of Representatives, Committee on Ways & Means, March 29, 2019, “Bipartisan Group of Ways & Means Members Announce Introduction of Landmark Retirement Legislation,” <https://waysandmeans.house.gov/media-center/press-releases/bipartisan-group-ways-means-members-announce-introduction-landmark>.

⁴⁰ United States House of Representatives, Committee on Ways & Means, March 13, 2019, “Protecting and Improving Social Security: Benefit Enhancements,”

bipartisan action on Social Security remains elusive. Meanwhile, 43 states have either implemented state-based retirement savings programs for private-sector workers who lack coverage through their employer (11 states), undertaken studies of program options or considered legislation to establish state-facilitated retirement savings programs.⁴¹

None of this precludes changes to federal retirement benefits. But changes to federal retirement benefits ought not to exacerbate the nation's larger retirement crisis. As current public policy aims to improve retirement security, this Commission should not recommend policies that undermine it for our nation's public servants.

Policy Options Under Consideration

The Commission's staff memorandum includes two policy proposals related to federal employee benefits. I will comment on each.

1. ***Staff Recommendation: "Offer newly hired, non-public safety, federal civil service employees the option to select a new, modernized benefit package with fully portable retirement benefits, flexible time off, paid parental leave, and comprehensive disability-income insurance.*** Allow new hires to choose between the current benefits and a new package, of equivalent value, that includes a larger agency contribution to the Thrift Savings Plan, disability-income insurance, paid parental leave, and flexible time off but would not include eligibility for the Federal Employees Retirement System annuity or retiree health care."

This proposal certainly has the potential to improve recruitment and somewhat complies with our suggested principles, but a couple of aspects go too far in risking the income and health security for some federal retirees and could undermine the integrity of the FEHB.

First, the fact that the proposal would only apply prospectively, and as an option to new hires, ensures that the federal government is not breaking promises to its current and past employees. NARFE appreciates the Commission's acknowledgement in this regard.

Second, the fact that the proposal stipulates that the benefits package will be "of equivalent value" ensures that it's not a guise to undermine overall compensation, and instead is a good-faith effort to improve the attractiveness of the compensation package to new hires.

Third, as mentioned above, providing paid parental leave reflects good human resource management. The federal government is behind leading private-sector practice on this benefit, and should catch up as soon as possible.

However, NARFE cannot support eliminating the FERS annuity or retiree health care completely, even as an option. First, new federal hires would be put in the position of making a major decision about their future benefits with limited time and without a full appreciation for

<https://waysandmeans.house.gov/legislation/hearings/protecting-and-improving-social-security-benefit-enhancements>.

⁴¹ Oakley, p. 14.

the value of the competing options. While NARFE promotes choice for federal employees and retirees, this puts too great a burden on young employees to make a major, irreversible decision at the onset of their employment. Second, eliminating federal retiree health benefits for some could undermine the integrity of the FEHB program, as it would change the demographics of the risk pool. An unbalanced risk pool could force premiums up, to the detriment of those remaining in the program.

To the extent the Commission seeks to offer a different retirement benefit to offset the cost of improved benefits in other areas and/or to increase portability, I suggest, at a minimum, it consider maintaining the FERS annuity coverage on a certain amount of salary/pay, such as up to the average federal salary. This would ensure a degree of income security in retirement for all federal employees, while allowing higher paid federal employees – presumably those in the most difficult-to-fill occupations – the flexibility to choose a plan with a greater portable value.

2. ***Staff Recommendation: “Implement a cafeteria plan for certain federal employee benefits.*** Under this approach, grant each employee a fixed agency contribution to divide among certain benefits, such as flexible spending and health savings accounts, and life, dental, vision and disability-income insurance.”

To the extent that this plan is limited to certain benefits, and employees retain benefits of equivalent value, it is worth considering this recommendation. But NARFE would need additional details to fully assess any proposal that would implement this recommendation.

