



Statement of
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On

**HOW THE IRS CAN ATTRACT TALENT, DEVELOP AND
RETAIN KEY EMPLOYEES, AND BEST PRACTICES FOR
BUILDING FUTURE LEADERS.**

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Chairman Cherecwich, Members of the Board, and other distinguished guests, my name is Colleen Kelley and I am the National President of the National Treasury Employees Union (NTEU). As you know, NTEU represents some 150,000 federal employees in 31 federal agencies and departments, including the men and women who work at the Internal Revenue Service (IRS). I appreciate you giving me the opportunity today present NTEU's recommendations on how the federal government, and in particular the IRS, can best attract, develop and retain qualified employees.

Mr. Chairman, the IRS, as well as agencies across the federal government, currently face a host of difficult challenges in efforts to recruit and retain qualified employees. While the challenges vary from agency to agency, there are several common to all of them which I will focus on in my testimony. These include a move by the current administration to privatize an increasingly large number of governmental functions; inadequate salaries that lag far behind those in the private sector; and a continued unwillingness of many federal agencies to utilize existing authorities and administrative personnel rules to retain the thousands of dedicated public servants who are currently working in our federal agencies.

Privatization/Contracting Out

Mr. Chairman, NTEU continues to have strong concerns about the Administration's privatization initiative, which seeks to open up at least half of all federal employee jobs to private contractors regardless of the costs involved or the disruptions in government services to the taxpayers.

According to a 2006 report by the House Committee on Government Reform, between 2000 and 2005 the value of federal contracts increased by 86%, from \$203 billion to \$377.5 billion (*Dollars, Not Sense: Government Contracting under the Bush Administration – Committee on Government Reform, June 2006*). This growth in contracting was over five times faster than the overall inflation rate and almost twice as fast as the growth in other discretionary federal spending over this period. Even more alarming is that the value of sole-source and other noncompetitive contracts award by the current Administration has increased at an even faster rate than overall procurement spending, rising by 115% from \$67.5 billion in 2000 to \$145 billion in 2005. As a result, 38% of federal contracts dollars were awarded in 2005 without full and open competition, a significant percentage increase from 2000. The IRS alone granted more than \$11 billion in contracts between 2000 and 2008 of which only 13 percent were awarded under full and open competition (www.usa.spending.gov).

The Administration's goal of competing 50 percent of positions in commercial activities in the federal government has clearly raised concerns among many in the federal workforce that feel they are not valued. While federal workers, including those at the IRS are not afraid to compete with the private sector, NTEU believes it is vital that the rules governing the public-

private competition process ensure federal employees are competing on a level playing field with the private sector and that contractors are subject to the same transparency and accountability that federal employees receive. Anecdotal evidence tells us that contractors are failing again and again yet these companies are not held accountable.

That is why NTEU was happy to see that the recently enacted FY 2008 omnibus appropriations bill included several modifications to the Office of Management and Budget's (OMB) revised A-76 Circular which serves as the guideline for competitive sourcing. In essence, the language gives federal employees the right to bid on work and affords them a step toward equal treatment. Specifically the bill would allow federal employees to offer their own realistic best bid with a most efficient organization (MEO) in job functions being performed by more than 10 federal employees; require a 10% or \$10 million cost savings by the contractor in order for the work to be contracted out; and allow executive agency heads to conduct public-private competitions to bring contracted work back in-house.

In addition, the bill would exclude health care and retirement costs from the contracting out cost comparison, thereby eliminating the unfair advantage contractors receive for contributing less than what is required of federal agencies, to their employee benefits. The bill also provides federal workers with the same legal standing before the Government Accountability Office (GAO) and the Court of Federal Claims for appeals purposes. These strengthening provisions will surely help the federal workforce compete for positions and work they are qualified to perform.

IRS Private Tax Collection

While we believe these changes to the A-76 process will help level the playing field in public/private competitions, NTEU is greatly concerned about the Administration's continued insistence on contracting out inherently governmental functions, such as in the area of tax collection.

