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De Sercey, Annette

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**JOINT APPLIED PROJECT**

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**Advantages and Disadvantages of the National Security Personnel  
System as Compared to the General Schedule Personnel System**

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**By: Annette I. de Sercey  
Robin L. Harasin  
December 2005**

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**ADVANTAGES AND DISADVANTAGES OF THE NATIONAL SECURITY  
PERSONNEL SYSTEM AS COMPARED TO THE GENERAL SCHEDULE  
PERSONNEL SYSTEM**

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Submitted in partial fulfillment of the requirements for the degree of

**MASTER OF SCIENCE IN CONTRACT MANAGEMENT**

from the

**NAVAL POSTGRADUATE SCHOOL  
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# **ADVANTAGES AND DISADVANTAGES OF THE NATIONAL SECURITY PERSONNEL SYSTEM AS COMPARED TO THE GENERAL SCHEDULE PERSONNEL SYSTEM**

## **ABSTRACT**

In April 2003, the Bush Administration submitted the Defense Transformation for the 21<sup>st</sup> Century Act to 108<sup>th</sup> U.S. Congress for review and enactment. This act proposed broad changes for the Department of Defense to successfully meet new challenges and new threats for the 21<sup>st</sup> century. The objective of this Act was to reorganize and streamline civilian personnel management under a new system called the National Security Personnel System (NSPS). This paper will compare and contrast the advantages and disadvantages of the new personnel system (NSPS) versus the General Schedule (GS) personnel system currently used. Additionally, the researchers provide eight recommendations to improve the implementation and effectiveness of NSPS.



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# TABLE OF CONTENTS

I.	INTRODUCTION.....	1
II.	BACKGROUND .....	3
A.	KEY PERFORMANCE REQUIREMENTS AND OBJECTIVES .....	6
III.	DESIGN OF THE NATIONAL SECURITY PERSONNEL SYSTEM .....	9
A.	CLASSIFICATION .....	11
B.	PAY .....	11
1.	Within-Grade Increases .....	11
2.	Locality Pay .....	12
3.	Cost of Living Adjustment .....	13
4.	Performance Management & Performance Ratings .....	13
C.	STAFFING .....	14
1.	Appeals.....	16
2.	Major Misconduct Offenses.....	16
3.	Labor-Management Relations .....	17
IV.	STAKEHOLDER PERSPECTIVE: ADVANTAGES AND DISADVANTAGES.....	19
A.	WHO ARE KEY STAKEHOLDERS? .....	19
1.	Employees .....	19
2.	Managers .....	19
3.	Supervisors .....	20
4.	Union .....	21
5.	DoD Leadership .....	22
V.	IN-DEPTH DISCUSSION OF ADVANTAGES AND DISADVANTAGES.....	23
A.	DISADVANTAGES OF THE NATIONAL SECURITY PERSONNEL SYSTEM.....	23
1.	Subjectivity .....	23
2.	Artificial Pay Cap .....	23
3.	Reassignments .....	23
4.	Performance-Based Pay .....	24
5.	Market-Based Pay.....	25
6.	Cost of Living Adjustment .....	26
7.	Performance Measurements .....	26
8.	Staffing.....	27
a.	<i>Changes to Work Assignments</i> .....	27
b.	<i>Workforce Shaping</i> .....	27
9.	Labor-Management Relations .....	27
10.	Other Elements.....	29
B.	ADVANTAGES OF THE NATIONAL SECURITY PERSONNEL SYSTEM .....	30

1.	Classification .....	30
2.	Pay .....	30
3.	Performance Management will Drive Culture Change.....	30
4.	Staffing.....	30
VI.	INTERVIEWS.....	33
A.	INTERVIEW QUESTIONS NSPS PROGRAM EXECUTIVE OFFICE .....	33
B.	INTERVIEW QUESTIONS LOCAL HR REPRESENTATIVE .....	36
C.	INTERVIEW QUESTIONS LOCAL UNION REPRESENTATIVE .....	39
D.	INTERVIEW QUESTIONS LOCAL EMPLOYEE .....	42
E.	INTERVIEW QUESTIONS LOCAL SUPERVISOR .....	43
VII.	ANALYSIS .....	47
VIII.	CONCLUSION .....	51
IX.	RECOMMENDATIONS.....	53
	LIST OF REFERENCES.....	55
	INITIAL DISTRIBUTION LIST .....	57

## LIST OF TABLES

Table 1.	NSPS Will Not Change These Aspects of the Civil Service System .....	4
Table 2.	NSPS Key Performance Parameters (KPPs).....	7
Table 3.	General Schedule (GS) Versus National Security Personnel System (NSPS) Significant Differences .....	10
Table 4.	Example of NSPS Rating Methodology .....	14
Table 5.	Comparison of Key Labor Relation Issues: GS and NSPS.....	18

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## I. INTRODUCTION

Since September 11, 2001, the Department of Defense continues to reorganize by centralizing authority and personnel to maximize resources and readiness to meet the new threats of terrorism that face the U.S. at home and abroad. On April 2003, the Defense Department submitted to the U.S. Congress, the Defense Transformation for the 21<sup>st</sup> Century Act. The objective of this Act was to reorganize and streamline civilian personnel management under a new system called the National Security Personnel System (NSPS). This will allow the Department of Defense (DoD) to establish a more flexible civilian personnel management system that is consistent with the human capital management strategy (OPM Register).

The DoD wants a new personnel system because they believe that the current General Schedule (GS) is inadequate to manage DoD civilian personnel in today's national security environment. DoD contends the GS rules are rigid, inflexible, and hinder DoD's ability to act without delay. These inadequacies cause an adverse effect on recruiting and reassignments are made difficult due to the slow and cumbersome hiring process. In light of the global war on terrorism, civilian workforce roles are expanding to include more significant participation in combat support functions; this shift allows military personnel to focus on war fighting duties. The new system, NSPS, allows DoD to be a more competitive and progressive employer at a time when the country's national security demands a highly responsive system. By modernizing the outdated GS personnel system, DoD believes that it will be better able to execute and succeed in the global war on terror and future conflicts. The Secretary of Defense recently reinforced this sentiment:

We learned on September 11, 2001, that our nation is vulnerable to enemies who hide in the caves and shadows and strike in unexpected ways. That is why we must transform our armed forces. Our forces need to be flexible, light and agile, so they can respond quickly and deal with surprise. The same is true of the men and women who support them in the Department of Defense. They also need flexibility, so that they can move money, shift people, design and deploy weapons more rapidly and respond to the continuing changes in our security environment (Donald Rumsfeld).