Additional Recommendations and Considerations for Federal Benefits

1. Improve Education and Communication Regarding Federal Benefits

Even as federal retirement benefits play an important role in the recruitment and retention of federal employees, there is an opportunity to amplify that role through better education and communication regarding those benefits. The 2017 Federal Employees Benefits Survey⁴² found the following:

- Less than half (48.8 percent) of respondents agreed with the statement: “I understand what benefits are available to me in retirement.” 30 percent either disagreed (23 percent) or strongly disagreed (7 percent), while 21 percent neither agreed nor disagreed.
- Less than half (46.7 percent) of respondents agreed with the statement: “I understand how my retirement benefits will be calculated.” 32 percent either disagreed (24 percent) or strongly disagreed (8 percent), while the remainder neither agreed nor disagreed (21 percent).
- Less than half (46 percent) of respondents agreed with the statement: “I know who to contact if I have questions about my retirement.” 35 percent either disagreed (25 percent)

⁴² FEBS, pp. 20-22.

or strongly disagreed (10 percent), while the remainder neither agreed nor disagreed (19 percent).

These survey results suggest that an improving federal benefits education and communication in both the onboarding process and throughout the career of federal employees could improve their understanding of the federal benefits they are earning. In turn, a better appreciation of those benefits could increase their role in retention. Likewise, agencies could do a better job of communicating the federal benefits they offer to prospective job applicants, which could help recruitment efforts. I encourage the Commission to consider recommendations that would allow agencies to do so.

2. Reduce Employee Contributions

Today, newly hired federal employees pay 4.4 percent of their salary towards their FERS annuity. Those hired prior to 2013 pay 0.8 percent, and those hired in 2013 pay 3.1 percent. For those who leave service mid-career, the value of their future pension is eroded by inflation and may not even make up for the cost of their contributions if they do not serve at least 20 years.⁴³ This is especially true for those paying 4.4 percent. The Commission should consider supporting lowering the employee contribution towards FERS annuities, especially if it includes a FERS annuity component in its recommendation for an alternative benefit package.

3. Provide Appropriate Inflation Protection

Under current law, the cost-of-living adjustment (COLA) to FERS annuities is limited to 2 percent when consumer prices (as measured by the CPI-W) increase between 2 and 3 percent, and reduced by 1 percent when consumer prices increase by 3 percent or more. Without adequate COLAs, FERS retirees will continue to see inflation erode the value of their earned retirement income year after year; yet, that is exactly what COLAs are designed to prevent.

Both CSRS and FERS retirees (and Social Security recipients) already receive COLAs that fail to represent how seniors spend their money. COLAs are currently based on the CPI-W, which measures how urban wage earners and clerical workers under the age of 62 spend their money. Yet, since 1982, the Bureau of Labor Statistics (BLS) has been calculating a consumer price index measuring prices experienced by those 62 years of age or older, called the CPI-E. The CPI-E has shown that prices increase for seniors by 0.2 percent more, on average, than for the population measured by the CPI-W. In other words, seniors' COLAs aren't keeping up with their rising cost of living, in spite of that being what they are designed to do.

The Commission should consider a recommendation to provide a full COLA to FERS annuities based on the CPI-E, especially if it includes a FERS annuity component in its recommendation for an alternative benefit package. It should also consider a recommendation to use the CPI-E to calculate COLAs for all federal retirement options.

⁴³ CBO Options, pp.16-17 (see Figure 3).

4. Closing Thoughts

The Commission has been debating changes to employee compensation as a means to attract more people to public service. Benefit changes are necessary to attract the kind of talent the federal government needs in the coming years. However, we caution that even an unparalleled benefits package will not drive individuals to serve if we as a nation do not place a value in public service. Why would a recent college graduate even consider entering the ranks of public service knowing that at any given a moment a politician is likely to say on TV that he or she is nothing more than an overpaid, lazy bureaucrat? Or knowing that s/he could be faced with going without a paycheck for weeks at a time while the government remains shut down over partisan bickering? Until we change the narrative surrounding federal service and show our commitment to our public servants, we will never attract top talent.