As you know, in September 2006, the IRS began turning over delinquent taxpayer accounts to private collection agencies (PCAs) who are permitted to keep up to 24 percent of the money they collect. NTEU strongly believes the collection of taxes is an inherently governmental function that should be restricted to properly trained and proficient IRS personnel. NTEU believes this misguided proposal is a waste of taxpayer's dollars, invites overly aggressive collection techniques, jeopardizes the financial privacy of American taxpayers and may ultimately serve to undermine efforts to close the tax gap.

While supporters of the program and IRS officials claim that the use of private collectors is a sensible and cost efficient way to help collect delinquent taxes, recent data from the IRS makes clear that the program is not working. According to the IRS, in FY '07, the PCAs brought in just \$31 million in gross revenue, far below their original projections of up to \$65 million. After deducting commission payments to the PCAs, the true net revenue from PCA (non-IRS) collection activity was just \$20 million. Therefore, after spending \$71 million in start up and ongoing maintenance costs through the end of FY '07, the IRS private tax collection program lost \$50 million.

According to the National Taxpayer Advocate's 2007 Annual Report to Congress, the dismal performance of the private collectors resulted in the IRS revising its original ten-year projection for the program. The report notes that as recently as last May, the IRS projected the program would bring in between \$1.5 and \$2.2 billion in gross revenue (before commissions) over the next ten years. To meet this projection the IRS would need to average \$185 million per year. The PCA initiative only collected \$31 million in gross revenue for FY 2007 and is projected to collect only \$23 million to \$30 million for FY 2008.

NTEU also believes that sky high commission payments to the private contractors for work on the easiest to collect cases is unjustified and unnecessary. Under current contracts, private collection firms are eligible to retain 21% to 24% of what they collect. The legislation authorizing the program actually allows PCAs to retain up to 25% of amounts collected. These commission rates were never put up for competition. Before the initial bid solicitations went out, the IRS set commission rates at 21 to 24 percent of the revenue collected by contractors, denying bidders an opportunity to make offers on terms that would have resulted in the IRS getting a greater share of the collected revenue. Consequently, one of the companies that lost its bid for a contract filed a protest with GAO and noted in its bid protest that "offerors were given no credit for proposing lower fees than the 'target' percentages recommended by the IRS."

The problem of excessive commission rates was recently addressed by Congress in legislation overhauling the Department of Education's student loan program, which the IRS has consistently held up as a model for the IRS private collection program. Amid charges that student aid lenders have engaged in abusive and potentially illegal collection tactics including charging excessively high collection fees, coercing consumers into payment plans they could not afford and misrepresenting themselves as Department of Education employees, the House and Senate approved H.R. 2669, the "Higher Education Access Act of 2007," which lowers from 23 percent to 16 percent the amount of recovered money that private guaranty agencies contracted by the government can retain on defaulted loans.

In addition to being fiscally unsound, the idea of allowing PCAs to collect tax debt on a commission basis also flies in the face of the tenets of the IRS Restructuring and Reform Act of 1998 (RRA 98) which specifically prevents employees or supervisors at the IRS from being evaluated on the amount of collections they bring in. But now, the IRS has agreed to pay PCAs out of their tax collection proceeds, which will clearly encourage overly aggressive tax collection techniques, the exact dynamic the 1998 law sought to avoid.

The fear that allowing PCAs to collect tax debt on a commission basis would lead to contractor abuse was realized when the IRS recently confirmed that that the agency had received more than five dozen taxpayer complaints against the PCAs, including violations of the taxpayer privacy laws under Code section 6103. At least one of those complaints was confirmed by an IRS Complaint Panel to be a serious violation of law. In addition, penalties totaling \$10,000 have been imposed by the IRS on the PCAs for taxpayer violations. In one instance, private collectors made 150 calls to the elderly parents of a taxpayer after the collection agency was notified he was no longer at that address. And one of the three private contractors was dropped

by the IRS for dubious practices despite the Service's previous assurance that its oversight would prevent abuse.

