



# Workplace Culture Study of the Office of Financial Research: Quantitative and Qualitative Analyses

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Office of Minority and Women Inclusion (OMWI)  
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and the Office of Financial Research

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## Purpose and Background

This study was sponsored by the Office of Minority and Women Inclusion (OMWI), the Office of Civil Rights and Diversity (OCRD), the Office of General Law, Ethics, and Regulation (GLER), the Office of Human Resources, and the Office of Financial Research (OFR) at the US Treasury. The OFR contracted with CRA, an economic and management consulting firm, to conduct the studies. Dr. David Lamoreaux with CRA conducted the research presented in Part I of this report. Dr. Michael Campion of Purdue University, on subcontract with CRA, and Quenton Wright of CRA conducted the research in Part II of this report. The research was conducted by separate teams in order to maintain independence within the research process on the respective issues. See Appendix A for a brief description of the researchers.

Part I (quantitative analyses) of this report provides data-driven insights into actual employment outcomes and complements Part II (qualitative analyses) of this report which focuses on employee feedback about workplace culture. Part I of this report describes the methods and findings of statistical analyses designed to assess whether there is statistical evidence of adverse patterns and practices in employment related decision-making processes at the OFR related to gender and race/ethnicity.<sup>1</sup>

Part II complements the statistical analysis by collecting narrative data to understand the issues qualitatively. Part II of this report includes the qualitative analyses that are a result of listening sessions and interviews with employees and managers at OFR conducted to elicit employee feedback about workplace culture, with a focus on diversity, inclusion, fairness, employee engagement, empowerment, and trust.

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<sup>1</sup> The impetus for this study was a desire to improve workplace culture at the OFR and a YouTube video that made certain allegations regarding employment practices at the OFR. The findings of this study do not provide support for the allegations made in the YouTube video.

## Part I: Quantitative Analyses

### Executive Summary

Charles River Associates (“CRA”) was asked to assess whether there is statistical evidence indicative of patterns of discriminatory practices in the Office of Financial Research (“OFR”). The analyses, opinions and recommendations were developed independent of the sponsors of the study and the OFR. Analyses were conducted across a broad array of employment outcomes to assess whether the outcomes were consistent with a decision-making process that was not influenced by gender or race/ethnicity (e.g., neutral with respect to gender or race/ethnicity). The employment outcomes studied include:

- Applicant selections for hire
- Starting base salary
- Performance ratings
- Merit pay increases
- Current base salary
- Award selections
- Promotions
- Separations

Appropriate data, relevant to the aforementioned employment outcomes, were gathered and appropriate statistical techniques were used to assess whether gender or race/ethnicity may have played a role in employment decision-making processes.

The findings are generally consistent with gender and race/ethnicity neutral employment decision-making processes. There is no evidence of a pattern and practice of adverse decisions with respect to gender or race/ethnicity in any employment practices analyzed. Instead, the analyses of the different employment outcomes are overwhelmingly neutral with respect to gender and race/ethnicity and are among the most neutral or favorable that CRA has observed for an employer.

The analyses did identify isolated outcomes that were statistically adverse or favorable to members of the protected groups studied. Given the large number of analyses conducted, one would expect some statistically significant differences to have occurred by chance alone, some adverse and some favorable. Thus, as observed at the OFR, the identification of isolated statistically significant differences, both adverse and favorable to the protected groups studied, is not unexpected.<sup>2</sup>

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<sup>2</sup> This is not to suggest that statistically significant differences should be ignored; only that from a statistical perspective we would expect some statistically significant differences to have occurred purely by chance. It is recommended that particular attention be paid to the identified decision-making practices to make sure that processes are being implemented in accordance with stated policies and best practices.

## Introduction

Statistical analyses are useful for identifying potential areas of risk or concern, but they are unable to conclusively determine that differences in outcomes are the result of discrimination. By nature, statistical analyses are based in probability and can only reveal whether an observed outcome was likely or unlikely to have occurred by chance under the assumption of a process that is neutral with respect to gender and race/ethnicity. The likelihood of chance occurrence is commonly measured using standard deviations.<sup>3</sup> Social scientists and the courts generally conclude that a difference that is approximately two or more standard deviations is large enough to say that the observed outcome is unlikely to have occurred by chance.<sup>4</sup> Differences that are less than two standard deviations are not statistically significant and do not provide statistical support for the contention that the observed outcome is influenced by gender or race/ethnicity.

Also note that, given the laws of probability and the definition of statistical significance commonly used by social scientists and the courts, even in pure random processes, we expect to observe an adverse and statistically significant result in approximately 2%–3% of the results. We have conducted approximately 900 different analyses, therefore we expect to see some results that are statistically significant purely by chance alone, even if all facets of the decision-making process were completely neutral with respect to gender or race/ethnicity. The key question we have been asked to address is whether there are consistent patterns that are adverse to the protected groups of interest. Isolated findings of statistically significant differences, while they shouldn't be ignored, do not provide support for an allegation of a pattern and practice of discrimination.

If an outcome is unlikely to have occurred by chance, that is, the outcome is statistically significant, then one is left to determine what other factors could be responsible for the observed differences. One possibility is that gender or race/ethnicity was a factor in the decision-making process. However, it is also possible that some other legitimate business/organizational factor correlated with gender or race/ethnicity may explain the apparent difference. Often such information is not available or cannot be easily quantified. As an example, the amount of relevant prior work experience often plays a role in hiring decisions and starting pay decisions. The quantity of potential prior work experience is generally available based on an age approximation. However, the prior work experience's actual quantity, quality, and relevance to the job being performed is generally not available in employers' data files even though it frequently explains some or most of any starting pay differences observed in studies.

Therefore, statistical analyses can tell the analyst whether an outcome is consistent with a neutral decision-making process. However, if after the analysis has accounted for measurable and legitimate components of the decision-making process, the result is not consistent with a neutral process, then the findings serve as a starting point for further investigation into whether gender or race/ethnicity may have played a role in the decision-making process.

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<sup>3</sup> One can also directly measure the probability of chance occurrence.

<sup>4</sup> *Hazelwood Sch. Dist. v. United States*, 433 U.S. 299 (1977).

## Data Collection

Data for the analyses referenced in the report were provided to CRA by the Department of Treasury. The data consist of the following items:

- Standard Form 50 Employment History: A historical record of employment actions for each individual ever employed at the OFR (PII removed). It includes information on salary changes, job changes, occupational series changes, promotions, demotions, organizational structure changes, and other historical data for each employee. It serves as the basis of many of our analyses.
- Performance Ratings: Annual performance ratings were provided for each fiscal year an employee was eligible to be evaluated.
- Organizational Information: In analyses performed in the current year, employees were grouped by organizational unit. This information was provided for active employees as of January 31, 2017, but was unavailable historically as it required a time-intensive, manual process to collect the organizational information.
- Applicant Flow Data: Applicant flow data were provided in anonymized and summarized tables showing the number of applicants (grouped by gender and race/ethnicity) that reached each stage of the applicant process. Information was provided for all applicants who applied in fiscal years 2011 through 2016. Applicants had the option to self-report their gender and race/ethnicity. Approximately 76% of applicants self-reported their gender, and approximately 75% of applicants self-reported their race/ethnicity.
- Demographic information: Data pertaining to race, ethnicity and gender were provided to CRA as having already been attached to the data sources previously described. However, it is our understanding that the source file for this information is the Treasury Workforce Analytics data.

In addition to the data collected, CRA also reviewed multiple Human Resource policy and procedural documents maintained by the Treasury and the OFR to understand the various employment processes at the OFR. After review of these documents, CRA also engaged in calls with subject matter experts familiar with the OFR's employment practices.

## **Statistical Methods**

The many questions we set out to address required nearly as many different statistical methods to address the questions. The analyses we used can each be classified into one of the following categories:

### **Selection Analyses**

A selection analysis method was used when the outcome of interest was whether or not an individual was selected from a specific population. We used this technique to address selection differences in hiring, promotions, employee awards, and terminations among members of the protected groups and their comparator groups. This type of analysis consists of grouping individuals into pools of similarly situated people and determining whether the protected group of interest was selected consistent with the portion of the population they represent within the pool. For example, suppose there are 100 balls in a hat, 75 are blue and 25 are red. One would expect that, on average, if 20 balls are to be selected from the hat, 75% (15) would be blue and 25% (5) would be red. However, in any single selection of 20 balls it would not be unexpected to observe 18 blue and 2 red or 14 blue and 6 red. It would be rare, though, to have all 20 be blue, and incredibly rare to have all 20 be red. The probabilities of these expected outcomes are easily calculated and we can compare the expected outcome (15 blue and 5 red) to the actual outcome to determine whether the observed selections are likely or unlikely to have occurred by chance given the underlying probability of obtaining the actual outcome.

It should also be noted that when working with small samples, as we do in some of the analyses in this report, an outcome with zero or very few selections can be a highly probable outcome even in a random process. This is because there are so few selections being made or because the group of interest represents such a small portion of the overall population.

External factors that influence selection, such as occupational series and pay band, can be accounted for by using them to define pool groupings. Once the pool groupings are determined, the actual selection rates and the expected selection rates for each pool are aggregated across pools within each protected group using the Mantel-Haenszel aggregation technique to the desired reporting level and the standard deviations associated with the observed aggregate outcome are computed and reported.

### **Multiple Regression Analyses**

Multiple regression is a technique that can be used to estimate the average impact of one particular factor on a given outcome after filtering out effects that are attributable to other factors. The outcomes generally assessed using standard multiple regression techniques are continuous in nature. For example, two outcomes of interest in Part I of this report are starting pay and current pay, which can both be treated as continuous outcomes (as opposed to discrete/categorical outcomes).

We rely on multiple regression when analyzing whether gender or race/ethnicity is correlated with observable differences in starting base salary or current base salary after accounting for other important factors that are related to pay, such as the nature of the work, the level of responsibility, the amount of potential prior work experience an individual may have, etc. We interpret the impact of the gender or race/ethnicity factor as the impact on pay that is correlated with having that particular characteristic relative to the group that does not have that characteristic after accounting for the influence of all other factors in the model. For the gender analysis, the reference group is male employees and for the race/ethnicity analysis the reference group is white employees.

We expect to find some differences in the adjusted average pay between the groups. However, the important question to address is how much of a difference is too much? Multiple regression also allows us to answer this question by assigning probabilities to observed differences based on the underlying distributions of pay for two groups. As an example, for entry-level employees earning an average of \$30,000 per year, a difference of \$2,500 per year would be substantial. However, for high level managers earning \$200,000 or more per year, a \$2,500 average difference in pay may not be as material. We use the underlying distributions to determine whether an observed difference is unlikely to have occurred by chance, given the assumption that the two groups have the same distribution of pay. We use the associated standard deviations of the pay difference to determine statistical significance.

### **Ordered Logistic Regression**

Ordered logistic regression is appropriate when the outcome of interest consists of discrete categories that have a natural ranking to them and is used when the analyst wants to account for factors other than gender or race/ethnicity for determining average differences in the outcomes.

Ordered logistic regression is a statistical method that addresses differences in ordered outcomes such as performance ratings in terms of the likelihood of receiving a particular rating or a better rating, relative to receiving lower ratings. We can then assign statistical significance to the size of the difference in likelihoods between protected groups and their comparator groups. The technical details of how this works are outside the scope of this report, but are commonly found in many advanced econometrics or statistical textbooks.

In our analyses, we used ordered logistic regression to assess whether there were differences in performance ratings. Performance ratings at the OFR are issued as numeric scores ranging from 1 through 5 where 1 is poor and 5 is best. However, the numeric scores are simply labels used to distinguish top performers from lesser performers. The actual difference in performance is not measurably captured by the numbers (i.e., the benefit of receiving a higher ranking is not linear in nature). For example, it is unknown whether the difference in performance between someone receiving a 2 compared to someone receiving a 3 is equal to the difference in performance between someone receiving a 4 and someone receiving a 5. All that is known about the rankings is that the individual receiving a 5 is a better performer than one who receives a

4, and one who receives a 4 is a better performer than one who receives a 3. We do not know how much better the rating is valued in either case. For this reason, multiple regression analysis is not appropriate as it would treat the difference between someone receiving a 3 and someone receiving a 4 the same as the difference between someone receiving a 4 and someone receiving a 5.

## **Applicant Flow and Hiring**

### **Outcomes Analyzed**

The primary objective of this analysis was to assess whether females and minority group members were selected for employment at rates similar to their male and white comparators.<sup>5</sup> The ultimate outcome of interest is whether a candidate was successful or unsuccessful in obtaining a position.

The hiring process at the OFR consists of issuing either a single announcement or multiple announcements for the same position targeting different audiences. Separate announcements are made for the general public and for employees of other government agencies. The application process and evaluation methods are different for these two types of announcements even though candidates may eventually compete for the same position. As a consequence, we analyzed intermediate application outcomes in addition to the final outcome of whether a candidate received an offer as a way to account for the different processes among the two groups. In the last stage, when the offer decision is made, the applicants who have successfully made it to that stage from either type of announcement are considered together.

### **Methodology**

We used the selection analysis method, performed on a stage-by-stage basis, to analyze requisitions posted for fiscal years 2011–2016. The status descriptions in the applicant flow data represent the last known status of an applicant. With input from OFR subject matter experts, we grouped these statuses into categories that represent three primary stages of the application process.<sup>6</sup> The three stages that were considered are:

- Stage 1: Among all applicants, which applicants met the minimum qualifications?
- Stage 2: Among applicants who were successful in Stage 1, which applicants were selected for the Certificate of Eligibles?
- Stage 3: Among applicants who were successful in Stage 2, which applicants were offered a position?

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<sup>5</sup> Approximately 76% of applicants self-report their gender and approximately 75% of applicants self-report their race

<sup>6</sup> The full list of codes and the stages they correspond to are provided in Appendix B.

Applicants for cancelled announcements, applicants who withdrew their application, and applicants that were otherwise indicated as having self-selected out of consideration were not included in the analysis.

In each stage, applicants were divided into pools of similarly situated individuals. Within each pool, the actual number of successful protected group applicants was compared against the expected number of successful protected group applicants given their representation in the pool relative to their direct comparators<sup>7</sup>. For example, if there were 10 selections made from a given pool of applicants and females represented 30% of the population in the pool, then the expected number of female selections would be 3.

In Stage 1, the pools are defined as applicants from the same source (public or government), and applying to the same announcement number, for the same occupational series, and same pay band.

In Stage 2, the pools included applicants who were successful in Stage 1. The pool definition was identical to the Stage 1 definition except that for public announcements, veterans' preference status was also part of the pool definition, as it is required by law to be part of the OFR employment decision-making process.

In Stage 3, the pools included applicants who were successful in Stage 2. Announcement numbers for different sources (public or government), but for the same position, were grouped together into a single announcement as applicants at this stage are considered together regardless of whether they came from a government or public announcement.<sup>8</sup> Similar to Stage 2, series, pay band, and veterans' preference were part of the pool definition in Stage 3.

The difference between the actual and expected number of successful applicants was computed. These differences were then aggregated across all of the pools using the Mantel-Haenszel aggregation technique for each gender and race/ethnic group to determine the OFR-wide difference between actual and expected selections for each stage. The probability of these differences occurring by chance given a neutral selection process and the associated standard deviations were calculated and are reported for each of the protected groups in Table 1 below.<sup>9</sup>

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<sup>7</sup> The total population of each pool is defined as only the sum of two groups, the applicants in the protected group of interest and the applicants in the relevant comparator group (e.g., male and female only or white and Asian only). Applicants from the other categories (including unknown race or unknown gender) are not considered in the calculation, which is why the total selections in the pools shown in Table 1 differ across the protected groups analyzed.

<sup>8</sup> Consecutive announcement numbers of different types were treated as the same announcement number in the final stage based on our discussions with OFR subject matter experts about how to determine whether two announcement numbers were tied to the same position opening.

<sup>9</sup> A binomial distribution was assumed for the neutral selection process (selection with replacement) because the candidate pools generated are proxies for the actual pools that existed at the time the decision was being made. The pools are proxies for the actual pools because not all applicants' gender and race/ethnicity is known in the pools.

## Findings

Table 1 below shows our findings for the different groups in each of the three stages.

*Table 1: Stage-wise Selection Analysis for Positive Applicant Outcomes by Protected Group*

Protected Group/ Comparator Group	Stage 1		Stage 2		Stage 3	
	Total Selected in Pool	Binomial Number of Standard Deviations	Total Selected in Pool	Binomial Number of Standard Deviations	Total Selected in Pool	Binomial Number of Standard Deviations
Women/Men	19,137	2.52	7,328	-0.74	178	0.93
Unknown Gender/Men	17,204	0.57	6,920	-0.45	179	1.93
Asians/Whites	9,810	2.09	3,800	-0.13	132	-1.06
African Americans/Whites	13,692	-1.03	5,276	-0.06	124	-3.05
Hispanics/Whites	8,707	-0.94	3,382	0.31	104	-2.33
Unknown Race/Whites	13,656	-0.14	5,249	-0.23	170	0.02

Color Legend  Adverse  Neutral  Favorable

### Women:

Women were more likely than men to meet minimum qualifications and advance to Stage 2. However, there is no statistical difference in the likelihood that women are selected for the Certificates of Eligibles (Stage 2). Furthermore, women are statistically just as likely as men to be offered a position with the OFR (Stage 3).