Recommendations on Attracting and Retaining Public Service Employees

Increasing Competitiveness of Federal Agencies for Workers with Critical Skills

The Commission staff memorandum includes a number of proposals to “increase the competitiveness of federal agencies for workers with critical skills.” These proposals aim to directly address the mission-critical skills gap identified by GAO. As the federal government competes with private-sector employers for workers with critical skills in high-demand occupations, such as health care, cybersecurity, IT and STEM fields, it must find ways to attract and train candidates into its fold. Ensuring it can do so should be among the Commission’s highest public service priorities. Each of the staff recommendations are worthy of further consideration by the Commission.

Establishing a New Civil Service Personnel System for Federal Agencies

The Commission staff recommends to “begin a long-term effort to design and implement a new, government-wide personnel system.” It suggests engaging the “Government Accountability Office, the Office of Management and Budget, and external parties to evaluate incremental changes and demonstration projects and publish recommendations for a new personnel system for federal-agency civil servants.” While there may be political risks in this process, NARFE supports re-evaluating and updating the federal personnel system.

Those entering the civil service in most occupations today enter the same pay and classification system as the generation before them, despite the fact that the federal civil service looks vastly different now. In the 1950s, most federal employees performed clerical or low-level administrative work. Today, most federal employees work in professional and administrative positions, often in highly technical and specialized fields. The General Schedule has not had a major overhaul since it was created in 1949. It is past time to bring the federal service pay system up to speed with its modern workforce and provide an occupation-specific and market-sensitive pay system.

However, this is no easy task, and NARFE implores the Commission to involve all stakeholders before moving forward with any single plan. While the federal personnel system must attract

new employees, it must also retain the employees we have today, ensuring their financial security. Large scale efforts in the past, such as the National Security Personnel System at the Defense Department, have failed for a variety of reasons, but chief among them was lack of buy-in from affected employees and the groups that represent them. Smaller efforts have led to a fragmented civil service where nearly half of employees are no longer covered by the General Schedule, limiting mobility among agencies. NARFE looks forward to continuing this dialogue with the Commission.

Additional Considerations for Attracting and Retaining Public Service Employees

In addition to the specific policy options laid out in the staff recommendations, the Commission should consider the following recommendations and principles:

- ***Dedicate Funds to Employee Training.*** The Commission should consider recommending the use of training funds for federal employees and/or agencies, whether individual pots of money per employee (part of an alternative benefit package) or dedicated training funds for each agency. In-service training would not only improve the human capital of the existing workforce, but it could as a recruitment tool for new candidates.
- ***Flexibility.*** Agencies should be given the flexibility to meet their human capital demands. While the Commission should avoid recommendations that would create additional, unnecessary complexity, and uniformity is preferred, the rigidity of a one-size-fits-all approach should not be the cause of a continuing mission-critical skills gap.
- ***Mission Focus and Work-Life Balance.*** While federal agencies may be more limited than their private-sector counterparts in offering the highest salaries and the prospect of substantial financial reward through entrepreneurship, profit-sharing, etc., they may be able to compensate through offering a better work-life balance and mission-focused work. Of course, to attract individuals to the mission of the federal government, we need to do a better job of promoting and valuing public service and ensuring that federal agencies are operating effectively to meet their goals. To promote their mission focus, federal agencies should be provided the funds necessary to do so with a focus on the recruitment of new applicants.
- ***Focus on What Feds Want.*** Prior to altering federal benefits, it would be helpful to gain additional data on what additional benefits are offered by individual agencies (student loan repayment, telework, e.g.), and to what extent they are utilized, which current federal benefits are valued most, and what additional benefits employees would find valuable. OPM could request information from agencies for the first part, and include questions on its FEBS for the second two parts. Having this information could help tailor any changes to federal benefits.

Recommendations on Improving Hiring

While this hearing is focused on “Critical Skills and Benefits,” improving the federal hiring process is part of the solution for meeting the mission-critical skills gap and bringing in the next

generation of public servants. For that reason, I will share our general views on the Commission's staff recommendations.

