



UNITED STATES  
NUCLEAR REGULATORY COMMISSION

WASHINGTON, D.C. 20555-0001

February 1, 2001

MEMORANDUM TO:

Chairman Meserve  
Commissioner Dicus  
Commissioner Diaz  
Commissioner McGaffigan  
Commissioner Merrifield

FROM:

Dennis K. Rathbun, Director  
Office of Congressional Affairs *of*

SUBJECT:

SENATE GOVERNMENTAL AFFAIRS HEARING, "HIGH-RISK: HUMAN CAPITAL IN THE FEDERAL GOVERNMENT," FEBRUARY 1, 2001

The Senate Governmental Affairs Committee's Subcommittee on Oversight of Government Management, Restructuring, and the District of Columbia held a hearing regarding GAO's recent addition of "strategic human capital management" to its list of high-risk areas facing the federal government. The Subcommittee, chaired by Senator Voinovich (R-OH), issued its own report, "The Crisis in Human Capital," in December. The NRC may receive particular scrutiny on this issue since Senator Voinovich also chairs our oversight committee, the Environment and Public Works Committee's Subcommittee on Clean Air, Wetlands, Private Property, and Nuclear Safety.

In his opening statement, Senator Voinovich expressed his deep interest in human capital, realizing from his 18 years as a mayor and then Governor of Ohio that this resource is ignored at the peril of implementation of programs. The increasing percentage of the federal workforce that will be eligible to retire (50% by 2004) necessitates a focus on recruitment and retention initiatives. He referenced that the NRC had discussed with him the disproportionate number of its workers who were older than 60 versus those younger than 30, and the resulting concern about maintaining critical technical skills in the face of retirement. In response to comments by Senator Durbin (D-IL) that some workers needed to retire in order to avoid burnout, Senator Voinovich replied that many NRC employees continued to work despite being retirement-eligible because they felt that they were making a contribution.

Senator Voinovich stated that he will encourage all oversight committee chairs to raise workforce issues with nominees that come before them. He often stresses to the private sector the need for well-staffed regulatory agencies to avert a negative effect on the economy. Senator Voinovich also encouraged OMB to focus more on "management"; GAO responded that top political leadership has a shorter work time frame, leading to neglect of long-term management issues. Finally, he criticized proposals to eliminate labor-management partnerships, saying that they have worked well. Senator Durbin commented that the strong economy makes federal recruitment difficult, but that many people desire the opportunity for public service. He decried those who "trash talk" federal employees, thereby decreasing the

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attractiveness of federal employment. He encouraged a survey, either individually or collectively, of federal employees to determine why they enter and exit civil service. Senator Akaka (D-HI) pledged to work with the Chairman on legislation to address human capital issues.

Mr. Walker with GAO testified that, too often, federal employees are considered costs to be cut rather than assets to be valued; yet, their talents are "fundamental to Government's ability to serve the American people." He gave the example of downsizing being accomplished without attention to what the remaining workforce should look like. Stressing that human capital is a pervasive challenge across government that requires assistance from many entities, Mr. Walker commented that the President needs to promote public service, foundations need to research the issue, the private sector needs to partner with the federal government on solutions, OMB needs to provide resources, and agencies need to take individual responsibility for addressing specific challenges. Those challenges specific to the NRC include adjusting to a "risk-informed" regulatory approach, growing retirement eligibilities, and declining university enrollments in fields related to nuclear safety.

Some issues will need legislative fixes (flexible pay, accountability), but some solutions can be accomplished within current authority. Mr. Walker listed self assessment, training programs, succession planning, constructive employee/labor relations, flexiplace and flexitime, skills and knowledge inventory, recruiting/college relations, employee suggestion program, competitive compensation, and outdated performance appraisal system/rewards as areas needing attention.

The witness list and Chairman Voinovich's opening remarks are attached; testimony is available in OCA.

Attachment: As Stated

cc: SECY  
OGC  
OGC/Cyr  
EDO  
NRR  
NMSS  
RES  
OIP  
OCAA  
OPA  
OIG  
CFO  
CIO

**Witness List**

Hearing before the

**Senate Subcommittee on Oversight of Government Management,  
Restructuring, and the District of Columbia**

Thursday, February 1, 2001

10:30 a.m.

342 Dirksen Senate Office Building

**"High-Risk: Human Capital in the Federal Government"**

The Honorable David M. Walker  
Comptroller General of the United States  
U.S. General Accounting Office

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# United States Senate

COMMITTEE ON  
GOVERNMENTAL AFFAIRS  
WASHINGTON, DC 20510-6250

Opening Statement of  
Senator George V. Voinovich  
Chairman  
Subcommittee on Oversight of Government Management,  
Restructuring and the District of Columbia

Hearing on  
"High-Risk: Human Capital in the Federal Government"  
Thursday, February 1, 2001

Good morning, and thank you all for coming. Today, in our first hearing in the 107<sup>th</sup> Congress, the Subcommittee on Oversight of Government Management will examine the decision of the U.S. General Accounting Office to designate strategic human capital management across the entire government as high-risk. To help in that examination, our sole witness today is the Honorable David M. Walker, the Comptroller General of the United States and the chief executive officer of the U.S. General Accounting Office.