### Asian:

Asian applicants were more likely than white applicants to meet the minimum qualifications and advance to Stage 2. However, there is no statistical difference in the likelihood that Asian applicants are selected for the Certificates of Eligibles (Stage 2) relative to white applicants. Furthermore, the observed difference in offer rates (Stage 3) for Asian applicants compared to white applicants is also consistent with a neutral decision-making process.

### African American:

African American applicants were just as likely to meet the minimum qualifications as their white counterparts. Among those that met the minimum qualifications, African American applicants were as likely as their white counterparts to be selected for the Certificates of Eligibles (Stage 2). However, among the applicants selected for the Certificates of Eligibles, there is a statistically significant difference in the offer rates (Stage 3) of African American applicants relative to their white counterparts. Had there been just one

additional African American selection per year, the difference would have been statistically neutral.

A close review of the underlying pools finds that the overall adverse result in this stage is driven by applicants to the 301 Miscellaneous Program & Admin occupational series. This particular series is a “catch-all” series, including a diverse set of jobs. This is an isolated finding and is not necessarily evidence of a pattern and practice that is adverse to African American applicants, but we do not wish to dismiss it either. We recommend that a closer review of this occupational series focus on whether policies are being followed and whether the applicants within each of the requisitions are in fact similarly situated with respect to characteristics that impact the likelihood of being selected for a position.

Hispanic:

Hispanic applicants were just as likely to meet the minimum qualifications as their white counterparts. Among those meeting minimum qualifications, Hispanic applicants were similarly likely as their white counterparts to be selected for the Certificates of Eligibles (Stage 2). However, the data show that Hispanic applicants were less likely to receive an offer (Stage 3) relative to their white counterparts. Had there been just one additional Hispanic selection across all years analyzed, the result would have been statistically neutral.

A closer review of the underlying pools finds that the overall adverse result in this stage is driven by applicants to the 301 Miscellaneous Program & Admin occupational series and the 2210 Information Technology Management occupational series (though neither of these is statistically significant on its own). We view these findings as isolated incidents and not evidence of an adverse pattern and practice with respect to Hispanic applicants. We recommend that a closer review of these series focus on whether policies are being followed and whether the applicants within each of the requisitions are in fact similarly situated with respect to characteristics that impact the likelihood of being selected for a position.

Unknown race or gender:

Approximately one-fourth of applicants did not report race or gender. If this information were known for some or all of these applicants, the conclusions drawn for women or minority groups may be impacted.

## **Starting Base Salary**

### **Outcomes Analyzed**

The OFR is a relatively young entity and, in its early years, hired a large number of employees in a very short time period. Pay-setting policies were varied and still under development during that time, so an analysis of starting pay is an important component that may reveal whether there were unintended differences in how starting pay was set

for protected group members. We assessed all hires from January 31, 2011, through January 31, 2017.

## **Methodology**

We used the first OFR historical entry in the Standard Form 50 data to identify the starting base salary, starting occupational series, year of hire, and starting pay band for each individual. We calculated prior government experience based on government service date and hire date. We also created a proxy for other potential prior work experience based on the employee's age either at the time of hire for those with no prior government experience, or based on their age as of the government service date for those with prior government experience. Hires into pay band 80 were excluded from the analysis because these are the highest ranking employees and typically occupy unique roles.

We estimate the difference in pay between the protected groups and their comparator groups using multiple regression, accounting for the factors mentioned above. We report the difference as a ratio similar to the cents per dollar statistics that are common in media reports about the gender pay gap. The estimated differences are interpreted as the average amount of earnings of the protected group for every dollar of earnings of the comparator group after accounting for pay differences that are attributable to differences in series, pay band, prior government work experience, other prior work experience, and year of hire.<sup>10</sup>

## **Findings**

We find no evidence of differences in how starting pay was set for any of the race or gender groups relative to their comparator groups. The detailed findings are shown in Table 2.

*Table 2: Analysis of Differences in Starting Base Salary*

Protected Group/ Comparator Group	Pay Gap	Smallest Pay Gap That Would Be Statistically Neutral	Largest Pay Gap That Would Be Statistically Neutral	Number of Standard Deviations of the Difference	Percentage of Variation Explained by the Model	Model is Statistically Reliable	Number of Variables in the Model	Number of Protected Employees	Number of Comparator Employees
Women/Men	\$1.01	\$0.97	\$1.03	0.48	86.63%	Yes	37	123	332
Asians/Whites	\$1.02	\$0.96	\$1.04	0.83	86.55%	Yes	41	60	332
African Americans/Whites	\$1.00	\$0.96	\$1.04	0.06	86.55%	Yes	41	58	332
Hispanics/Whites	\$0.97	\$0.93	\$1.07	-0.80	86.55%	Yes	41	14	332

Color Legend Adverse Neutral Favorable

<sup>10</sup> We also estimated models that included additional controls for education levels but found no meaningful difference in our conclusions.

#### Women:

There is no statistical difference in the starting pay of women relative to men. We estimate that for every \$1.00 of starting pay a man received, the average woman received \$1.01. This finding is well within the range we would expect to have found by chance alone, which includes differences ranging between \$0.97 for every \$1.00 and \$1.03 for every \$1.00.

#### Asian:

There is no statistical difference in the starting pay of Asian employees relative to white employees. We estimate that for every \$1.00 of starting pay a white employee received, the average Asian employee received \$1.02. This finding is well within the range we would expect to have found by chance alone, which includes differences ranging between \$0.96 for every \$1.00 and \$1.04 for every \$1.00.

#### African American:

There is no statistical difference in the starting pay of African American employees relative to white employees. We estimate that for every \$1.00 of starting pay a white employee received, the average African American employee received \$1.00. This finding is well within the range we would expect to have found by chance alone, which includes differences ranging between \$0.96 for every \$1.00 and \$1.04 for every \$1.00.

#### Hispanic:

There is no statistical difference in the starting pay of Hispanic employees relative to white employees. We estimate that for every \$1.00 of starting pay a white employee received, the average Hispanic employee received \$0.97. This finding is well within the range we would expect to have found by chance alone, which includes differences ranging between \$0.93 for every \$1.00 and \$1.07 for every \$1.00.

## **Performance Ratings**

### **Outcomes Analyzed**

The OFR gives annual performance ratings of the following values: “Outstanding”, “Exceeds”, “Fully Successful”, and “Unsuccessful”. These are captured as numerical values in the data where a 5 represents “Outstanding”, a 4 represents “Exceeds”, a 3 represents “Fully Successful”, and a 1 represents “Unsuccessful”.<sup>11</sup> As with any performance management system, there is a subjective component to these types of rankings and so we reviewed the ratings assigned to the different protected groups to determine whether there are statistically significant differences in the ratings received by the different protected groups.

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<sup>11</sup> From discussions with subject matter experts it is our understanding that the numerical value of 2 is not assigned.

We also investigated whether there are differences in the “halo effect” for protected group members relative to their comparator group members. The halo effect occurs when individuals who receive a high rating in one year are more likely to receive a high rating the next year relative to those who did not receive high ratings in the first year. Differences in the size of the halo effect for the different protected groups could be indicative of unintended biases.

The population analyzed includes employees who received a performance rating for fiscal years ending 2012–2016. Employees in pay band 80 were excluded from the analysis.

### **Methodology**

One of the challenges in assessing performance ratings is determining what constitutes a “bad” outcome. For example, if African Americans are more likely to receive a 4 rating than white employees, that could be either “good” or “bad.” The answer depends on what the rest of the distribution looks like. If African Americans are at the same time less likely to receive a 5 then the result may be interpreted as “bad,” but if instead they are more likely to receive a 5 then the results could be interpreted as “good.”

Ordered logistic regression helps address this challenge because the outcome reported is whether the protected group is as likely as the comparator group to receive a particular rating or higher versus all lower ratings. Thus the entire distribution of each group is being compared (as opposed to a level by level comparison). In reviewing the data, we found that no employee has ever received a rating that is lower than a 3. About 14% of employees at the OFR received a rating of a 3. Nearly all employees received either a 4 (50%) or a 5 (36%). Thus the relevant outcome of the ordered logistic models will be whether protected group members are as likely to receive a 5 instead of a 3 or a 4 relative to their comparator group.

We used ordered logistic regression to address potential differences in both the distribution of ratings and the halo effect separately for each year. The outcome variable of interest is the performance rating received. Other factors that were accounted for in the analysis include pay band, location, and employment status (e.g., term or permanent).

For the halo effect, we also added an indicator for whether the individual received a high rating (5) in the prior year and an indicator for the interaction of the prior year’s high rating indicator with the protected group indicator. The coefficient (and corresponding standard deviations) on the interaction term indicates whether there is a statistical difference in the halo effect for the protected group relative to the comparator group after accounting for differences in ratings due to differences in pay band, location, employment status, protected group status, and the general impact of having received a 5 in the prior year. Our analysis for the halo effect is limited to 2013–2016 because there are no prior year ratings for the 2012 population.

## Findings

### Differences in Ratings

We first discuss the results for whether there are differences in the ratings distribution for the protected group members relative to their comparators. We report in Table 3 the number of protected employees and the standard deviations associated with the protected group indicators analyzed in each year. Out of 20 combinations of year and gender or race/ethnicity, only one analysis showed a relationship between the performance rating outcomes and race (African Americans in 2014).

In Table 3 and other tables in this document, we have dashed out results where there are too few observations to reliably estimate statistical models. We have also dashed out results where the privacy of the individuals may be at risk because there are so few that someone with reasonable knowledge of the organization may be able to identify the individual(s).

Table 3: Logistic Analysis of Differences in Performance Ratings by Year and Protected Group

Year	Women		Asian		African American		Hispanic	
	Number of Protected Employees	Number of Standard Deviations	Number of Protected Employees	Number of Standard Deviations	Number of Protected Employees	Number of Standard Deviations	Number of Protected Employees	Number of Standard Deviations
2016	75	1.51	30	1.00	35	0.25	8	0.72
2015	71	-0.91	29	-1.70	32	-1.72	6	1.20
2014	59	-0.06	25	-1.68	31	-2.67	6	0.09
2013	36	-1.21	16	-0.44	19	-0.92	4	-0.38
2012	16	-1.47	4	-0.91	10	-1.46	---	-0.55

Color Legend

Adverse

Neutral

Favorable

Women:

There are no statistically significant differences in the likelihood that women would receive a higher score instead of a lower score (i.e., a 5 rather than a 4/3; or a 5/4 rather than a 3) relative to the likelihood that men would receive a higher score instead of a lower score in any year.

Asian:

Similar to the results for female employees, there are no statistically significant differences in the likelihood that Asian employees would receive a higher score instead of a lower score (i.e., a 5 rather than a 4/3; or a 5/4 rather than a 3) relative to the likelihood that white employees would receive a higher score instead of a lower score in any year.

## African American:

There are no statistically significant differences in the likelihood that African American employees would receive a higher score instead of a lower score (i.e. a 5 rather than a 4/3; or a 5/4 rather than a 3) relative to the likelihood that white employees would receive a higher score instead of a lower score in 2012, 2013, 2015, or 2016.

For 2014, we find that African Americans were less likely to receive a “higher score” relative to their white comparators. This difference is statistically significant. However, it occurs only in a single year. We researched this group further and found that the difference in performance ratings is driven largely by those in pay band 60, although the difference for that group alone is not statistically significant. To put this outcome in context, had there been approximately 3 more African Americans across the OFR with a 5 rating in that year, the results would have been consistent with a statistically neutral outcome.

## Hispanic:

Similar to the results for Asian employees, there are no statistically significant differences in the likelihood that Hispanic employees would receive a higher score instead of a lower score (i.e., a 5 rather than a 4/3; or a 5/4 rather than a 3) relative to the likelihood that white employees would receive a higher score instead of a lower score in any year.

## Halo Effect

Across all models and protected groups, we find that high ratings in one year are correlated with high ratings in the next year, but we do not find that there are differences in the correlation for the females relative to males or minority groups relative to white employees. We report on potential differences in the halo effect for each protected group relative to the comparator group in Table 4.<sup>12</sup>

Table 4: Differences in the “Halo Effect,” the Impact of Being Highly Rated in One Year on the Next Year’s Rating

Year	Women		Asian		African American		Hispanic	
	Number of Protected Employees	Number of Standard Deviations	Number of Protected Employees	Number of Standard Deviations	Number of Protected Employees	Number of Standard Deviations	Number of Protected Employees	Number of Standard Deviations
2016	75	1.50	30	0.59	35	0.27	8	0.62
2015	71	0.03	29	-0.35	32	-0.53	6	0.02
2014	59	1.40	25	0.50	31	-1.49	6	---
2013	36	-0.76	16	---	19	---	4	---

Color Legend Adverse Neutral Favorable

<sup>12</sup> In 2012, there were too few individuals receiving ratings among racial minority groups to allow us to test the Halo effect from 2012 to 2013.

Women:

We find no statistically significant differences in the strength of the halo effect for women relative to men for any year analyzed.

Asian:

We find no statistically significant differences in the strength of the halo effect for Asian employees relative to white employees in any year analyzed.

African American:

We find no statistically significant differences in the strength of the halo effect for African American employees relative to white employees in any year analyzed.

Hispanic:

We find no statistically significant differences in the strength of the halo effect for Hispanic employees relative to white employees in any year analyzed.

## **Merit Pay Increases**

### **Outcomes Analyzed**

Another compensation practice that can generate pay differences is the annual merit pay increase. We assessed whether women and minority groups received similar percentage raises in each year's annual merit award cycle relative to male and white employees. From the Standard Form 50 data we were able to identify the sizes of pay increases associated with annual merit pay increase awards using the nature of action codes associated with the pay award and by observing the change in salary from the prior record to the record where the annual merit pay increase award was recorded. We use this percentage increase in pay as the outcome of interest.

The population analyzed includes active employees as of the date of the annual merit pay increase. We exclude employees hired after the cutoff date for an annual performance rating (July 1 of each year) and employees in pay band 80.

### **Methodology**

Similar to the starting pay analysis, we use multiple regression analysis to test whether women or minority group members received lower merit pay increases relative to men or white employees, respectively. Aside from the protected group variables, we consider other factors that may influence annual merit pay increases, including performance and

whether or not an employee received a lump sum payment for all or part of their annual merit pay increase.<sup>13</sup>

## **Findings**

We find no evidence of differences in merit pay increases for women or members of minority groups in any year. The full results are shown in Table 5.

*Table 5: Differences in Merit Increase Percentage Raises*

Protected Group/ Comparator Group	Merit Increase Date	Year of Performance Rating	Merit Increase Percentage Difference	Standard Deviations of the Difference	Percentage of Variation Explained by the Model	Model is Statistically Reliable	Number of Variables in the Model	Number of Protected Employees	Number of Employees
Women/Men	1/8/2017	2016	0.05%	0.37	74.01%	Yes	5	77	190
	1/24/2016	2015	0.14%	0.80	42.77%	Yes	4	73	182
	1/11/2015	2014	0.15%	0.83	56.94%	Yes	4	59	160
	1/12/2014	2013	0.26%	1.23	63.38%	Yes	4	39	112
	1/13/2013	2012	-0.33%	-0.42	16.27%	Yes	5	20	53
Asians/Whites	1/8/2017	2016	0.03%	0.18	73.45%	Yes	9	29	190
	1/24/2016	2015	0.05%	0.22	42.45%	Yes	8	29	182
	1/11/2015	2014	0.48%	1.96	57.78%	Yes	8	25	160
	1/12/2014	2013	0.06%	0.21	63.13%	Yes	7	18	112
	1/13/2013	2012	-0.08%	-0.07	12.99%	No	7	7	53
African Americans/Whites	1/8/2017	2016	0.02%	0.15	73.45%	Yes	9	37	190
	1/24/2016	2015	0.18%	0.78	42.45%	Yes	8	32	182
	1/11/2015	2014	0.39%	1.71	57.78%	Yes	8	29	160
	1/12/2014	2013	0.41%	1.48	63.13%	Yes	7	20	112
	1/13/2013	2012	0.44%	0.43	12.99%	No	7	11	53
Hispanics/Whites	1/8/2017	2016	0.14%	0.45	73.45%	Yes	9	8	190
	1/24/2016	2015	-0.78%	-1.62	42.45%	Yes	8	6	182
	1/11/2015	2014	-0.50%	-1.10	57.78%	Yes	8	6	160
	1/12/2014	2013	0.78%	1.40	63.13%	Yes	7	4	112
	1/13/2013	2012	0.92%	0.45	12.99%	No	7	---	53

Color Legend Adverse Neutral Favorable

Women:

We find no statistically significant differences in annual merit pay increases for women relative to men for any year analyzed.

