A LESS QUALIFIED WORKFORCE? MEASURING THE RELATIONSHIP BETWEEN VETERANS’ PREFERENCE HIRING AND FEDERAL EMPLOYEE ENGAGEMENT

A Thesis submitted to the Faculty of the Graduate School of Arts and Sciences of Georgetown University in partial fulfillment of the requirements for the degree of Master of Public Policy in Public Policy

By

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Washington, DC
April 9, 2016
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ABSTRACT

As veterans have returned from Operation Iraqi Freedom and Operation Enduring Freedom, veterans’ preference hiring within the federal government has become a contentious issue. Some believe this policy reduces the quality of the federal workforce. This paper tests if preference reduces the efficacy of the federal workforce by using OLS regressions to measure the relationship between the percentage of an agency’s workforce with veterans’ preference and the engagement of that agency’s workforce. This paper draws on data from the Office of Personnel Management regarding the employment of veterans, and their preference status, in agencies, Federal Employee Viewpoint Survey Scores, and Fedscope data on agencies. The analysis shows that the preference given to disabled veterans does have a negative impact on employee engagement. However, standard preference has a mild positive effect on engagement and hiring veterans who do not qualify for preference has an even stronger positive impact on employee engagement. I recommend that the federal government reduce the preference benefit given to disabled veterans. However; hiring managers should not avoid hiring veterans who qualify for standard preference and should seek out high ranking officers who do not qualify for preference.
Thanks to Andrew Wise for advising me throughout the process of writing this these and Stephanie Summers, Debra Tochek, and Jeff Neal for reviewing this paper and providing invaluable insights and clarifications regarding the federal hiring process.

Many thanks,
Paul M. Hartge Jr., B.A.
# Table of Contents

I. Introduction .......................................................................................................................... 1  
II. Background and Literature Review .................................................................................... 3  
III. Theoretical Framework ..................................................................................................... 23  
IV. Data Description .............................................................................................................. 24  
V. Empirical Model ................................................................................................................. 29  
VI. Results Section .................................................................................................................. 32  
VII. Conclusions and Recommendations for Future Policy and Research ......................... 42  
Appendix: Survey Questions .................................................................................................. 46  
Works Cited ............................................................................................................................. 50
LIST OF TABLES

Table 1: Perceptions of Violations of Veterans' Preference/Protection of Favoritism towards Veterans ............................................................ 11
Table 2: Descriptive Statistics of Veterans' Preference Hiring ...................................................... 25
Table 3: Percentage of an Agency's Workforce with Years of Experience .................................. 27
Table 4: Descriptive Statistics ........................................................................................................ 28
Table 5: Empirical Results ............................................................................................................. 33
Table 6: Number of Employees by Preference Type by Year ....................................................... 38
Table 7: Percent of Workforce with Disabled Veterans' Preference ........................................... 40

LIST OF FIGURES

Figure 1: Percent of Respondents Reporting Perceptions of Particular Prohibited Personnel Practices ............................................................................................................. 12
Figure 2: Observations of Veterans-Related Conduct and Engagement Levels .......................... 13
Figure 3: Average FEV Score Boxplots by Agency (for years included in analysis) ................. 26
I. Introduction

In this paper, I examine the relationship between veterans’ preference hiring and employee engagement within the federal workforce. My hypothesis is that the higher the percentage of an agency’s workforce hired with veterans’ preference, the lower the employee engagement in the agency. I expect this is the case because the larger the percentage of employees hired with veterans’ preference, the higher the likelihood that more qualified candidates were passed over for veterans with preference. By passing over less qualified applicants, the agency’s workforce will presumably be less efficient and effective. The workforce will be frustrated by sub-optimal performance, leading to lower engagement.

Veterans’ preference hiring gives American veterans, and in some instances their spouses and parents, an advantage over civilian applicants in the Competitive Service. If veterans meet the minimum qualifications for the position, they are given a higher score than a similarly qualified civilian candidate. This score bonus is based on the military record of the applicant and is not connected to the skills and background required for the job. This creates a tension within the hiring strategy of the federal government. On one hand, the government seeks the most qualified and capable workforce possible. However, federal employment is also being used to honor the sacrifices that veterans have made for the country. I expect that this tension will play out by impacting the quality and job satisfaction of the federal workforce.

I compare preference hiring against employee engagement for several reasons. First, I would prefer to measure efficiency, but could not find an appropriate measure for efficiency. Even if I could measure efficiency, it would be impossible to create the counterfactual of how
efficient the agency would be without employees hired because of preference. So instead, I am using employee engagement, which is consistently measured with the Federal Employee Viewpoint Survey. There is a strong body of literature from industrial/organizational psychology that links organizational efficiency with employee engagement (see, e.g Brief & Weiss, 2002; Isen, 1999). So employee engagement serves as a strong proxy measure for the impact that preference hiring has on the efficiency of the federal workforce.

I want to note upfront, that I am not suggesting that veterans are less qualified employees than civilians. The assumption that I am going on is that veterans’ preference allows less qualified veterans applicants to be hired over more qualified civilian applicants. If this assumption is true, then an increased use of veterans’ preference would decrease the engagement of the federal workforce.

The paper proceeds as follows, in section II of this paper, I review the literature as it relates to the unemployment of veterans, the history of veterans’ preference hiring, the effects that veterans’ preference has on the federal workforce, and the connection between employee engagement and organization performance. In section III, I lay out the theoretical framework I will be using. Then, in section IV, I describe the three data sources I compile to test my theory. Then, in section V, I describe my empirical model. In section VI, I present and discuss the results of my analysis. Finally, in section VII, I present my conclusions and policy recommendations.
II. Background and Literature Review

The Federal Hiring Process

The federal hiring process is designed to both meet federal agencies’ workforce needs, and ensure fairness throughout the process. Within the Federal civilian workforce, there are three categories of employment: the Competitive Service, the Excepted Service, and the Senior Executive Service (SES). The majority of the federal workforce is hired as a part of the Competitive Service.\(^a\) Jobs within the Competitive Service must be open to anyone. Applicants to a Competitive Service job must demonstrate through a resume, application, and answers to questions about knowledge, skills, and abilities (KSAs), that they are the most qualified candidate for the job. According to the Office of Personnel Management’s (OPM) website, the Excepted Service is a hiring authority used to “Fill special jobs or to fill any job in unusual or special circumstances … These excepted service authorities enable agencies to hire when it is not feasible or not practical to use traditional competitive hiring procedures, and can streamline hiring.”\(^b\) This may include, among other examples, jobs set aside for Veterans Recruitment Appointments, or jobs requiring highly specified skills, such as attorneys.\(^c\) The Senior Executive Service is a corps of highly qualified individuals who serve in executive positions within federal agencies. Members of the SES are elected by agencies and then approved by an OPM led

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\(^b\) Ibid.

\(^c\) Ibid.
Qualifications Review Board, which assesses candidates based on five criteria of Executive Core Qualifications.\textsuperscript{d}

When an agency hires through the Competitive Service, it has two options for assessing applications. The first option is the “rule of 3”. When an agency employs the rule of 3, applications receive points based on their qualifications, education, and experience. The Federal Government uses a one-hundred point scale to assess applications. The higher the number, the more qualified the person is for the job. Any application that scores below seventy is considered unqualified for the position. Once the position closes, an agency’s human resource department rates all of the applicants. After reviewing all applications, human resources sends a certificate (commonly referred to as a cert) with the top three applicants to the hiring manager. The hiring manager chooses from the top three candidates.\textsuperscript{e}

Federal agencies can also use category ratings. Category ratings broaden the number of applicants given to a hiring manager on a cert. The agency must define each quality category (i.e., Highly Qualified, Qualified). The hiring manager receives a list of all applicants who qualify for the highest qualification category in which applicants score.\textsuperscript{f} A Presidential Memorandum signed in 2010 directs agencies to halt using the rule of three and exclusively use

\textsuperscript{e} “Competitive Hiring”.
\textsuperscript{f} Ibid.
category ratings. Despite this memo, the Merit System Protection Board found that the rule of three is still employed by agencies when hiring into the Competitive Service.\(^6\)\(^7\)

In addition to hiring authorities, federal agencies have promotion authorities at their disposal. One of these authorities is the Merit Promotions Program (MPP).\(^1\) MPP empowers agencies to hire government employees into a position without advertising the position to the general public.\(^1\) When using MPP, applicants to the position internal to the government do not have to go through a competitive process. The agency may choose who they want.

**Preference Hiring**

Veterans’ preference hiring has been part of the hiring process since the federal civil service shifted from a patronage system to merit based system. *The Pendleton Act of 1883*, created the competitive civil service, based on merit principles.\(^k\)\(^l\) Congress included veterans’ preference in this law as measure to ensure veterans weren’t punished in the competitive hiring process for their time in the military, which likely was not relevant to the position they were applying for.\(^m\) In 1944, Congress codified veterans’ preference in its current form by passing the

\(^7\) Agencies are expected to follow Presidential Memos, but are not legally bound to. This makes a Presidential Memo different from an Executive Order, which agencies must follow.
\(^1\) Ibid., 13.
\(^k\) *An Act to Regulate and Improve the Civil Service of the United States, Public Law* ch.27, 22, *U.S. Statutes at Large* 403 (1883): 403-407.
\(^l\) Prior to *The Pendleton Act of 1883*, employment in the Federal Government was primarily based on political patronage.
\(^m\) Ibid.
Veterans’ Preference Act. Since the passage of this law, preference hiring has become seen as a way to honor the sacrifice of veterans. More recently, President Obama issued the Veterans Employment Initiative, an Executive Order which directs agencies to collaborate on ways to increase the number of veterans hired. President Obama also signed the Veterans Opportunity to Work Act on November 21, 2011. This law allows active duty military to be treated as preference eligible when applying for Competitive Service jobs prior to their separation from the military. This preference is contingent upon an honorable discharge.

