Human Capital Reform:
21st Century Requirements for the United States Agency for International Development

Human Capital Series

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IBM Endowment for
**The Business
of Government**

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F O R E W O R D

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On behalf of the IBM Endowment for The Business of Government, we are pleased to present this report, "Human Capital Reform: 21st Century Requirements for the United States Agency for International Development," by Anthony C. E. Quainton and Amanda M. Fulmer.

This report represents a year-long partnership between the IBM Endowment for The Business of Government and the National Policy Association (NPA). The NPA, under the direction of its president, Anthony Quainton, hosted a Thought Leadership Forum at the Belmont Conference Center in October 2002. The forum brought together public, nonprofit, and private sector leaders to examine the "state" of human capital in the United States Agency for International Development and the reforms needed to prepare that agency to meet the challenge of development in the 21st century. The forum produced 25 recommendations for the agency to consider.

While specifically developed for the United States Agency for International Development, the recommendations are clearly applicable to other agencies across government. The report's recommendations focus on the need to reform agency culture, rethink the concept of "career," and remake personnel programs within the agency. While the specific actions needed may differ among organizations, these areas are appropriate for reexamination by all agencies within government today. This important report adds to the body of knowledge created in the previous 12 human capital studies supported by the Endowment, which were recently published in *Human Capital 2002*.

We trust that this report will stimulate debate across government as to the human capital requirements for all government agencies as they enter the 21st century. The time now appears ripe to substantially reform human capital in the federal government.

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Part I:

Human Capital Recommendations for USAID

Anthony C. E. Quainton
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Introduction

The National Policy Association sponsored a forum, October 6–8, 2002, entitled "Human Capital for Development: 21st Century Requirements." The forum, supported by a grant from the IBM Endowment for The Business of Government, brought together at the Belmont Conference Center in Elkridge, Maryland, a distinguished group of 27 past and present government officials, private sector representatives, and academic experts to examine the human resource requirements of the United States Agency for International Development (USAID). (See Appendix I for a full list of participants.) Like its predecessor in 2000,* this forum focused on a range of workforce issues in the context of America's worldwide responsibilities. However, the focus of the October 2002 forum was on USAID, an agency committed to meeting development needs around the world, particularly in countries such as Afghanistan, which have become the breeding grounds for terrorism and violence. Development aid is now an integral part of America's global security strategy, and its implementation requires a cadre of talented, dedicated, and well-trained professionals. It also will require adequate funding to ensure that those professionals have the wherewithal to carry out their responsibilities in an effective and efficient manner.

In preparation for this forum, and with the support of the IBM Endowment, the National Policy Association (NPA) carried out a wide-ranging review of the complex existing personnel system at USAID.

That study, authored by Amanda M. Fulmer, is presented in Part II of this report. She reviewed more than 10 years of previous studies of the USAID personnel system and drew on interviews with both agency employees and development professionals outside the U.S. government. Her report concluded that because of the resource stringencies and downsizing of the 1990s, the past lack of a strong management strategy, and a confusing and poorly functioning personnel system, USAID must greatly strengthen its administrative and personnel systems if it is to carry out the ambitious development and administrative reform agenda set forth by the agency's new administrator, Andrew Natsios.

The forum did not set out to reiterate all of the earlier recommendations concerning the reform of the USAID personnel system. Rather, it sought to focus on a few important areas critical to any successful human resource strategy: workforce management, recruitment, training, and retention. In their discussions of these issues, forum participants benefited enormously from hearing the views of representatives from major multinational companies and developmental agencies, which also face the challenge of recruiting, retaining, advancing, and deploying professional employees on a worldwide basis.

The recommendations that follow are a distillation of two full days of intense discussion, not only in formal sessions, but also over meals and in informal exchanges outside the forum meeting room.

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* "A New American Diplomacy: Requirements for the 21st Century." The results of that forum were published in January 2001 by the IBM Endowment for The Business of Government as part of a larger study entitled "Toward a 21st Century Public Service: Reports from Four Forums."

(See Appendix II for the agenda.) They represent a remarkable consensus around a series of practical measures that can be adopted within the existing personnel system. While there was some discussion of the idea of merging the Foreign Service and Civil Service structures, participants elected to endorse a number of specific measures that USAID management can put in place within existing resource availabilities and personnel systems.

An overarching conclusion of the participants was that the constraints that have been imposed on USAID by the Department of State, the Office of Management and Budget (OMB), and Congress have had a seriously adverse effect on USAID's ability to recruit, retain, train, and reward its employees, and have reinforced a perception among USAID employees that they enjoy stepchild status within the foreign affairs community. USAID employees, who are loyal, committed, and professional, seek greater appreciation of the valuable work they do overseas, often under the most difficult of circumstances. Implementation of the recommendations in this report will be an important step toward improving the personnel system of USAID.

Forum Recommendations

On Reforming Agency Culture

While discussions focused on human resources and management at USAID, some of the conclusions and recommendations speak to the operations of the agency as a whole. Forum participants found many things to praise at USAID, but they also expressed concerns relating to what could be termed the culture of the agency. The recommendations falling under this category will require leadership from the top levels of the agency.

1. Define USAID's core competencies in the context of the agency's mission.
Participants agreed that USAID performs a great number of tasks very well, but indicated that the agency should determine what it performs better than other organizations. USAID should identify its abilities as an agency, which will help it recruit and hire employees with skills that match the agency's core goals and endeavors.

2. Understand, value, and respect all employees in all categories of positions.
USAID employs thousands of people who possess a wide range of skills and backgrounds. All of them make an important contribution to the agency, but not all of them receive consistent recognition for their talents and efforts. Foreign Service Nationals (FSNs), Personal Services Contractors (PSCs), and civil servants, in particular, deserve public acknowledgment of their work and successes. If the agency continues to shift its workforce toward a collection of short- or medium-term contract employees, it will be increasingly important that career employees understand what their colleagues around the

world are doing and that respect and recognition be given to the distinctive contributions of the various services.

3. Strengthen workforce planning and better link workforce planning to the agency's mission.
Currently the agency's workforce planning relies mainly on statistical predictions of attrition rates. Strict budgetary constraints also play a major role in determining how many employees may be hired. USAID must treat workforce planning as a true priority and determine how many employees it needs in every employment category and at every grade level. Staffing needs should be established at the beginning of each budget cycle.

4. Develop concrete incentives for knowledge sharing and risk taking within the agency.
Many USAID employees felt that the agency did not adequately encourage these attributes in its employees. Because every action taken by agency employees is subject to scrutiny by Congress, OMB, and the State Department, the fear of taking risks is ingrained in the agency's culture to the point where it sometimes stifles innovation. Some degree of "prudent" risk taking is necessary in the development field, given the complexities of the socioeconomic problems being addressed and the wide variety of cultures within which USAID programs are carried out.

5. Change the job of line managers to ensure their involvement in all aspects of the "life cycle" of human resources: recruitment, workforce planning, career counseling, mentoring, etc.
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Forum Recommendations
At-a-Glance

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6. Make greater use of family friendly policies (telecommuting, job sharing, etc.)

On Rethinking the Concept of 'Career' at USAID

7. Recognize the move away from the concept of lifelong employment at the agency and other organizations, and develop new recruitment and promotion procedures accordingly.

8. Use Foreign Service Nationals (FSN) to capacity, recognizing their critical contributions to field operations.

9. Offer FSNs appropriate pay and, where necessary, negotiate with the State Department for exceptions to the common pay scale.

10. Deploy more program employees overseas: reverse the current tooth-to-tail ratio.

11. Reevaluate Foreign Service and Civil Service classifications and, where possible, open up positions to the most qualified applicant, regardless of employment category.

12. Create career development plans for all officers.

13. Link job assignments with an overall career development plan for each officer.

14. Improve career development opportunities for the Civil Service by sending CS employees overseas periodically and by creating a CS mentorship program.

On Remaking Personnel Programs

15. Remake the HR department with the goal of its forming a supportive, advisory partnership with line managers.

Training

16. Increase funding for training and offer it to all categories of employees.

17. Make better use of the training facilities of the State Department and other partners.

18. Create standards and goals for appropriate use of "distance learning."

Recruitment

19. Build on USAID's many contributions in the field to promote a positive public image of the agency, and develop a promotional brochure like the one recently put out by the State Department.

20. Reinstate the International Development Intern (IDI) program.

21. Collaborate with the State Department regarding recruitment.

Promotions and Evaluations

22. Simplify and clarify the processes of promotions and evaluations.

23. Institute a centralized Personal Services Contractor (PSC) evaluation program and create a common database.

24. Make greater use of "360" degree performance reviews for all employees.

25. Increase funding for employee awards and determine the overall amount at the beginning, not the end, of the year.

tant decisions that directly affect employees, should be exposed to human resource functions at the ground level. Too often management is not appreciated for what it is: a distinct and crucial skill that is absolutely critical to a well-functioning organization. Senior officers would benefit from investment in their management skills and should receive appropriate training.

6. Make greater use of family-friendly policies (telecommuting, job sharing, etc.).
Many of these policies are currently in place and work well for some employees, but many others are not fully aware of these options. Employees should be encouraged to work with their supervisors to use these mutually beneficial policies.

On Rethinking the Concept of 'Career' at USAID

Career patterns have changed drastically at the agency over the past decade. As a rule, employees no longer expect to join the agency for their entire working life. The nature of employment is radically different for the bulk of agency employees from what it was at the agency's creation. This shift was prompted by many factors, only some of them intentional policy directives from agency leadership. It is time to consider the implications of this dramatic change and to make corrections where necessary.