Mr. Chairman, NTEU is not alone in our opposition to the private tax collection program. Opposition to the IRS tax debt collection program has also been voiced by a growing number of major public interest groups, tax experts, two former IRS Commissioners as well as the National Taxpayer Advocacy Panel, whose members are appointed by the Internal Revenue Service (IRS) and the Treasury Department. In addition, the National Taxpayer Advocate, an independent official within the IRS previously identified the IRS private tax collection initiative as one of the most serious problems facing taxpayers and recently renewed her prior call for Congress to immediately repeal the IRS' authority to outsource tax collection work to private debt collectors.

Opposition to the program has also been growing within Congress. Since granting IRS the authority to use PCAs in the American Jobs Creation Act of 2004, the House of Representatives, with bi-partisan support, has twice passed language prohibiting the IRS from moving forward with its private collection initiative. In addition, last Congress, the House overwhelmingly approved two separate tax bills (H.R. 3056, the "Tax Collection Responsibility Act of 2007" & H.R. 3996, the "Temporary Tax Relief Act of 2007") that contain language that would repeal IRS' authority to use private debt collectors to pursue tax debts.

In the Senate, stand alone legislation (S. 335) introduced by Senator Byron Dorgan (D-ND) that would force the IRS to immediately and permanently suspend its plan to outsource part of its tax debt collection responsibilities to PCAs and prohibit the use of any IRS funds for that purpose has 22 co-sponsors.

Mr. Chairman, instead of rushing to privatize tax collection functions which jeopardizes taxpayer information, reduces potential revenue for the federal government and undermines efforts to close the tax gap, NTEU believes the IRS should increase compliance staffing levels at the agency to ensure that the collection of taxes is restricted to properly trained and proficient IRS personnel.

While proponents of the program have argued that the IRS does not currently have the infrastructure or technological capabilities to work the type of cases being turned over to the private companies, the facts say otherwise. The IRS already has a significant collection infrastructure with thousands of trained employees, including fourteen Automated Collection System (ACS) sites which allow the IRS to contact taxpayers by telephone and collect delinquent taxes.

The ACS function is a critical Collection operation, collecting nearly \$1.49 million per employee per year. The IRS itself has analogized the use of private collectors to the ACS, where IRS collection representatives interact with taxpayers on the telephone. But unlike the private collectors, ACS personnel are able to analyze financial statement information, research assets, enter into installment agreements, make currently not collectible determinations, and can take lien and/or levy enforcement actions. ACS employees also receive training that is far more comprehensive and rigorous than that of the private collectors. In addition, these employees

undergo mandatory annual training on topics such as confidentiality and privacy of taxpayer information, ethics awareness, taxpayer rights and computer security.

Unfortunately, inadequate staffing at ACS sites has prevented the IRS from using its current systems to proactively contact taxpayers by telephone to resolve delinquent accounts. The need for the IRS to expand ACS' use of outbound calls has been recognized by IRS management and at least two recent internal IRS study groups have recommended making more outbound calls as a way to make the ACS operation more effective and efficient.

The IRS requested \$7.35 million to run the private collection program in FY '08. We believe this \$7.35 million could fund roughly 98 additional ACS employees that could return more than \$146 million to the Treasury. By comparison, the IRS is now projecting the PCAs to bring in between just \$23 million to \$30 million in gross revenue in FY '08, far less than its original estimate of \$88 million.

NTEU believes that increasing the number of ACS personnel would allow the IRS to maximize its ability to proactively resolve delinquent accounts by contacting taxpayers directly. This would also help ensure that the high level of customer service to those taxpayers who call the ACS seeking account resolution is preserved. The IRS has acknowledged that ACS employees are already performing admirably noting that in 2006, ACS customer service and quality ranged between 89.5 to 99.5 percent (*pg. 54 - IRS response to Olson '06 Report to Congress*). These exceptional ratings are all the more impressive when you consider ACS employees generally work on much more complex and often contentious cases than those being worked by the private collectors and that the total number of cases worked by ACS employees dwarfs those worked by the private collectors.

Mr. Chairman, NTEU understands and commends efforts to ensure that all taxpayers pay their fair share of taxes. Without a doubt, rank and file IRS employees are committed to achieving this goal in the most cost-effective manner while providing a high level of customer service to American taxpayers. But the facts make clear that the use of private tax collection companies is not in the best interest of American taxpayers, could potentially undermine future efforts to close the tax gap, and should be terminated immediately.