The government has also passed laws to protect veterans in the larger workforce. In 1994, Congress passed the Uniformed Services Employment and Reemployment Rights Act (USERRA). This law mandates that members of the military must be reemployed in a position they would have retained, had they not left for military service. USERA applies not just to the Federal Government, but to State and Local government and the private sector. The law also requires the Department of Labor to review all claims of preference violation filed by veterans. If a resolution is not reached, the veteran can also have his claim referred to the Department of Justice, or go directly to court.

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\(^{n}\) Veterans’ Preference Act of 1944, Public Law 78-359, 58, U.S. Statute at Large 387 (1944).
\(^{q}\) Uniformed Services Employment and Reemployment Rights Act, Public Law 103-353, U.S. Statutes at Large 3149: 3149-3177.
\(^{s}\) Ibid.
\(^{t}\) Ibid.
\(^{u}\) Ibid.
The level of the benefit veterans receive when applying for a job in the Competitive Service depends on their service history. First, a veteran must be discharged, or released, under honorable conditions. Veterans with a dishonorable discharge are not eligible for veterans’ preference. Only veterans retiring below the rank of Major (Army and Air Force), or Lieutenant Commander (Navy) can receive preference. Additionally, to receive preference, the veteran must have served during a declared war or “period of war”. Periods of war mark non-declared wars, such as the American military actions in Korea, Vietnam, and both Persian Gulf conflicts.\textsuperscript{y} Members of the National Guard or Reserves who train for active duty but are not called to active service or who are not injured during training do not qualify for active duty preference.\textsuperscript{w}

When an agency is utilizing the rule of three, eligible Veterans are given either five or ten points to their application score, depending on their service. A veteran receives five points if they served during a war for more than 180 consecutive days between April 28, 1952 and July 1, 1955; January 31 and October 15, 1976; August 2, 1990 and January 2, 1992; September 11, 2001 and August 31, 2010; or in a campaign for which a medal has been authorized. Veterans receive ten points if they are disabled as a result of their service, or if they received the Purple Heart. Ten points are also added to the applications of widows and widowers of service members. If a Veteran has a service-connected disability of ten percent or more, they must “float” to the top of the cert.\textsuperscript{x} All of these benefits are contingent on veterans meeting the

\textsuperscript{w} Ibid.
\textsuperscript{x} Ibid., 8.
minimum qualifications of the position. These benefits do not guarantee that any veterans will be placed on the cert received by the hiring manager. However, hiring managers are prohibited from selecting a non-veteran if a veteran is ranked equal or higher on the cert.

If an agency does want to pass over a veteran included on a cert, the agency must defend their position to OPM. Acceptable reasons for passing over the veteran include past performance issues, a physical inability to perform the duties, and falsified information on the application. However, OPM has final authority to choose whether or not to allow the pass-over.\(^y\)

Along with added points to veterans’ applications, additional restrictions and requirements are placed on an agency when considering a veteran. If a disabled veteran can show that he/she can perform the essential duties of the position, with or without assistance and without harming himself or others, the hiring agency must waive any medical standards for the position.\(^z\) If a veteran misses the deadline for an application, circumstances may require the agency to retain, examine, and consider the veteran’s application, despite being late.\(^{aa}\) If a veteran receives ten points preference, the agency must also retain the application and consider it for future positions.\(^{bb}\) When an agency is experiencing a reduction in force (RIF), in which the agency must eliminate positions, veterans receive preference over non-veterans.\(^{cc}\) However, this is contingent on the employees’ tenure groups. For example, career employees always have

\(^y\) "Veteran Hiring Authorities."
\(^z\) Ibid.
\(^{bb}\) "Veteran Hiring Authorities."
\(^{cc}\) Ibid.
priority over career-conditional employees, regardless of veteran status. MSPB’s ruling on the case *Robert P. Isabella v. Department of State and Office of Personnel Management* in 2008 established that agencies must waive any age restrictions on a position in deference to veterans’ preference.\(^{dd}\)

Additional guidance is given regarding hiring of veterans with thirty percent or more disability.\(^{ee}\) These veterans may be non-competitively appointed to civil service positions. These appointments include permanent, temporary, and term hires.\(^{ff}\) However, if a veteran is hired to a permanent position using with this preference, there is an initial sixty-day time limited appointment. Also, when applying for a Competitive Service position, veterans with thirty percent or more disability have additional rights. If a hiring manager intends to pass over a veteran with thirty percent or more disability, the agency must notify OPM and the veteran regarding the reason. The veteran then has a right to respond within fifteen days of receiving the notification. OPM may then assess the veteran’s physical ability to perform the duties of the position. If OPM decides the disabled veteran can perform the task, the agency may not pass over the veteran.\(^{gg}\)

The Veterans’ Recruitment Appointment (VRA) provides another avenue for agencies to target veterans for hiring. With VRA agencies can appoint eligible veterans, without having to

\(^{dd}\) *Robert P. Isabella v. Department of State, Merit System Protection Board* 186 (2007).

\(^{ee}\) Disability percentages are ratings administered by the U.S. Office of Veterans Affairs.


\(^{gg}\) *Robert P. Isabella v. Department of State, Merit System Protection Board.*
posting the position for competition. Qualifications for VRA are similar to those for standard preference. VRA may be used for grade level positions up to and including GS-11. After successfully completing a two-year appointment, the veteran will then be converted to a competitive position. Agencies may also use VRA to fill temporary and term positions, after which, there will be no conversion to a permanent position.

The Department of Defense (DoD), the largest single agency of the government and one which oversees the military, has unique rules regarding veterans’ preference hiring. In 1961, Deputy Secretary of Defense Roswell Gilpatric issued the Gilpatric Memorandum. This memo instituted the 180 day rule, which prohibits appointments of military retirees to the DoD within 180 days of their discharge. In 1963, this memo was codified into a law. At the time, there were allegations of DoD creating a hostile work environment for civilian employees. Civil service positions were being written to target members of the military. DoD was also accused of eliminating positions held by civilian incumbents, and reestablishing the position to hire a member of the military. Congress codified the 180 day rule into law with U.S.C. § 3326. However, the law also allows for an exemption during times of national emergencies. Since the terrorist attacks of September 11, 2001, the 180 day rule has been suspended. According to the Merit System Protection Board, since the ban has been exempted, 41,000 appointments have been made to DoD within 180 days of retirement from the military. According to their findings, many of these appointments have been to positions of high GS-level. There have also been many

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hh "Special Hiring Authorities for Veterans." Feds Hire Vets.
appointments of military retirees with small, if any, breaks between military service and employment at DoD.\textsuperscript{kk}

Certain agencies, positions, and authorities are exempt from veterans’ preference. Some agencies are entirely exempt from observing veterans’ preference. These agencies include the CIA. The entire SES is not covered by preference.\textsuperscript{ll} Additionally, certain positions such as attorneys and chaplains are exempt.

**Perceptions of Preference Hiring**

Perceptions of the effectiveness and appropriateness of veterans’ preference hiring are greatly divided. In 2013, MSPB conducted a government-wide survey and report on the practices and perceptions of veteran hiring. Though the report overall found low perceptions of abuse of veterans’ preference hiring, MSPB was concerned about the disparities between perceptions of violations of preference rights and the inappropriateness favoring of veterans. In DoD, eight percent of employees reported witnessing inappropriate favoritism towards veterans. Similarly, seven percent of supervisors and four percent of managers reported perceptions of inappropriate favoritism towards veterans.\textsuperscript{mm} Below are two tables from the report:

<table>
<thead>
<tr>
<th>An official in my organization has...</th>
<th>Happened to me</th>
<th>I saw this</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>...knowingly violated a lawful form of veterans’ preference or protection laws.</td>
<td>1.4%</td>
<td>3.1%</td>
<td>4.5%</td>
</tr>
<tr>
<td>...inappropriately favored a veteran</td>
<td>1.5%</td>
<td>5.0%</td>
<td>6.5%</td>
</tr>
</tbody>
</table>

*Table 1: Perceptions of Violations of Veterans’ Preference/Protection of Favoritism towards Veterans*

\textsuperscript{kk} Ibid.
\textsuperscript{ll} Ibid., 21.
\textsuperscript{mm} Ibid., i-ii.
\textsuperscript{nn} Ibid., 26.
The above chart shows that 6.5 percent of DoD employees believe that they have seen veterans’ being inappropriately favored in the hiring process. In the report, MSPB does not confirm or deny that these incidences occurred. They merely report that these perceptions exist.