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## **II. BACKGROUND**

The transformation of civilian personnel management systems began in the year 2000, when Congress expanded DoD authority over civilian management demonstration projects with the National Defense Authorization Act for Fiscal Year (FY) 2001. This Act authorized the Secretary of Defense to establish and operate personnel management demonstration projects in defense laboratories without requiring review or approval of the Office of Personnel Management (OPM) Director (106<sup>th</sup> U.S. Congress).

In March 2002, the Under Secretary of Defense for Personnel and Readiness established the DoD Human Resources Best Practices Task Force to review all demonstration projects in the federal government and additional alternative personnel systems (OPM Register). The goal was to determine the “Best Practices” that could be applied within the DoD. At the heart of the best practices initiative was a human resource management system based on pay-for-performance, which would later become the foundation for a new DoD human resource management system, the National Security Personnel System.

On November 24, 2003 the Department of Defense and the Office of Personnel Management proposed regulations to establish the NSPS as authorized by the National Defense Authorization Act. Public Law (PL) 108-136 provides DoD with the authority to meet this transformation challenge through development and deployment of NSPS. Congress enacted NSPS into law and now DoD must implement the law. The NSPS would be jointly created and managed by the Secretary of Defense and the Director of the Office of Personnel Management (Congressional Research Service). PL 108-136 further provides that if the Secretary of Defense deems that any creation, modification, or adjustment is in the interest of national security, the Secretary of Defense, subject to the direction of the President, may waive the requirement to coordinate with the Director of the Office of Personnel Management.

The NSPS provides a new way to manage the civilian workforce and is essential to the Department's efforts to create an environment in which military and civilians think and operate as one cohesive unit.

The NSPS Senior Executive, Secretary Gordon England, signed the NSPS Requirements Document on September 25, 2004. This document provides the basis for building the many facets of NSPS and describes the general attributes of the system. Some of these attributes include a performance management system, including pay for performance as well as; human resources, employee appeals and labor relations. Some of the personnel activities that will substantially change under NSPS include; staffing and workforce resizing, pay rates, job classifications, performance management, labor-management relations and discipline, adverse actions and employee appeals. By law, the NSPS will not change the following aspects of the civil service system.

Table 1. NSPS Will Not Change These Aspects of the Civil Service System

Incentive awards
Leave and attendance
Merit system principles
Retirement
Health benefits
Life insurance benefits
Training and safety
Drug abuse programs

(NSPS PEO Proposed Regulation Overview, 2005)

The non-NSPS flexibilities that have already been implemented by DoD are; Employment of Civil Service Retirees, Employment of Highly Qualified Experts and Voluntary Early Retirement Authority (VERA) and Voluntary Separation Incentive Pay (VSIP). To direct efforts throughout all phases of NSPS, senior leadership adopted a set of guiding principles (OPM). These principles outline the requirements that explain the purpose and intent in creating NSPS. These guiding principles are: Put mission first; Respect the individual and protect rights guaranteed by law; Value talent, performance, leadership and commitment to public service; Be flexible, understandable, credible, responsive, and executable; Ensure accountability at all levels; Balance HR interoperability with unique mission requirements; and Be competitive and cost effective (OPM). This is a living document that can be adjusted as needed through the design and spiral implementation.

A proposed NSPS draft was published in the beginning of February 2005, in the federal register. The publication allowed for 30 days for the public to comment, a 30-day meet and confer period with unions and 30 days for notification to Congress of the outcome. Final regulations were to be published in June and July of 2005 with implementation projected in September 2005.

In August 2005, DoD was still working with OPM to adjust the proposed regulations based on public comments and to meet and confer with employee representatives. They anticipate that the revised regulations for NSPS will be publicized in October 2005. Thirty days after publication, implementation of NSPS could begin, however, that won't occur until all issues are resolved and training is underway. Resolving the issues will require a collaborative effort with the unions.

The implementation of NSPS is divided into three phases called spirals. The first spiral affects approximately 15,000 employees primarily made up of the Supervisor of Shipbuilding (SUPSHIP) employees, Program Executive Offices (PEO) and Shipyards with a planned completion date of October 2006. The second spiral will cover overseas and Federal Wage System employees and the third spiral will include all of NAVSEA Warfare Centers. Spiral 3 is to be implemented after October 2008.

September 2005 has passed and implementation has not begun. Now NSPS spiral 1.1 has been pushed back to November 2005 and the first performance payouts under NSPS are scheduled for January 2007. Senate Homeland Security Chairwoman Susan Collins, R-Maine, said a court ruling struck down some of the personnel regulations that could require the department to go back to the drawing board and might force the Pentagon to take a closer look at its proposal. She was concerned that the Department of Homeland Security (DHS) drew up regulations that did not reflect congressional intent (GOVEXEC.com). The Pentagon plans on refining its personnel rules before releasing them in the fall of 2005. DHS announced that it could delay implementation of the new personnel system for at least a year.

Currently, the goal for all three phases of NSPS to be fully implemented is by January 2009.

**A. KEY PERFORMANCE REQUIREMENTS AND OBJECTIVES**

The main objective of NSPS is to place the right employee in the right job with the right skills at the right time and the right cost. NSPS must be a “mission-based” system linked to DoD goals that allow for rapid adaptation of personnel to meet those mission requirements. Key objectives would govern basic pay, staffing, classification, performance management, labor relations, adverse actions, and employee appeals. By focusing on the objectives, the right employee with the right capability will be assigned to the right job.

The following assumptions were used in developing NSPS requirements.

- The current system is inadequate in managing DoD civilian personnel. This refers to the current pass/fail system that is presently in use.
- The hiring process is too slow, causing an adverse effect on recruiting.
- Outstanding performers are paid the same as poor performers and poor performers are not held accountable.
- The reassignment of jobs is too difficult.
- The current appellate system is too complex, legalistic and often too slow.
- The GS labor relations structure is too cumbersome.