Pay/Pay for Performance

The subject of pay is close to every employee's heart, not just those who work in government. A fair and just wage has really been at the core of labor management relations for decades. Whether you work in the public or private sector, the concept of a fair day's pay for a fair day's work is a basic tenet in employee/employer relationships. Federal employees want what every other employee wants, a system that offers fair compensation for a fair day of quality work.

The General Schedule system, or GS system of pay as it is commonly known, is essentially a market based system that utilizes merit based increases. It is the system through which hundreds of thousands of dedicated federal employees meet their responsibility to serving

the public every day. In testimony last year before Congress, Professor Charles Fay of Rutgers University, an expert in the compensation field, described compensation as an art, not a science. He noted that in market pricing for the government, the Bureau of Labor Statistics “uses impeccable methodology in gathering reliable and valid data to price the GS, and applies sophisticated statistical methods to evaluate survey data and to apply it to the GS for the Federal Salary Council.” (May 22, 2007 testimony) The same cannot unfortunately be said of the many compensation experiments currently going on in government.

Recently the Partnership for Public Service publicized a report finding that one-third of the 55 Chief Human Capital Officers (CHCOs) in government supported scrapping the GS system immediately. I would point out that one-third of the 55 people polled is a minority and my guess is that most of the CHCOs are covered by the SES pay schedule, not the General Schedule. Yet this very small group of 18 believe a government - wide compensation system covering 1.2 million dedicated public servants should be scrapped. I strongly disagree with that and hope my testimony will refute some of the misinformation being circulated about the government’s GS pay system.

Federal employees help keep our government systems running, protect our health, and safety including the food supply; support our states and cities; administer benefits like social security; and, along with our brothers and sisters in the military, protect our homeland and defend our borders.

Unfortunately, the current Administration has taken steps to dismantle the current GS system and replace it with various pay for performance management systems. But there is no hard evidence that these alternative systems work. To the contrary, there is some evidence that they do not work.

Alternative Pay Systems

There has been a great deal of discussion about alternative pay systems, including so-called pay for performance systems. The Administration has begun implementing alternative pay systems at federal agencies. While NTEU stands ready to contribute to measures leading to a more effective and efficient federal government, my concern is that the Administration has moved forward on pay alternatives without first demonstrating that a problem exists. It has not brought forth the kind of comprehensive impartial data-based research explaining why it finds the GS system inadequate. Nor has it required agencies to use the many authorities and flexibilities already available to them to offer alternative pay and benefits. I will discuss these flexibilities later in my testimony.

Let me point out that alternative pay and personnel systems have a very small, if not negligible, impact on recruiting, retaining and maximizing the performance of federal employees. To quote Robert Behn, author and lecturer at Harvard University’s John F. Kennedy School of Government, “Systems don’t improve performance; leaders do.” In his book, *The Human Equation: Building Profits by Putting People First*, Jeffrey Pfeffer, of Harvard Business School says, “Although variable pay systems that attempt to differentially reward individuals are clearly currently on the increase, such systems are frequently fraught with problems. Incentives

that reward groups of employees or even the entire organization...are customarily preferable.” (p.203)

Mr. Chairman, I believe the IRS pay banding performance based compensation system is a prime example of a problematic alternative pay system. While bargaining unit employees represented by NTEU are not covered by this alternative system, managers participate in it. Two recent reports highlight the shortcomings of this system and adverse impact on IRS employees.

In July, 2007, the Treasury Inspector General for Tax Administration (TIGTA) released a report (2007-10-106) titled, “*The Internal Revenue Pay-for-Performance System May Not Support Initiatives to Recruit, Retain, and Motivate Future Leaders.*” The TIGTA report found a number of serious deficiencies in the pay for performance system at the IRS. Most alarming to me, Mr. Chairman, was the sentence on page 1 of the report under “Impact on the Taxpayer” and I quote:

“In addition, the new System was not adequately communicated to the managers before it was implemented, causing opposition and decreasing morale. As a result, the IRS risks reducing its ability to *provide quality service to taxpayers* because the Internal Revenue Pay-for-Performance System potentially hinders the IRS’ ability to recruit, retain, and motivate highly skilled leaders.” (*emphasis added*)

I believe we cannot ignore the bottom line mission of the agency in these pay experiments. If these alternative pay systems are jeopardizing the achievement of an agency’s core mission – in this case to provide quality service to taxpayers—how can we justify more experiments with these systems that have questionable successes?

