

Unclassified

PUMA/HRM(2002)2



Organisation de Coopération et de Développement Economiques  
Organisation for Economic Co-operation and Development

04-Mar-2002

English - Or. English

**PUBLIC MANAGEMENT SERVICE  
PUBLIC MANAGEMENT COMMITTEE**

PUMA/HRM(2002)2  
Unclassified

**WORKING FOR RESULTS: THE AMERICAN EXPERIENCE IN ENHANCING GOVERNMENT  
PERFORMANCE**

**Governing for Performance in the Public Sector**

**OECD-Germany High-Level Symposium,  
Berlin, 13-14 March 2002**

*The Symposium will take place at the  
Ernst-Reuter-Haus / Haus des Deutschen Städtetags  
Strasse des 17. Juni, 116  
Berlin*

For further information, please contact  
Deok-Seob SHIM, Tel: +33-1 45 24 17 58, E-Mail: [deok-seob.shim@oecd.org](mailto:deok-seob.shim@oecd.org) OR  
Manfred SPAETH, Tel: +49 1888 681 2045, E-Mail: [Manfred.Spaeth@bmi.bund.de](mailto:Manfred.Spaeth@bmi.bund.de)

**JT00121860**

Document complet disponible sur OLIS dans son format d'origine  
Complete document available on OLIS in its original format

English - Or. English

**TABLE OF CONTENTS**

Trust in the American Government..... 4

Means of Accountability ..... 4

Holding Senior Executives Accountable..... 5

America holds its Federal executives accountable for their performance..... 6

Means for Assuring Employee Accountability ..... 6

President’s Management Agenda ..... 7

Human Capital Scorecard..... 8

Standards for Human Resources Management Accountability ..... 9



BUNDESMINISTERIUM DES INNERN

FEDERAL MINISTRY OF THE INTERIOR -- MINISTÈRE FÉDÉRAL DE L'INTÉRIEUR

**Governing for Performance in the Public Sector**  
OECD-Germany High-Level Symposium, Berlin 13-14 March 2002

**WORKING FOR RESULTS: THE AMERICAN EXPERIENCE IN  
ENHANCING GOVERNMENT PERFORMANCE**

**KEY-NOTE SPEECH**

by Dan Blair  
Deputy Director, Office of Personnel Management  
United States

## **WORKING FOR RESULTS: THE AMERICAN EXPERIENCE IN ENHANCING GOVERNMENT PERFORMANCE**

1. Distinguished colleagues, I am honoured to be here today to talk about a subject important to all of us: enhancing the performance of our Governments. America applauds the critical work the OECD is doing to advance the cause of good Government world-wide and I feel privileged to speak to you today about such an important topic.

### ***Trust in the American Government***

2. Before the tragic events of September 11<sup>th</sup>, cynicism pervaded the American public's opinion of its Government and civil servants. Although public opinion has shifted over the years, this view of Government by the American people is largely attributed to the Vietnam War era. But September 11<sup>th</sup> has changed that. Responsible Governments across the globe aligned with the United States in a shared mission to fight terrorism. In the U.S., the American public recognised the strong leadership of our President, George W. Bush, and his Administration for the quick response to the crisis. Further, the public saw our Federal employees respond to the events at hand with dedication and hard work. The result was that public opinion regarding civil servants soared to the highest levels we have seen since the mid-1960s. Now, public opinion polls reflect a new respect for our Federal workforce. Americans trust that their Government can protect them and can make their homeland safe. They believe and trust in their President to do the right thing and make the right decisions. And Americans trust and respect their Government employees, from fire fighters, policemen, and postal workers, to laboratory scientists, security agents, and our military personnel — all public sector employees who dedicate their lives to improving our Government. We've also seen a resurgence of interest in Federal employment from our young people. Some of our agencies are receiving five times the number of applications per month than they've ever received before.

3. President Bush believes that Government should be citizen-centred, results-oriented, and market-based, and he places a high priority on our Government's performance. In his 2003 budget proposal, the President urged Congress, "...let the question we debate be not just 'What will the Federal Government spend?' but also 'What will the Federal Government achieve?'" Achieving results is the focus of all our efforts.

4. This Administration is committed to achieving the President's goals of becoming a Government that is citizen-centred, results-oriented, and market-based. We strongly believe in accountability, at all levels of Government, and that we should measure the performance of our agencies, our executives and senior managers, and our front-line supervisors and employees.