7. Recognize the move away from the concept of lifelong employment at the agency and other organizations, and develop new recruitment and promotion procedures accordingly.
Forum participants agreed that the nature of employment has changed, and will continue to evolve toward a norm of switching jobs every few years. Because USAID essentially suspended hiring during the latter part of the 1990s, the agency may not yet have encountered large numbers of employees with these new expectations, but it can certainly expect to in the future. Both recruitment and promotion procedures must be retooled to reflect the new reality of the many employees coming to USAID on the assumption that they are to spend a few years, and not a lifetime, with the agency. Personnel policies should allow permeability so that opportunities are created for more flexible movement into and out of the agency.

8. Use Foreign Service Nationals (FSN) to capacity, recognizing their critical contributions to field operations.
Discussants agreed that the agency employed many highly skilled FSNs, and many argued that, because of security regulations or unwarranted assumptions about their abilities, these employees are not asked to do as much as they are able for USAID. Participants pointed out that most of the work done at USAID missions does not involve classified material, in contrast to the work of U.S. embassies, where such material is more common and more central. Currently, FSNs are not assigned to supervise any Direct Hire U.S. nationals, even though they do supervise contractors and other FSNs. Several senior officials advocated giving FSNs greater supervisory responsibilities. More importantly, given their already significant field responsibilities, it was recommended that they be given greater recognition in terms of pay, training, and awards.

9. Offer FSNs appropriate pay and, where necessary, negotiate with the State Department for exceptions to the common pay scale.
FSN pay levels should be raised. Their compensation should be both fair and conducive to retaining the best employees. If raising FSN pay to appropriate levels entails a departure from the standardized pay scale shared with the State Department, USAID should lobby for exceptions.

10. Deploy more program employees overseas: reverse the current tooth-to-tail ratio.
USAID has many excellent activities in the field, but some missions suffer because of understaffing. The agency could be more effective if it could station more of its employees in the field and reduce the ratio of development professionals to administrative staff.

11. Reevaluate Foreign Service and Civil Service classifications and, where possible, open up positions to the most qualified applicant, regardless of employment category.
In many cases the distinction between Foreign Service (FS) and Civil Service (CS) jobs is a hindrance to sensible personnel assignments. The system is at best inflexible and outdated; at worst, archaic. Participants agreed that assignments ought to operate on the principle of finding "the best employee for the job," regardless of FS or CS status.

In some cases this will involve reclassifying jobs or simply not classifying them according to specific personnel categories. Some changes may require legislative action.

12. Create career development plans for all officers.
Professional development of individual employees is as important to the institution as it is to officers. The agency should develop clear performance standards for all phases of an officer's career and provide the training necessary for employees to meet those standards. The best leaders and managers will emerge from an organization that places a premium on training and career development and provides a clear path from entry-level jobs to higher-level positions.

13. Link job assignments with an overall career development plan for each officer.
Assignments ought to be made with the officer's overall career in mind. The agency needs well-rounded officers whose career development has been consciously attended to. In addition, employees are more likely to stay with the agency if they feel it values their personal professional development.

14. Improve career development opportunities for the Civil Service by sending CS employees overseas periodically and by creating a CS mentorship program.
While career development and training efforts could be enhanced for all employees, civil servants in particular have been denied full access to these opportunities. CS employees would benefit greatly from both periodic overseas excursions, where they could gain a fuller appreciation of the agency's work in the field, and a formal mentorship program.

On Remaking Personnel Programs

In light of the changing role of the agency and the new patterns of employment, forum participants recommended several specific changes in the functioning of the human resources (HR) department and in the personnel policies it administers. The recommendations range from the organization of the Office of Human Resources to the size and scope of some of its programs.

15. Remake the HR department with the goal of its forming a supportive, advisory partnership with line managers.
The Office of Human Resources should play the role of a facilitator within the agency, serving as a central clearinghouse of information and providing advice to individual managers making decisions about recruitment, promotions, and other personnel policies. Forum participants argued for maximum devolution of decision-making authority to individual managers with respect to internal office and mission assignments, training, and awards.

Training
All forum participants agreed that training was essential. Forum private sector participants stressed the large blocks of time devoted to training in their organizations. However, many participants felt that management at USAID gave training a relatively low priority.

16. Increase funding for training and offer it to all categories of employees.
Career development systems are not credible without a firm commitment to training. Training in USAID should be clearly linked to both workforce planning strategies and the agency's core competencies. Technical skills need to be enhanced, management skills developed, and cross-cultural and language skills imparted to employees who will serve overseas. Budgetary resources for training, however, are currently sharply limited. The forum agreed that all employees and all departments would benefit from more training. It was generally agreed that management should seek substantially expanded funding for training to reflect this priority.

17. Make better use of the training facilities of the State Department and other partners.
Increased focus on training does not need to mean starting from scratch. The State Department and other agencies offer excellent training programs in areas of interest to USAID, and the agency should take fuller advantage of the training infrastructure already in place in the foreign affairs community.

18. Create standards and goals for appropriate use of "distance learning."
As part of an integrated package of training and career development, so-called "distance learning"

could have an important role to play, especially in remote locations far from the nearest training center. USAID should determine the extent to which distance learning could be useful and appropriate, and work to make that training available.

Recruitment

With the average age of USAID employees nearing 50, it is imperative that the agency search out the best ways of bringing the next generation of development professionals into the fold. Recruitment is a central activity of the human resources department, and it deserves attention from the highest levels of the agency. Although many people typically apply for any open position at USAID, the agency is still at a disadvantage compared to the private sector, where companies normally devote substantial resources to recruiting and whose on-campus presence far outstrips that of the agency.

19. Build on USAID's many contributions in the field to promote a positive public image of the agency, and develop a promotional brochure like the one recently put out by the State Department.
USAID's work is highly respected in the field, forum participants suggested, yet not everyone in the Washington community fully appreciates the agency's work. USAID must redouble its efforts in transforming its successes at its missions around the world into a solid political base and an excellent public reputation in Washington. Making the agency's work better known and understood will help the recruitment process. The State Department has enjoyed recent successes in this area; USAID should seek to imitate their image campaign and should develop a similar promotional brochure.

20. Reinstate the International Development Intern (IDI) program.
Forum participants were clear that USAID needs to begin hiring entry-level employees again. The dormant IDI program provides an appropriate vehicle. A critical layer of employees is missing at the agency, and its future depends on the acquisition of a new talented cadre of professionals who can absorb the experience of the older generation before it departs.

21. Collaborate with the State Department regarding recruitment.
USAID and the State Department are looking for

many of the same characteristics in entry-level employees: overseas experience, language skills, and functionally specialized knowledge. The two agencies can offer many of the same benefits to potential employees: the prospect of an exciting, challenging, and rewarding career in the Foreign Service. It makes sense for USAID and State to join forces and recruit together, particularly in the search for officers who aspire to generalist or management positions.

Promotions and Evaluations
Fair standard evaluations based on transparent work objectives are essential. Many officers, however, believe that the current system does not give an honest picture of employee performance. Personal Services Contractor employees are not necessarily evaluated at all. The purpose of evaluations is to give employees feedback and to enable the agency to make assignments and other personnel decisions that accurately reflect employees' strengths and weaknesses; this purpose goes unfulfilled if the processes are unclear or haphazard.

22. Simplify and clarify the processes of promotions and evaluations.
These functions of the human resources department are a mystery to many employees. Foreign Service Officers often receive little if any explanation of why a particular promotion was or was not approved. Evaluations are based on criteria that may be unknown to the employee until shortly before the evaluation is issued. The HR department ought to make every effort to ensure that employees are privy to pertinent information in their own files, including, to the extent possible, the reasons they were or were not promoted. Furthermore, evaluations for both FS and CS officers should be conducted on the same schedule, to make the process more clear and organized.

23. Institute a centralized Personal Services Contractor (PSC) evaluation program and create a common database.
USAID employs thousands of contractual workers, but there is very little central supervision of their hiring or evaluation. Missions seeking to hire a PSC have no way to check on an applicant's history at the agency; even when an employee has worked at another USAID mission, the hiring mission has no easy way to research the person's employment

history. It is time for the agency to institute a centralized database that records information on all PSC hires and that may be viewed by any mission. All PSCs should be subject to the periodic evaluations that only some missions currently conduct. USAID needs to have all the information possible at its disposal when making decisions about hiring or promoting an employee.

24. Make greater use of "360 degree" performance reviews for all employees.
In order for employee evaluations to be accurate and useful, they must reflect appraisals of several different aspects of job performance. Too often, supervisors merely sign off on evaluation forms employees have filled out themselves. For the evaluation process to be truly meaningful, it must solicit honest feedback from the people who work above, below, and beside the employee under consideration. USAID already makes some use of the concept of the "360 review" and should expand on this base. Supervisors should be required to use this information when evaluating or coaching subordinates.

25. Increase funding for employee awards and determine the overall amount at the beginning, not the end, of the year.
On-the-spot cash awards are an important tool for expressing appreciation and recognition of excellent job performance. They reinforce a culture of recognizing and valuing employees. Raising the amount of these awards would signal their importance. This change requires advance budget planning. In general, the current system does not allow supervisors to reward employees throughout the year, as award funds are often allocated only late in the year as a residual amount based on what is affordable. Managers should have these funds at the beginning of each rating period.

Part II:

An Analysis of USAID's Human Capital Needs for the 21st Century

Amanda M. Fulmer

The USAID Personnel System

Introduction

The United States Agency for International Development (USAID) stands at a critical juncture of its development. A new administrator, appointed by the George W. Bush administration, has set the agency on a significant course of reform. President Bush has announced a new Millennium Challenge Account, raising the amount of money the U.S. government intends to spend on international development assistance by 50 percent. And, in the year since September 11, Americans and their congressional representatives have come to understand the importance of humanitarian and development aid, and its connection to crucial U.S. foreign policy objectives, in a more profound way than ever before. Against this background, the time is right to reconsider USAID's human capital needs.