- NSPS needs to bring about change while maintaining the core values of the civil service in a fast-paced, technology-oriented labor market (cpms.osd).

Senior leadership also approved a set of key performance parameters (KPPs), which define the minimum requirements or attributes of the system. These KPPs are summarized in the table below and are deemed essential for the implementation of NSPS.

Table 2. NSPS Key Performance Parameters (KPPs)

1. High Performing Workforce and Management	Employees and supervisors are compensated and retained based on their performance and contribution to mission
2. Agile and Responsive Workforce and Management	Workforce can be sized, shaped, and deployed to meet changing mission requirements
3. Credible and Trusted	System assures openness, clarity, accountability and adherence to the public employment principles of merit and fitness
4. Fiscally Sound	Aggregate increases in civilian payroll, at the appropriations level, will conform to OMB fiscal guidance; managers will have flexibility to manage to budget at the unit level
5. Supporting Infrastructure	Information Technology support, and training and change management plans are available and funded
6. Schedule	NSPS will be operational and stable in sufficient time to evaluate it before the sunset date (Nov 09)

(Requirements Document For NSPS, 2004)

Upon conversion to NSPS, employees will not lose their annual cost of living allocation (COLA) increase. According to the NAVSUP paper of 3 June 2005, the transition plan for all DoN employees, regardless of their NSPS implementation status, will get the general pay increase in January 2006. The pay increase is the general across-the-board pay increase granted by Congress and the President on a yearly basis. This includes the pay increase, as well as adjustments to locality pay (NAVSUP).

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### **III. DESIGN OF THE NATIONAL SECURITY PERSONNEL SYSTEM**

The design of NSPS is a result of several demonstration (DEMO) projects that were tested at several DoD entities. Naval Air Warfare Center, Weapons Division (NAWC,WD), China Lake was the first to implement a DEMO personnel system in the early 1980s and the Naval Surface Warfare System in Panama City (NSWC PC), Florida has been using DEMO the last couple of years with the Engineers and Scientists. The DEMO project is the first pay for performance personnel system that DoD has put into operation. DoD compared all DEMO projects used throughout all Government agencies and developed NSPS as a result.

From a stakeholder perspective, there are distinct advantages and disadvantages of NSPS over the current GS personnel system. NSPS changes DoD's current personnel management system in the areas of classification, pay, performance management, staffing, workforce shaping, adverse actions, appeals, and labor-management relations. The following table identifies the significant differences between the current GS Pay System, NSPS, and commercial benchmarked pay systems.

As you can see by Table 3, NSPS is similar to the commercial market. In fact, three companies were interviewed to compile the commercial data for Table 3. These companies have businesses throughout the world. The companies interviewed are: ARINC, Readiness Management Support (RMS) and Chenga. The pay system for these companies was similar to NSPS in so far as ARINC used pay bands whereby labor categories were related to specific job descriptions. Of the three companies interviewed none were as structured as the GS system. Chenega's bonuses were based on profits and revenue increases from year to year. All three companies based salaries on the local market wages and all three hired as needed. The commercial market does not offer cost of living adjustments (COLAs) compared to the GS system that does. They all used performance based metrics to shape the workforce similar to NSPS. Major misconducts in the commercial world put personnel on a probationary period, based on a performance plan for improvement. If a major offense had occurred then the employee would be



terminated. There would be no appeal process. Management or supervisors within the company resolve most grievances. Depicted below in Table 3, NSPS closely mirrors the commercial practices and techniques. (DoD NSPS Fact Sheet dated February 10, 2005)

Table 3. General Schedule (GS) Versus National Security Personnel System (NSPS)  
Significant Differences

AREA	ISSUE	GS	NSPS	COMMERCIAL
Classification	Career groups	Based on narrowly defined occupational category and qualification factors	Based on broad occupational groups and pay bands	Similar to NSPS
Pay	Performance-based pay	- Within-grade step increases based on longevity -Quality Step Increases	Increases based on performance	Similar to NSPS
Pay	Market-based pay	Based on location (locality pay)	Based on local market (local market supplement)	Same as NSPS
Pay	Cost of Living Adjustment (COLA)	Annual	None	None
Performance Management	Performance Ratings	Pass/Fail	Performance Metrics	Performance Metrics
Staffing	Changes to work assignments	Management must bargain with local unions/revise PDs	No bargaining with unions/less detailed PDs	Hire as needed by contract or requirement
Workforce Shaping	Reduction in Force (RIF)	Broad area and longevity based	Flexible area and performance based	Similar to NSPS
Adverse Actions	Appeals	-Appeal to Independent Merit Systems Protection Board (MSPB) -Allows awards for legal fees	-May appeal some actions to DoD's National Security Labor Relations Board (NSLRB) -No provision to award legal fees	Department of Labor and unemployment issues
Adverse Actions	Major misconduct offenses	Agency must justify on case-by-case basis	Secretary can define offenses that require automatic termination	Company policy dictated by Law
Labor-Management Relations	Labor-management disputes	Federal Labor Relations Authority (FLRA) decides disputes	DoD appointed boards decide disputes	Department of Labor

(Researcher developed table based upon information compiled from American Federation of Government Employees (AFGE) Fact Sheet, Apr 2005; NSPS PEO Proposed Regulation Overviews, 10 Feb 2005; and NSPS Employee Fact Sheet, Oct 2005)

## **A. CLASSIFICATION**

The GS system is made up of jobs classified according to the occupational series and qualification factors found in the Personnel Manual, which is commonly referred to as the X118 Classification Manual. This system continues to undergo changes, but the basis of the classification system remains the same. There are 15 pay grades, GS1 through GS15 and 10 steps within each grade. All occupations are classified into a series of similar types of work and fall within three broad groups: clerical, professional, and scientific. Within these broad groups, jobs are further classified by occupational series. Examples of occupational series classified under the clerical group, are clerk-typist, secretary, supply technician, etc. Examples of professional occupational series are contract specialist, logistician, program manager, etc. Examples found under the scientific group, are engineer and chemist. Positions are classified by occupational series, title, and GS pay grade. A GS-1102-11/1 is the designation for a contract specialist (1102), grade 11, step 1.

