SHARED SERVICES
LEADERSHIP COALITION

Issue Paper on Federal Workforce
2026 Bipartisan Government Reform Roundtables
U. S. Senate Homeland Security and Governmental Affairs Committee
July 7, 2026

ISSUES/CHALLENGES

1. The Changing Nature of Work and Government Performance

The nature of work across the global economy is undergoing rapid transformation, driven primarily by advances in technology and artificial intelligence. This shift is redefining how missions are executed, how services are delivered, and what skills are required for effective public administration. Yet the federal government has struggled to keep pace. Indiscriminate workforce reductions over the past decade have weakened institutional capability, eroded morale, and left agencies simultaneously understaffed in critical areas and overstaffed in functions that no longer align with modern mission needs.

The result is a widening performance gap between government and industry. Agencies are perceived as lagging behind private-sector benchmarks in productivity, innovation, and customer experience. Leaders often lack the change-management skills required to guide organizations through technology-driven transformation. Without a deliberate strategy to redesign mission execution in AI-enabled environments, the federal government risks falling further behind, compromising both performance and public trust.

A comprehensive transformation is needed—one that rethinks mission delivery, modernizes workforce planning, and builds the leadership capability required to manage continuous change. Closing the performance gap with industry will require not only new tools and technologies but also new operating models, new skills, and new expectations for accountability and results.

2. Declining Trust in Government

Trust in government has reached historic lows. Citizens increasingly doubt the competence, fairness, and responsiveness of federal institutions. Political leaders often question the neutrality of career civil servants, while civil servants themselves feel threatened, undervalued, and exposed to politicized criticism. The erosion of trust is not confined to any single group—it spans citizens, political appointees, and the career workforce.

The government currently lacks a coherent plan to rebuild confidence across its constituencies. Restoring trust will require more than improved messaging; it will demand visible performance improvements, greater transparency, and stronger protections for civil servants who carry out the nation's work. Rebuilding trust between career staff and the political class is essential to restoring legitimacy and ensuring effective governance.

3. Structural and Governance Challenges at OPM

The Office of Personnel Management (OPM) sits at the center of federal workforce policy, yet its role and performance have come under increasing scrutiny. Many agencies view OPM as a barrier rather than an enabler of effective human capital management. OPM's primary mission—Human Capital Management—has been on GAO's high-risk list for more than two decades. The OPM Director is not perceived as a true government-wide Chief Human Resources Officer, limiting the agency's ability to drive enterprise workforce modernization.

OPM has expanded its reach beyond what it can effectively manage. Its reimbursable service lines have distorted organizational focus and created conflicts of interest: OPM simultaneously writes the HR policies agencies must follow, sells its HR products and services to these same agencies, and audits the results. Regulator, vendor, and auditor combine into a single entity with a direct financial stake in agencies choosing its products. This convergence creates structural incentives that favor OPM's own services over competitive alternatives, placing OPM in direct competition with the private sector while it simultaneously regulates that same market. Moreover, OPM requires FedRAMP certification from commercial vendors seeking to compete for this business, while its own government-built technologies that it sells to agency "customers" face no equivalent independent third-party validation.

OPM's initiative to implement a single, unified human capital management system (i.e., HR 2.0) reflects a broadly shared view that federal HR technology is too fragmented and costly to maintain. The project's FY 2028 completion target is widely viewed as unrealistic, particularly in light of massive but underestimated data migration challenges.

Execution, not intent, is the risk. OPM's own Inspector General has identified modernizing information technology as a top management challenge for fiscal 2026, citing the impact of workforce reductions specifically on the Office of the Chief Information Officer. The OIG separately reported that OPM lost more than 1,000 employees, roughly one-third of its total staff, by the end of 2025. A program of this scope demands a technical bench that has just been substantially depleted, raising the question of whether OPM can manage a project of this size and complexity. OPM's remaining staff and leadership attention should be focused entirely on modernizing the government workforce and delivering this system for agencies and taxpayers, not distracted by non-core activities such as continued sale of HR products and services.

4. Outdated Civil Service Framework and HR Policies and Practices

The Civil Service Reform Act of 1978 no longer reflects the realities of modern work, technology, or labor markets. Updating the statute would signal Congressional commitment to a competent, fairly treated civil service and provide the foundation for streamlined hiring, modern performance management, and clearer accountability.

Federal hiring remains slow, bureaucratic, and poorly aligned with contemporary talent markets. The government's 11-step recruitment process is cumbersome, contributes to unacceptable hiring delays and discourages high-caliber applicants. Government employment is less attractive than in past decades, and retention challenges have intensified: nearly 300,000 employees have left government since January 2025, and the median age of federal employees (47) exceeds that of the private sector (42) by five years.

Internship programs have been eliminated, leaving no structured entry pipeline. Accountability mechanisms remain weak, making it difficult both to hire exceptional talent and to address chronic underperformance. Labor-management dynamics add political complexity to reform efforts.

Federal compensation is generally competitive, but rigid benefit structures and outdated leave policies limit flexibility and comparability with industry. The distinctions between sick and annual leave no longer reflect modern workforce expectations; a consolidated PTO model would be more effective. The classification system remains overly complex, and while pay bands represent progress, they require further modernization to properly align skills and market realities. A modernized merit-driven performance management system that rewards employees for the quality of their work is another important improvement opportunity.