Asian:

We find no statistically significant differences in annual merit pay increases for Asian employees relative to white employees in any year analyzed.

<sup>13</sup> The conclusions reported herein are not sensitive to the model specification.

African American:

We find no statistically significant differences in annual merit pay increases for African American employees relative to white employees in any year analyzed.

Hispanic:

We find no statistically significant differences in annual merit pay increases for Hispanic employees relative to white employees in any year analyzed.

## **Current Base Salary**

### **Outcomes Analyzed**

One of the most commonly researched and reported sources of pay differences is the difference in base salary for current employees. Current base salary represents the culmination of many decisions that have been made over the life of the employee, both from within the organization and prior to coming to the organization. We used the Standard Form 50 data to determine the active employee population as of January 31, 2017, as well as their relevant salary and characteristics. We tested whether women and minorities have base annual salaries (adjusted to full-time equivalent for part-time employees) that are comparable to men and white employees after accounting for other legitimate factors that influence pay levels.

### **Methodology**

As with starting pay and merit pay increases, we used multiple regression analysis to test for these differences as it allows us to filter out the effects of other important factors that are associated with pay differences. The other factors considered in the models were:

- Employment status
- Series
- Pay band
- Time in level\*
- Time at the OFR\*
- Time in government service outside of the OFR\*
- An age proxy for prior experience outside of the federal government\* (measured as age of entry into government service minus 18).

We also included squared terms for factors marked with an asterisk (\*) to account for decreasing returns to experience.<sup>14</sup> Employees in pay band 80 on January 31, 2017, were excluded from the analysis.

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<sup>14</sup> We also estimated models that included controls for performance but found no meaningful difference in our conclusions.

## Findings

We find no evidence that women or minorities are paid differently than men or white employees across the OFR. Similar to how we reported the results from the starting pay analysis, we report the results of this analysis as a ratio that shows how much each protected group received, on average, for each base salary dollar paid to their comparator groups. The results are shown in Table 6.<sup>15</sup>

Table 6: Differences in Current Base Salary

Protected Group/ Comparator Group	Pay Gap	Smallest Pay Gap That Would Be Statistically Neutral	Largest Pay Gap That Would Be Statistically Neutral	Number of Standard Deviations of the Difference	Percentage of Variation Explained by the Model	Model is Statistically Reliable	Number of Variables in the Model	Number of Protected Employees	Number of Employees
Women/Men	\$1.01	\$0.97	\$1.03	0.44	83.72%	Yes	28	83	218
Asians/Whites	\$1.02	\$0.96	\$1.04	0.72	83.64%	Yes	32	37	218
African Americans/Whites	\$0.98	\$0.96	\$1.04	-1.01	83.64%	Yes	32	41	218
Hispanics/Whites	\$1.04	\$0.93	\$1.07	1.03	83.64%	Yes	32	11	218

Color Legend Adverse Neutral Favorable

### Women:

There is no statistical difference in the current base salary of women relative to men. We estimate that for every \$1.00 of base salary a man received, the average woman received \$1.01. This finding is well within the range we would expect to have found by chance alone, which includes differences ranging between \$0.97 for every \$1.00 and \$1.03 for every \$1.00.

### Asian:

There is no statistical difference in the current base salary of Asian employees relative to white employees. We estimate that for every \$1.00 of base salary a white employee received, the average Asian employee received \$1.02. This finding is well within the range we would expect to have found by chance alone, which includes differences ranging between \$0.96 for every \$1.00 and \$1.04 for every \$1.00.

<sup>15</sup> It should be noted that the pay gap calculations for current base pay relative to starting base may change for a variety of reasons, including annual merit increases, changes in job duties and responsibilities from the starting position to current position, and the specific cohorts of employees who remain employed at present. It is not unexpected to see changes in the cents on the dollar calculations given the evolution of the population over time.

### African American:

There is no statistical difference in the current base salary of African American employees relative to white employees. We estimate that for every \$1.00 of base salary a white employee received, the average African American employee received \$0.98. This finding is well within the range we would expect to have found by chance alone, which includes differences ranging between \$0.96 for every \$1.00 and \$1.04 for every \$1.00.

### Hispanic:

There is no statistical difference in the current base salary of Hispanic employees relative to white employees. We estimate that for every \$1.00 of base salary a white employee received, the average Hispanic employee received \$1.04. This finding is well within the range we would expect to have found by chance alone, which includes differences ranging between \$0.93 for every \$1.00 and \$1.07 for every \$1.00.

## **Award Selections**

### **Outcomes Analyzed**

The OFR offers its employees recognition awards in addition to the annual merit pay increase and bonus. Between Q1 of 2016 and Q3 of 2017 there were 20 awards given, of which 15 were given to white employees, 5 to African American employees, 9 were given to men, and 11 were given to women. All OFR employees were eligible for the awards. We analyzed whether women and minorities were selected for the awards at rates consistent with their representation in the population.

### **Methodology**

We used the selection analysis methodology to determine whether there were statistically significant differences in award selection among the protected groups and the comparator groups. The population analyzed consists of all OFR employees who were active on January 31 of 2016 or 2017. The pools were defined as the protected group members plus their comparator group members. For example, when analyzing women, women and men are included; but, when analyzing African Americans, only African American and white employees are included while the other minority groups are excluded. We do not account for any other factors in our pool definitions because we assume all OFR employees were equally likely to receive the award regardless of pay band, series, experience, etc.

## **Findings**

We find no statistical evidence that award selections are different for women or minorities relative to men or white employees. The details of the findings are shown in Table 7.

*Table 7: Differences in Employee Recognition Award Selections*

<b>Protected Group/ Comparator Group</b>	<b>Total Selections</b>	<b>Binomial Number of Standard Deviations</b>
Women/Men	20	1.25
Asians/Whites	15	-1.73
African Americans/Whites	20	0.16
Hispanics/Whites	15	-0.55

Color Legend  Adverse  Neutral  Favorable

It is worth noting that even though Asians and Hispanics were not selected for any of these awards, there were so few awards given that an outcome of zero for these two groups is still likely to have occurred by chance in a purely random selection process.

## **Promotions**

### **Outcomes Analyzed**

Using the Standard Form 50 data, we identified all individuals who were promoted from January 31, 2014, through January 31, 2017. There were 86 such promotions. We assessed whether women and minorities were promoted at rates similar to their comparator groups.

### **Methodology**

To analyze potential differences in the probability of promotion among the protected groups and their comparator groups we used the selection analysis methodology described earlier in this report. We defined similarly situated employees as those in the same occupational series and pay band from which the promotion occurred to construct the proxy pools for analysis.

We do not have information about which employees expressed interest in or were qualified for these promotions. Thus, our analysis is limited by the assumption that all who were similarly situated were equally interested in, and qualified for, these promotional opportunities. As such, this analysis can be thought of as addressing a more general question of whether protected group members are receiving their “fair share” of

promotional and advancement opportunities relative to their representation in the workforce, assuming that they have the same likelihood of interest and qualifications.

After calculating the expected and actual selections for each pool, the results for each pool were aggregated OFR-wide and the probability of chance occurrence was calculated to determine the statistical significance in terms of standard deviations.

Permanent and temporary promotions were analyzed together and separately. We report the results where they were analyzed together in the tables below. Where we find differences in outcomes for permanent versus temporary, we discuss those differences in the Findings section.

## **Findings**

We find that promotion rates are similar across the OFR regardless of gender or race/ethnicity. These findings are reported in Table 8.

*Table 8: Differences in Selection Rates for Promotion*

<b>Protected Group/Comparator Group</b>	<b>Total Number of Promotions</b>	<b>Binomial Number of Standard Deviations</b>
Women/Men	86	0.26
Asians/Whites	67	-0.32
African Americans/Whites	73	-0.95
Hispanics/Whites	58	-0.95

**Color Legend** Adverse Neutral Favorable

Women:

We found no evidence of differences in the promotion rates of women relative to men across OFR.

Asian:

We found no evidence of differences in the promotion rates of Asian employees relative to white employees across OFR.

African American:

We found no evidence of differences in the promotion rates among African American employees relative to white employees across OFR.

However, in analyses of the temporary and permanent promotions separately, we find that African American employees are more likely to be selected for temporary promotions than their white counterparts. This outcome is driven by the temporary promotions within the 301 Miscellaneous Administration & Program occupational series. We also find that African Americans are less likely to be promoted for permanent positions relative to white employees for this same occupational series.

We conducted a closer review of this series and found that the nature of work and the promotion opportunities within this series vary considerably by job. This series is a “catch-all” series where jobs that cannot readily be classified into a more specific occupational series are placed. Our analysis considers all employees within this series and in the same band to be similarly likely to be promoted, but if African American employees are concentrated in titles with different promotional opportunities, then the results may be due to a shortcoming in the model specification that fails to compare employees who are more similarly situated in terms of the nature of work performed. An analysis that accounts for the specific nature of work performed finds that when employees who are similarly situated with respect to the specific type of work performed are compared to one another (e.g., comparing business analysts with other business analysts), employees are similarly likely to be promoted, regardless of race.<sup>16</sup>

Hispanic:

We also found no statistical evidence of OFR-wide differences in the promotion rates of Hispanic employees relative to white employees.

## **Separations**

### **Outcomes Analyzed**

Separations are not entirely the decision of the employer. They can be voluntary or involuntary, and they can be a result of poor performance, a result of outstanding performance (e.g., leaving for better opportunities), or due to personal circumstances.<sup>17</sup> As a result, it is often difficult for the employer to take direct action to change employee decisions to voluntarily leave. Many of the issues addressed in Part II potentially impact the rates of separation for employees. Therefore, this analysis of separations is intended to be informative as to whether the OFR is retaining a diverse set of employees or whether certain protected group members are leaving the OFR at a higher rate than would be expected.

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<sup>16</sup> It should be noted that the pool sizes in an analysis that accounts for the specific nature of work performed are often small. As such, we would recommend a closer review of this population to make sure that all applicable policies and procedures are being followed and applied in a manner that is neutral with respect to race.

<sup>17</sup> The Standard Form 50 data did not show any involuntary separations.

## **Methodology**

There were 77 separations between January 31, 2014, and January 31, 2017. Again, we used the selection analysis method previously discussed to assess whether there are differences in separation rates between women and men and between minorities and white employees. We grouped employees into proxy pools of similarly situated individuals based on pay band and occupational series. The proxy pools are composed of employees in the protected group of interest and the employees in their direct comparator group. Employees in other protected groups are not considered in the proxy pools.

We calculated the expected number of protected group separations for each proxy pool based on the representation of the protected group in the proxy pool and the total number of separations. We then aggregated the actual number of separations and the expected number of separations for each pool across the OFR and calculated the likelihood of observing the actual outcome given the expected outcome. We report whether or not the observed difference is statistically significant in terms of standard deviations.

## **Findings**

We find no difference in the separation rates for women relative to men or for race/ethnic groups relative to white employees. The results of the analysis are shown in Table 9.

*Table 9: Differences in Separation Rates*

<b>Protected Group/Comparator Group</b>	<b>Total Number of Separations</b>	<b>Binomial Number of Standard Deviations</b>
Women/Men	77	-0.99
Asians/Whites	61	0.58
African Americans/Whites	60	0.00
Hispanics/Whites	50	-0.33

**Color Legend**   **Adverse**   **Neutral**   **Favorable**

Women:

We find no statistically significant difference in the rate at which women leave the OFR relative to men.

Asian:

We find no statistically significant difference in the rate at which Asian employees leave the OFR relative to their white comparators.

African American:

We find no statistically significant difference in the rate at which African American employees leave the OFR relative to their white comparators.

Hispanic:

We find no statistically significant difference in the rate at which Hispanic employees leave the OFR relative to their white comparators.

## Summary of Quantitative Findings

In this report we discuss the statistical methods and findings of analyses of employment outcomes performed to assess whether there is statistical evidence of adverse patterns and practices with respect to gender or race/ethnicity at the OFR. Analyses across a broad array of employment outcomes are generally consistent with employment decision-making processes that do not consider gender or race/ethnicity. There is no evidence of a pattern of adverse outcomes by gender or race/ethnicity in any of the employment practices analyzed, including:

- Applicant selections for hire
- Starting base salary
- Performance ratings
- Merit pay increases
- Current base salary
- Award selections
- Promotions
- Separations

While there are isolated statistically significant differences, this is not unexpected given the number of analyses conducted in the scope of this project. Where we did identify statistically significant differences, we recommend that subject matter experts within the OFR review the decisions closely for (1) compliance with stated policies and procedures, (2) whether there are other factors that may legitimately explain observed outcome differences that are not considered in the analyses, and (3) best practices.

Furthermore, it should be noted that CRA has conducted hundreds of equity reviews similar to this for government agencies and private employers, both large and small, and the results reported here for the OFR are among the most neutral that CRA has observed for an employer.

## Part II: Qualitative Analyses

### Executive Summary

CRA was also requested to elicit employee feedback about workplace culture, with a focus on diversity, inclusion, fairness, employee engagement, empowerment, and trust. The study (a) collected qualitative data to understand the issues expressed in listening sessions and phone calls with employees and managers, (b) analyzed and evaluated the issues in light of the research and best practices in Human Resource (HR) Management, and (c) made recommendations for improvement.

We invited all employees and managers to participate. We reviewed policy documents to understand employment processes at the OFR and subsequently data were collected from discussions with 102 people (43% OFR participation rate) in four types of sessions: listening groups; individual phone calls with employees, senior leaders, and subject matter experts. We summarized the information gathered into categories. The researchers did not filter the participants' descriptions of the issues, and did not attempt to desensitize the comments, because the goal of the study was in part to describe any identified issues in an unbiased manner. However, our summary is a narrative description of the issues and does not include any direct quotes. It also only includes issues raised by more than one employee. On the other hand, the analyses and recommendations in this report are solely the opinions of the researchers and were not modified or approved by OFR management or the sponsors of this study. This is because another goal of the study was to obtain an independent opinion from management experts on the issues. However, because it contains independent opinions, this report may not consider other factors that may further inform the issues or constrain or obviate the recommendations, including other initiatives that may be underway at the OFR.

It is also important to note that the study focused only on identified concerns raised by employees and did not ask what is working well at OFR, so the results do not represent a balanced view of both positives and negatives. Moreover, with only 43% of employees participating, the study does not summarize the views of all, or even a majority of, employees. Participating employees were likely to have more negative views and collecting open-ended input virtually always results in far more negative than positive comments regardless of the level of morale. Finally, it is important to remember that the data collected are the views of OFR employees and are not necessarily fact or a complete representation of the circumstances.

The study yielded 16 issues divided into three categories that are listed below. The remainder of the report details the findings, the analysis of the issues, and the recommendations.

Issues Related to Management:

1. Communication and Cooperation
2. Decision-Making
3. Lack of Direction
4. Lack of Processes and Structure
5. Inexperienced and Unskilled Management
6. Director

Issues Related to Employee:

7. Perceptions of Inequitable Treatment of Employees from Different Backgrounds
8. Lack of Individual Accountability
9. Lack of Skill and Performance Among Some Employees
10. Difficult Employees to Manage
11. Some Concerns are Misdiagnosed as Diversity Issues

Issues Related to Support:

12. Need More HR Support
13. Lack of Opportunities for Development
14. Constraints on Productivity
15. Telecommuting
16. External Threats and Pending Downsizing

A turnaround is going to require an all-out effort from both managers and employees. A final recommendation is that each manager meet with his or her employees to discuss the issues in Part II of this report and mutually develop action plans to address them, perhaps considering the upcoming EVS scores as additional input.

## Data Collection and Analysis

Before the qualitative data collection, the researchers reviewed the policy and procedure documents on the various HR processes (e.g., compensation, appraisal, hiring, etc.) as background preparation in order to better understand the employee comments.

We then collected data from discussions with 102 people<sup>18</sup> (43% participation rate)<sup>19</sup> in four types of sessions:

### 1. Group calls with 9 subject matter experts.

They included members of OFR Human Capital, Office of Minority and Women Inclusion, EEO Offices, HR staff from main Treasury, and HR Employee Relations. The purpose of these calls was to learn about the HR processes in more detail and to get participants' perspectives on the issues at OFR.

### 2. Listening groups with 57 people.

Given the potential concerns with diversity issues, we used a survey to determine whether separate listening sessions needed to be conducted for subgroups of employees. Results did not indicate a strong preference for separate sessions for minority and gender subgroups, but did indicate a preference for separate listening sessions for non-managers versus managers. Nevertheless, some separate sessions were offered for minorities (3 attendees), women (7 attendees), and those over 50 years old (2 attendees), but most sessions were for all diversity backgrounds, with separate sessions for employees and managers. We also offered separate sessions for supervisors and associate directors, as well as for some organizational units (e.g., employees in the data center and research center). In total, 19 one-hour sessions were offered. In order to make the sessions available without travel for employees, we conducted them in the CRA office in Washington, DC, on two separate days, and in the OFR office in New York City on one day. A scheduling website allowed employees to sign up for their preferred sessions, subject to size limits and membership in the group to which the listening session was applicable, while maintaining anonymity.