### ***Means of Accountability***

5. Let me begin by describing for you the structure we in the United States have established in order to enhance the efficiency and accountability of our Federal Government. In 1993, the United States Congress passed the Government Performance and Results Act. This Act — the Results Act — is creating a cultural change throughout Government that is bringing measurement and accountability to the forefront of management. Further strengthening this environment is the fact that President Bush is the first MBA President in U.S. history. Thus, our Federal Government managers are now looking at how well their programs are meeting intended objectives rather than at compliance with detailed procedures. The Results Act is helping to create this change because it requires accountability:

- The Act requires agencies to establish strategic plans for Government programs. These plans must cover a period of 5 years and are updated every 3 years. Strategic plans must include a mission statement, outcome-related goals and objectives, and a description of how the agency will achieve, evaluate, and revise those goals and objectives. Agencies must submit their strategic plans to Congress and to the President's Office of Management and Budget, which is the organisation responsible for assisting the President in overseeing the preparation and administration of the Federal budget in Executive Branch agencies. The Office of Management and Budget also oversees and co-ordinates the Administration's procurement, financial management, information management, and regulatory policies. This office is one of the primary forces in the administration of the Results Act.
- In addition to 5-year strategic plans, the Results Act requires that agencies submit annual performance plans to Congress and the Office of Management and Budget. Annual performance plans establish outcome-related, objective, quantifiable, and measurable goals. The plan must also establish performance indicators and provide a basis for comparing program results with plan goals.
- Finally, the Results Act requires agencies to submit program performance reports. These reports must review the agencies' success in achieving the performance goals established in the performance plans. If goals are not met, agencies must report the reasons why.

6. I know many of you here have undertaken similar programs and results-driven approaches. We in America, through our participation in the work of OECD's Public Management Service, have learned much from your experiences. And we have applied that learning as we implemented our own programs.

7. We are convinced that developing performance plans, measuring performance, focusing on the outcomes of programs rather than focusing only on the inputs of resources, and then reporting achievements creates a performance-oriented environment. President Bush expects Federal agencies to achieve the outcomes and results they are supposed to achieve. **America holds its agencies accountable for their performance.**

### ***Holding Senior Executives Accountable***

8. In addition to holding agencies accountable for their program results, the Federal Government requires its agencies to appraise and reward their executives based on results. In his October 2001 speech to the Senior Executive Service, President Bush charged that, "We are not here to mark time, but to make progress, to achieve results, and to leave a record of excellence." My agency, the Office of Personnel Management, or OPM as we call ourselves, is aggressively supporting the President in this charge. In a communication to all Federal agency heads, OPM Director, Kay Coles James, declared that, "Federal employees at all levels of Government must work toward this goal, but top management - agency leaders and senior executives - has to create a climate that demands and sustains excellence. We must set the direction and then clearly and continually communicate our vision, values, and expectations for excellence. We are all accountable to the American people for producing results."

9. OPM has established new requirements for appraising and rewarding executives. We now require that executives be appraised and rewarded based on a balanced set of measures, which include business results, customer satisfaction, and employee perspectives. Business results include the organisation's performance on the performance plan goals established in accordance with Results Act requirements. Customer satisfaction can include measures of customer satisfaction with program outcomes and services, and we incorporate the customer's perspective in the planning process. Employee perspectives can include measures of the quality of the work environment and the leadership in the organisation. By balancing these

measures, executives are held accountable for their performance to Congress, to the American public, and to their own employees.

10. Another way the Administration is establishing accountability with executives is through using performance agreements with individual executives. Here again, OECD research led the way in establishing the value of such an approach. For example, the Veterans Health Administration, the Department of Transportation, and the Office of Student Financial Assistance are using results-oriented performance agreements to align expectations with organisational goals. Each of these agencies developed and implemented agreements that reflected their specific organisational priorities, structures, and cultures. In a report about performance agreements used at these agencies, the U.S. General Accounting Office (GAO) - an agency under our Legislative Branch that independently audits Government agencies - identified five common benefits from using performance agreements with executives. First, GAO found there was better alignment in the agencies of results-oriented goals with their daily operations. Second, performance agreements created a higher degree of collaboration across organisational boundaries. Next, GAO found that the performance agreement process created opportunities to use performance information to improve Federal programs. It also found that having performance agreements in place provided a results-oriented basis for individual accountability. Finally, GAO reported that performance agreements provide better continuity of program goals during executive and leadership transitions. The three agencies' experiences show that effective implementation of performance agreements can encourage communication about progress towards agency goals and creates a culture of accountability for executives.