USAID has accomplished much in its 41 years of existence. The agency has saved millions of lives through immunization campaigns and famine relief. It has tackled the HIV/AIDS scourge and undertaken many vital health initiatives. USAID has helped spur dramatic rises in literacy and education rates around the world. It has been at the forefront of international efforts to promote sustainable development. It has a talented cadre of professionals who are committed to the work of the agency and to its broad mission of promoting sustainable development and democracy.

Many observers, however, both within and outside the agency, believe that USAID will never reach its potential as a provider of development assistance until it substantially revamps its personnel policies.

Over the course of dozens of interviews with a broad cross-section of people familiar with the intricacies of USAID's personnel system and with international development work generally, it became clear that the agency is not doing enough to recruit, train, and retain the best employees. In discussions over these specific personnel matters, deep concerns emerged surrounding the agency's overall mission, its budget, the laws that govern it, and the morale of its employees. The consensus that emerged is that USAID needs to dramatically rework its personnel policies to meet its human capital needs in the new millennium.

The National Policy Association, under a grant from the IBM Endowment for The Business of Government, was commissioned to study USAID's human resource needs and challenges. The research findings, detailed in the following report, reflect the input of USAID employees, both Foreign Service and Civil Service; current and former senior managers; the Foreign Service and Civil Service unions; and human resource professionals from non-governmental agencies, the private sector, and international charitable organizations. In addition, a review of past studies of the USAID personnel system was conducted. The analysis in the report is inevitably anecdotal, but the sum total of comments suggests the persistence of severe human resource problems that deserve serious attention. The report is intended to provide a springboard for discussion among a broad array of people interested in human resources at USAID.

Legal and Historical Background

President John F. Kennedy established the U.S. Agency for International Development on November 3, 1961, under the authority of the Foreign Assistance Act (FAA) passed earlier that fall. The United States was already providing international development assistance, having enacted the Marshall Plan and joined the International Monetary Fund and the World Bank. The 1961 FAA served to codify and unify the elements of development assistance. According to USAID's website, "While some could argue that the creation of USAID simply represented a bureaucratic reshuffling, the agency, and the legislation creating it, represented a recommitment to the very purposes of overseas development. USAID was established to unify assistance efforts, to provide a new focus on the needs of a changing world, and to assist other countries in maintaining their independence and become self-supporting."

One central element of the new foreign assistance paradigm was its separation of military and non-military aid. USAID was to focus primarily on "long-range economic and social development assistance efforts." This decision culminated a decade of dissatisfaction with the agency's predecessor institutions, which were not considered to possess the level of autonomy needed to implement a sensible assistance program. The creation of USAID occurred in the context of a prevailing sense that aid structures were due for a major change. One year before the creation of USAID, a Brookings Institution report, sponsored by the U.S. Senate Foreign Relations Committee, had recommended the creation of a foreign assistance department with Cabinet-level status. Around the same time, the Ford Foundation had suggested the consolidation of foreign aid into the State Department.

The Kennedy administration made foreign aid a major focus. President Kennedy lobbied for a new national foreign assistance program, saying:

> [N]o objective supporter of foreign aid can be satisfied with the existing program—actually, a multiplicity of programs. Bureaucratically fragmented, awkward, and slow, its administration is diffused over a haphazard and irrational structure covering at least four departments and several other agencies. The program is based on a series of legislative measures and administrative procedures conceived at different times and for different purposes, many of them now obsolete, inconsistent, and unduly rigid and thus unsuited for our present needs and purposes. Its weaknesses have begun to undermine confidence in our effort both here and abroad.

Since the passage of the 1961 bill that gave birth to USAID, there have been various attempts to review and revise that legislation. In 1971, amidst anti-war sentiment and a perception that aid was "too concerned with short-term military operations," the Senate refused to authorize USAID's funding. In 1973, Congress amended the FAA, directing the agency to concentrate on meeting "basic human needs." Functional categories of assistance organized around problems such as agriculture and education replaced large block grants. The structure of the FAA today remains much as it was in 1973.

In 1979 an executive order and a reorganization plan established the International Development Cooperation Agency (IDCA). IDCA was the brainchild of Senator Hubert Humphrey, the primary sponsor of legislation to reorganize foreign assistance authorities. Originally conceived to coordinate aid activities in many agencies, in its final form the IDCA essentially coordinated only USAID. Never fully implemented, it eventually faded into irrelevance and was later legislated out of existence. However, it did temporarily change the legal authorities governing USAID. "Up until that time," according to agency materials, "all authority to administer FAA programs had been vested in the Secretary of State by delegation from the President. The establishment of the IDCA changed this relationship." Most authority was delegated to USAID's administrator, although the Secretary of State retained control over matters pertaining to security.

Currently, USAID is a statutory agency, with its administrator under the direct authority and foreign policy guidance of the Secretary of State. USAID is an independent government agency, but the administrator must report to the Secretary of State, and serve the Secretary and the President as a principal

adviser. He or she "administers appropriations made available under the Foreign Assistance Act of 1961, as amended, and supervises and directs overall Agency activities in the U.S. and abroad," according to agency materials.

USAID, which now employs approximately 2,000 Foreign Service and Civil Service Officers, is also bound by the 1980 Foreign Service Act, the 1978 Civil Service Reform Act, as amended, and Title 5 of the Code of Federal Regulations. These laws mandate certain standards for salaries, promotions, position classifications and assignments, grievance procedures, and other aspects of officers' employment. Neither of these acts was designed specifically for USAID employees. The Foreign Service Act focuses on the Department of State, although it also pertains to USAID, the Foreign Agricultural Service, and the Foreign Commercial Service. The Civil Service Reform Act, which also applies to employees at several other agencies, revised the 1883 Pendleton Act, which ended the spoils system by classifying government jobs and establishing the Civil Service Commission to "administer a system based on merit rather than political connections."

Acronyms Used in USAID Personnel Classifications

CS	Civil Service
DH (also **USDH**)	Direct Hire
FS	Foreign Service
FSN	Foreign Service National
FSO	Foreign Service Officer
GS	General Schedule
PASA	Participating Agency Service Agreement
PSC	Personal Services Contractor
RSSA	Resources Support Services Agreement
TCN	Third Country National

A Reorganized Agency with New Priorities

The USAID administrator appointed by the George W. Bush administration, Andrew S. Natsios, has made clear his intention to reform the agency to bring its work in line with current policy and developmental priorities, and to improve its management and business services. In pursuit of these goals, he has undertaken a large-scale reorganization of the agency's headquarters.

Early in 2001, during congressional testimony, Natsios announced the creation of four new "pillars," or organizational units, intended to reflect the agency's changing programs as well as to clarify its work to the public. Each of these new pillars is now an agency bureau alongside the original regional bureaus.

The first new pillar is Global Health. This bureau encompasses efforts aimed at nutrition, public health, HIV/AIDS, water, sanitation, child survival, and other pressing health-related issues. According to Natsios, this bureau will give "greater focus to evolving

health issues, especially our increased emphasis on HIV/AIDS and other infectious diseases."

The second pillar is Economic Growth, Agriculture, and Trade. In an address before the Advisory Committee on Voluntary Foreign Aid (ACVFA), Natsios highlighted the fundamental importance of economic growth to developing nations. He also recognized, however, that "if you just increase growth without some redistribution, you will still have poverty." This bureau houses USAID's efforts to improve rural infrastructure, including schools, roads, electricity, and water. The agricultural side of the bureau, which, according to Natsios, had been a "neglected" function at the agency in the past, will offer assistance in building "rural roads to move surpluses around" in "developing world markets," and in "connecting rural surpluses with port facilities to ship excess grains out."

The third pillar is Democracy, Conflict, and Humanitarian Assistance. The conflict prevention aspect of this bureau includes functions such as focusing aid in areas with "conflict implications," such as wastewater treatment systems in the Middle

East. It also includes "putting developmental initiatives inside relief programs." In his speech before the ACVFA, Natsios gave the example of providing higher quality seeds to farmers than the ones they had "before whatever caused the seed problem in the first place, whether there was drought or civil war or some collapse of the agricultural system."

The fourth pillar, the Global Development Alliance (GDA), unlike the three new programmatic bureaus, is described as a "way of doing business." "The GDA is USAID's commitment to change the way we implement our assistance mandate," according to agency materials. "GDA is USAID's response to the new reality of development assistance that recognizes that flows between the developed world and the developing world have changed." Thirty years ago, 70 percent of development assistance from the United States was channeled through the government, and the remaining 30 percent came from the private sector. Today, the numbers are reversed: 80 percent of assistance comes from the private sector, leaving only 20 percent to the government. With the addition of this fourth pillar, USAID has committed itself to forming alliances with private organizations.

Besides the pillars, the new administration has focused on management reforms. According to Natsios, "To strengthen agency-wide leadership and management capacity, we have established a Business Transformation Executive Committee (BTEC), based on commercial best management practices, to oversee management improvement initiatives and investments." BTEC is reviewing and overhauling the areas of financial management, human resources, information technology, procurement, and strategic budgeting. BTEC membership is composed of senior leaders from throughout USAID. Strategic budgeting was moved into the Policy and Program Coordination Bureau in an effort to make the budget better correspond to programmatic priorities.

In addition to these organizational reforms, Natsios has declared six substantive areas to be priorities for USAID this year: fighting HIV/AIDS; attacking illiteracy; promoting trade and investment; cutting hunger in Africa; mitigating conflict and improving governance; and stabilizing the strategically important states of Central and South Asia.

Current Personnel Profile

As of September 30, 2002, agency employment levels stood at 7,875. Of these, 2,161 employees occupied Direct Hire positions (DH) and 5,209 served as Personal Services Contractors (PSCs). The latter number represents a substantial shift in USAID's staffing patterns away from traditional government Direct Hire systems. Declining and increasingly unpredictable budget levels have led to a steadily increasing reliance on the more flexible, limited-term PSC appointments, both in Washington and in the field. Most of these hires are Foreign Service Nationals (FSNs) or Third Country Nationals (TCNs), people hired in their country of citizenship through the local USAID mission or from a third country. "USAID's FSN categories are increasingly professionals, responsible for program development and management. They function as full team members," according to agency literature. USAID currently employs 4,579 FSN/TCNs on a PSC basis. The agency has begun to phase out Direct Hire FSNs, with fewer than 200 remaining. Hiring decisions regarding the FSN/PSCs, who represent about 60 percent of the total workforce, are made on a decentralized basis.