### 3. Individual phone calls with 29 people.

We offered individual calls for those employees who wished to have a private conversation or who could not attend a group listening session. The electronic tool allowed employees to sign up anonymously for times (in 20-minute slots) and at the designated time to call a phone number that routed to one of the researchers.

Sessions 2 and 3 included 18 supervisors and managers and 68 employees, which approximates the distribution in the OFR.

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<sup>18</sup> Among the 102 people, 96 were OFR employees and 6 were Treasury subject matter experts.

<sup>19</sup> Based on 96 participating OFR employees out of a total employee population size of 223.

#### 4. Individual phone calls with 8 senior leaders.

Individual one-hour calls were scheduled with the six area Chiefs, Chief of Staff, and Director.

We summarized the information gathered into categories based on similarity of content. Categories of comments were then labeled with a descriptive title. The comments for all four types of sessions were counted equally because the issues were highly similar. If a comment came up in a listening session, we counted it once, even though others in a session may have agreed with it. However, if different aspects of the same category came up in any session, we counted it multiple times. The only distinction we made was whether employees or managers were the source of the comments. Supervisors and managers (including Chiefs and Director) were counted as managers and everyone else (including subject matter experts) as employees. Although the counts are reported separately, manager and employee comments were similar and summarized together, and the report does not attempt to describe issues by work units because units were not recorded to maintain anonymity. We adopted this aggregated approach to the analysis because qualitative data are not as precise as quantitative data and small differences between groups and data based on small numbers of respondents should not be over-interpreted. The counts should only be considered as a general indication of the prevalence of a concern. The value of qualitative data is the insight it may provide through the narrative description of the issues. Finally, the employee engagement survey data (2016 EVS data) are inserted for each topic below, as relevant.

The study yielded 16 issues divided into three categories: management, employees, and support. Described below are the category themes along with the number of times participants raised them, and a narrative describing the nature of the issues. The narrative summaries are not quotes from individual respondents, but are meant to be summaries of common comments, even though they may use some of the same words or expressions used by respondents. Each theme is followed by an analysis of the issues based on research and best practices in HR management, with citations to the research literature as appropriate to provide support for the report's opinions and to provide resources for readers who want to learn more about the topics. The last section of the report summarizes the recommendations.

Please note that the researchers did not filter the descriptions of the issues. The report simply summarizes the issues noted by participants. We have not attempted to desensitize the comments, because one goal of the study was to describe concerns in an unbiased manner. However, our summary is a narrative description of the issues and does not include any direct quotes. It also only includes issues raised by more than one employee. On the other hand, the report's analyses and recommendations are solely the opinions of the researchers and were not modified or approved by OFR management or the sponsors of this study. This was because another goal of the study was to obtain an independent opinion from management experts on the issues. However, because the report reflects an independent opinion, it may not consider other factors that may further inform the issues or constrain or obviate the recommendations. For example, OFR may

also be undertaking other initiatives to make improvements of which we are unaware. As such, OFR is under no obligation to implement any of the recommendations.

It is also important to note that the study focused only on concerns and did not ask what is working well at OFR, although a number of people volunteered this information. Those comments are not included in this report, with the exception of the comments on the Director. As such, the results of this study do not represent a balanced view of both positives and negatives. Moreover, with only 43% of employees participating, the study does not summarize the views of all employees. There is a common assumption in morale research that those participating are at least slightly more likely to have negative views,<sup>20</sup> and collecting open-ended input virtually always results in far more negative than positive comments regardless of the level of morale.<sup>21</sup> Finally, it is important to remember that the data collected are the views of OFR employees and are not necessarily fact or a complete representation of the circumstances.

## Management Issues

### 1. Communication and Cooperation

EMPLOYEE COMMENTS: (raised 44 times, 33 by employees and 11 by managers)

Participants said there is a lack of communication, miscommunication, and conflicting communication. The communications issues exist between divisions (thus creating silos), the Chiefs and the front office, the Chiefs and employees, and the front office and employees. People indicated they may not understand work of other people or divisions and sometimes they are not allowed to work directly with those in other divisions. Communication can be combative rather than productive, and sometimes there are turf wars. Aside from the problems between units, people sometimes insert their opinions into communications or tell incomplete stories depending on self-interest. Also, there is a lack of trust and fear of retaliation so people do not speak up openly, completely, and honestly. These communication problems are exacerbated by the fact that employees have high expectations for communication. However, employees may not understand or cannot be told everything, including all that management does for them. As a result of all these communication problems, getting work done can be much more difficult.

Chiefs are perceived as working better together recently, but there are still some communication problems between them and both the Director and the employees.

More downward communication and transparency are common recommendations.

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<sup>20</sup> A. I. Kraut (Ed.). (1996). *Organizational surveys: Tools for assessment and change*. San Francisco: Jossey-Bass. For a more general explanation of why employees might be predisposed to focus on the negatives, see: Davidai, S., & Gilovich, T. (2016). The headwinds/tailwinds asymmetry: An availability bias in assessments of barriers and blessings. *Journal of Personality and Social Psychology*, 111(6), 835.

<sup>21</sup> Macey, W. H. (1996). Dealing with data: Collecting, processing, and analysis. In Kraut (1996). *Op. cit.*, page 229.

## ANALYSIS:

- The 2016 OFR EVS data for the overall OFR<sup>22</sup> for the communications questions about information received from management (2, 56, 58, and 64) averaged 42.4% positive. However, the cooperation question (20) was higher at 59.4% positive.
- Employee complaints about the lack of communication from management are probably the most common complaints in employee management.<sup>23</sup> Using the term “common” only means that such complaints are not unique to OFR, not that they should be ignored. The solution is usually to enhance communication, but the precise method may differ depending on the organizational unit (e.g., regular informational meetings, town halls, e-mail news blasts, etc.).
- Likewise, complaints that there are “silos” with people not communicating across departments, work groups, or other units are just as common and a frequent reason for reorganizations.<sup>24</sup> Solutions often include alternative organizational structures (e.g., matrix design, or product or customer units as opposed to functional units) and integrative roles (e.g., program managers that have responsibility for products, programs, or projects across organizational units), depending on the situation.
- A more troubling concern is the fear of retaliation for speaking up, which many employees noted. An organization with an oversight and compliance mission, including a research role, should anticipate and value employees who are critical thinkers. This will logically spill over to scrutinizing management, especially in a start-up situation when management structures are being developed. On the other hand, these complaints may partly reflect employee resistance to management direction, which is another fundamental observation about employee behavior.<sup>25</sup> This resistance may be exacerbated by the demanding nature of the employees who expect more communication and opportunity for input, as discussed in a later section of this report. To the extent that these other explanations are not valid, then this issue with fear of retaliation and the resulting lack of trust is an important inhibitor to the effectiveness of an organization of knowledge workers who are supposed to bring their opinions to bear. Finally, we understand that management has pilot tested training on trust that includes communication and may be extended to employees. This seems potentially helpful here.

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<sup>22</sup> All OFR EVS (engagement survey) data here and below are based on the total organization with a sample of about 135 from a file titled “2016 OFR EVS data.xlsx.”

<sup>23</sup> For example studies examining the relationship between communication and engagement, see: Welch, M. (2011). The evolution of the employee engagement concept: communication implications. *Corporate Communications: An International Journal*, 16(4), 328-346; Mishra, K., Boynton, L., & Mishra, A. (2014). Driving employee engagement: The expanded role of internal communications. *International Journal of Business Communication*, 51(2), 183-202; Bakker, A. B., & Xanthopoulou, D. (2009). The crossover of daily work engagement: Test of an actor-partner interdependence model. *Journal of Applied Psychology*, 94(6), 1562; and Gajendran, R. S., & Joshi, A. (2012). Innovation in globally distributed teams: The role of LMX, communication frequency, and member influence on team decisions. *Journal of Applied Psychology*, 97(6), 1252.

<sup>24</sup> The classic and highly readable book on designing organizations is: Galbraith, J. R. (1995). *Designing Organizations: An Executive Briefing on Strategy, Structure, and Process*. San Francisco, CA: Jossey-Bass.

<sup>25</sup> Resistance to change was one of the first observations of employee behavior in the historical research literature. For a classic early citation, see: Coch, L., & French, J. R. P., Jr. 1948. Overcoming resistance to change. *Human Relations*, 1: 512-532.

- An important point to recognize about trust, according to the research,<sup>26</sup> is that it is an overused term that is often incorrectly applied to non-trust situations. Trust refers to the belief that the other people will act in your best interest even if they cannot be monitored. However, trust is often used incorrectly to describe other people who are unpredictable, uncooperative, or incompetent. These latter contexts are not trust issues and have different solutions. OFR might attempt to determine if study participants used the term trust to describe an actual trust issue, or whether they were describing one of these more solvable issues.
- In summary, communications appears to be a major issue and should be addressed. Fortunately, a variety of means can solve communications problems. The “silos” issue might benefit from a reconsideration of the organization’s design or possible use of integrative work roles, but redesigns should be considered carefully because they can be highly disruptive. The fear of retaliation issue and whether trust is truly an issue both bear additional investigation.

## 2. Decision-Making

EMPLOYEE COMMENTS: (raised 39 times, 27 by employees and 12 by managers)

OFR participants frequently expressed that there is a lack of empowerment and a widespread feeling of micromanagement. Managers sometimes push down responsibility but not authority. A common employee perception is that management does not trust employees to make decisions. However, they feel that management should seek input more from employees in project decisions because they are often the subject matter experts and the ones who will implement the decision.

Another cause noted by participants is that decision-making is concentrated at the top of the organization. There is both an Operating Committee and a Program Review Board. The Director and Chiefs are perceived as wanting to make every decision. There also may be too many layers of management. Employees contribute to the problem by escalating issues to senior management too often, no matter how small the issue. Among other problems, this creates a lack of timely decisions and continuously revisiting decisions.

Yet another cause is that too much consensus is required for decision-making. Too many people seem to get an equal vote, regardless of expertise or responsibility for implementation. Also, participants allege that everyone has veto power. Everything must be cleared by everyone, no matter how small the decision. This creates more difficult decision-making and limits progress.

ANALYSIS:

- The 2016 OFR EVS data for the empowerment questions (30 and 63) averaged 36.6% positive.

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<sup>26</sup> Mayer, R. C., Davis, J. H., & Schoorman, F. D. (1995). An integrative model of organizational trust. *Academy of Management Review*, 20(3), 709-734.

- The widespread nature of this concern appears unique to OFR. This is not an issue that many organizations experience, in the experience of the authors. It came up in most listening sessions and individual calls.
- A very large research literature consisting of many hundreds of articles finds that autonomy in decision-making (often popularly called empowerment) is one of the most important characteristics of motivating jobs.<sup>27</sup> Thus, the denial of empowerment can be very demotivating. This is especially the case with highly educated and professional employees, who have high growth needs.
- The lack of empowering management behavior appears to be especially acute at the level of the Chiefs and Director. Part of the issue appears to be structural. This includes (a) the decision-making committees, (b) the number of management levels, and (c) the proper level for decisions to be made. We understand that a project is underway (by Deloitte), so we will not make further specific recommendations here, but we would generally recommend that (a) there be a single top decision-making committee, (b) the fewest number of management layers should be used, and (c) decision-making should be pushed to the lowest feasible level where the expertise and responsibility for implementation lies.
- The other part of the issue appears to be management's lack of willingness to entrust employees to make decisions. Micromanagement is often villainized as bad management, but it is often the proper solution for insufficient job performance. The issue at OFR appears to be a mix of a lack of delegation on the one hand and micromanagement on the other. Thus, the solution is (a) senior management must resist the tendency to make all the decisions themselves, and (b) some employees must realize that empowerment is partly earned, meaning it follows from high job performance, instead of necessarily being a precondition, especially when an employee's performance history is not strong.
- The second concern is the consensus issue. What is remarkable about OFR is that consensus management has not been effective. Usually, consensus management is recommended in a context like this where the issues are complex, widespread expertise is needed, and highly educated and professional employees expect to have input.<sup>28</sup> As such, this was a reasonable direction for management to take. However, employees have not responded positively for a variety of reasons, and they are asking for a slightly different approach: one where widespread input is sought, with special consideration given to those who have relevant expertise or responsibility for implementation, consensus is desirable if feasible; but, if not, the highest-ranking senior manager in charge makes a decision. This will also require that employees accept that there will be times when

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<sup>27</sup> For an example description of classic motivational job design theory, see: Hackman JR, Oldham GR. (1980). *Work redesign*. Reading, MA: Addison-Wesley. For an example description of job design theories across disciplines, see: Campion, M. A., & Thayer, P. W. (1985). Development and field evaluation of an interdisciplinary measure of job design. *Journal of Applied Psychology*, 70(1), 29. For an example recent review of this literature, see: Humphrey, S. E., Nahrgang, J. D., & Morgeson, F. P. (2007). Integrating motivational, social, and contextual work design features: a meta-analytic summary and theoretical extension of the work design literature. *Journal of Applied Psychology*, 92(5), 1332-1356.

<sup>28</sup> For the classic references on this topic, see: Vroom, V. H., & Yetton, P. W. (1973). *Leadership and decision-making* (Vol. 110). University of Pittsburgh Press; or Lawler III, E. E. (1986). *High-Involvement Management. Participative Strategies for Improving Organizational Performance*. San Francisco, CA: Jossey-Bass.

their preferred decision is not adopted, and they must support the decision that was made.

- In summary, the lack of empowerment and consensus-oriented decision-making appear to be real issues that must be addressed. The solutions include determining the proper level where decisions should be made, with a concerted effort to push some decision-making down from top management, and an adjustment of the decision-making style from pure consensus to giving more weight to those with greater expertise or responsibility for implementation and having management make a final decision when consensus cannot be reached.

### 3. Lack of Direction

EMPLOYEE COMMENTS: (raised 44 times, 30 by employees and 14 by managers)

Many respondents feel the strategic direction is not clear. There are sometimes different priorities and disagreements on priorities, both between the Director and the Chiefs and across divisions. There are complaints of changing priorities, a growth in the number of priorities, and lack of consistency of purpose.

Some participants explained that part of the problem is that OFR has a history of poor planning. Employees thought that there may not be a good planning process and planning is too reactive. There are few metrics and senior managers change their minds too often. Another part of the problem is a lack of customer input and information about what stakeholders want. There are even fundamental disagreements about who the stakeholders are and what their needs are. Internal customer relationships are also unclear (e.g., does data support research, or is research at less of a strategic advantage as compared to the agency's unique data collection authority?). Other contributions to the problems are the constant reorganizations, turnover in management, and the focus on personal outcomes over the OFR mission.

The result is that some people do not know what to focus on, which manifests as wait-and-see. Other times work is not completed due to changing priorities. Also, respondents believe people sometimes work on projects that are not priorities. There is an overall lack of focus on execution and getting work out the door. In the end, there is low productivity and a sense of not delivering on OFR's mandate.

The recent Programmatic Approach may have helped some, but may contribute to concerns with centralized and slow decision-making, as described above. Employees want goal clarity but not to be told how to do it.

#### ANALYSIS:

- The 2016 OFR EVS data for the question on whether management communicates the goals and priorities of the organization (56) was 41.8% positive.
- This is one of the most important issues facing OFR and clearly a function of being a new organization still trying to determine its strategy. One question is whether

this is taking so long due to the complexity of the mission or to improper planning on the part of management, or more likely both.

- Listed below are some of the key components of the issue, along with some potential action plans. All recommendations essentially evolve around having a formal strategic planning process and using it correctly and consistently.

(1) Lack of planning skills. The management team probably lacks training on strategic management, given their educational backgrounds and prior jobs, but strategic management is a highly developed area of management research and practice,<sup>29</sup> and the management team is certainly capable of learning these skills. So one recommendation is to adopt a strategic management process, train managers on its use, and use it consistently going forward.

(2) Being too reactive. Have a strategic planning process and the discipline to stick with it. Most organizations revisit their strategic plans periodically, such as yearly, which allows plans to change in reaction to changing environmental circumstances. Having a strategic plan does not imply that the organization would be unable or unwilling to respond to immediate, short-term influences on its priorities (such as congressional inquiries), but it would allow the organization to maintain its long-term direction despite temporary disruptions.

(3) Lack of metrics. This is another issue that adoption of a strategic management process can address because identification of metrics is usually a key component of such a process.

(4) Growth in scope. A formal strategic management process would allow proactive management of this issue by considering the impact of growth in scope on resource needs and other priorities.

(5) Lack of stakeholder input. There is some disagreement about the identity of stakeholders and whether they are in the best position to understand their needs. Potential stakeholders include elected officials, other government agencies, private sector organizations, and the general public (partly through the media). The complexity of understanding financial markets further complicates agreement as to stakeholder needs. Nevertheless, this is precisely why the organization needs an explicit strategic management process that attempts to identify the stakeholders and understand their needs in the broadest possible sense.