The recently released 2001 GAO High-Risk report states that, "After a decade of government downsizing and curtailed investments in human capital, it is becoming increasingly clear that today's federal human capital strategies are not appropriately constituted to adequately meet current and emerging needs of government and its citizens in the most effective, efficient, and economical manner possible. Strategic human capital management is a pervasive challenge in the federal government."

As anyone who has been following the activities of this Subcommittee knows, we have been focusing on the unmet needs of the federal workforce for some time. During the 106<sup>th</sup> Congress, one of the top priorities of the Subcommittee was to raise the profile of human capital issues, and I am proud of our record in this regard. From July 1999 through May 2000, the Subcommittee held six hearings that examined various aspects of human capital management. We requested four reports from GAO addressing various aspects of the human capital issue, and I sponsored and cosponsored important civil service legislation that is now law.

The culmination of the Subcommittee's review was the release this past December of a report entitled, *Report to the President: The Crisis in Human Capital*. The findings of the Subcommittee leave little doubt that the federal government is in dire need of a unified strategy to rebuild the civil service in light of the demographic and performance challenges it confronts. The report includes recommendations for reforming human capital management before it reaches critical mass, and I have shared the report with the Bush Administration.

I must say it is fortuitous that seven weeks after we issued this report stating that there is a crisis in the federal workforce, GAO designated human capital as high-risk. I hope that the work of the Governmental Affairs Committee, the General Accounting Office, and numerous well-respected think-tanks, such as the Brookings Institution, the National Academy of Public Administration, and the Council for Excellence in Government, has settled the question of whether or not there is a crisis in human capital. The crisis exists. The question now is: how do we go about resolving it?

Mr. Walker, I would like to commend you for sounding the alarm over the human capital crisis. We have both been ringing the bell over the human capital crisis for the last two years. Hopefully more Members of Congress and the new Administration will listen. Mr. Walker has been asked to explain in greater detail why GAO designated human capital as high-risk, and the steps that need to be taken to remove human capital from the list. Mr. Walker, we look forward to your testimony. You and your team have done excellent work in this area and we appreciate the exceptional job GAO has done supporting the Subcommittee's efforts.

Ladies and gentlemen, years of inattention to sound human resources management within the federal government have taken their toll. Indeed, so serious are these problems that GAO was compelled to designate human capital as the only new addition to the 2001 high-risk list. As I have said on numerous occasions – and it bears repeating right now – the average federal employee is 46 years old. By 2005, 34 percent of federal employees will be eligible for regular retirement, and 20 percent more will be eligible for early retirement. Taken together, more than half the federal workforce – 900,000 employees – will be eligible to leave in just four years.

When I've mentioned the possible loss of hundreds of thousands of federal employees to some audiences, I have gotten applause. But it is a serious matter. The potential for such a mass exodus of federal employees – taking with them irreplaceable institutional knowledge – threatens to leave the government without the experience or know-how necessary to meet the expectations of the American taxpayer. A few examples from GAO's report illustrate the point:

- A nursing shortage could adversely affect the Department of Veterans Affairs' efforts to improve patient safety in VA facilities and put veterans at risk.
- At the Social Security Administration, increasing demand for services, imminent retirement of a large part of its workforce, changing customer expectations, and mixed success in past technology investments will challenge the agency's ability to meet its service delivery demands, which include faster and more accurate benefit claims determinations and increased emphasis on returning the disabled to work.
- At the Department of Energy, headquarters and field staff have lacked contract management skills to oversee large projects, such as the cleanup of radioactive and hazardous waste sites.
- At the Department of Defense, skills and experience imbalances in the civilian workforce following downsizing are jeopardizing acquisitions and logistics capabilities. I am well

aware of this particular problem because of its detrimental effects at Ohio's largest military installation, Wright-Patterson Air Force Base.

- I recently met with two members of the Nuclear Regulatory Commission. I was told that they have 6 times more people over the age of 60 than they do under the age of 30.

In over 30 years as an elected public servant, I have come to learn that the individuals who administer the programs and services on which the public depends are the government's greatest resource. However, building a world-class civil service is not an end in and of itself. The ultimate and most important goal is to improve federal government programs and the delivery of services to the American people, to work harder and smarter and do more with less. This can be accomplished most effectively by making wise investments in the employees who run the programs and know how to make them work.

It is my hope that the activities of the Subcommittee will invite an exchange of ideas and begin a process that will dramatically improve the management of human capital.

I think we need to focus first on how the federal government can keep the talented people it already has while attracting new people to government service. That will be accomplished by using existing incentives and compelling federal managers to pay greater attention to their people. Mr. Walker, this is, as you said, doing all we can immediately within the context of current law.

Second, we need to identify those new personnel flexibilities that have been provided to some agencies over the last few years – the IRS, FAA and GAO come to mind – and determine if there are flexibilities at those agencies that should be available government-wide.

Last, we should examine what brand new flexibilities or changes are needed. For example, there seems to be universal agreement that the hiring process should be improved. That might be one area for new legislation.

I look forward to working on a bipartisan basis with my committee colleagues, the Bush Administration, other members of the Senate and House, as well as federal employee unions, public policy think tanks, and other interested parties on this vital issue during the 107<sup>th</sup> Congress. I am very pleased with the cooperation the Subcommittee has received and look forward to continuing to work with all of you.

The Subcommittee will hold hearings on solutions in the near future. The human capital crisis creates an opportunity for Congress and the Administration to reshape the federal workforce for the 21<sup>st</sup> century. It is time for us to roll up our sleeves and get to work.