Table 1: Personnel Profile of USAID as of September 30, 2002

| Location	USDH FS	USDH GS	DH FSN/TCN	US PSC	FSN/TCN PSC	RSSA/ PASA	Other	Total
U.S.	395	1,079	0	142	0	148	112	1,876
Overseas	687	0	170	488	4,579	24	51	5,999
Total	1,082	1,079	170	630	4,579	172	163	7,875

On the Direct Hire side, there are 1,079 Civil Service (CS) employees and 395 Foreign Service Officers (FSOs) who work in Washington, as well as 687 FSOs stationed abroad. CS staffing levels have been rising relative to FSO numbers, because CS recruitment has kept pace with attrition. This year there are slightly more CS employees than FSOs.

USAID's enormously complex personnel system encompasses several other minor categories of employees. There are currently 172 employees who fall under Resources Support Services Agreements (RSSAs) or Participating Agency Service Agreements (PASAs). These individuals are hired on a decentralized, as-needed basis, as are 163 additional employees hired under Intergovernmental Personnel Act agreements (IPAs), the Technical Assistance for AIDS and Child Survival (TAACS) program, and other special circumstances. USAID also hires a small number of people (approximately 20) who work only intermittently or "when actually needed," and who are therefore not included in the total count. The number of employees hired under these special agreements has remained relatively constant at around 4 percent of the total workforce.

Lastly, USAID receives assistance from several hundred Institutional Contractors, some overseas and some in Washington, including from the Office of Information Resources Management. "Besides complying with OMB guidance, using an Institutional Contractor helps ensure that personnel with current and appropriate skills are applied to the tasks at hand," according to materials accompanying a workforce analysis the agency issued on September 30, 2000. "It would not be possible for the Agency to maintain a USDH staff with the necessary current skills or to maintain those skills." The number of these contractors has not been aggregated and agency managers are unable to quantify the amount of personnel resources provided to the agency in this way.

One notable aspect of USAID's demographics is the elevated average age of the workforce. Because so little hiring was done during the 1990s, recently the average age of agency employees has been increasing notably. The average Foreign Service Officer is 49 years old, and the average Senior FSO is 53. Those in Civil Service positions are almost as old, with an average age of 48. The pattern for

Figure 1: USAID Age Demographics

Legend:
- 9/30/90
- 9/30/00
- 8/31/02
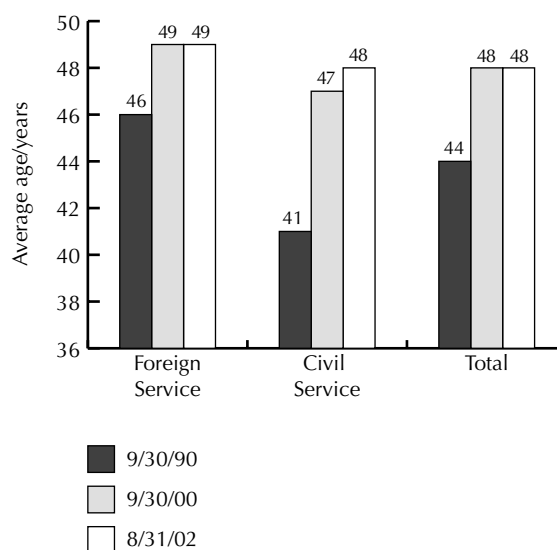
several years has been for the agency to get smaller and older by attrition. Fiscal year 2001 was "the first year in over a decade in which the Agency could afford to replace total attrition." The 2000 analysis comments that while "the high attrition represents potential vulnerabilities due to lack of staff (lag time between the time someone leaves and the replacement comes on board), it also presents a real opportunity to reshape the workforce and acquire the skills base needed to carry out the mission of the future. The issue, then, is determining what skills to recruit when replacing employees lost through attrition."

Past Reform Efforts

USAID's organizational complexity and historically variable mission have been the subjects of numerous studies and attempts at reform. Since 1989 alone there have been 16 internal reports touching on human resource and workforce planning issues, as well as several General Accounting Office (GAO) and other external evaluations (see Bibliography). A number of themes emerge as constants. Some of them echo the complaints that apply to many government agencies, such as the ones documented in the 1997 studies of American diplomacy issued by the Center for Strategic and International Studies and the Henry L. Stimson Center. These studies highlighted the need for modern technology and personnel policy reform (in the areas of hiring, assignment, and promotion) at the State Department,

Figure 2: USAID USDH September 30, 1990 to August 31, 2002
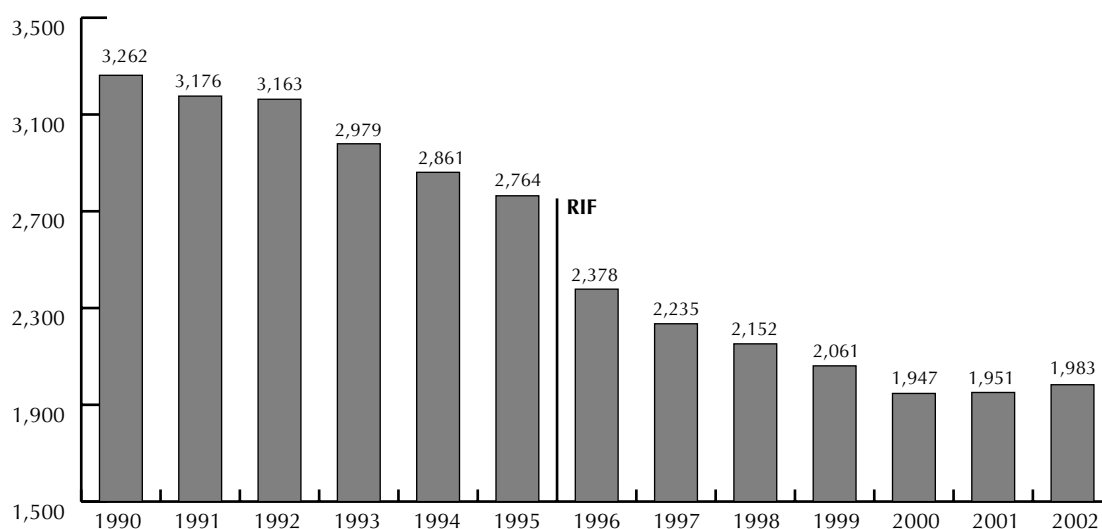
and their findings had relevance for many government agencies, including USAID. Other problems, however, appear to be unique to, or particularly acute at, USAID.

A synopsis of the 16 internal studies carried out between 1989 and 1997 states: "At the present time, workforce planning in the Agency is essentially budget-driven, largely ad hoc, and conducted primarily at the bureau level. This has created a situation where many are questioning whether we have the right mix of staff to adequately carry out our development mandate." (A list of previous studies is presented on page 22.)

Report after report maintains the necessity of taking a proactive, rather than a reactive, crisis-driven approach, to long-term planning concerning staffing levels. In recognition of the fact that the move away from Direct Hires and toward PSC positions was prompted largely by budgetary necessity (especially the deep cutbacks of the mid-1990s), it was recommended that USAID take time to deliberately consider the DH/PSC mix (which had heretofore evolved on a piecemeal basis), as well as the specialist/generalist balance. Several studies recommend that the International Development Intern, or IDI, program, under which entry-level professionals were hired to work at the

agency, be expanded and strengthened. (It was eliminated from the agency altogether in the late 1990s, although it is slated to come back in FY 2003 for a limited number of hires. This reinstatement is totally dependent on funding for the requisite overseas IDI positions for two-year tours.)

The issue of the complexity of the personnel system came up frequently, and multiple studies recommended a reduction in the number of employment categories for the sake of both clarity and fairness. Concerns were repeatedly expressed about the role of the Civil Service; some thought the rules regarding these employees should be more flexible, possibly allowing them to rotate in their assignments like FSOs. Many advocated a rethinking of the CS/FS split, and some wanted to do away with it entirely.

Several studies were critical of the human resources division, citing inefficiency and other weaknesses. Drastically insufficient technological resources and training also were singled out as a particular area of weakness. Some studies cautioned, however, that the entire mission and scope of the agency ought to be reexamined and restructured before more micro-level reforms were undertaken.

The 1997 Workforce Planning Task Force (WPTF) report to the administrator's Steering Group is

particularly comprehensive and exhaustively researched. It notes that the task force "felt its product should be action oriented; the WPTF did not want its product to end up as the previous 16 reports had ended up: read by some, praised by fewer, but essentially unacted upon because of lack of consensus on the recommendations or due to lack of follow-up." None of its assertions or recommendations were new or startling, but according to USAID employees interviewed, the report was well respected and its recommendations implemented to a relatively high degree. It focused on the critical importance of training, diversity, transparency, and morale.

USAID Studies over the Past 15 Years

Report of the Task Force on Personnel; June 1, 1989.

Improving Agency Efficiency; November 6, 1989, Information Memorandum.

Workforce Planning Working Group Report; 1991.

Workforce Planning Summary Progress Report; February 1992.

Saving Workforce and Operating Expense Monies; TR/DR Working Group, 1992.

Technical Managers: Roles and Responsibilities; TR/DR Working Group, 1992.

Summary of A.I.D. Actions on the Recommendations of the President's Commission on the Management of A.I.D. Programs; September 15, 1992.

A.I.D.'s In-Country Presence: An Assessment; CDIE, October 1992.

Management Study of A.I.D.'s Overseas Non-Direct-Hire Workforce; March 1993.