Training is chronically underfunded and is often the first line item to be eliminated in cost-cutting drills. The government lags behind industry in upskilling employees for emerging challenges, including AI, cybersecurity, and data analytics. Partnerships with universities and online providers could expand access to continuous learning and help rebuild a sustainable talent pipeline.

Contractors are frequently used for staff augmentation rather than outcome-based solutions, leading to knowledge loss when contracts end. The government should outsource more transactional work while retaining strategic, policy and decision-making oriented functions. This shift would improve agency focus on mission delivery, place responsibility for continuous modernization in transactional services on external service providers and create more attractive career paths in policy and mission delivery roles in government. Modernizing OMB Circular A-76 could enable fair cost comparisons and support more effective outsourcing to industry. Public-private partnerships offer additional opportunities to improve service delivery but require clear governance mechanisms.

OPTIONS

1. **Modernizing Work and Performance Management**
   - **AI-enabled mission redesign.** Agencies should systematically review mission and support functions to identify where AI, automation, and analytics can improve performance. Piloting AI-driven workflows in high-volume, low-risk areas will allow agencies to scale successful models.
   - **Strategic workforce planning.** Government-wide workforce planning tools—leveraging commercial technologies—can help identify staffing imbalances and guide reassignments, reskilling, and targeted hiring.
   - **Change-management capability.** A formal change-management academy for SES and HR leaders would strengthen modernization efforts. Change-management requirements must be fully funded and integrated into modernization initiatives such as HR 2.0.

2. **Rebuilding Trust in Government**
   - **Trust and engagement strategy.** A multi-year trust restoration plan should emphasize transparency, performance reporting, and citizen engagement. Public dashboards for key missions can demonstrate progress and accountability.
   - **Civil servant recognition and protection.** Expanded recognition programs and stronger protections against politicized attacks would reinforce the value of career staff. Structured feedback channels can help employees safely raise concerns.

3. **Redefining OPM's Role**
   - **Refocus on policy and oversight.** OPM should divest reimbursable service lines that compete with industry and concentrate on workforce modernization, HR policy, standards, compliance, and data stewardship functions only it can perform.
   - **Strengthen governance and capacity for HR 2.0.** Independent technical review, phased implementation, and clear go/no-go criteria are essential to avoiding another modernization failure, with OPM's HR Solutions staff dedicated to the effort rather than distracted by promoting its reimbursable business.

4. **Civil Service and HR Policy Reform**
   - **Comprehensive civil service reform legislation.** Modernizing the Civil Service Reform Act would codify streamlined hiring, modern performance management, and improved accountability.
   - **Modernize recruitment and intellectual-capital exchange.** Simplifying the recruitment process, rebuilding internship programs, and expanding industry-government exchange programs would strengthen talent pipelines.
   - **Talent mobility**. Government needs far greater mobility of talent between the public and private sectors. 21st Century missions increasingly depend on skills—AI, cybersecurity, data engineering, digital service design—that evolve faster in industry than government can train or hire for internally. Enabling people to move in and out of

- government more easily strengthens capability, accelerates innovation, and builds mutual understanding of how to deliver results efficiently.
- **Flexible compensation and benefits.** Cafeteria-style benefits, consolidated PTO, and simplified pay bands would improve flexibility and competitiveness.
- **Performance based pay.** Strengthening the government's performance management system and creating a tighter connection between individual performance and compensation would help attract and retain top performers in the ongoing competition for talent with the private sector.
- **Strengthen training and development.** Protecting training budgets and expanding partnerships with educational institutions would support continuous learning.

5. **Contractors, Partnerships, and Service Delivery Models**
   - **Outcome-based contracting.** Shifting from staff augmentation to end-to-end solution contracts—with required knowledge transfer—would improve results and preserve institutional knowledge.
   - **Strategic outsourcing and role clarity.** Clear definitions of which functions should be outsourced versus retained would help agencies focus on high-value work.
   - **Expanded public-private partnerships.** Pilot partnership models can test co-delivery approaches and identify where collaboration improves mission outcomes.

HARD QUESTIONS

The document concludes with a set of unresolved strategic questions that must be addressed to ensure successful reform. These include:

- How much risk is acceptable when deploying AI for mission-critical functions, and how will the government oversee that risk?
- What metrics will convincingly demonstrate that government performance is approaching private-sector comparability?
- How will workforce displacement and reskilling be managed as automation eliminates certain roles?
- What actions—beyond messaging—will genuinely rebuild trust among citizens, political leaders, and civil servants?
- Should OPM continue to own large-scale HR IT modernization given its track record, and what contingency plans exist if HR 2.0 falters?
- How much flexibility in hiring and firing is politically and legally acceptable while preserving merit principles?
- Where is the line between appropriate outsourcing and hollowing out core governmental capacity?
- What governance mechanisms are needed to ensure public-private partnerships serve the public interest?

These questions underscore the complexity of modernizing the federal workforce and highlight the need for deliberate, evidence-based policymaking.

RECOMMENDED PARTICIPANTS

SSLC is proud to nominate Advisory Board Member **Glenn Davidson** and Board of Directors Member **Melissa Wojciak** to participate in the August 5th Workforce roundtable. Both are widely recognized thought leaders in public sector workforce issues and bring extensive experience in the private sector and in the legislative and executive branches of government. Their bios may be found at the links below.

Advisory Board « Shared Services Now (Glenn Davidson)

Leadership « Shared Services Now (Melissa Wojciak)