## **America holds its Federal executives accountable for their performance**

### ***Means for Assuring Employee Accountability***

11. Congress also requires that rank and file Federal employees be appraised on their performance annually. Congress wants agencies to recognise and reward good performance and take action to resolve poor performance. Agencies must have employee performance management systems that--

- communicate and clarify organisational goals to employees;
- identify individual accountability for accomplishing organisational goals;
- identify and address employee developmental needs;
- assess and improve individual and organisational performance;
- use appropriate measures of performance as the basis for recognising and rewarding accomplishments; and
- use the results of performance appraisal as a basis for appropriate personnel actions.

12. In addition to these basic requirements, and in order to create a more performance-oriented culture, this Administration is working to improve employee accountability systems. We are especially interested in changing the way the Federal Government pays and rewards its white-collar employees. Our current classification and pay system was created over 50 years ago when our workforce was composed primarily of clerical positions—work such as posting census figures in ledgers or retrieving taxpayer records from vast file rooms. Things have changed in 50 years. The nature of the work has moved from clerical paper processing to highly skilled, specialised knowledge work. The role of the compensation system in most private organisations has moved from merely paying the bill for employee efforts, to using compensation for communicating and rewarding desired values, behaviours, and outcomes. Employee expectations, on the whole, have moved from expecting stability and security, to expecting immediate rewards and recognition for their individual accomplishments.

13. Annually, OPM holds its Strategic Compensation Conference that focuses on cutting-edge pay, classification, and performance management issues. At the last conference Director Kay Coles James, stressed the need to modernise our compensation system. She told an audience of Federal compensation experts that, “We need to complete the process of Civil Service modernisation. We must put in place a system that truly balances the equities for Government workers – internal equity (that is, how pay relates to other jobs within an organisation), individual equity (or how pay reflects individual performance and results), and external equity (how pay relates to the outside labour market). And we must integrate our personnel and performance measures so we can hold managers and employees accountable for real results.”

14. Clearly, Director James has placed compensation reform as one of her top priorities and OPM is carrying out this charge. We have recently conducted and sponsored specialised research on compensation issues. We have also invited stakeholders to a series of meetings about compensation reform--stakeholders from all other Federal agencies, Federal employee unions, associations of managerial and professional employees, and the public administration community. We’ve asked our stakeholders to join us in examining existing systems and mechanisms, as well as their alternatives, to consider possibilities that could improve the Government’s compensation system and create strategic value. The result is a “White Paper” prepared by OPM that lays out our diagnosis of problems with the current system. We will engage the Federal community in conversation about these compensation issues and work with the community to fashion solutions able to bring our pay systems into the 21<sup>st</sup> century. It is our goal to create a stronger link between employee compensation and employee performance. **America strives to hold its rank and file employees accountable for their performance.**

### *President’s Management Agenda*

15. Because of his strong commitment to improving our Government’s performance, President Bush has established his Management Agenda. The Agenda contains five government-wide goals for improving Federal management and delivering results that matter to the American people.

16. The first goal is to improve the strategic management of Human Capital. OPM oversees human resources management for the Federal Government. We have taken the lead on this goal and have done much already to help agencies improve Human Capital management, but before I talk about Human Capital, I want to describe the other Agenda goals first.

17. The second goal on the President’s Agenda is to expand electronic Government. Our Government can secure greater services at lower cost through electronic Government, or “E-Government,” and can meet high public demand for E-Government services. This Administration’s goal is to champion citizen-centred electronic Government that will result in a major improvement in the Federal Government’s value to the citizen.

18. The next goal on the Agenda is to create methods for setting up competitions between private and public organisations for competing some Government work and awarding that work to the organisation that can do it most efficiently, effectively, and at the best price. This is called competitive sourcing. President Bush believes that Government should be market-based. Nearly half of all Federal employees perform work that is readily available from the commercial marketplace. Historically, the Government has realised cost savings in a range of 20 to 50 percent when Federal and private sector service providers compete to perform these functions. This Administration has committed itself to simplifying and improving the procedures for evaluating public and private sources, to better publicising the activities subject to competition, and to ensuring senior level agency attention to the promotion of competition.