Human Resources Business Area Analysis: Executive Summary; August 1995.

The Development Corps: A New Personnel System for the U.S. Agency for International Development; 1994.

Reducing the Cost of Operations at USAID Headquarters; Note for the Administrator, May 20, 1996.

Overseas Workforce Restructuring Analysis; M/MPI, July 23, 1996.

Appropriate Use and Funding of USAID's Non-Direct-Hire Workforce; USAID General Notice, September 18, 1995.

Implementation of Ceilings for the USAID Workforce; USAID General Notice, July 25, 1997.

Foreign Assistance: USAID Reengineering at Overseas Missions; Draft GAO report, August 1997.

Workforce Planning Task Force Report to the Steering Group, November 26, 1997.

USAID Workforce Analysis, Baseline September 30, 2000.

Issues for Discussion

As a result of the review of past studies as well as interviews with a range of development professionals, a number of key themes emerged. While interviewees were asked only about USAID's personnel system, they frequently brought up a broader set of issues. In conversations about human resources, many stressed their sense that personnel questions were inextricably linked to other aspects of the agency. The themes identified by those interviewed as critical are described below.

Public Image

It is a common perception within USAID that neither the State Department, the Congress, OMB, nor the public fully appreciates the difficulty or the importance of the agency's work. Very few Americans outside the agency possess even a basic understanding of what it does. Furthermore, they are suspicious of foreign assistance and are unconvinced of its relevance to achieving foreign policy goals. They consistently estimate that the United States devotes a much higher percentage of its budget to foreign aid than it actually does, and typically assert that it ought to give less, although when surveys ask how much should the United States, in fact, give, the average percentage cited is higher than the reality. "I hope that leadership proves successful in raising the level of public awareness and support for the Agency's mission," reads one response to USAID's sweeping employee survey of all aspects of life at the agency, completed in 2000.

Another employee urges agency leadership to attend to the big picture of political support for the agency before bothering with minutiae. "It will take

major effort" to develop a personnel system that attracts and retains qualified staff, especially in an agency that "undergoes management upheaval every few years and exists under continuous threat of being closed down," the employee warns. "Unless the question of political support for the overall mission of USAID can be addressed, there is little point in tinkering with the details of the personnel system." Many of the employees interviewed felt that it was difficult to make the case to Congress that USAID was useful, and that the need for support led to the acceptance of some foolish legislative mandates.

The issue of respect from the State Department emerged as one of the most thorny and sensitive of all. Interviewees consistently expressed a sense of second-class citizenship. Both State and USAID are charged with furthering U.S. foreign policy objectives, but when administrations and policies change, it is harder for USAID than for State to adapt; the agency can't simply abandon programs or close certain missions at the drop of a diplomatic hat, for reasons both practical and ethical. Employees interviewed pointed out that the return on USAID programs is longer term and more difficult to evaluate or quantify than the return on political programs managed by State, with the practical result that support and respect for USAID programs is often comparatively weak. Furthermore, many agency employees feel that State doesn't understand how they do their work. While the agency's FSNs are viewed as "full team members," according to an internal report, "This is in contrast to Embassy FSNs, who generally serve in support roles. This distinction has led to tension overseas between USAID

and the Embassy regarding staffing levels, position classification, and full participation."

There is widespread sensitivity to the disparities in treatment between USAID and State employees. Agency sources pointed out that only they must endure economy-class seats on lengthy overseas flights, for example, and they asserted that their employees are a distant second priority for valuable training in comparison with State employees. The 2000 employee survey named a "better relationship with Department of State and gaining their respect" as a priority for agency leadership. In a 2001 speech before the Advisory Committee on Voluntary Foreign Aid, Administrator Natsios concluded with the following remarks:

> We have a Secretary of State and a President who are very supportive of what we are doing. There will always be some tension between AID and the State Department because our work has a longer-term perspective. Theirs is necessarily shorter term. State must deal with immediate crises and events. The tension does not mean that AID and State will always be at odds; it means that we have to understand our different perspectives, different time frames, and different level and kinds of expertise.

These concerns persist despite Administrator Natsios' full integration into the Secretary of State's senior management team and his strong advocacy for USAID programs.

Mission and Morale

Perhaps the most frequently cited shortcomings of USAID, as well as the most bedeviling ones, are the connected concerns about an unclear agency mission and sagging morale levels. "When people quit this agency, they always look 10 years younger," said one interviewee. Various sources emphasized the outstanding need for an overall guiding vision at the highest levels. "The Administrator needs to recognize that the agency is made up of very qualified people performing [at] less than 50 percent of their capability," one employee argued. "Do not underestimate the seriousness of the morale/staff issues facing the Agency," warned another.

There was widespread sentiment that the agency lacked a clear sense of direction, at both the macro and micro levels. Employees repeatedly expressed a desire to connect their work to a grand scheme for achieving significant reform, to associate their day-to-day tasks with a compelling plan to represent the best face of America to the developing world. Notwithstanding the significant reforms introduced by Administrator Natsios, described earlier, many employees still have a sense that their agency is struggling merely to survive in the short term. The perceived lack of respect from the public, the Congress, OMB, and the State Department leaves USAID employees feeling ignored or belittled, as though they worked for the stepchild of government agencies. The combination of these external attitudes and the internal uncertainties feeds a persistent morale problem.

This problem is particularly acute with regard to the Civil Service. CS employees at USAID say they feel like second-class citizens within a second-class agency. "They should try flipping the grades for a month, to see what it's like walking in our shoes," one CS source declared. "We're always told that this is a Foreign Service agency," complained another.

Many observers felt that the FS/CS split unique to USAID was a primary source of its difficulties. The 1997 task force report cited the multi-layered personnel system as a hindrance, not a help, to achieving agency goals: "This set of systems is deemed by many to be of little use to the missions, the employees and the personnel system, and their rigidity hampers all concerned. Most agree that a system that provides more flexibility, empowers managers, and brings back some integrity to the process is sorely needed." One suggestion that has emerged over the years is the idea of bridging the gap between the two employment categories, or at least lessening the differences between them. According to the task force report, "The idea of a Joint Development Corps was developed in 1994 to merge the dual CS/FS system and create increased transparency, flexibility and efficiency in the personnel system. Implementation of such a system requires legislative change."

The current split causes tension in multiple aspects of employee relations at USAID. Civil Service

employees perceive themselves to be the continuity in Washington, the ones who stand by the agency decade after decade and weather all the changes and ups and downs. In contrast, they see the FSOs as beneficiaries of the agency's rules, empowered to make more decisions. and treated with more deference and appreciation. "We're not just administrative," one CS employee emphasized. "The agency was downsized on the backs of the Civil Service," said another, "and the work didn't just go away; we just have more of it to do now." A sense that CS employees are on a lower caste rung pervades the service, in an agency where even some FSOs feel unappreciated. Employees, both CS and FS, overwhelmingly emphasized the importance they attach to their agency's work and accomplishments, valued their own roles in the agency's successes, and felt strongly that people outside the agency should respect its crucial contributions.

Agency Culture

Many interviewees singled out the culture of the agency as in need of change. Although they perhaps exaggerate the extent of the cultural problem, it is important to note that many believe USAID's culture is an impediment to meaningful reform. "There is a culture of fear," asserted one employee. "I have had many individuals tell me not to rock the boat. Criticism is not taken in a professional light and retaliation is the expected." "All of the personnel in the Agency—management versus non-management, FS versus GS, professional versus support," wrote another employee, "need practice in working together."

Perhaps as an outgrowth of not feeling respected internally or by the public, USAID employees are very protective of the prerogatives they do have, to the point where this protectiveness may be a detriment to effective teamwork and sharing of information. "Everyone has their little fiefdom," according to one source. Some interviewees argued that the agency has become resistant to change to a harmful degree. "Over the years we've shifted from a culture of risk takers to risk-averse bean counters," stated one employee, who contended that the change was a result of taxpayer scandals and efforts from Capitol Hill to dismember the agency. He noted that a risk-averse culture is poorly suited to an agency like USAID, where there are no immedi-

ate or easily garnered rewards for work. "USAID is pre-venture capital," he argued, and so it must be willing to throw itself into risky situations where other organizations dare not tread. "It's an old-boy mentality here," added another agency professional, commenting on another aspect of the agency's internal culture, "where personal relationships and networking are crucial."

Employees spoke of the way USAID's allocation of its scarce funds influences how they view agency priorities. For instance, a widespread perception is that the agency does not culturally support entry-level workers, as evidenced by its failure to offer student-loan repayment options like the ones available at other government agencies and by its comparatively tiny training budget.

Several others questioned the agency's commitment to diversity. "It's ironic," said one employee, "that while we're trying to save the world, we don't value diversity internally." The 1997 task force report commented extensively on the need for diversity and the appreciation of its importance:

> Reengineering moved the Agency toward accomplishing its corporate objectives through teams made up of USAID employees, partners, stakeholders, and customers. This movement required a major shift in corporate thinking and, among other things, a thorough appreciation for the value of diversity to the Agency. Diversity awareness is a business imperative, requiring that employees and managers have a common understanding of the value of diversity, and be able to recognize, accept, and utilize human differences in working together to meet customer needs. Presently, there is no such mechanism established within the Agency for the specific purpose of ensuring that valuing diversity is reflected in all of our worldwide business activity. Various components within the Agency contribute to some form of diversity recognition, but little results are achieved in a large way because of this uncoordinated fragmentation. Effort is required to consolidate diversity initiatives and achieve the meaningful outcome of incorporating diversity as a core value.

Perhaps an aggravating factor to the tension between the CS and FS employees is the fact that the Civil Service is approximately 50 percent minority while the makeup of the Foreign Service is only about 20 percent non-white. The issue of diversity also came up with the non-governmental organizations interviewed for this study; some also cited achieving diversity as their biggest staffing challenge. Others brought up the issue of cultural sensitivity in the context of working with foreign employees from other cultures. "Ideas about leadership and competency are culturally variable," said one human resources manager, "and we can't just impose our models." Within USAID, many argued that the FSNs are not properly valued or compensated for their abilities and contributions.