Hiring should be merit-based to prevent the politicization of the civil service. But it should not be as difficult, lengthy and burdensome as to provide a barrier to highly qualified individuals who would otherwise seek federal employment.

As such, the recommendations to (i) improve competitive and noncompetitive hiring processes, (ii) modernize federal civil service hiring preferences, and (iii) build a workforce pipeline from higher education to public service, should all be given adequate consideration. With that said, we are wary of limits on veterans' preferences that would hinder the federal government's leadership in hiring veterans, or fail to recognize of the valuable skills veterans obtaining through their military service.

In addition to our general views on the staff recommendations, NARFE supports the following:

- ***Simplification of civil service laws and regulations.*** We hear consistent criticism of the complexity of the rules and regulations governing the civil service, which makes them time-consuming and difficult to follow and navigate. Basic consolidation and simplification of civil service rules and regulations could go a long way towards improving hiring and other civil service actions.
- ***Increased training for managers and Human Resource (HR) professionals within the federal government, including the development of certification programs.*** Ensuring that the HR offices of the various federal agencies are staffed with professionals who are properly trained with regard to civil service rules and regulations goes hand-in-hand with simplification of those rules and regulations. The goal is to ensure that those tasked with navigating and adhering to the rules and regulations are aware of and able to use the various authorities and tools made available to them. Providing funds for training would help meet this goal.

The staff recommendation to “establish core, required competencies for all HR employees that could be met through a combination of education, experience and training,” could be part of this. But NARFE also suggests that the Commission specifically recommend the development of certification programs, whether government-wide or starting with a pilot program, for various HR functions, from hiring processes to performance management and federal benefits expertise demonstrating the ability to fulfill these core competencies.

- ***Organizational and leadership commitment to strategic human capital management.*** While the technical policy options suggested in the staff recommendations could help eliminate regulatory barriers to improvements, a larger organizational commitment to strategic human capital management, starting with agency leadership, would go a long way toward overcoming any remaining barriers and pushing through the ones that exist. The staff recommendation to “base at least 35 percent of Senior Executive Service (SES) and General Schedule (GS) supervisors' performance evaluation upon personnel

management, recruiting, and human capital responsibilities” could help ensure that agency leadership focuses on a commitment to its important strategic human capital responsibilities. Organizational improvement needs to be a valued goal along with the specific mission of the agency. Making this a priority requires a culture change, starting at the top.

Conclusion

There are many challenges facing how our government recruits and retains the next generation of public servants, but they are not insurmountable. These challenges start with the public perception of public service, but also include the ability of our federal government to compete with private-sector employers for individuals with critical skills, and the unique challenges of balancing the value of our merit-based civil service with the cost – in time and opportunity – of the procedures needed to maintain it.

Public perception of public service is not static. Even if the prospect of changing it appears daunting, it is unacceptable to continue allowing public service to be denigrated, disrespected and undervalued. Federal agencies should do what they can to properly address this challenge, and this Commission should promote and encourage it. Those of us who work in this space – in support of public service – must also come together to promote positive messages about public service and challenge misleading characterizations of the dedicated men and women who serve our nation.

Even as the federal government faces the challenge of outdated systems and procedures, the solutions to the problems of attracting, hiring and retaining the best and brightest into the next generation of civil servants are within reach. They will require the commitment of both political leaders and leadership within the civil service. But this Commission has drafted many specific recommendations that will equip federal agencies with the tools and flexibility they need to address the mission-critical skills gap within the government, and NARFE has added its own through this testimony. You have done the important work of identifying solutions and are now doing the equally necessary work of vetting them. Thank you for taking these steps.

I hope the Commission will take into account NARFE’s views, particularly with regard to federal benefits, as it considers the recommendations it will make to Congress. The adoption of the Commission’s recommendations will require both commitment and consensus. From our interactions with the Commission thus far, you have worked towards both of these. I urge you to continue to do so.

Thank you very much for the opportunity to discuss NARFE’s views. I look forward to our future discussions.