![Figure 1: Percent of Respondents Reporting Perceptions of Particular Prohibited Personnel Practices](chart)

The above chart shows that inappropriate favoritism and violations of veterans’ preference is a serious concern of DoD employees. Five percent of respondents report witnessing “Inappropriate Favoritism of Veterans”, and five percent report witnessing “Violation of Veterans’ Preference”. Additionally, twenty percent of respondents report witnessing “Manipulation of Competition.” One reason for manipulation of competition can be avoiding hiring a veteran. Although, from this data, I cannot ascertain what percentage of competition manipulation was to avoid hiring a veteran.

\[\text{\textsuperscript{oo}}\text{ Ibid., 26.}\]
Below is one more chart from the MSPB report. This one is of particular relevance to my inquiry into the relationship between preference hiring and employee engagement. The chart measures the correlation between perceptions of violation and inappropriate favoritism of preference and DoD employee engagement. The chart shows a correlation between engagement and witnessing an infraction of veteran hiring authorities. Those who believe that either infraction has occurred report being less engaged and that those who do not report seeing an infraction self-report as being more engaged. It is important to note that this chart does not show us the direction of causation. Given the information provided by MSPB, we cannot determine if violations caused lower engagement, or if people who have lower engagement are more likely to report violations, even if they did not occur.

*Figure 2: Observations of Veterans-Related Conduct and Engagement Levels*

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pp Ibid., 29.
While some perceive veterans’ preference as inappropriate, others believe that it is insufficient in supporting veterans. Kent Eiler, author of a law review article regarding veterans’ employment writes, “The problem is the federal government is doing a mediocre, if not poor, job hiring reservists, guardsmen, and veterans; it is failing to reach the hiring numbers achieved by several private company counterparts.” Eiler points out that when the publication *Gannet’s Military Times EDGE* profiled the top employers of veterans, the Federal Government did not make the top five. Eiler laments that most veterans are in the Competitive Service, rather than the higher ranking SES, or Excepted Service. He says this in spite of, or perhaps as a critique of, the way the law is set up. Eiler also cites anecdotal evidence that veterans are not welcome in certain agencies. Importantly, this is purely anecdotal, and he uses no statistics to support his claim. From my research, I can make no comment on the validity of this claim. I only note it as part of the literature regarding the perception of veterans’ preference hiring.

**Unemployment Among Veterans**

Veterans’ employment in the Federal Government is of particular concern because veterans historically have had higher levels of unemployment when compared to non-veterans. An anomaly, 2014 ended with overall veteran unemployment rates lower (5.3 percent) than the overall unemployment rate of 6.6 percent. However unemployment for veterans of the Gulf-

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qq Eiler., 353.
rr Ibid.
ss Ibid., 354.
tt Ibid., 362.
War II era (defined as veterans enlisting after September 11, 2001) was 7.2% in 2014.\textsuperscript{v} This has been even higher in the past. In 2011, 29 percent of veterans ages 18-29 were unemployed. Between 2000 and 2011, the unemployment rate of veterans aged 18 to 24 was on average 3.4 percentage points higher than the national unemployment rate.\textsuperscript{w} That same year, the program Unemployment Compensation for Ex-Service members, an unemployment insurance program specifically for veterans, gave $730 million to unemployed veterans.\textsuperscript{x} Unemployment among young veterans grew drastically following the economic crisis of 2008. Between 2000 and 2008 the unemployment rate of veterans between the ages of 18 and 24 averaged 10.7 percent, but from 2009 to 2012 the unemployment rate of the same group rose to 21.6 percent.\textsuperscript{y}

**The Qualifications of Veterans Compared to Civilians**

Given the higher rates of unemployment among veterans, and the claim of a need for preference hiring, it would seem safe to assume that veterans are a less qualified subset of the workforce than non-veterans. The reality is less clear cut. Two studies by the RAND Corporation have explored these trends. In his report *Why is Veteran Unemployment so High?*, David Loughran outlines five hypotheses that may explain high unemployment among veterans. The hypotheses he tests are as follows:

1. Veterans typically have poor mental and physical health in comparison to non-veterans.
2. Individuals who enlist share characteristics that increase the likelihood of unemployment in the civilian job market.
3. Employers discriminate against veterans.

\textsuperscript{v} Ibid.
\textsuperscript{x} Ibid. Loughran’s calculations based on U.S. Department of Labor, Employment and Training Administration.
\textsuperscript{y} Ibid., 7.
4. The skills developed in the military are not useful in the civilian workforce.
5. The time required for a job search drives higher unemployment rates among young veterans.\textsuperscript{zz}

Loughran could not find the evidence required to reject the null hypotheses of the first four hypotheses. Regarding health, when adding disability to his statistical model, he found that veterans are more likely than non-veterans to be injured or suffer from disability, and that being disabled or injured increases the likelihood of unemployment. However, for veterans, this is not a statistically significant difference.\textsuperscript{aaa} Loughan completely rejects the second hypothesis, writing, “Veterans do not appear to be any more likely than non-veterans to have observable characteristics that would lead them to have difficulty finding a job in later years. Indeed, in many ways, veterans appear to have observable characteristics that would provide them with a relative advantage in the civilian labor market.”\textsuperscript{bbb} Regarding skill transferability, Loughran cites one study (Mangum and Ball, 1999) that skill transferability is consistent among military and civilian employees.\textsuperscript{ccc} Another study (Golberg and Warner, 1987), shows that the primary military occupation impacts post service earnings. Specifically, veterans whose occupation was combat arms earned less than veterans with other occupations. Loughran dismisses this study because it does not account for the fact that individuals select into military occupations.\textsuperscript{ddd}

Regarding discrimination against veterans, Loughran only found one study that tested discrimination against veterans. The study (Kleykamp, 2009) only found discrimination against

\textsuperscript{zz} Loughran., 17.
\textsuperscript{aaa} Ibid., 19.
\textsuperscript{bbb} Ibid., 20.
\textsuperscript{ccc} Ibid., 21.
\textsuperscript{ddd} Ibid., 22.
the applications of African-American veterans. No discrimination was found against other veterans.eee

Loughran concludes that the final hypothesis is the most likely one driving veteran unemployment. Since 2007, Gulf War II Era veterans have been entering a particularly weak job market. A weak job market increases the length of time necessary to find a job. Students in higher education spend their final semester searching for a job. The nature of military service does not lend itself to a job search in the same fashion. Because of this, many service members must wait until they separate from the military to begin their job search, creating a period of unemployment.ffe An important sub-conclusion of this is that veterans on whole are no less qualified for employment than their civilian counterparts.

Supporting this conclusion is a second study by the RAND Corporation entitled Effects of Military Service on Earnings and Education, Revisited. Regarding education, this study found that military service delays college enrollment, but that service members enroll in and complete college at higher levels than comparable nonveterans.ggg More specifically, veterans who served five to seven years are the most likely to use their education benefits within two years of separation from the service.hhh The authors also found an earnings premium associated with military service. Veterans who served in health care, communications, and intelligence roles had

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eee Ibid., 22.
ffe Ibid., 22.
hhh Ibid., xiv.
the greatest earnings gains. These gains averaged an increase of 35 percent.iii These findings undercut the idea that veterans are a less qualified portion of the workforce.

**The Impact of Veterans’ Preference on the Composition of the Federal Civil Service**

One paper by Gregory Lewis explores the effects that veterans’ preference hiring has on the composition of the federal workforce. Lewis notes that service members are disproportionately white, male, and heterosexual.iii Lewis’ analysis shows that between 2006 and 2009, 52 percent of the non-veteran full-time employees of the government were men, while 91 percent of veteran federal employees were men.ikk This shows that veterans’ preference decreases the diversity of the federal workforce. He does note that Native Americans and partnered gay men have a higher chance of holding a federal job if they are veterans, but the gains are also small when compared to white, married men.iii According to Lewis, because one quarter of federal employees receive veterans’ preference, at least 16 percent of the federal workforce would be different, were they not receiving preference.mmm

The impact that veterans’ preference has on the quality of the federal workforce is often speculated upon. This is in fact, a question that I am seeking to help answer. Lewis also seeks to inform this discussion. According to his analysis, veterans and non-veterans have comparable levels of education in the American population. However, this is not true in the federal

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iii Ibid., xvi.


ikk Ibid., 258.

iii Ibid., 259.

mmm Ibid., 263.
workforce. Instead, veterans have higher levels of experience than their civilian colleagues, but lower levels of education. Among the qualifications of education and experience, one is not inherently better than the other. However, Lewis notes that non-veterans advance more quickly through the government than veterans when hired at the same grade level. This likely leads to the fact that veterans in the federal government earn less than non-veterans in the government. It may also be an indication that veterans’ preference is causing less qualified applicants to receive positions within the government.

In his paper, *Service after Serving: Does Veterans’ Preference Diminish the Quality of the US Federal Service?*, Tim Johnson challenges the idea the veterans’ preference leads to a less qualified federal workforce by testing the results of a paper written by Oh and Lewis. Oh and Lewis argue that because veterans with preference climb the GS ladder at a slower pace, they must be less qualified (Oh and Lewis, 2013). Johnson uses the same model as Oh and Lewis, but also controls for sex, race, age, and educational attainment. This new model shows that veterans with preference ascend the GS ladder at statistically indistinguishable pace from non-preference eligible employees. A closer look at the numbers shows that preference recipients ascend at a slower pace in the first ten to fifteen years of federal service, but then close that gap in their

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*nnn* Ibid., 262.
*ooo* Ibid., 262.
*ppp* Ibid., 251.
*qqq* Ibid., 251.
second decade of service. Johnson argues that these findings show that veterans’ preference does not diminish the federal workforce.