Budgetary Constraints

The other aspect of USAID cited as a concern as frequently as morale was the budget. The agency's FY 2002 Operating Expenses (OE) were approximately $586.1 million. Information accompanying the budget request underlines how minimal the agency considers this amount to be. "Direct costs of the Agency's overseas presence, including U.S. salaries and benefits, represent over 50 percent of the requested OE costs," according to the request. It goes on to state:

> The Agency's overseas presence is indispensable to the effective management of the Agency's programs, the delivery of U.S. foreign assistance, improved situational awareness, and increased programmatic and financial oversight. It strengthens the U.S. Government's country knowledge base, providing alternative and valuable perspectives to U.S. policymakers. The request reflects the minimum funding required to effectively manage the Agency's programs. It will not permit USAID to expand staff or the number of posts where the Agency maintains a presence.

Some critical funding levels in this year's budget remain low or are even getting lower: the staff training and recruitment budgets remain tiny by comparison to most private institutions, and the information technology (IT) budget has actually declined over the last two years. By comparison, the Department

of State's training, IT, and recruitment budgets have grown substantially under Secretary Powell, who has argued vigorously for increased resources under the rubric of "diplomatic readiness."

Several of the 16 internal studies examined also emphasized that USAID is underfunded and cannot possibly operate on a tighter budget. In the mid-1990s the agency's OE budget was cut drastically, and many feel that USAID has still not fully recovered from the effects of the ensuing budget crunch. The agency underwent a major Reduction in Force (RIF), eliminating a significant percentage of its staff, although some positions later reappeared as program-funded PSC jobs, as opposed to OE-funded USDH jobs. While the number of PSCs has remained constant through the 1990s, because of the substantial personnel cutbacks, this employment category now represents about two-thirds of the workforce, as opposed to about half in 1990.

Perhaps even more critical than the size of the budget in any given year is its predictability. "AID needs more OE, and any organization needs financial predictability," argued one former administrator. The 2000 workforce analysis detailed the changes over the last 10 years, describing both the negative and positive changes that occurred in the wake of the cutbacks. "The biggest downside of the 'crunch' was that short-term budget battles took precedence over long-term workforce planning considerations," it begins. "To do effective workforce planning, there needs to be a clear view of Agency objectives and direction for three to five years. This did not exist." The 1998 report on U.S. foreign affairs from the Henry L. Stimson Center also commented on the need for predictable budgets for foreign affairs agencies. "Ultimately, all of this is reducible at some level to the hinge on which America's foreign policy apparatus swings: money," says the report of the limitations on the effectiveness of U.S. foreign policy. "The absence of a stable budget process for the nation's foreign policy apparatus is both symptom and cause of much that plagues the nation's foreign affairs institutions."

This lack of stability and predictability feeds the morale problem as well. When no one knows whether the agency will have its basic costs funded in any given year, many become frustrated and conclude that it's hopeless to begin new programs

or initiatives, since the whole picture may be different in a few months. The yo-yo budget syndrome merely reinforces the perception that Congress, OMB, and the Department of State don't understand or value USAID. This viewpoint may be reinforced by the substantial new resources made available to the State Department, enabling it to greatly increase hiring and in-service training.

Ultimately, Congress and OMB are the bodies responsible for providing more funding for USAID. Several employees stressed the importance of communicating to Congress and OMB the great significance and worth that USAID employees see in their work.

Reforming Human Resources

1. Need for Increased Workforce Planning

USAID employees interviewed made clear their belief that the agency lacks a systematic, well-thought-out mechanism to determine how many and what kinds of staffers it ought to employ. The agency employs only one workforce planner, who is charged with the formidable task of tracking and analyzing attrition rates and other data that provide a statistical picture of how many employees in the various employment categories the agency needs to hire over a given period of time to maintain its current personnel profile. USAID has a limited ability to go beyond a workforce planning process intended to replace employees as they resign or retire, in part because of the unpredictability of the budget.

The 1997 Workforce Planning Task Force report described the agency's workforce planning as hampered by budgetary and legal constraints.

> Presently, workforce planning in the Agency is essentially budget-driven, largely ad hoc, and conducted primarily at the bureau level…. In the absence of an agreed-upon longer-term (e.g., three-year) Agency-wide workforce plan, the Agency lacks the flexibility to respond to changing priorities requiring the deployment of existing staff resources in a timely manner without inadvertently doing harm to other priority programs. Human resource management decision processes are not only

> ad hoc but often respond to employee rather than Agency needs. The Agency lacks a mechanism for addressing the needs of all categories of employees…. Part of the problem is the rigidity with which the Agency practices human resource allocation. There is no effective, systematic mechanism for reconciling proposed staffing decisions against such considerations as program scope, assistance levels, performance standards, overseas staffing, etc….

This appraisal stands true today, according to the consensus of interviewees.

Several interviewees emphasized the urgency of workforce planning, given the already high and still rising average age of agency employees. They expressed a concern that many of the older, more experienced FSOs could leave the agency at any time, taking decades of knowledge and experience with them. CS officers speculated that many of the older CS employees currently eligible for retirement were watching the U.S. economy, waiting for it to take a turn for the better before they left the agency; they believed that an economic upturn might spur a wave of retirees on the CS side, leaving that part of the agency also in relatively inexperienced hands. For these reasons, many recommended that the agency invest in training by creating a certain number of first-tour positions for junior employees, enabling them to work at the side of older, more experienced staffers and observe and learn by example. Currently the agency staffing levels are at such bare-bones levels that it cannot afford to create training positions in the field beyond those established to meet program responsibilities. While in the short term this approach may be fiscally prudent, in the long term it will lead to an inadequately trained workforce.

A second need is for a program to create a training "float" under which the agency would have sufficient personnel above established position ceilings to enable officers and staffers to take advantage of longer-term training without creating unacceptable vacancies in necessary program positions. The State Department's recent hiring surge was in large part justified by the need for such a training "float."

2. Need for Greater Focus on Recruitment

Many observers argue that USAID has not made recruitment a priority. There is widespread agreement that the agency simply does not do enough of it; frequently cited explanations always come back to insufficient staff and funds. According to Francisco Zamora, an agency employee writing in the September 2002 issue of the *Foreign Service Journal:*

> Recruitment is done by one rotating Foreign Service officer who works with a budget of barely $10,000 a year, compared to seven full-time recruiters at State, whose budget was increased by $500,000 this year. At this level, USAID can only be represented at two or three major job fairs a year. What's more, funds are practically nonexistent for promotional materials and advertising. Serious recruitment efforts simply cannot be implemented at this low level of support.

The agency used to have a separate recruiting office that was able to do more outreach than currently occurs, but the office was scuttled amidst the cutbacks of the 1990s, and now USAID is unable to pay for relatively standard expenses like those associated with bringing people to Washington for interviews. The agency's current lack of a staff specifically dedicated to recruitment compares unfavorably with the several professional recruiters on staff at many of the private institutions surveyed, as well as with the Department of State. "USAID is competing for officers in the same marketplace as the Department of State, World Bank, Department of Defense, other federal agencies, and the private sector," writes one officer involved in the recruitment process. The officer continues:

> USAID is at a substantial disadvantage from a financial perspective. At present, USAID does not [have] sufficient funding to offer a range of incentives to attract candidates, i.e., pay for interview travel to Washington, D.C. [or] cover relocation expenses for all new employees from outside the metro D.C. area, student loan repayment, or paid summer intern programs.

Numerous sources bemoaned the lack of outreach to entry-level professionals. Very few of those entering the agency are recent graduates. USAID used to bring a limited number of entry-level professionals into the workforce via the International Development Intern (IDI) program, but the program was phased out a few years ago. As a rough substitute, USAID has instituted the New Entry Professional (NEP) program, but this program is aimed at people with Ph.D.s and work experience, not recent college graduates. According to the agency's website, "The program is not intended to train people from the ground up, rather applicants need to have some starting point of expertise." The average age of employees coming in under the NEP program is 42, with the result that many cannot expect even 20- to 25-year careers.

This fact is especially significant in light of a recent *New York Times* article that reported on a survey demonstrating that interest in government work among young people is on the rise. "College juniors and seniors are increasingly interested in working for the federal government, despite their perceptions of the work environment as bureaucratic, old-fashioned, and politicized," according to the article. "Forty-one percent of the students surveyed said they would consider taking a job in government, and 75 percent said they viewed government employment favorably." Strikingly, Hispanics were the most favorably disposed to working for the government, followed by Asian Americans and then blacks, with white students the least interested in government work. The survey was commissioned for a book about how the federal government could revise its human resources policies to compete better with the private sector.

If USAID wants to capitalize on what a co-author of the book, Linda Bilmes, describes as an unusual "reservoir of good will," it must direct attention toward recruiting entry-level professionals, something it currently does very little of. One employee suggested that the agency should develop a "more innovative approach to recruitment. For example, active university recruitment, including a formalized summer or year-long internship." Another employee argued that the agency should establish "a 'Junior International Development Corps' of young people in high school or some such similar program that brings youth into regular contact with development issues, as well as potentially training them as future officers of the Agency."

USAID also might take advantage of the high levels of minority interest in government work by targeting more of its recruitment efforts at minorities. Although there is significant diversity in the agency's workforce, more needs to be done; some minority groups, such as Latinos, are still underrepresented, especially in the more senior positions. In his *Foreign Service Journal* article, Zamora cited the recent advances made toward hiring a diverse staff at the State Department. One HR professional from the private sector said that his organization also faced a "very serious diversity challenge," adding that the organization was undertaking "aggressive diversity hiring" to correct the problem. On the other hand, one USAID employee cautioned that diversity initiatives ought not to be implemented without proper support for minorities or women entering unfamiliar positions, since they might otherwise become discouraged and leave their posts. A group of Civil Service employees recommended that managers be required to undergo "cultural sensitivity" training to improve the somewhat strained relations these employees believe exist in some areas of the agency.