NSPS will establish broad occupational career groups by grouping occupations and positions that are similar in types of work, mission, developmental/career paths, and competencies. The occupational career groups will be the basis for the framework of the NSPS classification and pay system. Within each pay schedule, DoD will establish broad salary ranges, referred to as pay bands. Under these pay bands the GS grade structure is collapsed into fewer, broader salary ranges. Within each pay schedule there are progressively higher levels of work with correspondingly higher pay ranges. Employee's progress through these ranges based on performance and job duties. (Federal Register Proposed Rule, Published 12/04)

## **B. PAY**

### **1. Within-Grade Increases**

The GS system has predetermined pay increases based on longevity. The increases are referred to as within-grade step increases. Within each grade, GS 1-15, there are 10 steps, which equate to approximately a 3% increase in salary. Employees receive a step increase based on the number of years they remain in the grade. Between steps 1- 3, the step increases occur annually. Between steps 4 – 6, the step increases

occur every two years. Between steps 7 – 9 the waiting period is three years. Step increases are fairly automatic as long as the employee is performing at a passing level, based on a pass/fail scale. Supervisors must certify that employees are working at a satisfactory level before the increase is processed.

Quality step increases are given to personnel who go above and beyond their normal scope of duty to enhance the performance of the organization. They are recommended at the Supervisory level and approved by Senior Management. A quality step increase is based on performance rather than longevity.

NSPS eliminates the within-grade step increases. Increases under NSPS will be based entirely on performance as determined by the employee's supervisor. Longevity will no longer be a factor in determining salary or raises for the DoD workforce. Instead, pay pools will be established to manage, control, and distribute performance-based pay increases and bonuses. Pay pools are based on the organizational unit of employees that are combined for the purpose of determining performance payouts.

## **2. Locality Pay**

The GS pay system takes into account the differences in the cost of living in different geographical regions of the United States. This pay differential is referred to as locality pay. Salaries are supplemented by a varying percentage of the base salary based on predetermined differences in different localities. An example is the salary for a GS-11, step 1, in the Washington, DC area for fiscal year 2005. This salary is set at \$52,468 per year and includes a 15.9% locality pay differential. Compare the same GS-11, step 1, but now consider they work in the Oakland, California region. This salary is \$57,178, and includes a locality pay differential of 26.39%. Under the GS system, all positions of the same grade and step, within the same region, receive the same salary.

NSPS plans for a market-based system that considers not only the location of the position, but also factors in the type of occupation and status of the market for each type of position. This system will have a minimum and maximum rate for each pay band in each career group, based on factors such as labor market rates, recruitment and retention information, mission requirements, operational needs, and overall budgetary constraints.

The bands will have open pay ranges, with no fixed step rates. The local market supplement (similar to locality pay) will be set by DoD based on geographic, budgetary, and occupational factors. The allotted amount will be determined by DoD and will be based on mission requirements, labor market conditions, availability of funds, and pay adjustments received by employees in other Federal agencies. DoD will determine the timing of the pay adjustments.

### **3. Cost of Living Adjustment**

The GS system allows for annual cost of living adjustments (COLAs), which are determined annually by the Presidential and Legislative branches. These adjustments have historically fallen below the national average COLA rate and studies have shown that as a result, Federal workers are paid less than their commercial market counterparts. NSPS will not incorporate COLAs in the pay structure for the DoD workforce. NSPS plans to set and adjust pay based on current market conditions. When a pay rate range adjustment is made, unacceptable performers will not be eligible for such increases.

### **4. Performance Management & Performance Ratings**

Most of DoD's GS workforce is working under the pass/fail performance rating system. With this system, an employee is rated annually on whether they have satisfactorily performed their job, regardless of the degree to which that level is met. There is no comparison of performance between employees. Ratings are based strictly on the elements identified in the annual performance evaluation form. Employees receive either a pass or fail evaluation. Bonuses, if any, may be given to any employee that achieves a passing evaluation. The manager of the organization determines the bonus amount.

NSPS will use a much more multifaceted method to evaluate employee performance. Evaluations will be based on individual performance, individual contribution, team and organizational performance elements. Employees will be "racked and stacked," so to speak, with all others in the same pay pool.

There will be at least three rating levels in NSPS. Each rating level will have a share or range of shares associated with it. The number of shares assigned to individual

employees will determine the performance payout. Supervisors will recommend a performance rating, number of shares and distribution of the payout between basic pay increase and bonus for each employee. A pay pool panel will review the supervisor’s recommendation and a pay pool manager will make a final determination. The table below is an example of this rating methodology.

Table 4. Example of NSPS Rating Methodology

RATING LEVEL	SHARE RANGE
5 (Outstanding)	6-8
4	3-6
3	1-2
2 (Satisfactory)	0
1 (Unacceptable)	N/A

(OPM, 2005)

### C. STAFFING

Under the GS system, each employee works under a designated position description commonly known as the PD. Each PD identifies tasks and performance elements for the position, required knowledge, skills, and abilities necessary to perform the job, complexity, work environment, and supervisory controls. These PDs are unique to each employee. With the replacement of the X118 with the Personnel Manual, there has been a move to generalize PDs for broad occupational categories. The Office of Personnel Management (OPM) has been working for several years to standardize PDs. As these PDs are rewritten, they are used to fill vacancies rather than requiring the agency to create a vacancy-specific PD. These standardized PDs may be tailored to include specific performance elements of the position. Once a worker is hired, a deviation to their PD requires revision of the PD to reflect the changes. An employee may not work outside the parameters of their PD.

NSPS will be required to establish career groups based on factors such as mission or function, nature of work, qualifications or competencies, career progression patterns, relevant labor-market features, and other characteristics necessary to a specific occupation. NSPS must develop a methodology for describing and documenting the duties, qualifications, and other requirements of a job and make the documentation available to affected employees. At this writing, except to state that lengthy, detailed job descriptions will no longer be needed, NSPS has not specified how this will be accomplished. (DoD NSPS Fact Sheet dated February 10, 2005)

#### **D. WORKFORCE SHAPING**

When the need to reshape the workforce occurs, the primary tool used by the GS system is reduction in force (RIF). Positions are targeted for abolishment and as these positions are vacated, they are replaced by staff that fills in the gaps and provide core mission capabilities, thereby reshaping the workforce. DoD must comply with strict criteria when establishing which positions to abolish. The minimum RIF competitive area is identified as an organization with separate personnel administrative authority in a local commuting area. Within this area, employees are retained with a rating determined under a government-wide formula that combines veteran preference, years of service, and adds extra years based on the employee's three most recent performance ratings. Employees are able to bump those of lower standing. Employees are also able to retreat back to a previous job and bump employees with lower standing in that job. The GS system relies heavily on longevity.