(6) Disagreement on priorities. This is an unintended consequence of not having a strategic management process. Such a process is a forum for identifying disagreements and coming to a decision. Once the yearly process is complete, all those involved must support the plan both publicly and privately, even if the plan is not exactly as they would prefer (as suggested elsewhere).

(7) Reorganizations and management turnover. The existence and use of a strategic planning process allows an organization to weather reorganizations and management turnover without negatively disrupting the work of employees. In fact, without an organization-wide plan, changes in management usually result in

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<sup>29</sup> Popular strategic management textbooks include: Hitt, M. A., Ireland, R. D., & Hoskisson, R. E. (2017). *Strategic management: Competitiveness and globalization: Concepts and cases*. Boston: Cengage Learning; and Wheelen, T. L., & Hunger, J. D. (2017). *Strategic management and business policy*. Pearson.

drastic changes to the priorities of employees (which might explain why reorganizations are sometimes called “shakeups”).

(8) Amorphous nature of the mission and lack of focus on execution. This is especially critical for an organization that collects data and conducts research because there are fewer clearly defined products and deadlines. Moreover, it is difficult to judge sufficient effort because there are few benchmarks and little institutional history, and there is a tendency to seek perfection. Perhaps OFR would benefit by identifying an appropriate strategic management process based on benchmarking with other government financial regulatory agencies and with private sector and non-government organizations that have research or data collection missions.

- In summary, the OFR should adopt or improve its formal strategic planning process and use it correctly and consistently.

#### 4. Lack of Processes and Structure

EMPLOYEE COMMENTS: (raised 19 times, 14 by employees and 5 by managers)

Some participants said that it is not clear how to get things done. There is both a lack of clear rules and a lack of clear work roles. There are also differences across areas in how the work is done. Procedures are sometimes put in place only after an issue occurs. The result is low productivity and escalation of issues too frequently, which complicates and further slows progress. This also results in people not following the procedures and inconsistent treatment of people. These are new agency challenges, but they are taking much too long to figure out in the views of some. The organization needs to adopt some best practices.

ANALYSIS:

- This is an understandable challenge for a new agency, but it is unclear why process development is taking so long. This may be due to the nature of the processes. The concern is unlikely to be the processes that are covered by government rules and regulations (e.g., procurement, accounting, human resources, information security, etc.) because they are highly structured, but is instead the more informal processes that the agency works out through experience (e.g., work roles, relationships between work units, requests/approvals, ownerships, etc.). For these informal processes, organizations will often use a variety of tools depending on the situation, such as standards of performance (SOPs), change control processes, or formal quality tools for continuous improvement because they generally focus on consistency as a primary premise (e.g., ISO, TQM, Six Sigma, etc.).<sup>30</sup>
- This is likely to be a concern that is symptomatic of the other unrest and disagreement in the organization around the priorities, decision-making authorities, accountabilities, and other issues described in Part II of this report. Resolving those issues may resolve this concern as well.

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<sup>30</sup> For an example well-known book on the topic of quality improvement, see: Ishikawa, K. (1985). *What is total quality control? The Japanese way*. Englewood Cliffs, NJ: Prentice-Hall.

## 5. Inexperienced and Unskilled Management

EMPLOYEE COMMENTS: (raised 34 times, 24 by employees and 10 by managers)

Employees believe the problem of inexperienced and unskilled management is especially in terms of people skills and a basic consideration of employee needs. Some employees do not feel supported. Some managers appear to not understand the importance of fairness, consistency, and transparency. This concern applies to all levels of management. Lower-level managers (supervisors) are sometimes better, but they have the additional problem of being in the middle—between staff and higher-level management.

Part of the problem is that some managers (including some supervisors) lack knowledge of government HR processes. However, the issue of unskilled management includes other areas of management like planning, decision-making, delegation, strategy, meeting management, etc. Employees also expressed concerns about the technical skills of managers in some areas. They felt that part of the problem was some poor hiring decisions, high turnover in management, and a lack of training for supervisors. Some employees stated there may even be lingering effects of historic bad behavior by previous managers who were not held accountable.

### ANALYSIS:

- This issue is very similar to the issues of lack of accountability and low employee performance (both discussed elsewhere), but is perhaps more critical because it applies to management and was raised by a greater number of respondents. Lack of skill or performance on the part of management affects other employees to a greater extent than a similar issue with non-managers.
- This is similar to a classic concern caused by promoting high-performing employees to supervisor based primarily on their technical skills rather than their people skills.<sup>31</sup> The concern is caused by the basic dilemma that you want to promote your most highly performing employees, which is usually dependent on their technical skill, but then being a manager also requires that they have people skills. Note that the two skills are not negatively related and may even be positively related to some degree,<sup>32</sup> but they are not the same thing. According to respondents, the same issue may have occurred at OFR, at least with some manager hires in some areas.

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<sup>31</sup> Illustrative references showing that people skills are more important than technical skills as employees are promoted into management positions include: Mumford, M. D., Zaccaro, S. J., Harding, F. D., Jacobs, T. O., & Fleishman, E. A. (2000). Leadership skills for a changing world: Solving complex social problems. *The Leadership Quarterly*, 11(1), 11-35; Mumford, T. V., Campion, M. A., & Morgeson, F. P. (2007). The leadership skills strataplex: Leadership skill requirements across organizational levels. *The Leadership Quarterly*, 18(2), 154-166; and Tonidandel, S., Braddy, P. W., & Fleenor, J. W. (2012). Relative importance of managerial skills for predicting effectiveness. *Journal of Managerial Psychology*, 27(6), 636-655.

<sup>32</sup> Job skills tend to be positively correlated due to the underlying influence of general mental ability (e.g., Ree, M. J., Earles, J. A., & Teachout, M. S. (1994). Predicting job performance: Not much more than g. *Journal of Applied Psychology*, 79(4), 518.).

- Aside from the recommendations related to the issues of accountability and employee performance (discussed elsewhere), other recommendations include hiring or promoting new managers based partly on their people skills, training managers on good employee management, evaluating their performance based partly on good people management, and recognizing that good people management starts at the top. Regarding the latter point, research shows that lower-level managers will often adopt the behavior of upper-level managers for a range of reasons, such as role modeling, conformity, and upward influence.<sup>33</sup>

## 6. Director

The authors of this report have learned that the director announced his retirement since we conducted the study. His retirement will occur at the end of 2017. Therefore, the value of this section will be primarily to inform and provide advice to the future leadership of OFR.

**EMPLOYEE COMMENTS:** Negative Comments (raised 24 times, 12 by employees and 12 by managers)

The management issues above reflect the primary comments respondents made regarding the director. They felt that he is somewhat of a micromanager and does not delegate fully. They think that he cannot make decisions. He wants consensus partly because he is risk averse and may lack confidence. However, some feel that consensus is only achieved when others agree with him. He wants to promote trust, but his staff does not always feel trusted.

They also said he sometimes reacts to feedback or disagreement poorly. He also sometimes can be inconsistent and react too quickly. He may have unrealistically high expectations, or pick deadlines without understanding the work involved. He sometimes practices management by exception, meaning he focuses on negatives or those areas in need of correction, so employees feel he is disappointed in them. He also may be publicly critical or question the purpose of some units in the OFR. He likes to debate in public, but employees are no match and feel bullied. He sometimes gives the impression that he favors some groups, or tolerates but does not embrace diversity. He lacks support by some Chiefs who may undermine him. Some employees also lack confidence in him.

**EMPLOYEE COMMENTS:** Positive Comments (raised 8 times, 6 by employees and 2 by managers)

Although we just solicited concerns about the OFR, some participants volunteered that the Director is very technically skilled and is often the most knowledgeable person in a discussion. Employees said that he tries to listen and is willing to try new things. He

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<sup>33</sup> Case, T., Dosier, L., Murkison, G., & Keys, B. (1988). How managers influence superiors: A study of upward influence tactics. *Leadership & Organization Development Journal*, 9(4), 25-31; and Wayne, S. J., Liden, R. C., Graf, I. K., & Ferris, G. R. (1997). The role of upward influence tactics in human resource decisions. *Personnel Psychology*, 50(4), 979-1006.

does a good job walking the floor and getting in touch with employees. Many people feel he works very hard and is very dedicated to the mission. He was also noted as having many supporters. There are mixed views on whether OFR can recover under his leadership, or whether now is a poor time to change the director given the budget crisis and political climate.

#### ANALYSIS:

- The 2016 OFR EVS data for the questions on senior leadership (53, 54, 60, 61, and 66) averaged 32.1% positive. Note that these questions apply to the Chiefs and the Director together. The 2016 OFR EVS data for the question on mission success (39) was only 41.9% positive.
- It is important to recognize the many headwinds faced by the Director and OFR: lack of strong political support throughout the agency's existence, an ambiguous mission with few models to follow, early turnover among key leadership, the difficulties of a startup, and now the pending downsizing.
- It appears as though the Director took responsibility for all of OFR on his shoulders. He wanted to ensure that everything was as good as he could make it, which required him to be involved in every detail. Many other factors likely encouraged this behavior, including the fact that (a) he was much more technically capable than most of his employees, which is not always typical of executives, who are usually selected for their management skills, (b) he was willing to put in the huge effort to be involved in the details, which most executives are not, (c) many of the managers and employees had skill weaknesses (as described elsewhere) and may have required additional oversight, (d) the organization was under continued external threats thus requiring greater involvement on his part, and (e) many perceived the organization as failing to fulfill its mandate and he felt responsible to fix it.
- Although this behavior was very honorable and must have come at a huge personal cost in effort and stress, it appears to have backfired in that it did not allow employees to fully take responsibility. This also helps explain some issues discussed elsewhere about excessive centralized decision-making (discussed above) and lack of ownership by employees (discussed below). Employees may also be blaming him for all the issues suffered by OFR, but the other managers and the employees share in the blame (discussed below).
- The lack of support of some of the senior managers may not only have contributed to the Director's behavior, it also impedes improvement. In other words, lack of support from all the senior managers may have increased the Director's intent to be involved in all decisions and to manage the lower-level employees directly rather than delegating responsibility to the senior managers. This, in turn, may cause less support and further encourage the Director's behavior. An important question is whether the Director should expect (or possibly demand) full support of his management team, or is the role of the Chiefs to be somewhat independent stewards over the direction of OFR? The norm in most organizations is to require the support of the top management team for the strategic direction, but then to give them more freedom as to how to implement it. Both of those appear to be lacking here.

- The Director's many positive attributes should not be overlooked. The fact that negative comments were far more numerous than positive comments should not be over-interpreted because that is virtually always the case when collecting qualitative input on employee morale, as noted earlier.<sup>34</sup> Plus, employees tend to blame top management for everything that does not go well, deserved or not. The Director's technical skill has likely been essential to the start-up of OFR. His willingness to listen and try new things is an extraordinarily positive attribute and essential to being able to turnaround OFR. His hard work and dedication to the mission cannot be questioned and provides a role model for other employees. Finally, he has many supporters. How many supporters versus critics is hard to determine. Only 24 of the 102 respondents in the focus groups and individual calls made negative comments. How well they represent the views of the approximately 223 employees is not known. The participation rate in the study (43%) would suggest that the complaints are not universal, as noted earlier. However, this could also mean that employees do not think the study is worthwhile because similar efforts have been tried in the past. The EVS scores for the question on whether the survey will be used to make the agency better (41) was only 34.2% positive.
- The recommendations seem obvious. Specifically, the Director should micromanage much less, delegate more fully (including accepting the resulting decisions), make decisions and not rely totally on consensus (points made earlier), respond to disagreement more positively, be careful about reacting too quickly, teach rather than debate employees, have reasonable expectations for employees, avoid any perception of favoritism and give second chances when needed, work out differences or replace the non-supportive senior managers, and possibly consider a deputy to attend to daily management tasks so he can focus on bigger (truly executive) tasks.

## Employee Issues

### 7. Perceptions of Inequitable Treatment of Employees from Different Backgrounds

EMPLOYEE COMMENTS: (raised 41 times, 27 by employees and 14 by managers)

According to OFR participants, OFR is composed of four types of employees: government, Wall Street, military, and academics. They differ in many important ways such as process versus outcome orientation, competitiveness, understanding of government rules and regulations, starting pay levels (higher for outside hires because they are not as constrained by government limits), and motivations to work for the OFR.

For example, participants indicated that employees who come from the private sector may be more goal oriented, more motivated with a higher sense of urgency, more technically capable, more productive, and more risk tolerant. Employees who came from the public sector may be more careful, more attentive to regulations, more long term,

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<sup>34</sup> Macey, W. H. (1996). Op. cit.

more dedicated to public service, more attentive to unintended consequences, and more risk averse. More of the managers causing employee complaints are from the private sector, while more of the employees complaining about inequitable treatment are from the public sector. Former military employees tend to support leadership but can be rigid, and the academics are sometimes focused on the freedom to select research questions and on publications for personal benefit.

These differences can create conflict between employees, but also a host of other problems. Some people perceive implicit status differences in the level of respect between types of employees or between divisions (e.g., research favored). People are sometimes judged based on who they are rather than what they say or do. There is sometimes disrespect, lack of cooperation, cliques, inequity, favoritism, and other issues. This can also result in micro-cultures with different in-groups, norms, and ways of working in different areas.

#### ANALYSIS:

- The 2016 OFR EVS data for the question asking whether favoritism not tolerated (37) was 46.1% positive.
- This is another issue that is somewhat unique to OFR. We understand that the skills necessary for the jobs, as well as historical reasons, require hiring finance experts from outside the government in addition to hiring current government employees. However, these different groups, at least initially, mix like oil and water.
- Although fairly unique to OFR as a government agency, the issue is not unique when viewed across the labor market.<sup>35</sup> There are many organizations in which some job groups get special treatment (e.g., doctors in hospitals, professors in universities, or officers in the military). In fact, most organizations have some skills that are more important to the mission and are thus given more attention and resources. However, the OFR context is unique in several ways. First, many employees from different backgrounds do the same or similar work, which reduces the legitimacy of unequal treatment. Second, they were all hired at about the same time, which did not allow new employees to assimilate into an organization with established hierarchies. Third, in the opinion of some employees, the inequities were blatant and public, like large pay differences for the same work.
- Differences in starting pay due to matching the labor market are a necessary evil in many organizations,<sup>36</sup> including OFR. Nevertheless, employees are extremely sensitive to pay inequity and often react negatively.<sup>37</sup> This is why most organizations hold pay information secret, especially for professional jobs, which is not possible in a government organization.<sup>38</sup>

<sup>35</sup> It is also not unique as a government agency. For example, consider the range of backgrounds of employees at NASA (e.g., scientists, military, government, etc.).

<sup>36</sup> Milkovich, G. T., Newman, J. M., & Milkovich, C. (2002). *Compensation* (Vol. 8). New York: McGraw-Hill.

<sup>37</sup> For example articles on the negative reactions to pay inequity, see: Greenberg, J. (1990). Employee theft as a reaction to underpayment inequity: The hidden cost of pay cuts. *Journal of Applied Psychology, 75*(5), 561; and Greenberg, J. (2006). Losing sleep over organizational injustice: Attenuating insomniac reactions to underpayment inequity with supervisory training in interactional justice. *Journal of Applied Psychology, 91*(1), 58.

<sup>38</sup> Milkovich et al. Op. cit. However, pay secrecy can have mixed effects. For example studies examining its effects, see: Bamberger, P., & Belogolovsky, E. (2010). The impact of pay secrecy on individual task performance. *Personnel*

- The compensation analysis conducted in Part I of the report showed no evidence of race or gender differences, but it did not look at this issue. Therefore, we conducted additional analyses comparing private and public sector hires. When measuring current salary levels, we observed a raw difference of about \$1,500 between private (n = 79) and public (n = 139) hires, with private sector hires earning less. However, this is because public sector hires are concentrated in higher pay bands on average. We then controlled for the primary legitimate causes of pay differences (e.g., occupational series, pay band, permanent versus temporary employment, years of potential prior work experience, interactions between potential prior work experience and private sector hire, years in pay band, and squared terms to account for the diminishing marginal returns to experience) and found a difference of about \$7,000 in favor of private sector hires, which was not statistically significant. When starting pay was also controlled, the difference reduced to a little more than \$4,000, which was also not statistically significant.
- Nevertheless, there may be individual cases where meaningful inequities exist. By way of action plans, we suggest that further analyses might be warranted to examine either (a) individual employees with large residuals in the regression analyses, especially those who are paid much less than predicted by the pay regression model described above, or (b) individuals with direct peer comparisons who are the same on all the control variables above but paid much less.
- If legitimate pay disparities are identified, they should be reduced to the extent possible (e.g., through pay adjustments) or reduced somewhat over time through a variety of compensation plans (e.g., sizes of pay increases adjusted over time to reduce the discrepancies, use of bonuses, step increases, or other techniques).<sup>39</sup> If the analyses show that the perceived pay differences are not actually real or due to legitimate causes (like differences between jobs), then that should be explained to the employees who raise this concern to management. This explanation should also include the reality that starting pay differences are necessary to compete in the labor market and are a customary component of compensation policies.
- Regarding the cultural differences, it is likely that the initial cultural clashes will subside over time and a blended culture will emerge. This blended culture should benefit the organization, but this does not always occur.<sup>40</sup>
- OFR's emerging culture is not necessarily predisposed to adopting the best of all the various subcultures, or the worst. More importantly, this should not be left up to chance. One possible recommendation is to set about to explicitly develop a hybrid culture that adopts the best of the subcultures and reflects the demands of the mission. Such an effort would start by developing an understanding of the deep assumptions of the current subcultures, and their resulting effective and ineffective values and norms. Then, it would develop a vision that defines the necessary

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*Psychology*, 63(4), 965-996; and Belogolovsky, E., & Bamberger, P. A. (2014). Signaling in secret: Pay for performance and the incentive and sorting effects of pay secrecy. *Academy of Management Journal*, 57(6), 1706-1733.