In its report, TIGTA found: 1) the system discouraged both managers and non-managers from applying for managerial positions; 2) performance based pay increases were not necessarily commensurate with a manager’s performance; and 3) the Human Capital Office (HCO) did not adequately communicate with affected managers, which increased opposition and decreased morale. I need not remind you, Mr. Chairman, that the point of this pay experiment was to attract quality talent to offset an expected dearth of government managers when nearly 90 percent of high level government managers will become eligible to retire in the near future. These dismal findings hardly confirm the predictions of success.

Shortly after this report was issued we understand the Federal Managers Association (FMA) revealed its own misgivings about the direction of the system in its newsletter to FMA members. Most revealing was its internal survey which showed that 92 percent of respondents answered “no” when asked if the current performance management system accurately identifies the truly ‘outstanding’ managers. (*FMA newsletter 2007-11, July 10, 2007*) Further, FMA agreed with TITGA that communication with employees needs to be more “open and timely” with respect to pay before changes to pay and benefits can be made.

Results shown by TIGTA and FMA demonstrate to me that not much was learned since 2004 when the Hay Group did a Senior Management Pay band (SMPB) Evaluation on this system for the IRS. (June 25, 2004) At that time the results showed: 1) 76% of covered employees felt the system had a negative or no impact on their motivation to perform their best; 2) 63% said it had a negative or no impact on the overall performance of senior managers; 3) “Only one in four senior managers agree that the SMPB is a fair system for rewarding job performance or that ratings are handled fairly under the system;” 4) “Increased organizational performance is not attributed to the SMPB.”

The results of this system are dismal, yet it is showcased as a model for moving the whole federal government to a similar system. In fact, there is a dearth of information to indicate that alternative pay systems have had any significant impact on recruitment, retention or performance. A GAO report on “Human Capital, Implementing Pay for Performance at Selected Personnel Demonstration Projects” from January 2004 (GAO-04-291) included virtually no evidence that the systems improved any of those measures. In fact, the Civilian Acquisition Personnel Demonstration Project, reviewed in that report, had as one of its main purposes, to “attract, motivate, and retain a high-quality acquisition workforce.” Yet, attrition rates increased across the board under the pilot.

Mr. Chairman, let me be clear. NTEU is not averse to change. We have welcomed the opportunity to try new ways of doing things. But based on my experience, these are the things I believe will have the most impact on the quality of applicants and the motivation, performance, loyalty and success of federal workers.

- 1) Leadership. Rules and systems don’t motivate people. Leaders do.
- 2) Opportunities for employees to have input into decisions that affect them and the functioning of their agencies. They have good ideas that management is currently ignoring.
- 3) A fair compensation system that has credibility among employees, promotes teamwork and is not administratively burdensome.

Unfortunately, I do not believe the experiments in alternative pay systems like these I have discussed can be any sort of model for positive change. It is a mystery to me where the evidence is that these systems have produced successes to justify putting them in place throughout the federal government. While I know the Partnership for Public Service’s limited survey points to a small sample of those calling for the demise of the GS system, I fail to see any credible comprehensive studies that demonstrate an empirical body of evidence to support a sweeping change of this magnitude.

Fair Pay

Mr. Chairman, I also believe that adequate compensation is a critical factor in the government’s ability to recruit and retain skilled and talented employees. Without competitive pay, agencies simply cannot hope to attract and keep the people they need to perform their

missions in the manner in which the public has come to expect. Unfortunately, federal employees are falling further and further behind as the wage gap between the public and private sector continues to grow.

The fact that federal employees earn less than employees doing similar work in the private sector has long been acknowledged, but a recent compensation survey by the Federal Salary Council indicate that the gap is larger than previously thought. The 2007 survey put the growth in the public-private pay gap over the previous year at six percentage points, higher than it had anticipated.