Special attention must be given to a major segment of the USAID workforce: PSCs. They are currently recruited and hired at the local mission level, and very little information on them is centrally available in Washington. There is no central database on PSC performance, for example, making it not entirely uncommon for a sub-par employee to be let go from a contract in one country, only to be rehired in another by an unsuspecting mission, where the staff has no easy way of checking the past performance of new employees. Now constituting about two-thirds of the workforce, PSCs present a special challenge to the agency's recruitment mechanisms. USAID has little to go on in formulating a policy on their recruitment and hiring, since it knows so little about the ones it has.

If the agency is to improve its recruiting, it must make better use of technology. USAID's website, the first introduction to the agency for many potential job seekers, is relatively bland with regard to employment opportunities. A person following the "employment" link on the site will find out that "limited opportunities exist for the New Entry Professional Program (Foreign Service), mid-level hires (Foreign Service), and also Civil Service appointments…." This person will not find any

indication of why he or she might want to work for USAID, or any real encouragement to do so. The excitement and challenge that many find in development work do not come through.

Agency staffers are optimistic, however, about the new AVUE automated recruitment system, intended to eliminate the cumbersome HR review conducted to screen out clearly unqualified applicants. Job seekers will now answer a series of questions online to determine whether they meet basic mandatory qualifications of citizenship and age limits. The newly implemented system is expected to reduce photocopying costs, as well as unnecessary staff time wasted in manually sharing documents that can now be viewed online. This improvement has the potential to shorten the lag time between employees' first contact with the agency and their eventual placement in a position, currently as much as 12 to 14 months. The other international organizations consulted also considered lengthy lag times to be an obstacle to better recruiting, since some applicants are so put off by the delay that they withdraw their applications or decline to apply at all, but the scale was different: in the private sector, six to eight months is generally the longest lead time facing an applicant. Even so, some of them do "pre-emptive hiring," soliciting applications in advance of when a new employee is definitely needed, to avoid staffing gaps.

USAID is trying to revive its recruitment efforts, but it is struggling to recover after what one employee calls the "lost generation" of the 1990s. According to materials accompanying the 2000 workforce analysis, "The Agency has done minimal recruitment in past years, necessitating resuscitation of its moribund recruitment efforts. This takes time and staff." At present, both the staff and budgetary resources necessary for recruitment are lacking.

One employee involved with the process suggests hiring someone to focus on this task:

> The appointment of a recruitment specialist (with additional contract support) would be most helpful. That individual, working closely with the Technical Centers and Missions, would be charged with getting a clear definition of the skills needed (education and work experience) appropriate for the line of work the individual will be

required to do. Recruitment teams should then be built, made up with one or two members of each Technical Center … and the strategist, and sent to various locations/job fairs/other fora in the U.S., including specifically targeted colleges and universities, to articulate the USAID story and the skills needed to carry out USAID's programs.

If the recruitment process is expanded and refined, some attention must be devoted to the question of what kinds of people are needed at the agency. Interviewees identified a trend toward hiring greater numbers of specialists who have particular expertise in areas such as health or agriculture. The agency still needs some generalists, however, who can consider an issue from many angles and are capable of becoming mission directors or USAID senior managers in Washington. Some consideration, therefore, must be given to the overall balance between specialists and generalists and to the career development needs of both.

3. Lack of Training Opportunities

For all its importance, training at USAID is considered to be undervalued and underfunded. In FY 2002, out of a total OE budget of an estimated $560,659,000, $6,141,000 was allocated for training, or just over 1 percent. Investment in training was another victim of the "lost generation" of the '90s. "There was no training of any kind for over a decade," one employee declares flatly. The training budget during that decade "went down to almost nothing … seriously affecting the development of staff especially, but not exclusively, in terms of managerial and leadership skills," according to the 2000 workforce analysis materials. "In recent years, the anemic training budget has gotten a much needed infusion of funds, but it is still not at an adequate level." Training is particularly important for USAID employees, not only to prepare employees for overseas service (in terms of language skills and cultural sensitivity) and to develop management skills, but also because of the rapidly changing technologies required to work in development fields such as health and education.

Training was described as crucial by all consulted. According to the 1997 task force report, "The need

for appropriate skills for USAID staff was universally accorded top priority by all groups interviewed by the Workforce Planning Task Force." However, the task force noted that, in 1997, "USAID's central training budget … was limited almost exclusively to computer training and mandatory training…. The lack of staff development, in the view of all interviewed, is leading to a dysfunctional AID."

The private sector treats training very differently. The task force report notes the training gap between government and private agencies: "Many observers believe that training in the federal government is inadequately funded; the Volcker Commission found that in 1989 the government spent 'about three-quarters of 1 percent of its payroll dollars on civilian training, compared with 3 to 5 percent in the most effective private firms.'" The task force recommends that USAID "seek to invest in staff development *at least* at the average rate of training for Fortune 500 corporations, which is approximately 2.19 percent of their operating budgets annually." One private organization reported that it spent at least 3 to 3.5 percent of its budget on training. "On training, you name it, we've got it," an HR professional from that organization stated.

Many employees identified a lack of institutional support for and commitment to training. "There's an attitude of, 'I wasn't trained; why should they be?'" said one FSO of managers' view of training for younger employees. "The training budget is seen as dispensable; it's hard to convince people that training is valid," added another interviewee. It is difficult to round up training dollars for general staff development, as opposed to technical training. In many cases, the training courses are available; it is only the funds and the political will that are missing. "On the issue of training, I think the agency needs to invest more time and money," said one employee in response to the 2000 survey. "I repeatedly 'hear' that training is important, but when I submit for a seminar or symposium the reply I get is that we're shorthanded and can't afford to send you."

Some CS employees surveyed said that they would like to see USAID recognize the benefits of training for employees outside the top echelons of the agency. "They'll send managers to grad school,

but they won't pay for my Spanish lessons!" one CS officer complained. One training resource of which the agency has not taken full advantage is the National Foreign Affairs Training Center, previously known as the Foreign Service Institute. Designed to be the center of training for all foreign affairs agencies, in practice it provides little more than language training for USAID personnel.

Workforce planning analysts underscored the importance of maintaining a training "float," or a layer of entry-level employees who would work and learn at the side of experienced officers, preferably for a period of up to five years. However, budgetary conditions are such that the agency cannot currently afford a training float. It has made some recent strides in increasing training resources. According to the 2000 workforce analysis materials, the agency "increased the number of upper-level managers trained externally through such programs as the Federal Executive Institute (FEI) and the Foreign Affairs Leadership seminar," as well as added some "in-house" programs. Money, however, remains a pressing issue:

> Among the impediments to delivering on training are lack of sufficient training funds and facilities to meet current demands for skills enhancement and staff development…. Not only will having the necessary training funds and facilities retain and develop a high quality workforce, but the Agency can improve its processes through improving the skills of its staff in such areas as creative problem solving, change management, team building, and risk taking.

4. Need to Increase Retention

USAID needs to implement a more effective retention strategy if it is to maintain the kind of workforce it needs to do its work, according to the consensus of those interviewed. Attrition rates for both FS and CS employees have hovered around 10 percent for the last several years. In FY 2001, the agency lost 10 percent of its FSOs and 11 percent of its CS employees to attrition, although that year, for the first time in several years, USAID was able to hire as many employees as left the agency. While financial considerations and flexible policies were seen as a critical part of that strategy, perhaps the primary concern related to the ability of employees

to form career expectations with some degree of certainty. "How would you explain a career plan to a new employee?" asked a union representative. The question was rhetorical; in an era of wildly fluctuating budgets and increasing dependence on contract assignments, it is difficult for employees entering USAID to predict what their careers will look like. The career counseling section was another casualty of the 1990s cutbacks. "There are no programs at all that will help employees to advance their careers," stated a response to the 2000 survey. "No student loan repayment plan, no scholarships or grants for employees who want to get a master's degree. This does not encourage young professionals to stay here."

Those who have made it through the application process and the long wait for security clearances often quickly confront vast uncertainty over what their long-term prospects at the agency might be. The Foreign Service Act requires a predictable "flow through the ranks," but that often does not occur, according to those interviewed. Instead, the promotion system remains an impenetrable mystery to some employees. The processes of assignment and promotion "need to be more 'transparent,' " claims one employee. "Currently, they appear to be driven by favoritism and political correctness. When assignment and promotion are driven by merit and potential, we will have a top-notch organization. Until then, expect continuing morale problems." While these assertions may be unduly harsh, they point to a need to reassess the promotion system.

The system of performance reviews was similarly widely faulted as being secretive and unfair. One employee described it as being wasteful to the point of being "dysfunctional." According to some sources, job requirements for a given position are often hastily imposed at the end of the year, solely for the purpose of filling out evaluation paperwork, providing little guidance to the employee who has been laboring all year under ill-defined expectations. "There is no performance feedback and no clear work objectives," according to one employee.

As the nature of the U.S. workforce changes, so does the appropriate retention strategy for an organization like USAID. More and more FSOs find themselves needing to consider their spouses'

employment chances in far-flung locales. One for-mer senior official notes that the agency faces ever greater numbers of "tandem couples" and a shrink-ing number of large missions that might be able to accommodate both wife and husband. According to a July 2002 *New York Times* article, a "record number of people" have applied to join the Foreign Service since September 11, yet the number of people willing to take assignments in dangerous or undeveloped areas has not increased nearly enough to meet the need, largely because of "secu-rity and lifestyle concerns." An NGO HR officer notes the growing challenge of accommodating expatriate lifestyles and families at her organiza-tion. Employees facing overseas employment are increasingly concerned about safety and schools for their children.