19. The fourth goal on the President's Agenda is to improve financial performance. A clean financial audit is a basic prescription for any well-managed organisation, yet the Federal Government has failed all four financial audits since 1997. Without accurate and timely financial information, it is not possible to accomplish the President's Agenda to secure the best performance and highest measure of accountability for the American people. The Office of Management and Budget will be working closely with agencies through their budget submissions to reduce erroneous payments for each program and to improve financial performance.

20. The fifth goal of the President's Agenda is to integrate budget and performance. Improvements in the management of Human Capital, expanding electronic Government, competitive sourcing, and improved financial performance will matter little if they are not linked to better results. To provide a greater focus on performance, the Administration plans to formally integrate performance review with budget decisions. This integration is designed to begin to produce performance-based budgets starting with the 2003 Budget submission.

21. To determine how agencies are performing on the goals set by the President's Agenda, the Administration has developed an Executive Scorecard. This scorecard includes standards for success in each of the five goals. The Office of Management and Budget will use the scorecard to score agencies on how well they execute these management initiatives, using a rating system that grants each agency a rating of "green" for success, "yellow" for mixed results, and "red" for unsatisfactory, very similar to traffic signal designations.

22. The first ratings were done in September, with only one agency scoring green on just one initiative. Those results were published in the New York Times and red scores covered the page. We now see agencies across the Federal Government showing a great deal of interest in these goals. We've found that measuring and rating performance is an effective way to draw attention to desired goals.

### ***Human Capital Scorecard***

23. Now, to come back to the President's first Agenda goal — strategic management of Human Capital. Human Capital is the foundation for success on the President's other four agenda items, for without a strong workforce that is managed and rewarded effectively, our Government cannot perform effectively. Recently, Human Capital issues have developed into serious concerns for us. Several Congressional reports describe our Human Capital crisis, outline problems we must face and solve immediately, and provide recommendations for actions. Many reports observe that during the past 10 years, the Federal workforce endured downsizing mandates that focused strictly on reducing the number of employees, not on improving the quality of the services provided. Downsizing decisions were made without strategic forethought. Now, we find that non-strategic downsizing has left us top-heavy, distorting the shape of the Federal workforce and making it less efficient and lacking in several critical competencies. We are also facing a dramatic ageing of our workforce. We predict that almost 20 percent of our workforce will retire through the year 2005, which will deprive us of some of our most knowledgeable and experienced employees. Human Capital has been added to the GAO's High Risk List, which is a list of the most severe problems requiring immediate Government attention.

24. As I mentioned earlier, OPM has taken the lead on the Strategic Management of Human Capital portion of the Executive Scorecard, to help agencies score "green." In partnership with leaders from a wide variety of Federal agencies, we developed the Human Capital Scorecard. The Human Capital Scorecard is a tool that includes performance goals, specific measures, and operational applications of the measures. Agencies will be measured on how well they appraise, develop, and reward their employees, on how well their employees are focused on achieving results, and how well their leaders generate high levels of

motivation and commitment in the workforce. Agencies can use this scorecard as a guide to help them attract, retain, appraise, develop, and reward Federal employees. And, they realise that OPM will score them red, yellow, or green on their performance on these dimensions.

25. The Human Capital Scorecard identifies five key dimensions of Human Capital assets that must be present in order to score “green” overall. The first dimension is Strategic Alignment. Agencies should align Human Capital policies to support the accomplishment of their missions, visions, goals, and strategies. To score well on this dimension, agencies should have an explicit and well-communicated link between Human Capital strategies and plans and their strategic objectives. Each agency should also have an organisation that is well structured to support its mission, its employees should understand their organisation’s plans, and employees should be involved in strategic planning and reporting processes.

26. Another dimension of Human Capital assets measured by the Scorecard is Strategic Competencies. Agencies should recruit, hire, develop, and retain employees with the strategic competencies necessary for mission critical occupations. To score well on this dimension, agencies should meet competency gap reduction targets developed from restructuring plans, they should meet staffing and retention rate targets for employees with strategic competencies, and they should meet quality level targets for new hires.

27. The third dimension of Human Capital assets on the Scorecard is Leadership. Each agency should ensure that its leadership inspires, motivates, and guides others toward goals. Leaders should coach, mentor and challenge their staff and adapt their leadership styles to various situations. And, agency leaders should model high standards of honesty, integrity, trust, openness, and respect for individuals by applying these values. In order to score well on this dimension, agencies need to recruit, develop, and retain high performing leaders who demonstrate these values.