<sup>39</sup> Milkovich et al. Op. cit.; and Sady, K., Aamodt, M. G. (2016). Analyzing EEO disparities in pay: Guidance in the application of regression analyses. In S. B. Morris & E. M. Dunleavy (Eds.). *Adverse impact analyses: Understanding data, statistics, and risk* (pp. 216-238). New York: Routledge.

<sup>40</sup> The literature on this topic comes mostly from research on mergers and acquisitions (e.g., Vermeulen, F., & Barkema, H. (2001). Learning through acquisitions. *Academy of Management Journal*, 44(3), 457-476; and Nahavandi, A., & Malekzadeh, A. R. (1988). Acculturation in mergers and acquisitions. *Academy of Management Review*, 13(1), 79-90.

principles of the culture, which in turn would be used to select or mold the norms that are most aligned to support the objectives of the agency. Finally, training, change management, and other organizational development techniques may be used to implement the new culture.

- In summary, the issue of the mixed background of the employees is somewhat unique to OFR, but it has become a major impediment to success. Each group has high but different expectations. Although the overall pay differences between private and public sector hires are not as large as perceived, some meaningful differences may exist for individual employees and should be identified and possibly addressed. Employees should also be helped to understand the legitimate determinants of pay differences, which may include starting pay. Management should also recognize and correct for any favoritism, whether real or perceived. Blending the culture should be recognized as an opportunity and not left to chance. OFR should actively attempt to create a hybrid culture that reflects the best of the various subcultures in the organization.

## 8. Lack of Individual Accountability

EMPLOYEE COMMENTS: (raised 18 times, 10 by employees and 8 by managers)

Some participants thought that this issue is partially caused by unclear roles and responsibilities, as described previously. Others thought it was partially caused by everything managed and decided by committee because that is a way to avoid individual accountability. Accountability varies across units and some jobs are easier in this regard.

There is great attention to accountability recently due to lack of progress by the agency. However, some have the concern that it will be used to punish people (i.e., to find someone to blame). Nevertheless, people need to take ownership and be willing to admit mistakes, both managers and employees. .

ANALYSIS:

- This issue appears to be due to several factors, many of which are included in the other issues discussed. Some of these factors likely create genuine ambiguity about accountabilities. For example, difficulties identifying the organization's strategic mission and the resulting changes in direction (discussed elsewhere) will likely create ambiguity about ownership. Likewise, ambiguity about individual work roles and responsibilities across organizational units (discussed elsewhere) will also create genuine ambiguity about ownership. Finally, there is also concern that the agency is not effectively implementing the performance management process, so employees may not fully understand their accountability expectations. Performance management is difficult to implement well and a common challenge in most organizations,<sup>41</sup> thus it is not surprising OFR has struggles given it is a

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<sup>41</sup> For a series of articles describing the difficulty of implementing performance management well, see the special issue of *Industrial and Organizational Psychology*, 2011, vol 4(2), starting with the lead article by Pulakos, E. D., & O'Leary, R. S. Why is performance management broken? 146-164.

new organization and managers are purported to be less skilled in employee management (described elsewhere). The 2016 OFR EVS data for the performance management questions (15, 19, 44, 46, and 50) averaged 63.7% positive, which is not that low but does suggest a third of employees are not satisfied with the appraisal process.

- Other factors likely create perceived ambiguity about accountabilities. First, the organization is perceived as having difficulty meeting its mandate, so people are looking for reasons why, which raises concerns about whether other employees are doing their jobs. Second, the lack of communication (as noted elsewhere) will decrease understanding of what other employees are doing. Third, jobs vary widely and people probably do not fully understand the work of other employees, especially across units, which does not allow them to appreciate the work owned by other employees. Finally, people are highly susceptible to the Fundamental Attribution Error, in that they explain the causes of other people's behavior differently than how they explain their own behavior, which leads them to be critical of other employees.<sup>42</sup>
- It is likely that the perceived issue will be reduced as the OFR addresses associated issues. However, the action plans to address the actual accountability issues are straightforward—the organization needs to clarify its mission, maintain stability in its priorities, work out differences in responsibilities across organizational units, and make sure employees understand their specific roles and accountabilities, partly through better implementation of the performance management policies and procedures that are already in place. This should also include better communication of responsibilities across units and among employees to reduce the perception that other people are not accountable.

## 9. Lack of Skill and Performance Among Some Employees

EMPLOYEE COMMENTS: (raised 18 times, 13 by employees and 5 by managers)

Several participants noted the issue is also accompanied by a lot of impression management to cover up weak performance. Respondents suggested there are many potential causes. One widespread view is that there have been many bad hires. Some people may not be a good match for their jobs because the work was unknown or has changed since time of hire, people are assigned to different jobs than they were hired for, and people were hired based on talent rather than job requirements.

Some people speculate that the issue is partly because many high performers left and low performers stayed, thus leaving a less capable workforce. Others (perhaps sarcastically) speculate that some of those from Wall Street were the ones let go in the downsizings, and most of the rest are government employees, so neither group are purely superstars.

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<sup>42</sup> It is a well-known finding in research in psychology that we tend to explain other people's failures as due to their lack of ability and effort (internal factors), and their successes due to easy tasks and luck (external factors), while we explain our own failures due to hard tasks and bad luck (external factors) and our successes due to ability and hard work (internal factors). This error is so well known that it is defined in Wikipedia (which includes citations to scholarly articles on the topic): [https://en.wikipedia.org/wiki/Fundamental\\_attribution\\_error](https://en.wikipedia.org/wiki/Fundamental_attribution_error).

Some participants offered that the issue may also be due to the fact that employees have misperceptions of their own performance. They think they are performing higher than their managers or other employees do. Government employees expect high ratings partly due to rating inflation in the government. Related causes are that some managers conduct performance evaluations poorly, and poor performers are not addressed, which is partly due to government rules and risk aversion around terminations. Other respondents suggested that management should have more reasonable expectations for the level of work, and that people are sometimes critical of others without knowing the complexity of their tasks

#### ANALYSIS:

- The 2016 OFR EVS data for dealing with poor performers (question 23) was 34.8% positive and for the skills of other employees (21, 27, and 29) averaged 51.7% positive.
- The causes of this perceived concern are similar in many ways to the issue of lack of accountability, including potentially legitimate causes such as ambiguity about individual work roles and responsibilities and lack of effective performance management. Other factors that might lead to the perception of low performance include (a) the organization's difficulty meeting its mandate and employees' search for reasons why that is, (b) lack of communication and understanding of what other employees are doing, (c) not fully understanding the work of other employees, and (d) the Fundamental Attribution Error.
- Extensive research has shown widespread inflation of performance appraisal ratings (with most people rated highly),<sup>43</sup> which takes place at OFR. As seen in Part I of this report, 86% of OFR employees received ratings of either "outstanding" or "exceeded" from 2012 to 2016. Research has also shown that employees overestimate their performance appraisal ratings compared to their supervisors or peers.<sup>44</sup> So people likely expect high performance ratings and think their performance is higher than others may judge it. It is also plausible that the agency hired employees without adequate consideration of the requirements of the jobs, or the jobs changed since the employees were hired, resulting in a poor match between the employees' skills and their jobs. Finally, it is conceivable that management expectations may be higher than employees are able to deliver for a range of reasons, including those above but also that OFR may be trying to take

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<sup>43</sup> This issue was discussed in the review of problems with performance management in the series of articles beginning with Pulakos & O'Leary (2011), Cit. Op. For illustrative articles, see: Fried, Y., Levi, A. S., Ben-David, H. A., & Tiegs, R. B. (1999). Inflation of subordinates' performance ratings: Main and interactive effects of rater negative affectivity, documentation of work behavior, and appraisal visibility. *Journal of Organizational Behavior*, 431-444; Fried, Y., & Tiegs, R. B. (1995). Supervisors' role conflict and role ambiguity differential relations with performance ratings of subordinates and the moderating effect of screening ability. *Journal of Applied Psychology*, 80(2), 282; and Mero, N. P., & Motowidlo, S. J. (1995). Effects of rater accountability on the accuracy and the favorability of performance ratings. *Journal of Applied Psychology*, 80(4), 517.

<sup>44</sup> For illustrative early research articles see: Meyer, H. H. (1980). Self-appraisal of job performance. *Personnel Psychology*, 33(2), 291-295; and Thornton, G. C. (1980). Psychometric properties of self-appraisals of job performance. *Personnel Psychology*, 33(2), 263-271. For a recent statistical review of the topic see: Heidemeier, H., & Moser, K. (2009). Self-other agreement in job performance ratings: A meta-analytic test of a process model. *Journal of Applied Psychology*, 94(2), 353-370.

on a greater scope of work than it can realistically achieve with its current resources.

- The recommendations for this issue include those already made for the issue of lack of accountability (discussed elsewhere), plus better management of poor performers, improved matching of candidate skills with job requirements in hiring as prescribed by the current hiring policies and procedures, and a realistic evaluation of the scope of work taken on by OFR and the expectations for employee performance.

## 10. Difficult Employees to Manage

EMPLOYEE COMMENTS: (raised 19 times, 11 by employees and 8 by managers)

Some respondents noted their colleagues are highly educated, highly paid, and thus have a high sense of self-worth. They also have a sense of entitlement and “me” culture. They expect self-management. They expect to know everything and be involved in every decision. They cannot take “no” for an answer. There is a lot of self-interest and impression management.

They also have high expectations of management. Some employees blame management for all issues and are unforgiving of management mistakes. They also blame other employees and create a culture of finger pointing (i.e., externalizing failures). Relatedly, they create a rumor mill that contributes to the other issues.

Management tolerates employee complaining, but the employees are a clear part of the issues at OFR.

ANALYSIS:

- In general, managers in organizations are fond of discussing perceived generation differences in younger employees that often include the notion of entitlement, and there is some research to support that,<sup>45</sup> but this is a broader and longer-term trend, perhaps encouraged by the great number of employment laws, the litigious and rights-oriented nature of our society today, and the general heightened expectations of fair treatment in the workplace.<sup>46</sup> Highly educated and highly paid

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<sup>45</sup> For an example individual study with a sound methodology, see: Twenge, J. M., Campbell, S. M., Hoffman, B. J., & Lance, C. E. (2010). Generational differences in work values: Leisure and extrinsic values increasing, social and intrinsic values decreasing. *Journal of Management*, 36(5), 1117-1142. For reviews of the literature, see: Deal, J. J., Altman, D. G., & Rogelberg, S. G. (2010). Millennials at work: What we know and what we need to do (if anything). *Journal of Business and Psychology*, 25(2), 191-199; Twenge, J. M. (2010). A review of the empirical evidence on generational differences in work attitudes. *Journal of Business and Psychology*, 25(2), 201-210; and Lyons, S., & Kuron, L. (2014). Generational differences in the workplace: A review of the evidence and directions for future research. *Journal of Organizational Behavior*, 35(S1). For a study on the impact of generational differences on turnover in the public sector, see: McGinnis Johnson, J., & Ng, E. S. (2016). Money talks or millennials walk: The effect of compensation on nonprofit millennial workers sector-switching intentions. *Review of Public Personnel Administration*, 36(3), 283-305.

<sup>46</sup> The previous footnote contains articles documenting the broader trend in employee entitlement. For a provocative study on the psychology of entitlement, see: Miller, B. K., & Gallagher, D. G. (2016). Examining trait entitlement using the self-other knowledge asymmetry model. *Personality and Individual Differences*, 92, 113-117.

workers also tend to be more demanding in terms of expectations to participate in decisions and of special treatment by management.

- There is also evidence that employees differ in “equity sensitivity,” with some employees (called “entitled”) expecting their outcomes to be greater than their inputs and feeling little obligation to reciprocate or be grateful, some employees (called “equity sensitives”) in the middle who follow traditional norms of expected outcomes for their efforts, and some employees (called “benevolents”) who have a greater tolerance for under-reward and continue to put in effort expecting little in return.<sup>47</sup>
- There is also evidence that more entitled employees tend to perceive that their leadership is abusive compared to less entitled employees.<sup>48</sup> Although not mentioned by the respondents, we notice that government employees will often be especially critical of weaknesses in management practices (especially HR practices), perhaps because the government has more highly developed management policies and procedures and thus they have higher expectations.
- Solutions probably include managing employees at the OFR in a manner that considers their nature, meaning giving them more information, soliciting their input, allowing more participation in decision-making, being more transparent with reasons for decisions, attending carefully to fairness issues, and otherwise giving individual treatment that considers their perspectives and outcomes.
- Equally as important, employees must understand they are a major part of the issue at OFR and essential to the solution. We believe that management is primarily responsible for the issues and the solutions because they are in charge, but it is more like 60/40, not 90/10. The organization cannot recover without the total commitment of the employees to turn it around.
- So what can employees do? In part, they can help management create a more positive organizational culture that establishes new norms and principles of expected employee behavior that include (among other things): a greater sense of public service as opposed to excessive self-focus; an understanding that working in an organization means you have a boss and teammates and sometimes their needs come before yours; you do not get to participate in all decisions and when you do it is a privilege; you need to take responsibility to be accountable for your job and also to help others succeed; and continual complaining and gossip is actually harmful and not constructive input. One common piece of advice about providing employee input to decisions is as follows: you should voice your opinion clearly, loud enough to be heard, and in a highly articulate manner one time, and then support the decision made by the group even if it is different than your recommendation.

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<sup>47</sup> For example early and recent articles, see: Huseman, R. C., Hatfield, J. D., & Miles, E. W. (1987). A new perspective on equity theory: The equity sensitivity construct. *Academy of Management Journal*, 12(2), 222–234. 624; King, W. C., Miles, E. W., & Day, D. D. (1993). A test and refinement of the equity sensitivity construct. *Journal of Organizational Behavior*, 14(4), 301–317; and Roehling, M. V., Roehling, P. V., & Boswell, W. R. (2010). The potential role of organizational setting in creating “entitled” employees: An investigation of the antecedents of equity sensitivity. *Employee Responsibilities and Rights Journal*, 22(2), 133-145.

<sup>48</sup> Harvey, P., Harris, K. J., Gillis, W. E., & Martinko, M. J. (2014). Abusive supervision and the entitled employee. *The Leadership Quarterly*, 25(2), 204-217.

- Despite the fact that the employees are demanding, their common input is likely to be an accurate reflection of the situation at OFR. Management should not attribute the issues raised in Part II of this report as mainly due to difficult employees. However, employees should ask themselves to what extent they are part of the problem.

## 11. Some Concerns are Misdiagnosed as Diversity Issues

EMPLOYEE COMMENTS: (raised 15 times, 10 by employees and 5 by managers)

Respondents recognized that OFR's initial internal analysis of the data did not show differences based on race or gender in terms of compensation, appraisal, promotion, hiring, and other HR outcomes. They felt that diversity issues may exist for some individual employees, but it is not widespread.

However, they also recognize that it is easy to see how other difficulties might be misinterpreted as discrimination if you are a woman or minority. Also, diverse employees may be using these outlets (e.g., equal employment complaint procedures) as a means to seek help because these outlets are available to them. They felt the challenge is how to change perceptions of discrimination.

The bigger issue is that regardless of race, ethnicity, or gender, many employees feel mistreated and subject to unfairness. OFR's culture may be one of toleration, not genuine inclusiveness.

Note that some respondents said racial differences exist and some respondents said gender differences exist (e.g., perceived differential treatment of some type), but they did not allege it was clearly illegal discrimination. One additional person asserted that discrimination existed, but did not indicate the type.