The bipartisan 1990 Federal Employees Pay Comparability Act (FEPCA) was supposed to close, in stages over 10 years, the public-private sector pay gap; however, federal worker pay today continues to trail that of their private sector counterparts by about 13 percent.

The widening pay gap is of particular concern in light of the impending retirement wave soon to engulf the federal government. Soon there will be fewer and fewer people interested in applying for jobs with federal agencies and the capacity and the ability for these agencies to perform their missions and compete with the private sector for qualified workers will be severely diminished.

Unfortunately, instead of recognizing this problem and the valuable services that federal employees provide for the nation, the administration year after year continues to propose inadequate pay raises for federal workers.

As many of you may know, I was an early opponent of the Administration's proposal to raise federal pay by just 3 percent in FY '08. Last year federal employees and military personnel suffered one of the lowest pay raises in decades. The Administration-backed 2.2 percent increase amounted to the lowest raise in almost twenty years for federal employees, hurting morale and keeping federal workforce salaries well behind the private sector. Most federal employees actually received only a 1.8 percent raise when taking into account locality pay. This did little to reduce the 13 percent pay gap between private sector and public sector pay.

When the Administration proposed its FY '08 budget of 3 percent, I spoke out in opposition and called for a minimum 3.5 percent increase. I believed then, and I still believe today, that if we are serious about addressing the federal workforce, fair and adequate pay is the first place to start. I was happy to see that the FY '08 omnibus appropriations package included a 3.5 percent raise for federal workers which I believe will help close the pay gap that exists between federal employees and private sector workers and ensure our federal workforce is adequately compensated for the vital services they provide.

Only by closing the public-private pay gap will the federal government be able to attract and retain the talented employees federal agencies require if they are going to meet the public's needs and expectations.

OPM and Flexibilities

Mr. Chairman, as I previously mentioned, a surge in federal retirements could occur in the next several years. The Council for Excellence in Government & Gallup Organization recently reported that 60 percent of the federal government's General Schedule employees and 90 percent of the Senior Executive Service will be eligible to retire in the next ten years. (*Within Reach . . . But Out of Synchrony: The Possibilities and Challenges of Shaping Tomorrow's Government Workforce*, December, 5, 2006).

While no one knows for sure whether all of those eligible to retire will actually do so, I do know that the federal government had better be prepared to compete for the best and brightest of the young new workers. Just as importantly, however, it must be prepared to use its many existing authorities and flexibilities to *retain* the hundreds of thousands of talented public servants who have the knowledge and expertise to continue contributing to the federal workforce. The failure to pay competitive salaries, the constant focus on downsizing and outsourcing and the bashing of federal bureaucrats have put the federal government at a disadvantage when it comes not only to hiring the best new college graduates, but also to retaining its current employees.

Unfortunately, many federal agencies have been lax in utilizing their existing authorities and administrative personnel rules to retain the thousands of dedicated public servants who are currently working in our federal agencies. I contend that we should not plunge forward with untested pay experiments until we require OPM and the agencies to use existing flexibilities.

During the debate over the Bush Administration's ill-conceived proposal to change the GS pay system, I pointed out that there are a host of provisions on the books that allow the federal government to reward high performers, including recruitment and retention bonuses, quality step increases and paid time off awards. These options are often not used because agencies are not given the resources to fund them, or agencies find it cumbersome to ask OPM for authorization.

But before we spend more taxpayers' money designing entirely new compensation systems, OPM must do more to make sure agencies are aware of these existing provisions and are given the necessary tools to use them to their maximum capacity.

OPM issues a manual of authorities and flexibilities that is currently available to the different federal agencies under Title V of the US Code, entitled *Human Resources Flexibilities and Authorities in the Federal Government*. It essentially contains a list of flexibilities and authorities under which federal agencies can make personnel accommodations to attract candidates to the federal government or to offer incentives for federal employees to remain in their government jobs.