Johnson offers an argument for why preference eligible veterans are at least equally as qualified as other candidates if not more qualified. He suggests that the merit criteria outlined by OPM in the hiring process are arbitrary. Being a veteran may actually show higher competency for working in the public sector. Johnson argues, “A successful term of military service indicates that an individual has demonstrated competence working in a public organization that resembles those in the federal civilian government.” If Johnson’s argument correct, veterans’ preference does not just honor the sacrifice of a service member, but honors his or her success working in a public bureaucracy.

**Employee Satisfaction as a Measure of Organizational Effectiveness**

To add to the discussion of the impact that veterans’ preference hiring has on the federal workforce, I compare utilization of veterans’ preference hiring against responses on the Federal Employee Viewpoint Survey (FEVS). FEVS is OPM’s way of measuring job satisfaction and engagement among federal employees. Industrial/Organizational (I/O) psychologists have been researching job satisfaction, and its connection with organizational effectiveness, for nearly a century. In a meta-analysis of job satisfaction, Arthur Brief and Howard Weiss highlight a number of definitions of job satisfaction. The most influential of these definitions was proposed by Locke in 1976. Locke defines job satisfaction as “A pleasurable or positive emotional state

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ss Johnson, 681.

tt Ibid., 671.

uu Ibid., 673.
resulting from the appraisal of one’s job or job experience,” (Locke, 1976) Motowidlo defines job satisfaction as “the favorability of the work environment,” (Motowidlo, 1996) However, the definition that I will be working with moving forward is the one proposed by Weiss, “A positive (or negative) evaluative judgement one makes about one’s job or job situation,” (Weiss, 2002). This definition works best for my purposes because it is one of the most all-encompassing definitions Brief and Weiss bring up. It touches on both an individual’s satisfaction with his or her work duties, and also the situation surrounding his or her job. This is helpful due to the state of the data I use. Because I cannot track individual responses on the FEVS to respondents with or without veterans’ preference, I need to measure employee satisfaction at the agency level. This will encompass both the satisfaction that veterans with preference derive from their jobs, and how working among veterans with preference impacts the co-workers of veterans with preference.

Many studies have found relationships between job satisfaction and measures of individual and organizational effectiveness in the workplace. Isen found that a positive mood in the workplace can enhance creative thinking (Isen, 1999). Another study found that positive moods in the workplace are negatively correlated with absenteeism (George, 1989). The same study found a negative correlation with job satisfaction and employee turnover rates. In
another meta-analysis by Harter, Schmidt & Hayes (2002), they found that employee attitudes were related to business unit outcomes. They describe their effect sizes as “non-trivial” and that the correlation can be generalized across companies. The composite of this I/O psychology research points to employee satisfaction as a reasonable proxy for measuring the impact that veterans’ preference hiring has on the effectiveness of the federal workforce. I next turn to the theoretical framework that guides my empirical estimation.

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ccc Ibid., 274.
III. Theoretical Framework

To measure how veterans’ preference impacts employee engagement in federal agencies, I have developed the theoretical framework, detailed below. I later operationalize this framework using OLS regressions. Throughout the entire model, I deal with percentages, rather than raw count numbers. I have done this to account for the various sizes in agencies, and the fluctuation in sizes of agencies over the years. Because the policy of veterans’ preference hiring creates not one, but three categories of preference hiring, I will be measuring the impact of all three and the interaction between the three categories.

Employee Engagement = f(30% or more Disability Preference, Disability Preference, Veterans’ Preference, D, μ)

My logic behind the model is this: D represents each agency’s demographics and μ is the random error. Every subsequent category of preference could have a greater impact, per percentage point, on employee engagement. I expect this because each category gives veterans a larger benefit in the application process. Theoretically, this means that progressively less qualified applicants become even more likely to be hired. Standard veterans’ preference is the broadest category with the least amount of preference given. Disability preference is less broad with a higher level of preference, and 30% or more disabled is the narrowest with the highest level of preference. Next describe the data I use.

-----------

ddd The one exception to this is variable measuring the average salary of an agency.
IV. Data Description

I utilize three data sets in my analysis. The first data set is the *Employment of Veterans in the Federal Executive Branch* reports published annually by the Office of Personnel Management (OPM). OPM has published these reports for Fiscal Years 2007 through 2014. The report provides counts and percentages for four measures of employment, Total On Board, Total Non-Seasonal Full-Time Permanent Employment On-Board, New Hires, and Non-Seasonal Full-Time Permanent New Hires. Within these four categories, the report provides data for four types of Veterans employment: all veterans in the agency, veterans with preference, disabled veterans, and 30 percent or more disabled veteran appointing authority. The report for each year provides two more tables. The first is Veteran New Hires by Veteran Appointing Authority. The second is Veteran New Hires Under other Appointing Authorities. Data are provided for all agencies identified in Executive Order 13518 as members of the Council on Veterans Employment. The table below provides an example of the statistics taken from the reports.
The second data set I use is the Federal Employee Viewpoint Survey (FEVS). FEVS is administered by OPM to all non-military federal employees. Results dating back to 2004 are publicly available on OPM’s website, upon request. From 2004 to 2010, FEVS was administered every other year. Since 2011, the survey has been administered annually. The survey uses a Likert scale for response options, on a scale from one to five, with higher numbers representing more positive responses. FEVS data are available at the individual employee level.

<table>
<thead>
<tr>
<th></th>
<th>% VETERANS</th>
<th>% VETERANS' PREFERENCE</th>
<th>% DISABLED VETERANS</th>
<th>% 30% OR MORE DISABLED VETERANS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TOTAL ON BOARD</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mean</td>
<td>20.78</td>
<td>18.21</td>
<td>6.00</td>
<td>3.39</td>
</tr>
<tr>
<td>Standard Deviation</td>
<td>12.74</td>
<td>10.95</td>
<td>4.42</td>
<td>2.83</td>
</tr>
<tr>
<td>Max</td>
<td>56.9</td>
<td>48.5</td>
<td>20.70</td>
<td>14.1</td>
</tr>
<tr>
<td>Min</td>
<td>5.6</td>
<td>4.5</td>
<td>1.3</td>
<td>0.7</td>
</tr>
<tr>
<td><strong>NON-SEASONAL FULL TIME</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mean</td>
<td>21.71</td>
<td>19.07</td>
<td>6.31</td>
<td>3.56</td>
</tr>
<tr>
<td>Standard Deviation</td>
<td>12.92</td>
<td>11.11</td>
<td>4.43</td>
<td>2.83</td>
</tr>
<tr>
<td>Max</td>
<td>57.2</td>
<td>48.9</td>
<td>21</td>
<td>14.2</td>
</tr>
<tr>
<td>Min</td>
<td>6.5</td>
<td>5.3</td>
<td>1.7</td>
<td>0.8</td>
</tr>
<tr>
<td><strong>NEW HIRES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mean</td>
<td>22.9</td>
<td>20.66</td>
<td>5.77</td>
<td>4.67</td>
</tr>
<tr>
<td>Standard Deviation</td>
<td>14.32</td>
<td>12.76</td>
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<td>4.11</td>
</tr>
<tr>
<td>Max</td>
<td>66.3</td>
<td>57.5</td>
<td>23.2</td>
<td>15.9</td>
</tr>
<tr>
<td>Min</td>
<td>2.2</td>
<td>1.9</td>
<td>0.018</td>
<td>0.01</td>
</tr>
</tbody>
</table>

Table 2: Descriptive Statistics of Veterans’ Preference Hiring

The second data set I use is the Federal Employee Viewpoint Survey (FEVS). FEVS is administered by OPM to all non-military federal employees. Results dating back to 2004 are publicly available on OPM’s website, upon request. From 2004 to 2010, FEVS was administered every other year. Since 2011, the survey has been administered annually. The survey uses a Likert scale for response options, on a scale from one to five, with higher numbers representing more positive responses. FEVS data are available at the individual employee level.
The final data set I use in this study is the federal employment data, maintained by OPM’s website FEDSCOPE. FEDSCOPE is an online tool that allows the general public to access OPM’s employment data. Between 1998 and 2009, OPM published data annually at the end of the federal fiscal year, in September. In 2009, they were published in both December and September. Beginning in 2010, FEDSCOPE published data quarterly, in September, December, March, and June. Because Employment of Veterans in the Federal Executive Branch is published once a fiscal year, I only use September data. I use FEDSCOPE to retrieve descriptive statistics on the following categories: age, education level, gender, length of service, occupation, and pay plan and grade. Because these data cannot be matched to individual results from FEVS, I measure these variables in distributions as percentages of the agencies’ workforce.

Below is years of experience distribution table FEDSCOPE.