### ANALYSIS:

- The 2016 OFR EVS data for the discrimination question (38) was 57.3% positive.<sup>49</sup>
- It is remarkable how infrequently diversity issues came up, given its role in motivating the project. This should not be taken as an indication that no one is a victim of discrimination. This study cannot prove whether or not discrimination has occurred in some situations. However, many employees, of all races and genders, went out of their way to specifically explain that diversity concerns were not the fundamental issues. The statistical data described in Part I support this conclusion as well. The extensive statistical analyses identified little evidence of race or gender disparities in HR outcomes (e.g., compensation, appraisals, promotions, hiring, etc.). Even the survey to design the listening sessions did not indicate a

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<sup>49</sup> The EVS question reads "Prohibited Personnel Practices (for example, illegally discriminating for or against any employee/applicant, obstructing a person's right to compete for employment, knowingly violating veterans' preference requirements) are not tolerated." It should also be noted that the OFR results at 57.3% positive is lower than the DO overall at 73.7% positive.

great preference for having sessions specifically for members of certain races or genders.

- It is understandable why diverse employees might use specialized outlets to voice their concerns, given the availability of those outlets to them, but their concerns are not unique or necessarily caused by discrimination, according to the participants in the study. If the issue of discrimination is more perceived than real, then the agency should focus attention on how to change the perception. Perhaps bringing the issue to light through this project and the findings of the exhaustive quantitative and qualitative data will begin to change this perception.
- So the good news is that discrimination does not appear to be widespread, but the bad news is many people feel unfairly treated regardless of race or gender. As with some of the other issues, unfair treatment is probably a symptom rather than a root cause, and addressing the root causes (many of the other issues described in Part II of this report) will likely improve these perceptions.

## Support Issues

### 12. Need More HR Support

EMPLOYEE COMMENTS: (raised 16 times, 12 by employees and 4 by managers)

Some participants commented that the lack of HR support produces many problems, including a lack of clarity of who to go to in HR, lack of timely responses, some incorrect answers, some mistakes, and some insufficient response to complaints. Hiring is especially difficult, both due to cumbersome administration and to potential decision-making bias by those who only want certain individuals. Action items to improve morale (such as from the EVS survey or other initiatives) were not fully implemented. Many pay complaints were not addressed. Policies and procedures are clear, but implementation is the struggle, such as inconsistency due to interpretation. Also, some perceive that there is also a lack of HR strategy.

Participants explained that main Treasury provides most HR services, but serving OFR is not their only role in most cases and they do not report to OFR. There is limited in-house HR support and much of that is taken up with ancillary activities. Turnover within HR Treasury has also had a negative impact on the services provided to OFR. Some felt that having the HR staff out of the building has not worked well because they cannot keep current with in-house issues. OFR managers need a business partner to walk them through the procedures and processes (e.g., performance management, equal employment opportunity, etc.). Some management feels like there is little it can do to help employees with HR matters.

#### ANALYSIS:

- It probably seemed logical and efficient to expect Treasury to primarily provide HR staff support when setting up OFR, but the needed support has apparently not been sufficient in the opinions of some. A separate HR office in OFR may or may not be needed, but OFR could have more HR staff either assigned to OFR or in

main Treasury. Research by the Society for Human Resource Management shows how organizational size influences HR staffing requirements.<sup>50</sup> Organizations under 250 people (like OFR at 223) have an average of 3.4 dedicated HR staff per 100 employees, while organizations over 1,000 like Treasury have an average of 1.03 HR staff per 100 employees due to efficiencies with size. The correct number for OFR is hard to estimate because these estimates include all services and all levels of HR employees (from clerical to manager). Many HR services will be more efficiently administered by Treasury or outsourced, like pay, benefits, recruiting, and applicant tracking. Therefore, the proper number of HR staff for OFR will depend on what services main Treasury will provide and what services an OFR-designated HR staff should provide.

- Aside from determining the services provided by main Treasury versus OFR, the agency should clarify the roles and responsibilities of those involved in HR at the present time or assigned in the future. Finally, the proper level of HR support depends on the role of line management to perform HR. In the best companies, line management performs most HR tasks with the advice and counsel of HR.<sup>51</sup> Moreover, some of the concerns about not implementing action items to improve morale or not addressing pay complains are more the responsibility of management than HR. A clear recommendation in OFR is training for managers on the proper implementation of HR systems and the role they play in HR management.
- As noted earlier, this study reviewed the HR policies and procedures in order to understand better the HR comments made by employees. The findings of the study suggest that, by and large, these policies and procedures are not the primary issues. However, as described at several points elsewhere in this report, the solution to some of the issues is partly a better implementation of the HR policies and procedures.

### 13. Lack of Opportunities for Development

EMPLOYEE COMMENTS: (raised 11 times, 9 by employees and 2 by managers)

A common complaint was that OFR is a fairly small and flat organization with nowhere to grow. There is also a cap on promotions beyond level 60, so it is difficult to move beyond that level. The pay structure does not have steps, like government employees are used to, so it feels like there is little salary growth.

Some respondents believe training opportunities are limited. Allegedly, the \$5,000 for training allotted to each employee is not delivered in all areas as promised, and there are differences in supervisor interpretations of the training policies. In the views of some, there is little management attention and coaching of employees, and criticized employees

<sup>50</sup> Society for Human Resource Management (2015). *How Organizational Staff Size Influences HR Metrics*. Alexandria, VA: Author.

<sup>51</sup> For examples, see: Wright, C. (2008). Reinventing human resource management: Business partners, internal consultants and the limits to professionalization. *Human Relations*, 61(8), 1063-1086; and Currie, G., & Procter, S. (2001). Exploring the relationship between HR and middle managers. *Human Resource Management Journal*, 11(3), 53-69.

never get a second chance. There is also the perception of some favoritism with developmental opportunities. Overall, there is little visible strategy for employee development and it is viewed as a low priority.

#### ANALYSIS:

- The 2016 OFR EVS data for the training and development questions (1, 18, 22, 43, 47, 67, and 68) averaged 53.5% positive.
- Although a small organization may have limited promotion opportunities, especially during times of headcount reduction, there are many kinds of employee development other than just promotions and pay increases that OFR could use. First, there is training. The \$5,000 annual training budget for each employee, the availability of training in the government, and the general willingness in government to allow work time for training is far more support for training than in most private sector organizations. The latest training industry report found organizations spend an average of only \$1,252 per employee on training.<sup>52</sup> Second, job assignments, including both lateral transfers and temporary assignments and projects, are probably the most important determinant of a professional's skill development after completing school.<sup>53</sup> This type of development would seem readily applicable at OFR. Third, coaching and counseling of employees by their managers is another key source of development and some respondents noted this is lacking at OFR.<sup>54</sup> This can also include mentoring by other more senior employees and managers, which is a recognized source of employee development.<sup>55</sup> Of course, fairness in the allocation of these development opportunities is essential.

## 14. Constraints on Productivity

EMPLOYEE COMMENTS: (raised 11 times, 10 by employees and 1 by managers)

One key constraint is the number of approvals required and the bureaucratic procedures to get data or other resources. Other constraints include understaffing in some key roles, a culture of risk-avoidance and fear (e.g., of violating a law, litigation, retaliation,

<sup>52</sup> Association for Talent Development (December 8, 2016). ATD Releases 2016 State of the Industry Report. <https://www.td.org/Publications/Blogs/ATD-Blog/2016/12/ATD-Releases-2016-State-of-the-Industry-Report>.

<sup>53</sup> Example literature includes: McCall, M. W., Lombardo, M. M., & Morrison, A. M. (1988). *Lessons of experience: How successful executives develop on the job*. Simon and Schuster; Campion, M. A., Cheraskin, L., & Stevens, M. J. (1994). Career-related antecedents and outcomes of job rotation. *Academy of Management Journal*, 37(6), 1518-1542; and Dragoni, L., Tesluk, P. E., Russell, J. E., & Oh, I. S. (2009). Understanding managerial development: Integrating developmental assignments, learning orientation, and access to developmental opportunities in predicting managerial competencies. *Academy of Management Journal*, 52(4), 731-743.

<sup>54</sup> For example articles, see: Ellinger, A. D., & Bostrom, R. P. (1999). Managerial coaching behaviors in learning organizations. *Journal of Management Development*, 18(9), 752-771; Ladyshewsky, R. K. (2010). The manager as coach as a driver of organizational development. *Leadership & Organization Development Journal*, 31(4), 292-306; Kraut, A. I., Pedigo, P. R., McKenna, D. D., & Dunnette, M. D. (1989). The role of the manager: What's really important in different management jobs? *The Academy of Management Executive*, 3(4), 286-293; and Graham, S., Wedman, J. F., & Garvin-Kester, B. (1993). Manager coaching skills: Development and application. *Performance Improvement Quarterly*, 6(1), 2-13.

<sup>55</sup> For a recent statistical summary of the literature, see: Underhill, C. M. (2006). The effectiveness of mentoring programs in corporate settings: A meta-analytical review of the literature. *Journal of Vocational Behavior*, 68(2), 292-307.

controversial research topics, etc.), and too much time in meetings due to consensus management and insecurity. Due to these constraints, there is sometimes little sense of urgency and apathy is building, which compounds the problem.

#### ANALYSIS:

- This concern is partly culture shock for those who came to a job within government from the private sector due both to the greater number of rules and regulations and to the heightened fear of legal challenges. However, the concern may be somewhat more severe in OFR due to the lack of processes and structure (as described earlier) because clear procedures are not in place to navigate the system. The lack of urgency and sense of apathy that may result is an unfortunate side effect, which we hope will convert to learning how to work in the government. No unique recommendations derive from this perceived concern.

### 15. Telecommuting

EMPLOYEE COMMENTS: (raised 9 times, 7 by employees and 2 by managers)

There is a perception among some employees of unequal opportunity to telecommute, partly because it is not as feasible for some jobs. There is also a perception of lack of accountability of telecommuting employees, partly because it is hard to monitor their productivity. Telecommuting may exacerbate challenges of a struggling organization because people are not at work.

#### ANALYSIS:

- These are inherent difficulties with telecommuting. The hard fact is that telecommuting is not a benefit that all employees can enjoy because its feasibility depends on the job. Some jobs either cannot be remote or are less effective if performed remotely. Even when it is feasible, managing remote employees takes additional managerial skill and practices, which may be especially difficult for managers who are perceived as not having strong skills as managers (discussed elsewhere). Telecommuting may also be difficult to accommodate at a time when the organization is struggling and “all hands need to be on deck,” as the expression goes.<sup>56</sup> Moreover, telecommuting requires employees that do not view it as a perk (e.g., an easy day), but instead as an earned privilege, and who realize that to compensate for the difficulties their absence may create for management and other employees they must demonstrate that when working at home they are at least as productive and available, or more so, as when they are in the office.<sup>57</sup>

<sup>56</sup> [https://en.oxforddictionaries.com/definition/all\\_hands\\_on\\_deck](https://en.oxforddictionaries.com/definition/all_hands_on_deck).

<sup>57</sup> For illustrative research on these requirements of telecommuting, see: Daniels, K., Lamond, D., & Standen, P. (2001). Teleworking: frameworks for organizational research. *Journal of Management Studies*, 38(8), 1151-1185; Gajendran, R. S., & Harrison, D. A. (2007). The good, the bad, and the unknown about telecommuting: meta-analysis of psychological mediators and individual consequences. *Journal of Applied Psychology*, 92(6), 1542-1541; Hartman, R. I., Stoner, C. R., & Arora, R. (1991). An investigation of selected variables affecting telecommuting productivity and satisfaction. *Journal of Business and Psychology*, 6(2), 207-225; Manochehri, G., & Pinkerton, T. (2003). Managing telecommuters: Opportunities and challenges. *American Business Review*, 21(1), 9; Kossek, E. E., Lautsch, B. A., & Eaton, S. C. (2006). Telecommuting, control, and boundary management: Correlates of policy use and practice, job

- The Federal Government's Guide to Telework<sup>58</sup> and the Treasury Department Telework and Flexiplace Handbook<sup>59</sup> are excellent sources of policy and procedural advice that should help address the issues raised here and should be communicated to employees. It is uncertain if OFR uses them since they were never mentioned by any respondents. Managers and employees should be helped to understand the difficulties and requirements of telecommuting and do their part to make telecommuting effective where it is feasible.

## 16. External Threats and Pending Downsizing

EMPLOYEE COMMENTS: (raised 18 times, 8 by employees and 10 by managers)<sup>60</sup>

Employees explained that throughout the history of OFR, a lack of strong political support has reduced confidence and motivation, which created feelings of uncertainty and vulnerability. The pending downsizing magnifies these concerns, as well as aggravates the other morale issues. Some employees perceive senior leadership as panicking, and everyone is focused on personal survival and self-preservation. All this is cause for lack of hope.

Respondents had many suggestions for management. First, employees need sympathy and a forum to share concerns during these difficult times. Second, employees desire transparency in the decision-making processes. They have concerns about discrimination, as well as reverse discrimination in reduction decisions as OFR attempts to change perceptions of discrimination. Finally, this may be an opportunity to refocus and allow those not happy or best fit to leave.

### ANALYSIS:

- This aspect of OFR is truly unique and in a very negative way that must be considered as a central factor in evaluating its success. The organization has always existed in an environment characterized as not fully supportive, and now it is under a more extreme external threat. The OFR fiscal 2018 budget anticipates a 25% budget cut and a 37% reduction in headcount.<sup>61</sup>
- Aside from the obvious resource challenges anticipated by the proposed budget cuts, this creates several other less obvious challenges. First, extensive basic psychological research in many domains shows that expectations held by others can have a strong influence on behavior for a range of reasons, not the least of which is the reduction in confidence and self-efficacy (belief in one's ability to

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control, and work-family effectiveness. *Journal of Vocational Behavior*, 68(2), 347-367; Bailey, D. E., & Kurland, N. B. (2002). A review of telework research: Findings, new directions, and lessons for the study of modern work. *Journal of Organizational Behavior*, 23(4), 383-400; and Pearson, K. E., & Saunders, C. S. (2001). There's no place like home: Managing telecommuting paradoxes. *The Academy of Management Executive*, 15(2), 117-128.

<sup>58</sup> U.S. Office of Personnel Management (April, 2011). *Guide to Telework in the Federal Government*. Washington, DC: Author.

<sup>59</sup> Google the title to download the document.

<sup>60</sup> Downsizing came up more from managers because employees were not aware of it at the time of the group listening sessions.

<sup>61</sup> Office of Financial Research, Congressional Justification for Appropriations and Annual Performance Report and Plan (FY 2018), Table 1.1.

succeed).<sup>62</sup> Employees working in an environment perceived as characterized by critics and doubters cannot help but question their mission and future, and hence suffer attitudinal and motivational consequences. Second, a pending downsizing can substantially reduce productivity because employees are naturally preoccupied with their personal career survival, and even survivors are less committed to the organization.<sup>63</sup> So the downsizing will likely make the OFR less able to meet its mandate now, as well as in the future.

- There are also some potential positive effects of the pending downsizing. For one, it might encourage and enable truly unhappy and poorly fitting employees to leave. Downsizing within the Federal Government usually includes early retirement, severance, bumps and retreats, temporary positions, outplacement assistance, and other options to allow employees to voluntarily move on.
- There are at least four major recommendations. First, recognize and help employees cope with the psychological costs of living in an organization they perceive as under constant siege and the potential ill effects of the upcoming reduction in force. Second, base the downsizing process and decisions on the guidelines of the U.S. Office of Personnel Management and other published best practices.<sup>64</sup> This includes, for example, focusing primarily on the future work to be accomplished and not the employees to retain, minimizing the need for involuntary terminations, basing terminations on fair, job-related considerations, and communicating extensively with employees throughout the process. It is especially important not to have any favoritism for or against particular employees. In addition to obvious favoritism, this could manifest in distorting the future work (to retain the employees who do that work) or biasing performance reviews (rating disfavored employees lower thus influencing termination decisions). Third, employees should ask themselves: (a) Am I unhappy enough that I should use this opportunity to leave? and (b) If I have the opportunity to stay, am I willing to make the changes in my own behavior necessary to turn OFR around? Fourth, the reduction in budget and headcount should be accompanied by a focusing of the mission of OFR on only the most important goals and a scope that can be achieved with the remaining resources. This may also help address the issue with unclear direction (discussed previously).

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<sup>62</sup> For examples of classic early literature see: Bandura, A. (1977). Self-efficacy: toward a unifying theory of behavioral change. *Psychological Review*, 84(2), 191; and Jussim, L. (1986). Self-fulfilling prophecies: A theoretical and integrative review. *Psychological Review*, 93(4), 429.

<sup>63</sup> Examples include: Cascio, W. F. (1993). Downsizing: What do we know? What have we learned? *Academy of Management Executive*, 7, 95-104; Guthrie, J. P., & Datta, D. K. (2008). Dumb and dumber: The impact of downsizing on firm performance as moderated by industry conditions. *Organization Science*, 19(1), 108-123; and Maertz, C. P., Wiley, J. W., LeRouge, C., & Campion, M. A. (2010). Downsizing effects on survivors: Layoffs, offshoring & outsourcing. *Industrial Relations*, 49, 275-285.