28. The fourth dimension of Human Capital assets on the Scorecard is Performance Culture. Agencies should create a culture that motivates employees for high performance, based on their contributions to the work of the organisation, and common values, while ensuring fairness in the workplace. To score well on this dimension, agencies should develop, reward, and retain high performers and deal effectively with poor performers. Agencies also need to foster a climate that values diversity, and ensure that their employees are engaged and focused on achieving the results expected of them.

29. The fifth dimension of Human Capital assets on the Scorecard is Learning, or Knowledge Management. Agencies should promote a knowledge-sharing culture and a climate of openness, and promote continuous learning and improvement. In order to score well on this dimension, agencies must have knowledge management strategies and systems in place. They must invest strategically in training and development opportunities for their employees, and they must have a culture of learning and growth.

30. To help measure agency performance on these five dimensions, OPM conducts a government-wide survey of Federal employees. Using the results of the survey and other measures, OPM will rate agencies on their performance on the Strategic Management of Human Capital. In addition to using the survey to rate performance, agencies can use the government-wide survey as a feedback and learning tool, and to help them determine how well their executives and managers are performing on the Human Capital dimensions.

### ***Standards for Human Resources Management Accountability***

31. The Office of Personnel Management has created other supportive tools for agencies that will help them score green on the President’s Management Agenda. We have established Human Resources Management Accountability standards for agency human resources programs. Human resources

management accountability is the responsibility shared by top agency management, line managers, and human resources officials for ensuring that people are managed efficiently and effectively in support of agency mission accomplishment in accordance with our Government's merit systems principles. The merit systems principles are requirements set by Congress that Federal agencies must follow, and include requirements such as managing employees efficiently and effectively; educating and training employees if it will result in better organisational or individual performance; and retaining or separating employees on the basis of their performance. If agencies meet the Accountability standards, they will be more likely to perform well on the Human Capital Scorecard and meet the President's Management Agenda goals.

32. OPM, too, is engaged in efforts to be more customer-centred. We are currently reviewing a comprehensive restructuring plan intended to streamline our existing organisation and take advantage of opportunities to refocus our work. We have created a design for an organisational structure that clearly focuses on customers, emphasises outcomes over process, and fosters the integration of human resources management and accountability across Government.

33. To assist agencies, OPM offers a comprehensive web site that includes tools for executives, managers, and human resources specialists to help them manage employee performance, align employee performance with organisational goals, and get employees focused on results. Also, we offer handbooks on dealing with poor performers, violence in the workplace, and traumatic stress in the workplace. Our USAJOBS Web page provides information on Federal jobs currently open and provides an easy way for job applicants to submit resumes. And these are only some of the tools we provide. Clearly, OPM is committed to serving our customers and we strive to fill our customers' needs.

34. But all these tools are not enough. The current statutory framework for ensuring high performance and accountability is incomplete and we must do more. To address this, the Bush Administration has submitted to Congress legislation that gives Federal agencies the tools they need to manage their programs more effectively. The Managerial Flexibility Act of 2001 will reform various personnel, budgeting, and property management laws and provide Federal managers with increased flexibility in managing Human Capital. This proposal gives Federal agencies and managers increased discretion and flexibility in attracting, managing, and retaining a high quality workforce. It empowers Federal agencies to determine when, if, and how they might offer new employee incentives, and it enhances the agencies' authority to use recruitment, retention, and relocation bonuses to compete better with the private sector. The bill permits agencies to develop alternative personnel systems to attract and hire employees that best fit the position, and it will enable managers to offer early retirement packages. By enacting important changes to the Senior Executive Service, this proposal — by holding them accountable through results-based performance standards — also permits high-level Federal managers to be treated more like their private sector counterparts. President Bush is determined to work with the Congress to enact this legislation. We believe good governance is non-partisan in nature and it spans the divides of political parties to serve the American people.

35. The United States Government, now more than ever, is dedicated to the idea that Americans deserve a high-quality, responsive Government that can be efficient, effective, and focused on serving its citizens. Under President Bush's leadership — by measuring the performance of agencies, executives, and all employees, and holding them accountable — we will achieve our performance goals. We recognise the work the OECD community has done in linking government performance to results and America has learned much from your experience. We realise the importance of attaining the highest levels of excellence in the Federal government. In light of September 11<sup>th</sup>, we are determined to create a Government that American citizens can trust to get the job done, whatever it takes. Thank you for your kind attention.