NSPS' workforce reshaping tool will also take the form of RIF. Two key differences from that of the current GS system are in the identification of the RIF's competitive area and how the determination to retain an employee is made. Instead of a broadly defined competitive area such as that used in the current GS system, NSPS can establish a RIF area based on one or more of the following factors: geographical location, line of business, product line, organizational unit, and funding line. Also, instead of using longevity, NSPS focuses on recent performance to determine employee retention status. Higher emphasis is assigned to the most recent performance rating, rather than the number of years an employee worked for the government. NSPS preserves veterans'

preference when ranking individuals for a RIF. NSPS' RIF process is designed to give greater precision in defining competitive areas and retention lists.

## **E. ADVERSE ACTIONS**

### **1. Appeals**

The independent Merit Systems Protection Board (MSPB) hears and adjudicates appeals for GS employees. Under MSPB, employees may appeal certain adverse actions to this independent board. Actions that may be appealed include suspension, termination, and performance evaluations. The MSPB can alter a penalty it deems unreasonable. DoD may appeal an MSPD decision, but ultimately, they must comply with MSPB's final ruling. Employees are able to challenge performance ratings under the GS system and appeal an agency's decision to the MSPB. When an employee wins an appeal to the MSPB, they are generally awarded legal fees.

Under NSPS, the MSPB may hear some, but it will not hear all appeals. A newly established National Security Labor Relations Board (NSLRB), whose members will be appointed by the Secretary of Defense, will decide which appeals to hear, as well as which appeals may be sent to the MSPB. Though MSPB may hear an appeal, NSLRB is not required to comply with MSPB rulings. Employees will not be able to challenge performance ratings under NSPS. When an employee wins an appeal to the NSLRB there is no provision to award legal fees to the employee.

### **2. Major Misconduct Offenses**

Major misconduct offenses must be justified on a case-by-case basis under the current GS system. An employee may appeal these charges to the MSPB and DoD is required to comply with MSPB's ruling. Timelines for various steps in the adverse action and appeal processes are numerous and lengthy.

NSPS changes appeal rights of the DoD workforce and allows for designation by the Secretary of Defense of Mandatory Removal Offenses (MROs), which will not be open to appeal. The timelines for processing adverse actions are streamlined and shortened under the NSPS system.

### **3. Labor-Management Relations**

Under the GS personnel system, the Federal Labor Relations Authority (FLRA) decides disputes between labor unions and management.

NSPS plans to establish an internal labor board, with members appointed by the Secretary, rather than an independent board such as the FLRA to resolve bargaining disputes. The below table identifies key changes between GS and NSPS. (DoD NSPS Fact Sheet dated February 10, 2005).



Table 5. Comparison of Key Labor Relation Issues: GS and NSPS

Issue	GS	NSPS
Labor-management disputes	Federal Labor Relations Authority (FLRA) decides disputes	National Security Labor Relations Board (NSLRB) decides disputes
Agency Regulations	Subject to collective bargaining	No longer subject to bargaining
Employees have the right to choose a representative of their choice	Yes	No, management may disallow employees selection based on conflict of interest, security, or cost to release another employee as a representative
Employees serving a probationary period	Covered by adverse action procedures	Not covered by adverse action procedures
Mandatory Removal Offenses (MRO)	Removals (terminations) are decided on a case-by-case basis	List of offenses to be determined by the Secretary of Defense at a later date
Mitigation of MRO actions	MSPB can mitigate	Only Secretary can mitigate MRO actions
Mitigation of other adverse actions	Employees may mitigate based on reasonable factors	Employees may mitigate if penalty is wholly without justification
Employees subject to proposed adverse action must be given advance notice	30 Days	15 days (can be shortened to 5 days with reasonable cause that employee committed crime)
Employees have reply period	15 Days	10 days – runs concurrent to notice period
Adverse actions for performance	Requires substantial evidence	Requires preponderance of evidence
		(NSPS PEO Overview, 2005)

## **IV. STAKEHOLDER PERSPECTIVE: ADVANTAGES AND DISADVANTAGES**

### **A. WHO ARE KEY STAKEHOLDERS?**

Key stakeholders are the employees, managers, supervisors, unions, and DoD leadership. From a stakeholder perspective, there are distinct advantages and disadvantages of NSPS over the current GS personnel system.

#### **1. Employees**

Some of the advantages for new employees applying for DoD positions are simpler recruitment, a reward system that bases pay on performance, and the ability to work in a high-performing environment. For some of those employees already in the DoD workforce, they look forward to this change to a performance-based reward system and see it as an advantage. The broad occupational groups and pay bands are also viewed as an advantage to some, especially those fairly new to DoD service as well as top performers who have been around awhile and are tired of seeing marginal and poor performers receive within-grade increases and retention due to longevity.

Some of the disadvantages raising concern among employees include the elimination of step increases, cost of living allowances (COLAs), and locality pay. Many employees also consider the fact that Supervisors will determine pay raises as another distinct disadvantage and worry that NSPS opens the door for more favoritism and abuse. Employees are also concerned that so much emphasis is placed on performance metrics and the performance rating. Many fear that supervisors less familiar and poorly trained in establishing and documenting performance metrics will put them at a distinct disadvantage when they are “racked and stacked” against others in their pay pool.

#### **2. Managers**

From management’s view, NSPS is advantageous because it expands management rights and limits the influence of federal employee unions. With unions no longer able to negotiate work assignments, work methods or the use of new technology, they feel nothing will delay management’s ability to act to accomplish DoD’s mission. The creation of DoD’s internal review board to resolve labor-management disputes,

further shrinks the role of the independent Federal Labor Relations Authority (FLRA). Under NSPS management will “consult” with unions rather than “bargain” on many issues. (Washington Post, February 10, 2005, Christopher Lee and Stephen Barr, Pentagon to Retool Personnel System.)