Chart created using FEV score data used in this study/
<table>
<thead>
<tr>
<th>YEARS OF EXPERIENCE</th>
<th>0 TO 4</th>
<th>5 TO 9</th>
<th>10 TO 14</th>
<th>15 TO 19</th>
<th>20 TO 24</th>
<th>25 TO 29</th>
<th>30 TO 34</th>
</tr>
</thead>
<tbody>
<tr>
<td>AID</td>
<td>0.302</td>
<td>0.255</td>
<td>0.170</td>
<td>0.063</td>
<td>0.065</td>
<td>0.076</td>
<td>0.039</td>
</tr>
<tr>
<td>AGRICULTURE</td>
<td>0.275</td>
<td>0.168</td>
<td>0.165</td>
<td>0.091</td>
<td>0.092</td>
<td>0.102</td>
<td>0.061</td>
</tr>
<tr>
<td>AIR FORCE</td>
<td>0.293</td>
<td>0.235</td>
<td>0.158</td>
<td>0.083</td>
<td>0.059</td>
<td>0.094</td>
<td>0.057</td>
</tr>
<tr>
<td>ARMY</td>
<td>0.266</td>
<td>0.291</td>
<td>0.154</td>
<td>0.062</td>
<td>0.056</td>
<td>0.083</td>
<td>0.059</td>
</tr>
<tr>
<td>COMMERCE</td>
<td>0.296</td>
<td>0.221</td>
<td>0.130</td>
<td>0.096</td>
<td>0.098</td>
<td>0.083</td>
<td>0.040</td>
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<td>DEFENSE</td>
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<td>0.241</td>
<td>0.131</td>
<td>0.067</td>
<td>0.068</td>
<td>0.111</td>
<td>0.071</td>
</tr>
<tr>
<td>EPA</td>
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<td>0.141</td>
<td>0.127</td>
<td>0.132</td>
<td>0.156</td>
<td>0.181</td>
<td>0.084</td>
</tr>
<tr>
<td>EDUCATION</td>
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<td>0.179</td>
<td>0.122</td>
<td>0.109</td>
<td>0.111</td>
<td>0.112</td>
<td>0.069</td>
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<tr>
<td>ENERGY</td>
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<td>0.219</td>
<td>0.145</td>
<td>0.076</td>
<td>0.117</td>
<td>0.123</td>
<td>0.084</td>
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<tr>
<td>GSA</td>
<td>0.134</td>
<td>0.206</td>
<td>0.159</td>
<td>0.064</td>
<td>0.118</td>
<td>0.163</td>
<td>0.088</td>
</tr>
<tr>
<td>HHS</td>
<td>0.281</td>
<td>0.247</td>
<td>0.164</td>
<td>0.084</td>
<td>0.083</td>
<td>0.069</td>
<td>0.038</td>
</tr>
<tr>
<td>HUD</td>
<td>0.170</td>
<td>0.162</td>
<td>0.134</td>
<td>0.084</td>
<td>0.118</td>
<td>0.172</td>
<td>0.065</td>
</tr>
<tr>
<td>HOMELAND SECURITY</td>
<td>0.238</td>
<td>0.289</td>
<td>0.251</td>
<td>0.092</td>
<td>0.052</td>
<td>0.049</td>
<td>0.019</td>
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<td>INTERIOR</td>
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<td>0.106</td>
<td>0.106</td>
<td>0.097</td>
<td>0.062</td>
</tr>
<tr>
<td>JUSTICE</td>
<td>0.200</td>
<td>0.197</td>
<td>0.166</td>
<td>0.162</td>
<td>0.122</td>
<td>0.098</td>
<td>0.037</td>
</tr>
<tr>
<td>LABOR</td>
<td>0.221</td>
<td>0.219</td>
<td>0.142</td>
<td>0.107</td>
<td>0.087</td>
<td>0.108</td>
<td>0.053</td>
</tr>
<tr>
<td>NASA</td>
<td>0.125</td>
<td>0.153</td>
<td>0.143</td>
<td>0.065</td>
<td>0.119</td>
<td>0.211</td>
<td>0.115</td>
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<tr>
<td>NRC</td>
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<td>0.276</td>
<td>0.168</td>
<td>0.085</td>
<td>0.102</td>
<td>0.093</td>
<td>0.082</td>
</tr>
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<td>NSF</td>
<td>0.205</td>
<td>0.201</td>
<td>0.161</td>
<td>0.095</td>
<td>0.116</td>
<td>0.107</td>
<td>0.065</td>
</tr>
<tr>
<td>NAVY</td>
<td>0.259</td>
<td>0.235</td>
<td>0.151</td>
<td>0.067</td>
<td>0.060</td>
<td>0.110</td>
<td>0.081</td>
</tr>
<tr>
<td>OPM</td>
<td>0.231</td>
<td>0.239</td>
<td>0.138</td>
<td>0.071</td>
<td>0.080</td>
<td>0.121</td>
<td>0.070</td>
</tr>
<tr>
<td>SBA</td>
<td>0.419</td>
<td>0.193</td>
<td>0.060</td>
<td>0.078</td>
<td>0.080</td>
<td>0.083</td>
<td>0.043</td>
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<td>SSA</td>
<td>0.173</td>
<td>0.247</td>
<td>0.172</td>
<td>0.091</td>
<td>0.082</td>
<td>0.071</td>
<td>0.064</td>
</tr>
<tr>
<td>STATE</td>
<td>0.251</td>
<td>0.219</td>
<td>0.140</td>
<td>0.076</td>
<td>0.069</td>
<td>0.087</td>
<td>0.071</td>
</tr>
<tr>
<td>TRANSPORTATION</td>
<td>0.169</td>
<td>0.205</td>
<td>0.158</td>
<td>0.105</td>
<td>0.118</td>
<td>0.140</td>
<td>0.066</td>
</tr>
<tr>
<td>TREASURY</td>
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<td>0.210</td>
<td>0.148</td>
<td>0.093</td>
<td>0.106</td>
<td>0.202</td>
<td>0.078</td>
</tr>
<tr>
<td>VETERANS AFFAIRS</td>
<td>0.352</td>
<td>0.255</td>
<td>0.128</td>
<td>0.072</td>
<td>0.070</td>
<td>0.065</td>
<td>0.036</td>
</tr>
</tbody>
</table>

*Table 3: Percentage of an Agency's Workforce with Years of Experience*

I used three main steps to combine these three data sets. First, I appended all of the years for each data source. Next, I merged *Employment of Veterans in the Federal Executive Branch* and FEDSCOPE data to create one wide-form dataset. For this merge, I matched by agency and year. Next I merged this dataset to the FEVS dataset, again matching by agency and year. The
final dataset spans from 2008 to 2014 with a panel of 160 observations uniquely identified by agency and year. I have dropped 2009 and 2007 from the analysis, since FEVS was not administered those years.

Below is the table of the descriptive statistics of the final variables in my model.

<table>
<thead>
<tr>
<th>VARIABLE</th>
<th>OBS</th>
<th>MEAN</th>
<th>STD. DEV.</th>
<th>MIN</th>
<th>MAX</th>
</tr>
</thead>
<tbody>
<tr>
<td>SURVEY_AVERAGE</td>
<td>160</td>
<td>3.631</td>
<td>0.127</td>
<td>3.320</td>
<td>4.046</td>
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<tr>
<td>COMPOSITE_AVERAGE</td>
<td>160</td>
<td>3.717</td>
<td>0.127</td>
<td>3.340</td>
<td>4.128</td>
</tr>
<tr>
<td>VETNOPREF</td>
<td>162</td>
<td>2.618</td>
<td>2.247</td>
<td>0.000</td>
<td>9.400</td>
</tr>
<tr>
<td>VETPREF_ALL</td>
<td>162</td>
<td>17.972</td>
<td>11.113</td>
<td>4.500</td>
<td>48.500</td>
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<td>VETPREF</td>
<td>162</td>
<td>11.898</td>
<td>7.167</td>
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<td>32.600</td>
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<td>DISABLED</td>
<td>162</td>
<td>2.654</td>
<td>1.718</td>
<td>0.500</td>
<td>8.900</td>
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<tr>
<td>THIRTYPERCENT</td>
<td>162</td>
<td>3.420</td>
<td>2.903</td>
<td>0.700</td>
<td>14.100</td>
</tr>
<tr>
<td>5TO9YEARSEXPERIENCE</td>
<td>162</td>
<td>0.184</td>
<td>0.043</td>
<td>0.069</td>
<td>0.317</td>
</tr>
<tr>
<td>10TO14YEARSEXPERIENCE</td>
<td>162</td>
<td>0.122</td>
<td>0.030</td>
<td>0.052</td>
<td>0.251</td>
</tr>
<tr>
<td>15TO19YEARSEXPERIENCE</td>
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<td>0.090</td>
<td>0.029</td>
<td>0.049</td>
<td>0.182</td>
</tr>
<tr>
<td>20TO24YEARSEXPERIENCE</td>
<td>162</td>
<td>0.120</td>
<td>0.039</td>
<td>0.052</td>
<td>0.232</td>
</tr>
<tr>
<td>25TO29YEARSEXPERIENCE</td>
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<td>0.101</td>
<td>0.033</td>
<td>0.035</td>
<td>0.211</td>
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<tr>
<td>30TO34YEARSEXPERIENCE</td>
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<td>0.067</td>
<td>0.021</td>
<td>0.018</td>
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</tr>
<tr>
<td>MALE</td>
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<td>0.526</td>
<td>0.116</td>
<td>0.304</td>
<td>0.736</td>
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<td>WHITECOLLAR</td>
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<td>0.954</td>
<td>0.070</td>
<td>0.713</td>
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</tr>
<tr>
<td>AVERAGESALARY</td>
<td>162</td>
<td>86.683</td>
<td>17.164</td>
<td>58.270</td>
<td>121.265</td>
</tr>
</tbody>
</table>