GAO has undertaken a number of studies focusing on the importance of designing and using human capital flexibilities. In one report (GAO-03-02), the GAO found that the flexibilities that are most effective in managing the federal workforce are those such as time off awards and flexible work schedules. In other words, flexibilities are in place for employees and agencies to agree upon set times off to better balance the demands of career and family life.

Unfortunately, OPM has not focused extensively on advertising existing authorities and flexibilities. OPM states in the Preface of its handbook, “We serve as a resource for you as you use existing HR flexibilities to strategically align human resources management systems with your mission.” (*p.i*) yet, most federal agencies do not take advantage of them. Agencies can offer numerous awards as incentives to employees. These range from things like cash awards to individuals and groups; to quality step increases; to retention allowances; to foreign language awards; to travel incentives; to referral bonuses and others. Before Congress moves to pass new laws, it should require OPM to promote existing authorities, and aggressively require federal agencies to examine current avenues available to them to recruit and maintain their federal employees.

I would like to address just a couple of options the agencies now have available.

First, Telecommuting. Agencies can now offer telecommuting, also known as telework, or programs that allow employees to work at home or another approved location away from the regular office. While existing flexibilities exist on telecommuting, Congress has also acted to promote its use. In the FY 2006 State, Justice Commerce Appropriations bill, language was included in Sec. 617 requiring each department or agency to report to Congress on telecommuting and to maintain a telework coordinator. Earlier, in 2000, Congress passed legislation requiring executive agencies to establish telecommuting policies to the extent possible. And NTEU has negotiated telework agreements with management in many federal agencies.

In surveying the thirty agencies represented by NTEU, we found mixed results in terms of management’s commitment to the concept. Experience has shown that telework can bring increased productivity due to uninterrupted time for employees to plan work and carry it out. It also saves energy, reduces air quality problems and congestion on our roads while enhancing the quality of family life. We found successful programs at the IRS and Patent and Trademark Office. We also found resistance to telecommuting at the Bureau of Alcohol, Tobacco and Firearms (AFT), the Security and Exchange Commission (SEC) and the Office of the Comptroller of the Currency (OCC).

There is no doubt in my mind that OPM could be playing a more prominent role in assisting agencies to move forward on their telecommuting and telework policies.

Second, Compensation and Salary. Mr. Chairman, a quick look at OPM’s handbook will show the many areas in which OPM and federal agencies have the authority to offer special salary and compensation without requiring additional legislation. I have called upon the OPM Director, for example, to grant Special Salary Rates under Title V to federal workers in the New Orleans area who continue to face skyrocketing expenses like higher rents, gas, commuting costs, and insurance premiums after the devastation of the Gulf Coast Hurricanes. No legislation is needed for this. Federal agencies simply need to make their case to OPM and OPM can grant special salary relief.

Many, many other compensation flexibilities exist at federal agencies and I won't go into all of them here. But The Government Accountability Office (GAO) reported in its study of human capital flexibilities a few years ago that "monetary recruitment and retention incentives, such as recruitment bonuses and retention allowances...and incentive awards for notable job performance and contributions, such as cash and time-off awards" ranked as among the "most effective flexibilities" (GAO-03-2).

Third, Student Loan Repayments. This benefit could be critical to recruiting top notch qualified public servants. Under this existing authority, agencies may repay federally insured student loans as an incentive for attracting candidates. An agency may pay up to \$10,000 per employee in any calendar year or a total of \$60,000 per employee. I would like to see, Mr. Chairman, a report from the agencies on how many are using this excellent opportunity to recruit federal employees. Unfortunately, I suspect, not many are.

Conclusion

Mr. Chairman, I have just listed a few of principal challenges facing agencies across the federal government as they try to recruit and retain qualified employees. With the expected surge in federal retirements in the coming years, it is imperative that the federal government be prepared to compete for the best and brightest of the young new workers while at the same time be willing to use its many existing authorities and flexibilities to retain the hundreds of thousands of talented public servants who have the knowledge and expertise to continue contributing to the federal workforce. The failure to pay competitive salaries, the constant focus on downsizing and outsourcing and reduced morale of federal employees government have put the federal government at a disadvantage when it comes not only to hiring the best new college graduates, but also to retaining its current employees.