### **3. Supervisors**

From a supervisor’s perspective, there are also distinct advantages and disadvantages of the proposed NSPS. Most supervisors are pleased that there will be no more pass/fail performance ratings. An evaluation range comprised of at least three rating levels enables the supervisor to assign a more useful rating. Supervisors will also have greater flexibility to reward outstanding employees through the flexibility and open salary range of the broad pay bands. No longer will there be rewards for the non-performers. Changes to work assignments will be easier to accomplish in support of shifting mission needs due to the changes in bargaining rights and acceptability of less detailed PDs. There will be quicker hiring processes and quicker disciplinary action under NSPS.

Some supervisors see disadvantages in the fact that they will have less control of their unit’s pool of dollars; appointed managers responsible for dividing the pay pool will manage these pools; and the pool of dollars depends heavily on budgetary constraints. These concerns have become more pronounced as the cost of the war in Iraq continues to rise. Supervisors are also concerned that there will be an increased loss in productivity due to the fear of the unknown their employees are facing with the implementation of NSPS. The lack of information and training for this major new personnel system is a huge concern for most supervisors who fear the program will be implemented with inadequate training. Training costs money and tends to be one of the first things cut by agencies during tight budget years.

Another concern to supervisors is the realization that performance is labor intensive. With the reductions in the DoD workforce over the past years, many of these supervisors are already overworked and stretched to their limits. They are concerned that if their managers do not realign workloads and expectations, they will not have the time

necessary to properly manage the new personnel system. They worry that their own performance reviews will suffer as a result.

Supervisors in the contracting field see a similarity between implementing NSPS as that experienced during implementation of performance-based service acquisitions. DoD struggled for years, and in many offices the struggle continues, as the performance-based acquisition policy is implemented. Implementation was drawn out and made difficult due to the lack of training and improper targeting of whom to train in identifying measurable performance standards for service contracts. Identifying measurable performance standards are key to the success of this new personnel system. Many contracting supervisors see the same problems unfolding as those they just experienced with performance-based acquisitions.

#### **4. Union**

Not surprisingly, media spin from the union's perspective has been nearly all negative. The unions have held town hall style meetings, distributed brochures and posted information on their websites warning federal workers of the disadvantages of the new personnel system. To date, the unions have not gone on record to identify any advantages to NSPS. The union's perspective is one of distrust for the new program, which they feel severely reduces labor relations and offers limited protection to employees. The Washington Post quoted Ron Ault, then president of the AFL-CIO Metal Trades Department, with this criticism of NSPS, "The real problem they're trying to fix is bad management. This [NSPS] is not going to fix the problem; it is going to make it worse." Mr. Ault was referring to the poor track record of supervisors in documenting and disciplining poor performance. Historically, we see that many problems result from a lack of good performance standards and proper feedback between supervisors and workers.

Greg Junemann, then president of the International Federation of Professional and Technical Engineers, said, "Unions will be left with no meaningful role at the Pentagon and employees would be at the mercy of managers' whims. Union people get creamed. Workers are going to lose rights and privileges they now have. 'Pay for performance' remains only a title and nothing more."

Another great concern to the union is the fact that appeals will no longer be challenged to an independent arbitrator such as the Merit Systems Protection Board (MSPB). Instead, employees will go to a newly established National Security Labor Relations Board (NSLRB) whose members will be appointed by the Secretary of Defense. Union leaders say this is equivalent to the fox watching the hen house.

At this writing, the unions have filed a lawsuit against DoD to stop implementation of NSPS until the labor relation sections of the regulation are changed to clarify concerns raised by Congress. (AFGE, AFL-CIO et al v. Rumsfeld et al, No. 1:05cv00367, D.D.C. filed Feb 23, 2005) The union charges that the regulations went against federal law in that employee representatives were not provided the opportunity for meaningful discussion during the development of the regulations.

#### **5. DoD Leadership**

DoD leadership, at least those involved in the creation of NSPS, has not gone on record to identify any disadvantages to the new personnel system. On the contrary, they feel the system is necessary to maximize resources and readiness to meet the new threats of terrorism that face the U.S. at home and abroad.

Some members of Congress and other government officials continue to monitor proposed changes and concerns voiced by the unions to ensure the new system meets all regulatory requirements.

## **V. IN-DEPTH DISCUSSION OF ADVANTAGES AND DISADVANTAGES**

### **A. DISADVANTAGES OF THE NATIONAL SECURITY PERSONNEL SYSTEM**

#### **1. Subjectivity**

Positions will be grouped in broad career groups and pay bands. These groups will be based on the nature of the work, mission, career patterns, and competencies. The pay bands established will replace the GS grades with a broad range of salaries, based on level of work. The levels will be broken out by entry level, full performance level, and supervisory level. Movement through these bands will be based on performance and contribution to DoD's mission, both of which are subjective factors. Employees will depend entirely on their supervisor to judge whether they deserve to move forward through the pay band. Working supervisors have increased managerial accountability, which they in turn, will be evaluated against for their pay raises. This subjectivity is ripe for further reinforcement of favoritism and cronyism which government managers have been criticized for over the years.

#### **2. Artificial Pay Cap**

Another disadvantage to establishing broad career groups and pay bands is the issue that team leaders, which are widely used in DoD, are not classified as supervisors, yet have many performance requirements of supervisors. Team leaders, also known as group leaders, many times are responsible for managing workload within a work unit. They provide training and leadership to their work unit. Many of them also "unofficially" approve or disapprove leave and draft performance evaluations of workers within their unit. Many times the team leader and others in the work unit are the same series but the team lead is a grade level above the others. Workers that fall into this category run the risk of being placed in the full performance level, not the higher supervisory level. This would create an artificial cap on their potential earning capacity.