*Table 4: Descriptive Statistics*
V. Empirical Model

SURVEY_AVERAGE or COMPOSITE_AVERAGE = β₀ + β₁VETPREF + β₂DISABLED +
β₃THIRTYPERCENT + β₄VETNOPREF + β₅5TO9YEARSEXPERIENCE +
β₆10TO14YEARSEXPERIENCE + β₇15TO19YEARSEXPERIENCE +
β₈20TO24YEARSEXPERIENCE + β₉25TO29YEARSEXPERIENCE +
β₁₀30TO34YEARSEXPERIENCE + β₁₁MALE + β₁₂WHITECOLLAR +
β₁₃AVERAGESALARY + µ

Where:

SURVEY_AVERAGE = An average of all FEVS questions included in the analysis

COMPOSITE_AVERAGE = An average of FEVS questions that directly address an
employee’s assessment of the agency’s workforce

VETPREF_ALL = Percent of an agency’s workforce with any veterans’ preference;

VETPREF = Percent of an agency’s workforce with standard veterans’ preference;

DISABLED = Percent of an agency’s workforce with disabled veterans’ preference;

THIRTYPERCENT = Percent of an agency’s workforce with 30% or more disability
preference;

VETNOPREF = The percentage of an agency’s workforce that are veterans ineligible for
hiring preference;

5TO9YEARSEXPERIENCE = The percent of employees in an agency with between five
and nine years of tenure;

10TO14YEARSEXPERIENCE = The percent of employees in an agency with between
ten and fourteen years of tenure;

15TO19YEARSEXPERIENCE = The percent of employees in an agency with between
fifteen and nineteen years of tenure;

20TO24YEARSEXPERIENCE = The percent of employees in an agency with between

See Appendix 1

See Appendix 1
twenty and twenty-four years of tenure;

25TO29YEARSEXP = The percent of employees in an agency with between twenty-five and twenty-nine years of tenure;

30TO34YEARSEXP = The percent of employees in an agency with between thirty and thirty-four years of tenure;

MALE = The percent of employees in an agency that are male;

WHITECOLLAR = The percent of employees in an agency whose occupation is classified as “white collar”;

AVGSALARY = The average salary of the agency, measured in thousands of dollars; and

$\mu$ = Random error;

SURVEY_AVERAGE measures the engagement of federal employees by averaging all FEVS scores within an agency by year. COMPOSITE_AVERAGE is measured in the same manner, but only uses questions that directly address the respondent’s opinion of the agency’s workforce. The survey changes slightly between each year. The majority of the questions remain the same, but some questions are dropped, added, or altered from year to year. All questions were weighted equally.

VETPREF, DISABLED, THIRTYPERCENT and VETNOPREF are all variables taken from the report Employment of Veterans in the Federal Workforce. These are consistently measured across year. Employees are only counted in the highest level of preference for which they are eligible. For example, if a veteran is eligible for thirty percent or more disability preference, he is not also counted in DISABLED and VETPREF. I expect VETPREF, DISABLED, and THIRTYPERCENT to be statistically significant with a negative sign. I also
expect the coefficient of DISABLED to be larger than the coefficient of VETPREF, and the coefficient of THRITYPERCENT to be larger than DISABLED. This is my expectations because THRITYPERCENT gives a larger preference than DISABLED, which gives a larger preference that VETPREF. I have no expectations for VETNOPREF. I have included it to show, in my model, a fuller portrait of veterans employed by the Federal Government.

The remainder of the variables are taken from FEDSCOPE using the website’s employment cubes feature. These variables are consistently measured each year. The only control that I have expectations for is that AVERAGESALARY will be statistically significant and positively correlated with SURVEY_AVERAGE and COMPOSITE_AVERAGE. I included the age related variables, MALE, and WHITECOLLAR as standard controls for workforce and societal composition, but have no expectations for them.
VI. Results Section
The following table presents my empirical results:

<table>
<thead>
<tr>
<th>Regression Results</th>
<th>Fixed Effects</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Regression#</td>
</tr>
<tr>
<td>Total on Board:</td>
<td>Survey Average</td>
</tr>
<tr>
<td>Veterans (without Preference)</td>
<td>Survey Average</td>
</tr>
<tr>
<td>Veterans with Preference</td>
<td>Survey Average</td>
</tr>
<tr>
<td>Standard Preference</td>
<td>Survey Average</td>
</tr>
<tr>
<td>Disability Preference</td>
<td>Survey Average</td>
</tr>
<tr>
<td>30% or More Disability Preference</td>
<td>Survey Average</td>
</tr>
<tr>
<td>Years of Experience</td>
<td></td>
</tr>
<tr>
<td>Five to Nine</td>
<td>0.611*</td>
</tr>
<tr>
<td>Ten to Fourteen</td>
<td>-1.172***</td>
</tr>
<tr>
<td>Fifteen to Nineteen</td>
<td>-0.452</td>
</tr>
<tr>
<td>Twenty to Twenty-Four</td>
<td>0.160</td>
</tr>
<tr>
<td>Twenty-Five to Twenty-Nine</td>
<td>0.270</td>
</tr>
<tr>
<td>Thirty to Thirty-Four</td>
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</tr>
<tr>
<td>Male</td>
<td>0.161</td>
</tr>
<tr>
<td>White Collar</td>
<td>0.054</td>
</tr>
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</table>
### Regression Results

<table>
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<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
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<th>9</th>
<th>10</th>
<th>11</th>
<th>12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total on Board:</td>
<td></td>
<td></td>
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<td></td>
<td></td>
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</tr>
<tr>
<td>Survey Average</td>
<td>0.0019***</td>
<td>0.0020***</td>
<td>0.0014*</td>
<td>0.0015*</td>
<td>0.0021***</td>
<td>0.0022***</td>
<td>0.0013*</td>
<td>0.0014**</td>
<td>0.0018**</td>
<td>0.0022***</td>
<td>0.0012</td>
<td>0.0016**</td>
</tr>
<tr>
<td>Composite Average</td>
<td>3.69***</td>
<td>4.20***</td>
<td>4.28***</td>
<td>4.90***</td>
<td>6.60***</td>
<td>7.43***</td>
<td>7.55***</td>
<td>8.00***</td>
<td>0.231</td>
<td>0.236</td>
<td>0.26</td>
<td>0.26</td>
</tr>
<tr>
<td>F-Statistic</td>
<td>0.26</td>
<td>0.26</td>
<td>0.30</td>
<td>0.11</td>
<td>0.376</td>
<td>0.394</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* Statistically Significant at the 10% Level
** Statistically Significant at the 5% Level
*** Statistically Significant at the 1% Level

N = 160

All variables refer to the percentage of a workforce of an agency in one year.

**Table 5: Empirical Results**
I estimate three sets of four regressions for this analysis. Within each set, two regressions test against SURVEY_AVERAGE. The remaining regressions test against COMPOSITE_AVERAGE. Within these two categories, one regression includes VETNOPREF and one does not. The first set of regressions only use VETPREF_ALL. The second set of regressions breaks veterans’ preference down into its three components, VETPREF, DISABLED, and THIRTEENPERCENT. The final set of regressions estimate a fixed effects model of the second set of regressions. The second set proves to have the strongest statistical power. All three sets of regressions have highly significant F-statistics. However, the second set produces higher R-Squared and has more coefficients which are statistically significant.

The results of these regressions lend mixed support to my hypothesis that veterans preference hiring negatively impacts employee engagement in federal agencies. Without including the percentage of employees who are VETNOPREF, the coefficient on VETPREF_ALL is negative, small, and statistically insignificant. This does not change when I include VETNOPREF in the model. The coefficient remains negative and not statistically significant at the 90 percent level of confidence. However, the coefficient on VETNOPREF is positive and statistically significant at the 99 percent level of confidence. The size of this coefficient is much larger than on the veterans with preference. In both regressions, a one-percent increase in VETNOPREF would lead to a 0.02 increase in average FEVS scores. However, the regression becomes much more complicated when accounting for the different types of preference a veteran may receive.
When examining the subset of types of preference, the first is VETPREF. VETPREF measures the number of veterans with standard preference. When excluding VETNOPREF, VETPREF has a coefficient of 0.010 for SURVEY_AVERAGE and 0.011 for COMPOSITE_AVERAGE. Both coefficients are positive and statistically significant at the 99 percent level of confidence. These regressions predict that if the percentage of an agency’s workforce with standard preference increases by one percent, the average FEVS score of that agency will increase by 0.01 or 0.011. When VETNOPREF is included, the statistical significance of VETPREF decreases and the size of the coefficient if cut in half. The coefficient on VETNOPREF is statistically significant at the 99 percent level of confidence and positive. In both regressions, the coefficient is 0.036, which is one percent of the mean score of the dependent variable.

That the coefficients for VETNOPREF are larger and more statistically significant than the coefficients for VETPREF is notable because veterans ineligible for preference make up a much smaller percentage of the federal workforce than veterans eligible for preference. The mean percentage of VETNOPREF in an agency is 2.62 percent of the workforce, and the maximum is 9.4 percent. By contrast, VETPREF has a mean of 11.9 percent and a maximum of 32.6 percent. This population includes two categories, veterans that served during times that do not qualify them for preference, and veterans who left the service with too high of a rank to qualify for preference. With my data, I cannot identify the breakdown of these two populations within each

hhhh In the regression for SURVEY_AVERAGE, the coefficient for VETPREF is statistically significant at the 90 percent level of confidence. In the regression for COMPOSITE_AVERAGE, it is statistically significant at the 95 percent level of confidence.
agency. However, I suspect that the positive correlation can be attributed to high ranking officers working in civilian agencies.

