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STATEMENT OF

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BEFORE THE

SUBCOMMITTEE ON CIVIL SERVICE

HOUSE COMMITTEE ON POST OFFICE AND CIVIL SERVICE

ON

H.R. 3002, THE EXECUTIVE EXCHANGE PROGRAM VOLUNTARY

SERVICES ACT OF 1985

Madam Chairwoman and Members of the Subcommittee:

I am pleased to be here today to discuss the government's executive exchange program and H.R. 3002, which proposes to allow, on an experimental basis, the acceptance of voluntary services from some of the private sector participants in the program.

In June 1985, we issued a report on the exchange program as requested by several members of the Senate Committee on Governmental Affairs.[1] At the time the request was made, earlier versions of H.R. 3002 (H.R. 2273 and S. 2115) had been introduced in the 98th Congress, and the requesters wanted an evaluation of the program for their use in considering the proposed legislation. My statement shares with you the results of that work as it relates to H.R. 3002.

The President's Commission on Executive Exchange program was created in 1969 to promote federal government and private sector understanding and cooperation by the temporary exchange of executives. Under the program, private sector executives are nominated by their employers to spend 1 year with a government agency. Similarly, government executives are nominated by their agencies to spend 1 year with a private company. The program also includes various seminars and conferences, including a 2-week international seminar, which are designed to inform the

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[1] Information on the President's Commission on Executive Exchange and the Congressional Assistant Program, (GAO/GGD-85-60; June 18, 1985)

executives of current domestic and international issues. These sessions are intended to enrich the executive's total experience.

Since the program began, 749 executives have participated--493 from the private sector and 256 from the government. In 1984, about $465,000 was appropriated to operate the program. In addition, the government contributes $3,000 and private sector employers contribute $12,000 (increasing to $15,000 in fiscal year 1986) for each of their participants to cover the costs of the seminars and conferences.

The salaries of private sector executives are paid by the government and cannot exceed the Senior Executive Service salary ceiling, which is currently $72,300. The salaries of government executives are paid by the host private sector organizations and are based on the executives' projected government salaries. All participating executives continue in their own employers' benefit programs except for leave.

Under H.R. 3002, during a 3-year experimental period, up to 10 of the private sector participants each year could be paid by their own employers rather than by the government. The Commission would be required to report to the Congress before the end of the 3-year period on its evaluation of the experiment, including any recommendations for permanent legislation.

It is our understanding that H.R. 3002 and the earlier bills were introduced because of concerns that federal salary limitations discourage top private sector executives from entering the program. We found no documentation at the Commission to show that this has happened. This is not to suggest that there is no such problem; but, if one does exist, it has not been documented. We would certainly agree that federal salary levels are far below the amounts paid to many executives in the private sector and it may well be that some executives do not find the program's benefits to be worth the salary cuts they would have to take for a one year period.

During the 1984/1985 program year, almost half of the private sector executives took a cut in compensation to come into the program. Thus, at first impression, it would seem that an experimental program to allow private sector companies to continue to pay their participants' salaries is worth trying. If nothing else, it would cut government costs. However, we see several potential problems with the proposal.

First of all, we don't know how many private sector employers would be willing to pay their executives' salary costs while they are away from their regular jobs. This might be particularly true for those companies who also host government participants for a year. These companies (there were five in the 1984/1985 program) would be required to pay the government employees' salaries, too. Furthermore, some difficult decisions would be required in determining which 10 private sector participants each year would continue to be paid by their employers. In each year of the exchange program's existence, more than 10 private sector executives have participated in the program.

This number ranged from 19 to 57 executives over the years. We question whether some executives would be enthusiastic about participating in the program with a cut in pay, knowing that 10 of their peers received full pay.

We do not have a good sense of how government executives might react to the knowledge that private sector executives working alongside them for a year are receiving more salary than they are. However, we do know that there is considerable concern among government executives that their salary levels are too low, and such a circumstance could only exacerbate this concern.

In this regard, our June 1985 report also examined the Congressional Assistant Program where private sector executives work with congressional committees and subcommittees for 1-year periods. The sponsoring companies pay all costs of their executives in this program, including compensation, housing, and moving expenses. There is no restriction on the amount of salary a sponsoring company can pay. The Director of the program told us that this arrangement has not created a morale problem among committee staff who work with the participants. However, the congressional program is geared toward mid-level executives whose salaries average about $50,000 a year, whereas the exchange program is aimed at executives who have achieved senior level management positions.

Allowing private sector companies to pay the salaries of their executives while participating in the exchange program could give the appearance of creating a potential conflict of interest. In our opinion, however, this potential would be no greater than it is under the current program. Our review of the current program identified shortcomings in the Commission's conflict of interest policies and procedures. We recommended that actions be taken to correct these problems and to ensure that preliminary conflict of interest reviews are made, where practicable, before executives begin their assignments. As a result of our recommendations, we understand the Commission established new policies and procedures to tighten its conflict of interest controls.

In the final analysis, if the case can be made that the disparity between government and private sector salaries is creating a problem in recruiting candidates for the executive exchange program, a change to allow companies to pay all or part of their executives' salaries may be appropriate. However, we would suggest some changes to H.R. 3002 that we believe would better accomplish that objective.

Our first suggestion is to eliminate the restriction on the number of executives who could participate in the experimental program. As I mentioned earlier, restricting the number to 10 could exacerbate the problem by discouraging some executives from entering the program at a reduced salary, knowing that 10 other executives were receiving their full salaries.

A second suggestion is to simply allow companies to pay the difference between the government and private sector salaries rather than paying the entire salary amount. This would avoid the problem of private sector companies being required to pay their executives their full salaries while losing their services for a year.

On another issue, the bill is silent about federal executives. At present, the private sector pays the salaries of federal executives who participate in the program, and we assume that the intent is to continue this requirement. If so, we suggest that the bill be amended to make this clear.

The bill is also silent about relocation, travel, and transportation allowances. At present, the private sector employers and the government pay these expenses for their respective participants in the program. If this arrangement is to be continued during the experimental period, we also suggest that the bill be amended to specify these responsibilities.

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That concludes my prepared statement. I will be pleased to answer any questions you may have.

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