#### **3. Reassignments**

NSPS' flexibility to assign employees to different work is seen as a disadvantage by many employees. Without detailed job descriptions, employees are concerned they

may again fall prey to favoritism where a supervisor's favorite employees will be given the best positions. Another concern is that DoD refers to "total workforce" management. Will DoD civilians one-day be reassigned from a base near home to a war zone overseas to better support the war fighter? With the flexibility planned for classification of occupational groups with NSPS, this is not an unrealistic scenario.

#### **4. Performance-Based Pay**

DoD has yet to prove it has the ability to establish meaningful performance metrics. Without the establishment of strong performance standards and metrics across all occupational groups, the performance-based system will not function as intended. Under NSPS supervisors and employees are expected to negotiate performance standards. However, supervisors have not been adequately trained in establishing performance standards and metrics, which are the backbone of NSPS. How will an employee know what performance a supervisor considers outstanding? Without the standards firmly in place prior to implementing the new system, workers will be at the mercy of their supervisor. The more fortunate employees will have a supervisor with decent communication skills and be able to express what they consider to be highly desirable performance. Since workers move through pay bands and receive changes in salary compensation based on the performance evaluations given by their supervisors, it is critical employees know what their supervisors expect.

With the elimination of within-grade increases and quality step increases, comes the new way to receive a pay adjustment where workers will be racked and stacked against others in the same pay band based on their supervisor's subjective evaluation. Employees can only hope that supervisors evaluate each in their group's pay band fairly. Lack of training for supervisors in establishing performance standards, opportunities for favoritism and abuse of this system are seen as weaknesses.

Another disadvantage with NSPS concerns the method by which funds are allocated to pay pools. Different dollar amounts will be allocated to different pay pools based on unknown factors. These pay pools will be controlled by appointed managers responsible for dividing the pay pool. NSPS has yet to fully disclose where these

appointed managers will come from, nor has it revealed who will appoint these managers, how long the appointments will last, or how the pay pools will be designed. This control by appointed managers, results in the supervisor having less control of their unit's pool of dollars for distribution among the workers. Another concern is if supervisors and managers are in the same pay pools as their subordinates, employees will suffer the disadvantage of competing for money against their boss and the potential abuse that might occur.

As funding for pay pools expand and shrink with the health of the Federal deficit, competition for these limited dollars will be at an all-time high. There is the likelihood that with such competition, managers may see an unintended consequence where NSPS will undermine teamwork as workers compete for dollars.

#### **5. Market-Based Pay**

The market-based system factors the type of occupation, market status for each occupation, and the status of the occupation within geographical regions when the minimum and maximum salary rates are established for each pay band in each career group. Labor market rates, recruitment and retention figures, mission requirements, operational needs, and overall budgetary constraints will be figured into the salary ranges established. It is these last three considerations that cause the market-based system a problem.

Over time, mission requirements and operational needs will fluctuate across DoD. This could lead to fluctuating salaries of certain occupational groups, depending on the current needs of DoD. The specifics to figuring out salary ranges based on these factors have not been clearly defined.

The overall budgetary constraints factor is a major consideration. Raises will be budget driven by the Office of Management and Budget (OMB). With bills stacking up from the war effort, it does not look good for future raises for the Defense employee. Remember the Pay Parity Act of 1991? This Act was passed to increase the salary of government workers to bring them more in line with that paid to similar occupations in the commercial market. It is nine years later and every year since then, Congress has



failed to appropriate funds to implement this Act. Many positions are difficult for DoD to fill due to the inequality of pay between the commercial workers and those in DoD. With the pressure DoD feels to hire and retain high quality employees, this change does not seem to support this goal.

## **6. Cost of Living Adjustment**

It is likely that DoD civilian salaries will suffer from elimination of the annual cost of living allowances. It is feasible, with a tight Federal budget; DoD civilians may go for years without a pay increase, regardless of the situation in their local market. Especially when one considers that wage grade increases and quality step increases have been removed as well. This open-ended failure of DoD to guarantee their civilian workers future salary increases is a disservice to the employees that have worked side-by-side with military members. During those tight budget years, how will this pay system affect civilians that may receive no increase when their military sisters and brothers receive their annual cost of living adjustments?

## **7. Performance Measurements**

Supervisors and employees must establish performance goals and expectations, aligned with mission-related goals. Many supervisors don't have the necessary training in this aspect of performance management. This opens the door for the establishment of an un-level playing field among workforce members in the same pay band and career groups.

NSPS is advertising that recognition of conduct as a performance element as well as ongoing feedback and communication between supervisor and employees is an advantage. These elements have always been available under the GS system and are not seen as anything new or improved with NSPS. However, now it might be taken more seriously since there is financial incentive involved.

Intense training for supervisors and managers is planned. Historically, training dollars are the first to disappear during budget realignments in times of economic stress such as this country is facing now with the war in Iraq, the war on terrorism, and domestic crisis from natural disasters such as Hurricane Katrina. The need for such

intense training is a disadvantage to NSPS. Implementation of the new system without providing the funds to train supervisors and managers may doom the future success of NSPS.

## **8. Staffing**

### ***a. Changes to Work Assignments***

NSPS removes the requirement for management to bargain with local unions when making changes to work assignments. Since the Position Descriptions (PDs) used with the GS system will be eliminated, there will be no need to revise PDs when employees are reassigned. Unions and employees view this flexibility to be enjoyed by management with extreme skepticism. With this flexibility, comes the fear of losing the assurance of being fairly compensated for performing work that has increased in levels of complexity and responsibility. It is also another opportunity for supervisors to show favoritism.

### ***b. Workforce Shaping***

NSPS plans to allow for workforce shaping through the RIF process. NSPS' simplified RIF process is seen as a disadvantage because it reduces some of the security built into the GS system. Difficulty in recruitment may be an unintended consequence of NSPS since some accept government positions for the security and benefits of government employment. DoD's goal to have fluid workforce shaping ability may be likened to private industry's lay-offs as firms shrink or realign their workforce. With the ebb and flow of DoD's mission as it changes with world events, workforce numbers will change as well. Under NSPS, only the most recent performance rating will be used for ranking during a RIF. With more emphasis on performance (over seniority), favoritism and subjectivity are again major risk factors.