The fixed effects regressions present a similar picture. In all of the regressions presented, the coefficient on VETPREF is positively correlated with the dependent variable. The statistical significance of the coefficient on VETPREF changes in each of the four fixed effects regressions.iii Additionally, the sizes of these coefficients are small. All coefficients are less than one hundredth of a response point. For the both regressions, this is 0.2 percent of the mean response. This suggests that veterans with standard preference improve engagement in agencies, but by a small amount. Within the fixed effects regressions, VETNOPREF behaves similarly as in the standard regressions. The coefficients on the variable are statistically significant at the 99 percent level of confidence, and are positive. In the SURVEY_AVERAGE regression, the coefficient for VETNOPREF is 0.030 and in the COMPOSITE_AVERAGE variable, the variable has a coefficient of 0.032.

Next, I test the variable DISABILITY. This measure includes veterans who have at least 10 percent disability but do not qualify for 30 percent or more disability preference. In all but one regression, including fixed effects, the coefficient on VETNOPREF are statistically

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iii For SURVEY_AVERAGE regressions: when VETNOPREF is not included, the coefficient on VETPREF is statistically significant at the 99 percent level of confidence. When VETNOPREF is included, the coefficient on VETPREF is statistically significant at the 90 percent level of confidence. For COMPOSITE_AVERAGE regressions: when VETNOPREF is not included, the coefficient on VETPREF is statistically significant at the 95 percent level of confidence. When VETNOPREF is included, the coefficient on VETPREF is not statistically significant at the 90 percent level of confidence.
significant at the 99 percent level of confidence.\textsuperscript{iii} Excluding \textsc{vetnopref}, this variable has a coefficient of -0.034 for \textsc{surveyaverage} and -0.036 for \textsc{compositeaverage}. These coefficients are nearly one-hundredth of mean average score (0.09 for the survey average and 0.08 for the composite average). This indicates that \textit{disabled} has a much stronger negative impact on the engagement of federal employees than the positive impact of \textit{vetpref}. When using a fixed effects regression, this coefficient increases to -0.023 for the \textsc{surveyaverage} regression and -0.021 for the \textsc{compositeaverage} regression. Again, these coefficients are much larger than the ones for \textsc{vetpref} in the corresponding regressions.

Including \textsc{vetnopref} in the model has a sizeable impact on the coefficient \textit{disabled}. The coefficient more than doubles for both regressions, which also occurs in the fixed effects regressions. This equals two tenths of the mean average score for both independent variables. In the fixed effects regressions, the coefficients are one-one hundredth and eight thousandths of the averages of the respective dependent variables. It is unclear why the inclusion of veterans without preference has such a large impact on the effect of disabled veterans. It could be that veterans, as a whole, have a positive impact on engagement, but veterans with disability preference have a negative impact. Without the inclusion of the variable for veterans without preference, all three other veterans variables probably pick up the positive impact of veterans without preference. By including the variable, I theorize that the negative impact of veterans with

\textsuperscript{iii} The coefficient for \textit{disability} in the \textsc{compositeaverage}, fixed effects regression, which does not include \textsc{vetnopref}, is statistically significant at the 95 percent level of confidence.
disabled preference become more statistically significant and pronounced. However, this variable loses statistical significance in fixed effects estimations.

The final variable, **THIRTYPERCENT**, provides no conclusive evidence. In none of the four regressions is the coefficient of the variable statistically significant at even the 90 percent confident level. When excluding **VETNOPREF**, the sign on these coefficients is negative, but when the variable is included, the sign becomes positive. In both cases the coefficient increases by one-tenth of a response point when veterans without preference is included in the model. This is also true for the fixed effects models. Given the strong negative impact that **DISABILITY** has, these results are surprising for a number of reasons. First, because veterans with 30 percent or more disability preference receive a stronger benefit in the hiring process, I would expect **THIRTYPERCENT** to have a more pronounced negative impact on employee engagement. This seems even more likely to be true because there are more veterans with 30 percent or more disability preference in the Federal Workforce than veterans with standard disability preference.

<table>
<thead>
<tr>
<th>YEAR</th>
<th>WITHOUT PREFERENCE</th>
<th>WITH PREFERENCE</th>
<th>DISABILITY PREFERENCE</th>
<th>30% OR MORE DISABILITY PREFERENCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>73,975</td>
<td>463,482</td>
<td>71,805</td>
<td>98,112</td>
</tr>
<tr>
<td>2010</td>
<td>85,139</td>
<td>500,988</td>
<td>82,443</td>
<td>137,326</td>
</tr>
<tr>
<td>2011</td>
<td>96,014</td>
<td>507,637</td>
<td>85,690</td>
<td>155,342</td>
</tr>
<tr>
<td>2012</td>
<td>138,859</td>
<td>458,261</td>
<td>126,906</td>
<td>169,988</td>
</tr>
<tr>
<td>2013</td>
<td>133,163</td>
<td>434,928</td>
<td>130,302</td>
<td>182,778</td>
</tr>
<tr>
<td>2014</td>
<td>132,458</td>
<td>422,296</td>
<td>130,971</td>
<td>196,602</td>
</tr>
</tbody>
</table>

*Table 6: Number of Employees by Preference Type by Year*
The above table shows that veterans with 30 percent or more disability make up a larger percentage of the federal workforce than veterans with standard disability preference. This shows why it is surprising that \textsc{disability} is a more powerful predictor than \textsc{thirtypercent}.

The control variables do not provide consistent information regarding how they impact employee engagement. The years of experience variables show no clear pattern as to how years of experience impact employee engagement. Some have a positive sign while others have a negative. The size of these coefficients range from 0.02 to 1.6. Statistical significance also varies widely across years of experience and regressions. Coefficients for \textsc{male} and \textsc{white-collar} are never statistically significant. Only \textsc{average-salary} produces a consistently statistically significant coefficient. The coefficient on \textsc{average-salary} ranges from 0.0013 to 0.0022. Comparing the coefficients on \textsc{average-salary} with the coefficients on the veterans’ preference show just how strong the impact, both positive and negative, that employing veterans can be.
### Focusing on Disabled Veterans

#### Percent of Workforce with Disabled Veterans’ Preference

<table>
<thead>
<tr>
<th>AGENCY</th>
<th>2008</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
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<td>AID</td>
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<td>0.5</td>
<td>0.7</td>
<td>0.9</td>
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<td>1.8</td>
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<td>Agriculture</td>
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<td>1.2</td>
<td>1.8</td>
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<td>2</td>
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<tr>
<td>Air Force</td>
<td>5.2</td>
<td>5.1</td>
<td>5.2</td>
<td>7.2</td>
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<td>8.9</td>
</tr>
<tr>
<td>Army</td>
<td>4.6</td>
<td>4.8</td>
<td>4.9</td>
<td>6.7</td>
<td>6.7</td>
<td>6.6</td>
</tr>
<tr>
<td>Commerce</td>
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<td>1.9</td>
<td>1.9</td>
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<td>Defense</td>
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<td>4.2</td>
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<td>6.5</td>
<td>6.5</td>
</tr>
<tr>
<td>EPA</td>
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<td>1.3</td>
<td>1.3</td>
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<tr>
<td>Education</td>
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<td>1.6</td>
<td>1.6</td>
</tr>
<tr>
<td>Energy</td>
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<td>3.4</td>
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<td>GSA</td>
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<tr>
<td>HHS</td>
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<tr>
<td>HUD</td>
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<tr>
<td>DHS</td>
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<td>2.2</td>
<td>3.3</td>
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<tr>
<td>Interior</td>
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<td>1.8</td>
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<td>2.9</td>
<td>2.8</td>
<td>3</td>
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<tr>
<td>Justice</td>
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<td>1.7</td>
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</tr>
<tr>
<td>Labor</td>
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<td>0.6</td>
<td>1.3</td>
<td>1.3</td>
<td>1.3*</td>
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<td>3.5</td>
<td>5.3</td>
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<td>5.6</td>
</tr>
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<td>2.8</td>
<td>3.6</td>
<td>3.7</td>
<td>3.7</td>
</tr>
<tr>
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<td>1.5</td>
<td>1.8</td>
<td>2.6</td>
<td>2.8</td>
<td>2.8*</td>
</tr>
<tr>
<td>SSA</td>
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<td>1.5</td>
<td>1.5</td>
<td>2.1</td>
<td>2.3</td>
<td>2.6</td>
</tr>
<tr>
<td>State</td>
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<td>2.9</td>
<td>3.1</td>
<td>3.1</td>
</tr>
<tr>
<td>Transportation</td>
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<td>3.2</td>
<td>4.8</td>
<td>4.8</td>
<td>4.9</td>
</tr>
<tr>
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<td>1.1</td>
<td>1.1</td>
<td>1.9</td>
<td>1.8</td>
<td>1.8</td>
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<td>VA</td>
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<td>3.3</td>
<td>6.4</td>
<td>6.6</td>
<td>6.8</td>
</tr>
</tbody>
</table>

**Key**
- Survey Mean Less than Mean (3.63)
- Survey Mean Less than One Standard Deviation from Mean (3.51)
- Survey Mean Less than Two Standard Deviations from Mean (3.38)

*Table 7: Percent of Workforce with Disabled Veterans’ Preference*
The above table displays the **DISABLED** by agency, by year. Additionally, cells are shaded indicating how the agency scored on FEVS (using **SURVEY_AVERAGE**). Unsurprisingly, the agencies with the largest percentage of veterans with disability preference are military agencies, and the Department of Veterans Affairs. All of these agencies see a sizeable increase in the employment of disabled veterans in 2012. The table does also show that a decrease in engagement in these agencies is correlated with increases in the percentage of disabled veterans hired by an agency. Growth in the employment of disable veterans lead to decreases in engagement, but decreases in engagement nearly always involve increases in the employment of disabled veterans.
VII. Conclusions and Recommendations for Future Policy and Research

My analysis provides mixed evidence regarding the impact that veterans’ preference hiring has on the engagement of the federal workforce. Veterans who receive the standard preference have a positive impact on engagement, which contradicts my hypothesis. This suggests that when veterans with the standard preference are hired, they perform their job equally as well as civilian applicants who were passed over.