<sup>64</sup> U.S. Office of Personnel Management. (March, 2017). *Workforce Reshaping Operations Handbook: A Guide for Agency Management and Human Resource Offices*. Washington, DC: Author; and Campion, M. A., Guerrero, L., & Posthuma, R. A. (2011). Reasonable Human Resource Practices for Making Employee Downsizing Decisions. *Organizational Dynamics*, 40, 174-180.

## Summary of Recommendations from Qualitative Analyses

Listed below is a summary of the recommendations for each of the issues identified by speaking with OFR personnel. Please see the earlier sections of Part II of this report for the rationale behind the recommendations.

### Management Issues

#### 1. Communication and Cooperation

- a. The agency should substantially enhance communication by whatever means and by as many means that make sense depending on the organizational unit (e.g., regular informational meetings, town halls, e-mail news blasts, etc.).
- b. To improve cooperation, consider alternative organizational structures (e.g., matrix design, or product units as opposed to functional units) and integrative roles (e.g., program managers that have responsibility for products, programs, or projects across organizational units), but be aware that reorganizations can be highly disruptive.
- c. The agency should further investigate the fear of retaliation issue and whether trust is truly a concern, because the solutions will depend on the nature of the concerns. The planned trust training sounds like a good idea, nevertheless.

#### 2. Decision-Making

- a. To reduce the extent of centralized decision-making: (a) there should be a single top decision-making committee, (b) the fewest number of management layers should be used, and (c) decision-making should be pushed to the lowest feasible level where the expertise and responsibility for implementation lie.
- b. To increase empowerment: (a) senior management should resist the tendency to make all the decisions themselves, and (b) some employees must realize that empowerment is partly earned, meaning it follows high job performance, instead of necessarily being a precondition, especially when the employee's history of performance is not strong.
- c. To reduce the overuse of consensus decision-making, adopt an approach where widespread input is sought, with special consideration given to those who have relevant expertise or responsibility for implementation, and where consensus is desirable if feasible; but, if not, the highest-ranking senior manager in charge makes a decision. Employees must accept that there will be times when the agency does not adopt their preferred decision, and they must support the decision that was made.

#### 3. Lack of Direction

All recommendations essentially evolve around having a formal strategic planning process and using it correctly and consistently. This will involve training on strategic management, using metrics, controlling growth in scope, gaining stakeholder input, resolving disagreement on the priorities, and other matters.

#### 4. Lack of Processes and Structure

This challenge is symptomatic of the other unrest and disagreement in OFR around the priorities, decision-making authorities, accountabilities, and other issues described in Part II of this report. When the agency resolves these other issues, possibly this challenge will become more solvable.

#### 5. Inexperienced and Unskilled Management

Hire and promote managers based on their people skills as well as their technical skills, train managers on good people management, evaluate their performance based partly on good people management, and recognize that good people management starts at the top.

#### 6. Director Comments

Some of the recommendations above reflect those deriving from the comments respondents made on the director. The Director should micromanage much less, delegate more fully (including accepting employee decisions), make decisions and not rely totally on consensus, respond to disagreement more positively, be careful about reacting too quickly, teach rather than debate employees, have reasonable expectations for employees, work out differences or replace non-supportive senior managers, and possibly consider a deputy to attend to daily management tasks so he can focus on the bigger (truly executive) tasks.

### **Employee Issues**

#### 7. Mixing Employees of Different Backgrounds Results in Inequitable Treatment

a. Although the overall pay differences between private and public sector hires are not as large as perceived, some meaningful differences may exist. The agency should determine and possibly address these differences. The agency should also help employees to understand the legitimate determinants of pay differences, which may include starting pay.

b. Management should recognize and correct for any favoritism, whether real or perceived.

c. Blending the various groups (Wall Street, public sector, military, and academics) should be recognized as an opportunity and not left to chance. OFR should actively attempt to create a hybrid culture that reflects the best of the various subcultures in the organization and then implement the new culture using organizational development techniques recommended in Part II of this report.

#### 8. Lack of Individual Accountability

OFR needs to clarify its mission, maintain stability in its priorities, work out differences in responsibilities across organizational units, and make sure employees understand their

specific roles and accountabilities, partly through better implementation of the performance management process. This should also include better communication of responsibilities across units and among employees.

#### 9. Lack of Skill and Performance Among Some Employees

The recommendations for this issue include those already made for the issue of lack of accountability, plus improved matching of candidate skills with job requirements in hiring, and a realistic evaluation of the scope of work OFR takes on and the expectations of employees.

#### 10. Difficult Employees to Manage

a. Solutions probably include managing these employees in a manner that considers their nature, meaning giving them more information, soliciting their input, allowing more participation in decision-making, being more transparent with reasons for decisions, attending carefully to fairness issues, and otherwise giving individual treatment that considers their perspectives and outcomes.

b. Employees must also do their part by helping management create a more positive organizational culture that establishes new norms and principles of expected employee behavior that include (among other things): a greater sense of public service as opposed to excessive self-focus; an understanding that working in an organization means you have a boss and teammates and sometimes their needs come before yours; you do not get to participate in all decisions and when you do it is a privilege; you need to take responsibility to be accountable for your job and also to help others succeed; and continual complaining and gossip is actually harmful and not constructive input.

#### 11. Concerns are Misdiagnosed as Diversity Issues

If the issue of discrimination is more perceived than real, then perhaps bringing the issue to light through this project and the findings of its exhaustive quantitative and qualitative data analyses will begin to change this perception. The issue of unfair treatment is one that everyone appears to suffer in OFR, not just minorities and women. This concern is probably a symptom rather than a root cause, and addressing the root causes (many of the other issues described in Part II of this report) will likely improve these perceptions.

### **Support Issues**

#### 12. Need More HR Support

a. More HR support is needed but the proper amount will depend on what services main Treasury will provide and what services an OFR-designated HR staff should provide.

b. The agency should also clarify the roles and responsibilities of those involved in HR at the present time or assigned in the future.

- c. The proper level of HR support depends on the role of line management to perform HR. Managers should be trained on the proper implementation of HR systems and the role they play in HR management.
- d. Although the HR policies and procedures did not emerge as primary problems, the solution to several of the other problems throughout the report is the better implementation of the policies and procedures.

### 13. Lack of Opportunities for Development

OFR should use the many other kinds of employee development available other than just promotions and pay increases, including training, job assignments (both lateral transfers and temporary assignments and projects), coaching, counseling, and mentoring.

### 14. Constraints on Productivity

The challenge may be somewhat more severe for employees hired from outside the government who are not used to bureaucracy, and it may be more severe in OFR due to the lack of processes and structure (as described earlier) because clear procedures are not in place to navigate the system. No unique recommendations derive from this perceived challenge.

### 15. Telecommuting

OFR should help managers and employees to understand the difficulties and requirements of telecommuting and do their part to make it more effective. These difficulties include: (1) the fact that the feasibility of telecommuting depends on the job and may not be available for all employees, (2) managing remote employees takes additional managerial skill and practices, (3) it may be especially challenging at a time when the organization is struggling, and (4) telecommuting requires employees who realize that to compensate for the difficulties their absence may create for management and other employees they must demonstrate that when working at home they are at least as productive and available, or more so, as when they are in the office.

### 16. External Threats and Pending Downsizing

- a. Recognize and help employees cope with the psychological costs of living in an organization under constant siege and the potential devastation of the upcoming reduction in force.
- b. Base the downsizing process and decisions on the guidelines of the U.S. Office of Personnel Management and other published best practices. It is especially important not to have any favoritism for or against particular employees. In addition to obvious favoritism, this could manifest in distorting the needed future work and performance evaluations of employees.
- c. Unhappy employees should consider whether this is a good time to leave and staying employees should commit to putting in the effort to turn OFR around.

d. The reduction in budget and headcount should be accompanied by a focusing of the mission of OFR on only the most important goals and a scope that can be achieved with the remaining resources.

A turnaround is going to require a major rally and all-out effort from managers and employees. A final recommendation is that each manager in OFR meet with his or her employees to: (a) discuss the issues in this report to determine which ones apply to that unit and (b) mutually develop action plans to address the issues. These meetings might also consider the upcoming EVS scores as additional input.

## Appendix A: Description of the Researchers

Dr. David Lamoreaux is a Vice President in CRA's Labor & Employment Practice. Dr. Lamoreaux specializes in the application of statistical techniques to analyses of employment practices, such as compensation, hiring, promotion, and termination, as those employment practices relate to gender, race, age, and ethnic origin discrimination. In addition, he regularly prepares estimates of economic losses related to employment discrimination claims, wage and hour violations, and prevailing wage claims. Prior to joining CRA, he was a principal in ERS Group where he handled a variety of matters involving Title VII, Age Discrimination in Employment Act (ADEA), Fair Labor Standards Act (FLSA) and Office of Federal Contract Compliance Programs (OFCCP) audits of federal contractors. Dr. Lamoreaux has provided expert witness testimony and presented seminars on the statistical analysis of employment practices to attorneys and human resource professionals. He also has worked with companies to develop and implement meaningful diversity and inclusion (D&I) metrics, including the development of an interactive website with robust reporting tools for tracking and monitoring progress towards D&I goals. He has published in the *American Economic Review* and served as a consultant for the Department of Defense and a lecturer for California State University, Fullerton.

Michael A. Campion is the Herman C. Krannert Chaired Professor of Management at Purdue University (since 1986). Previous industrial experience (1978-1986) includes 4 years each at IBM conducting engagement surveys and Weyerhaeuser Company conducting selection research. He has a MS and PhD in Industrial and Organizational Psychology, which is the scientific discipline that studies Human Resources topics. He has over 135 articles in scientific and professional journals, and has given over 250 presentations at professional meetings, on such topics as employee engagement, motivation, teams, turnover, promotion, training, employment testing, interviewing, job analysis, and work design. He is among the 10 most published authors in the top journals in his field for the last three decades. He is past editor of *Personnel Psychology* (a scientific research journal) and past president of the Society for Industrial and Organizational Psychology (SIOP), both of which are roles that only 1% of I/O Psychologists have the opportunity to perform. In 2009, he was promoted to the Herman C. Krannert Chaired Professorship at Purdue University for contributions and productivity in scientific research. He is also the 2010 winner of the Scientific Contribution Award given by the SIOP, which is the lifetime scientific contribution award and most prestigious award given by SIOP. He manages a small consulting firm (Campion Consulting Services) that has conducted over 1,100 projects for nearly 160 private and public sector organizations during the past 30 years on nearly all human resources topics. For further information, see: <http://www.campion-services.com> and <http://www.krannert.purdue.edu/faculty/campionm/home.asp>.

Quenton Wright is a labor economist at CRA. She manages multiple consulting and compliance projects in the areas of Diversity & Inclusion (D&I) monitoring, Office of Federal Contract Compliance Programs (OFCCP) affirmative action compliance, Equal Employment Opportunity (EEO) discrimination matters, and Fair Labor Standards Act

(FLSA) and state wage and hour litigation. She has a particular niche in developing automated programs that efficiently maintain data quality control and provide cost-effective analysis to her clients. She specializes in assessing and managing her client's OFCCP risk, particularly with respect to pay, but also including analyses of hiring, promotion, and termination decisions. From inspection of the data for integrity concerns to design and communication of the analysis, she helps clients proactively mitigate risk with sophisticated analyses and preparation of data requested by the Agency. In addition to audit support, Mrs. Wright designs and manages all Affirmative Action Plans (AAPs) prepared by the firm. In the Diversity arena, she actively maintains a dynamic web-based tool which monitors D&I analyses for a Fortune 100 company. Quarterly reporting enables top HR executives to compare the company's diversity of various businesses, functions, pay and geographic levels of the organization to appropriate internal and external benchmarks determined using both historical internal lines of progression and US Census data which consider industry, occupation, and local or national recruitment areas. Prior to joining CRA, Mrs. Wright was a research associate at ERS Group and Florida State University.

## Appendix B: Categorization of Applicant Status Codes into Stages of Review

Stage	Applicant Status Code	Applicant Status Description	Applicant Status Staging
Not Considered	CAN	CAN - Announcement Cancelled	INELIGIBLE
Not Considered	NQSE	NQSE - Not Qualified - Specialized Experience	INELIGIBLE
Not Considered	NQSS	NQSS - Not Qualified Self-Selected Out	INELIGIBLE
Not Considered	NREF	NREF - Not Referred	ELIGIBLE
Not Considered	NRNR	NRNR - Not reviewed/Not Referred	ELIGIBLE
Not Considered	NS	NS - Not Selected	ELIGIBLE
Not Considered	SSO	SSO - Self Screen-Out	INELIGIBLE
Not Considered	WITH	WITH - Withdrew Consideration	DECLINED
Not Considered	WITH	WITH - Withdrew Consideration	INELIGIBLE
Stage 1: Applied and did not withdraw	IN	IN	INELIGIBLE
Stage 1: Applied and did not withdraw	INC	INC - Ineligible - Incomplete	INELIGIBLE
Stage 1: Applied and did not withdraw	INEL	INEL - Ineligible	INELIGIBLE
Stage 1: Applied and did not withdraw	INR	INR - Incomplete - No resume	INELIGIBLE
Stage 1: Applied and did not withdraw	IOTH	IOTH - Incomplete - Incomplete Application	INELIGIBLE
Stage 1: Applied and did not withdraw	ISF5	ISF5 - Incomplete - No SF50	INELIGIBLE
Stage 1: Applied and did not withdraw	ITRA	ITRA - Incomplete - No Transcript	INELIGIBLE
Stage 1: Applied and did not withdraw	NEW	NEW	ELIGIBLE
Stage 1: Applied and did not withdraw	NEW	NEW	INELIGIBLE
Stage 1: Applied and did not withdraw	NEW	NEW	WELL QUALIFIED
Stage 1: Applied and did not withdraw	NQ	NQ - Not Qualified - Basic Quals	INELIGIBLE
Stage 1: Applied and did not withdraw	NQEE	NQEE - Not Qualified - Education	INELIGIBLE
Stage 1: Applied and did not withdraw	NQQR	NQQR	INELIGIBLE
Stage 1: Applied and did not withdraw	NQSE	NQSE - Not Qualified - Specialized Experience	INELIGIBLE
Stage 1: Applied and did not withdraw	NR	NR	INELIGIBLE
Stage 1: Applied and did not withdraw	NTIG	NTIG - Lacks time in grade	INELIGIBLE
Stage 1: Applied and did not withdraw	OAC	OAC - Outside Area of Consideration	INELIGIBLE
Stage 1: Applied and did not withdraw	REV	REV - Reviewing Application	ELIGIBLE
Stage 1: Applied and did not withdraw	WQ	WQ - Well Qualified (inactive)	WELL QUALIFIED
Stage 2: Met Minimum Qualifications	CR-A	CR-A - Category Rating - "A"	BEST QUALIFIED
Stage 2: Met Minimum Qualifications	CR-B	CR-B - Category Rating - "B"	ELIGIBLE
Stage 2: Met Minimum Qualifications	CR-C	CR-C - Category Rating - "B"	ELIGIBLE
Stage 2: Met Minimum Qualifications	NREF	NREF - Not Referred	ELIGIBLE
Stage 2: Met Minimum Qualifications	NRNR	NRNR - Not reviewed/Not Referred	ELIGIBLE
Stage 2: Met Minimum Qualifications	SME	SME - Subject Matter Expert Review	BEST QUALIFIED
Stage 3: Certificate of Eligibles and selected for final review	BQ	BQ - Best Qualified	BEST QUALIFIED
Stage 3: Certificate of Eligibles and selected for final review	BQCP	BQCP - Best Qualified	BEST QUALIFIED
Stage 3: Certificate of Eligibles and selected for final review	BQCS	BQCS - Best Qualified	BEST QUALIFIED
Stage 3: Certificate of Eligibles and selected for final review	BQTP	BQTP - Best Qualified	BEST QUALIFIED
Stage 3: Certificate of Eligibles and selected for final review	D	D	DECLINED
Stage 3: Certificate of Eligibles and selected for final review	DA	DA - Declined Agency	DECLINED
Stage 3: Certificate of Eligibles and selected for final review	DG	DG - Declined grade	DECLINED
Stage 3: Certificate of Eligibles and selected for final review	DZ	DZ - Declined for other reasons	DECLINED
Stage 3: Certificate of Eligibles and selected for final review	NCBQ	NCBQ - Non-Competitive/Best Qualified	BEST QUALIFIED
Stage 3: Certificate of Eligibles and selected for final review	NN	NN - Not Selected - Not Contacted	ELIGIBLE
Stage 3: Certificate of Eligibles and selected for final review	NRVP	NRVP - Not Reviewed-Qualified Vet Pref Apps	ELIGIBLE
Stage 3: Certificate of Eligibles and selected for final review	NS	NS - Not Selected	ELIGIBLE
Offered a position	HIRE	HIRE	HIRED
Offered a position	SEL	SEL - Selected (inactive)	SELECTED

*Codes associated with each stage indicate that the candidate did not advance beyond that particular stage*