USAID has made considerable efforts in its Washington office to institute "family-friendly" policies, such as alternative work schedules, telecommuting, flextime, and job sharing. It recog-nizes the importance of employee retention, and, according to agency materials, the administrator "recently approved a slate of new or reinstituted retention and incentives policies," such as recruit-ment and relocation bonuses, tuition assistance, and on-the-spot cash awards. As with many other agency initiatives, however, "adequate funding to implement fully these policies remains a concern."

One special category of concern is the retention of FSN employees. "They're the continuity" at the missions, says one employee, and yet it has proven increasingly difficult to secure adequate salaries to retain the best FSNs. Since their health and retire-ment benefit plans are subject to local law, these packages are frequently, if not always, substandard. Many interviewees felt that the FSN population was wrongly overlooked as a group of competent, indeed crucial, employees who were not adequately or fairly compensated. One employee attributed the compensation problem to the fact that the State Department does not fully appreciate the value of FSNs to USAID, since foreign employees are largely confined to relatively low-level adminis-trative functions at U.S. embassies. As the remain-ing Direct Hire FSN positions disappear or convert to PSC status, it will only become more difficult to formulate an agency-wide policy on their terms of employment.

5. Changing the Human Resources Department

The human resources department attracted frequent criticism for being ineffectually organized. "Unfortunately, HR is not one of our stronger func-tions in the Agency," concluded one respondent to the 2000 survey. "There is little real career counsel-ing that happens, training is a mess, the staff has little confidence in HR functions, and records get lost or misplaced. This is an area that needs outside professional help." This recommendation echoes other assertions that the "professionalism" of the HR department must be strengthened.

Reasons given for the problems vary. One assess-ment made multiple times was that the organiza-tion of the HR department as such simply did not make sense. "The whole concept of 'human resource systems' is not conducive to managing people," according to one survey comment. "It is a device that puts the system above the people. In large organizations, the management of people has to be brought down to the 'team' level. Only the mechanical, largely automated operations need to be at Agency level." Another diagnosis was that the CS/FS split that troubled the whole agency was particularly acute in HR. Most HR employees are from the Civil Service; out of about 70 employees, currently only eight are FSOs, and those are mainly in leadership positions. "The Agency needs to over-haul our HR office," said one survey comment. "We need staff who understand what the Foreign Service is all about. As the only FSO in HR/Staffing (a few years ago), I found it difficult to work with CS employees who had no idea what we did over-seas." Another respondent simply recommended that the agency recognize "human resources as a profession and not a catch-all for FS officers who have no place to go."

Although the administrator has cited management as a high priority, and is clearly concerned about human resource issues, there remains a sense that HR is a low priority. Real attention needs to be devoted to the structure and functions of this department if meaningful agency-wide personnel reform is to succeed.

Conclusion

A review of USAID's personnel policies provides a clear picture of a system in need of reform. One need not accept all the specific conclusions employees make or agree with all their complaints, but there is obviously a strong and vocal constituency for change. While one could focus on any number of ways in which the system needs improvement, four areas are critical: the agency's fundamental mission, the legal constraints, the budget, and the question of morale and public image. These issues overlap and must be considered jointly in order to formulate a coherent strategy for improving USAID's human resources.

USAID's basic mission and scope must be clearly articulated before more minor reforms can go forward. The world of development assistance has changed greatly during the agency's 41 years of existence, as has the U.S. government, and USAID's place in this new world needs to be deliberately considered—and possibly reimagined. Employees were united in their desire to work for an agency with a clear sense of purpose and direction. While the agency had hoped for the infusion of substantial additional resources from the Millennium Challenge Account, that will not occur. Indeed, its creation may adversely affect the agency's programs and lead to some direct attrition.

USAID's modern mission may well require a new set of laws to govern the agency's personnel. Currently, the agency operates under a patchwork of legal directives that were not written in a coordinated fashion. Legislators often had other agencies in mind when drafting legislation that affects USAID, with the result that the applicability of some laws to USAID is only incidental. Many of those interviewed cited the variety of legal mandates that apply to the agency as a distinct hindrance to an effectively run organization. In fact, several proposed reforms with wide support bump up against legal constraints. Agency officials can go only so far with internal personnel reform without the support of a new legal paradigm crafted specifically for USAID. The 1980 Foreign Service Act and the Foreign Assistance Act, in the eyes of many, are outdated or insufficient.

However the agency's work is to be carried out, the ultimate success of its programs rides on an adequate and stable budget. While some of the challenges facing the agency will necessitate rethinking and reorganization, some areas simply require more money. It is counterproductive to have to operate under an unpredictable budget. In order for the long-term planning vital to the agency's future to take place, USAID needs to have some assurance that it can fund such initiatives. Neither agency staffers nor the developing countries they aid are served by an unpredictable OE budget. The budget must keep pace with overall program budgets if USAID is to fulfill its mission.

A clear mission, sensible laws, and a stable and ample budget would go a long way toward improving morale at USAID. The question of morale, however, is one that merits consideration in its own right. It is also one that is inextricably linked to the question of respect and appreciation for the agency's work—from the public, Congress, OMB,

and the State Department. Low morale levels and a negative public image are two self-reinforcing variables. Sagging internal morale inhibits the agency from doing its best work, thereby contributing to the image problem, and the lack of external respect only exacerbates the agency's internal problems. The two cannot be addressed separately. Especially in an era of heightened national concern over security, it is critical that the agency's contribution to vital U.S. interests be acknowledged and rewarded. The structural reforms begun by Administrator Natsios are important steps in this direction, but the Secretary of State and members of the national security community also need to speak out. Once it is clear that USAID's mission is valued, its many dedicated and loyal employees will share in the sense of collective worth.

While there are many reforms that could be made on a micro level, these macro issues require immediate attention. USAID's work is too important to continue with an inadequately defined mission, poorly designed laws, a bare-bones budget, and sagging morale. While the smaller issues will not disappear on their own, they would be greatly ameliorated if the larger issues were addressed first.

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Appendix I:
Forum Participants

Affiliations as of October 2002.

Human Capital for Development: 21st Century Requirements
Belmont Conference Center
October 6–8, 2002

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Appendix II:
Forum Agenda

Human Capital for Development: 21st Century Requirements
Belmont Conference Center
October 6–8, 2002

Sunday, October 6

Session I	*Requirements for a 21st Century Workforce*
8:30-10:00 p.m.	Overview: Hannah Sistare
	Executive Director, National Commission on the Public Service

Monday, October 7

Session II	*AID Priorities and Challenges*
8:30-9:30 a.m.	Andrew Natsios, Administrator, USAID

Session III — *Creating a High Performance Culture*
9:30-11:00 a.m. — Discussion of How to Move Toward an Organization That Values and Rewards Management Skills and Talents

Session IV — *Defining a Workforce Suited to the Task*
11:15 a.m.-12:30 p.m. — Discussion of USAID Core Functions, Strategic Workforce Planning, Striking a Balance Between Specialists and Generalists, and Between U.S. and Foreign Nationals

Session V — *Strategic Sourcing*
2:00-3:00 p.m. — Responding to Changing Priorities; Surge Requirements; Filling Skill Shortages (Effective Use of FSNs, PSCs, International Contractors)

Session VI — *Recruiting a Workforce Suited to the Task*
3:00-4:00 p.m. — Discussion of Recruitment Systems: AID, State Department, NGOs, and the Private Sector; Use of the Internet, the Media, On-Campus Recruiting

Session VII — *Training Strategies and Challenges*
4:15-5:15 p.m. — Development of Management Skills; Maintenance of Existing Skills; Training Techniques—Distance Learning vs. Classroom; In-House (Including NFATC) vs. Outsourced

Tuesday, October 8

Session VIII — *Career Expectations and Retention Issues*
8:30-10:00 a.m.
- Identifying, Promoting, and Keeping the Best and the Brightest
- Spousal Employment/Tandem Couples
- Family Health, Education, and Elder Care
- Benefits, Allowances, and Bonuses

Session IX — *Development of an Action Plan*
10:15-12:00 p.m. — Finalizing Recommendations
- Identification of Action Responsibilities
- Discussion of Resource and Legislative Implications

A B O U T   T H E   A U T H O R S

Anthony C. E. Quainton is President and CEO of the National Policy Association. He served in the U.S. Foreign Service for 38 years, completing his career there as director general of the Foreign Service and director of personnel. After retiring from the Foreign Service, he served as executive director of the Una Chapman Cox Foundation before joining NPA.

During his career in the Foreign Service, Quainton served as Assistant Secretary of State for Diplomatic Security from September 1992 to December 1995. Earlier, he served tours as U.S. Ambassador to Peru, Kuwait, Nicaragua, and the Central African Empire. Earlier in his Foreign Service career, he headed the U.S. government's counter-terrorism program as director of the Office for Combatting Terrorism.

A member of the American Academy of Diplomacy and the Washington Institute of Foreign Affairs, he serves on the International Policy Committee of the U.S. Catholic Conference and as vice president of both the Public Diplomacy Foundation and the Lions Foundation of Washington, D.C.

Quainton received a bachelor of arts, magna cum laude, from Princeton University in 1955. He attended Oxford University as a Marshall Scholar and received a bachelor of letters degree in 1958.

Amanda M. Fulmer joined NPA in August of 2001 as a research fellow from Princeton Project 55, a public interest program sponsored by Princeton University's class of 1955. She worked on NPA's Cuba project on foreign investment and worker rights. In February 2002, Fulmer directed a major conference in Lima, Peru, entitled "Equity and Growth: The Role of Civil Society in Sustainable Development." In June of 2002, she began her research project on personnel policies at the U.S. Agency for International Development.

Fulmer received a degree in politics and certificates in Latin American studies, Spanish language and culture, and political theory from Princeton University in 2001.

K E Y   C O N T A C T   I N F O R M A T I O N

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