More research, at a more detailed level, is needed to understand why veterans with disability preference have a strong negative effect on engagement. Initially, I would have suspected that the added boost that comes with disability preference enables less qualified candidates to be hired, detracting from the quality of the workforce. However, if this were the case, veterans with thirty percent or more disability would also have a statistically significant negative impact on engagement. They do not. If I had the data available, the next explanation I would explore is the diagnoses of disabilities within these two populations. As veterans have returned from the conflicts in Iraq and Afghanistan, there has been a rising awareness of the prevalence and effects of posttraumatic stress disorder (PTSD). The Department of Veterans Affairs estimates that between eleven and twenty percent of veterans from Operations Iraqi Freedom and Enduring Freedom have PTSD in a year. Mental illnesses such as PTSD and depression could have a serious impact on workforce engagement and satisfaction, especially

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since they are not as immediately noticeable as physical wounds. However, this is only conjecture.

Before discussing the policy implications of my findings, I should acknowledge the weakness of the available data. *Employment of Veterans in the Federal Workforce* gives no information regarding the profile of the veterans employed in the federal workforce. Additional information, including the branch of the military, military occupation, rank at the time of separation, and length of service, would all provide more precise insights into the impact that veterans’ preference hiring has on the engagement of the federal workforce. This additional information could also answer questions such as: do certain occupations or branches meet greater success in certain agencies, or does rank correlate with outcomes. The time period of the data also creates problems for the analysis. Within this timeframe, federal employees have had to deal with years of pay freezes and an antagonistic attitude from Congress. These factors likely dampened employee engagement and satisfaction. However, the method of my statistical analysis still isolated the effect that different preference categories have on engagement within an agency.

Another useful piece of information would be the scores and profiles of applicants to federal jobs. This would allow for an analysis of scores between veterans and non-veterans and how their qualifications compare. This would allow for a greater analysis of the impact of preference hiring and when it is more or less likely to have a negative impact. One potential research question: does difference in applications scores of veterans and the next highest civilian candidate show a measurable impact on the quality of the workforce.
Despite this lack of granularity, policy suggestions can still be offered. One possibility would be to alter the mechanics of preference hiring dampening the strength of the disability preference. Possibilities would include limiting the preference to only the score boost, or the automatic hiring of veterans on a cert or in a hiring category. Eliminating “floating”, the second option, for disabled veterans would have an especially positive impact on employee engagement. By eliminating floating, less qualified disabled veterans will be less likely to be hired. This would then mitigate the negative impact that veterans with disability preference have on employee engagement.

Another option would be to give additional training, education, and support to veterans who have been hired as a result of preference. Even if a veteran is qualified for the position, PTSD and other mental health conditions can negatively impact an employee’s performance and work environment. Both veterans and their coworkers could benefit from training and support. Veterans could learn how to better cope with any PTSD and other mental health problems, improving how it impacts their work environment. Federal employees would benefit from learning strategies on how to notice signs of PTSD and engage with veteran co-workers who suffer from it. This could mitigate the negative impact that preference has on the engagement of the workforce overall.

One important and unexpected discovery from my research is the strong positive impact that veterans who are not eligible for preference have on an agency’s engagement. OPM and hiring managers should make a stronger effort to recruit these veterans. One option would be to expand preference to the upper echelons of the commissioned officer corps. Another would be to
create a special hiring program for officers. This program should create a fast track to the Senior Executive Service for separated and retired officers. Officers perform important business functions for their service branch in high stakes and stressful environments. This makes them highly qualified to lead the business related offices (human resources, information technology, finance) of federal agencies.

According to my analysis, most veterans do not have a negative impact on employee engagement. Therefore, managers should not avoid hiring veterans with standard preference. In the case of disabled veterans, managers and the Office of Personnel Management should find strategies to better incorporate them into the workforce, and dampen the application of their preference.
Appendix: Survey Questions

The following are all questions included in the variable SURVEY_AVERAGE. Questions included in COMPOSITE_AVERAGE are marked with *.

- I am given a real opportunity to improve my skills in my organization.
- I have enough information to do my job well.
- I feel encouraged to come up with new and better ways of doing things.
- My work gives me a feeling of personal accomplishment.
- I like the kind of work I do.
- I know what is expected of me on the job.
- When needed I am willing to put in the extra effort to get a job done.
- I am constantly looking for ways to do my job better.
- I have sufficient resources (for example, people, materials, budget) to get my job done.
- My workload is reasonable.
- My talents are used well in the workplace.
- I know how my work relates to the agency's goals and priorities.
- The work I do is important.
- Physical conditions (for example, noise level, temperature, lighting, cleanliness in the workplace) allow employees to perform their jobs well.
- My performance appraisal is a fair reflection of my performance.
- I am held accountable for achieving results.
- I can disclose a suspected violation of any law, rule or regulation without fear of reprisal.
- My training needs are assessed.
- In my most recent performance appraisal, I understood what I had to do to be rated at different performance levels (for example, Fully Successful, Outstanding).
- The people I work with cooperate to get the job done.**
- My work unit is able to recruit people with the right skills.**
• Promotions in my work unit are based on merit.
• In my work unit, steps are taken to deal with a poor performer who cannot or will not improve.
• In my work unit, differences in performance are recognized in a meaningful way.
• Awards in my work unit depend on how well employees perform their jobs.
• Employees in my work unit share job knowledge with each other.
• The skill level in my work unit has improved in the past year.*
• How would you rate the overall quality of work done by your work unit?*
• The workforce has the job-relevant knowledge and skills necessary to accomplish organizational goals.*
• Employees have a feeling of personal empowerment with respect to work processes.
• Employees are recognized for providing high quality products and services.
• Creativity and innovation are rewarded.
• Pay raises depend on how well employees perform their jobs.
• Policies and programs promote diversity in the workplace (for example, recruiting minorities and women, training in awareness of diversity issues, mentoring).*
• Employees are protected from health and safety hazards on the job.
• My organization has prepared employees for potential security threats.
• Arbitrary action, personal favoritism and coercion for partisan political purposes are not tolerated.
• 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.
• My agency is successful at accomplishing its mission.*
• I recommend my organization as a good place to work.
• I believe the results of this survey will be used to make my agency a better place to work.
• My supervisor supports my need to balance work and other life issues.
• My supervisor provides me with opportunities to demonstrate my leadership skills.
• Discussions with my supervisor about my performance are worthwhile.
• My supervisor is committed to a workforce representative of all segments of society.
• My supervisor provides me with constructive suggestions to improve my job performance.
• Supervisors in my work unit support employee development.
• My supervisor listens to what I have to say.
• My supervisor treats me with respect.
• In the last six months, my supervisor has talked with me about my performance.
• I have trust and confidence in my supervisor.
• Overall, how good a job do you feel is being done by your immediate supervisor?
• In my organization, senior leaders generate high levels of motivation and commitment in the workforce.
• My organization's senior leaders maintain high standards of honesty and integrity.
• Supervisors work well with employees of different backgrounds.
• Managers communicate the goals and priorities of the organization.
• Managers review and evaluate the organization's progress toward meeting its goals and objectives.
• Managers promote communication among different work units (for example, about projects, goals, needed resources).
• Managers support collaboration across work units to accomplish work objectives.
• Overall, how good a job do you feel is being done by the manager directly above your immediate supervisor?
• I have a high level of respect for my organization's senior leaders.
• Senior leaders demonstrate support for Work/Life programs.
• How satisfied are you with your involvement in decisions that affect your work?
• How satisfied are you with the information you receive from management on what's going on in your organization?
• How satisfied are you with the recognition you receive for doing a good job?
• How satisfied are you with the policies and practices of your senior leaders?
• How satisfied are you with your opportunity to get a better job in your organization?
• How satisfied are you with the training you receive for your present job?
• Considering everything, how satisfied are you with your job?*
• Considering everything, how satisfied are you with your pay?
• Considering everything, how satisfied are you with your organization?*
Works Cited

An Act to Regulate and Improve the Civil Service of the United States, Public Law ch.27, 22, U.S. Statutes at Large 403 (1883): 403-407.


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