## **9. Labor-Management Relations**

NSPS drastically changes the labor-management relationship for the DoD workforce. These changes increase management rights while limiting the influence of federal employee unions. DoD perceives these changes as positive; however, employees and unions view this shift with extreme distrust. Determining the disadvantages of this shift depends on one's view regarding unions. In general, unions distrust management

and management resents union control. Therefore, management views these changes as advantageous to DoD, while employees see them as a disadvantage. Employees must trust that DoD leadership will not abuse this newfound power. The disadvantages, as seen from the employee and union perspective, follow.

One change seen as a disadvantage from the union perspective is the fact that work schedules, shift schedules, overtime distribution, and other such bargaining issues will be taken off the bargaining table. Agency regulations will no longer be subject to collective bargaining. NSPS regulations will supersede all collective bargaining agreements currently in place. Unions will be relegated to a lower position and be “consulted” rather than hold the more powerful position to “bargain.”

Though the timelines for processing adverse actions are streamlined, a major disadvantage to employees is the fact that they will lose the benefit of an independent review board in the process. The definition of “adverse action” is removal, suspension, furlough for 30 days or less, reduction in pay, or reduction in pay band. Appeals for adverse actions will no longer be challenged to an independent arbitrator such as the Merit Systems Protection Board (MSPB) unless approved by the Secretary. Instead, employees will go to a newly established internal National Security Labor Relations Board (NSLRB). The NSLRB will be comprised of three members appointed by the Secretary. Secretarial appointment of board members increases the risk of the board losing its autonomy. The concern here is when board members rule in opposition to the Secretary they risk being held in disfavor by the Secretary. They also run the risk of being replaced with another more likely to rule in the Secretary’s favor, thereby lending control of the appeals process to the Secretary by default. This is a disadvantage to the employees who lose the value of the independent arbitrator and risk an unsympathetic Board. Employees lose their collective voice and find themselves left with DoD calling all the shots.

Under NSPS, employees who are granted the opportunity to have their case heard and find the case ruled in their favor will be responsible for their own legal costs. Under the current system, if a ruling is made in favor of an employee, the government pays the

legal fees. This is a disadvantage to employees that cannot afford to pay legal fees. NSPS' process does not foster equal access to justice. Under NSPS only those that can afford to pay will seek redress.

Employees serving under a probationary period will no longer be covered by adverse action procedures. This means managers will not be required to give advance notice and employees will not be given the opportunity to reply or appeal an adverse action. This does not support the position put forth by DoD leadership that NSPS will make recruitment easier. It appears to be an example of the ease with which a new employee could lose their government job.

A list of Mandatory Removal Offenses (MROs) will be created under NSPS. The offenses will be determined by the Secretary of Defense, who will have the sole and unreviewable authority to determine what offenses require removal. Under this authority these offenses would carry a mandatory penalty of removal from Federal service. Under the current GS system, major misconduct offenses must be justified on a case-by-case basis and may be appealed to the MSPB. Only the Secretary will be able to mitigate the penalty for committing such an offense under the new personnel system. The MRO procedures include a requirement that a proposed notice of removal can be issued only after approval by the Secretary. The list of MRO offenses has not yet been identified. Here again, employees who receive a MRO notice have no recourse but to appeal to the Secretary, who approved the notice before it was issued. This could potentially bias the appeal process.

## **10. Other Elements**

Other disadvantages that must be considered are the realization that DoD will experience a loss of productivity as everyone involved reads through the material and considers how NSPS will affect them. For supervisors and managers, they must set aside resources to train those responsible for implementation. For employees, time in training for this program is time away from doing their jobs. Morale will also be at risk resulting from fear of how NSPS might affect an individual's paycheck.

## **B. ADVANTAGES OF THE NATIONAL SECURITY PERSONNEL SYSTEM**

DoD publicity and PEO documents depict NSPS as not only good for the federal worker, but essential to our nation's security. Unlike many of the disadvantages discussed above, the advantages are less tangible. Advantages of NSPS, according to DoD and some employee proponents, are discussed below.

### **1. Classification**

Pay banding is a classification and compensation system that compresses the current 15-level GS-Schedule into a handful of broader classifications based on occupation and makes a wider range of salaries available for each job. There are several benefits to this concept. Generally, pay banding gives the supervisor greater flexibility to set pay to compete with the private sector for talent (GOVEXEC, 2005). They also have more flexibility in moving employees into higher-level positions without waiting a necessary amount of time, like the GS system. Lengthy job descriptions will no longer be needed.

### **2. Pay**

NSPS will attract, develop, retain, and reward high-performing employees through appropriate compensation. It will also provide the framework for movement towards a market sensitive pay system. Employees will have greater flexibility in pay setting upon promotion, reassignment and hiring.

### **3. Performance Management will Drive Culture Change**

Employees should clearly know what is expected of them and know how they support the mission and strategic goals. They should have confidence in their managers' ability to recognize and distinguish levels of performance. Similarly, employees should be held accountable for their performance and should expect the quality of their performance and their contributions to the mission to be a major factor in decisions regarding salary increases or performance bonuses. Safeguards will be built into the performance appraisal process to promote fairness, transparency, and accountability.

### **4. Staffing**

Managers will be able to recruit and retain high quality talent more effectively by having the ability to offer more competitive, market-sensitive compensation and to fill

jobs faster. NSPS will give hiring officials the ability to adapt quickly to mission needs by streamlined processes for promotion and hiring employees. It will also provide DoD hiring authorities and will also provide flexible pay settings. Veteran's Preference rights will be protected under NSPS as it is under the GS system. Improved reduction in force (RIF) procedures provide for less disruption associated with RIF and greater emphasis on performance as a factor in retention, much like the commercial world.

#### **5. Workforce Shaping**

NSPS will reshape the workforce by putting more emphasis on performance-based pay versus longevity. Four retention factors will remain under NSPS as they do under the current GS-system. They are tenure, Veterans' preference, performance and seniority. Veteran's preference remains the same which currently adds 5-points to your total score on your application. The new workforce will be more mission responsive and become less disruptive to employees.

#### **6. Adverse Actions Processes are Streamlined**

Recognizing the nature of the Department's mission, NSPS has been designed to provide for the fair handling of adverse actions. Accordingly, these regulations provide a 15-day notification period for taking adverse actions. The identification and use of Mandatory Removal Offenses is allowed, but not before they are publicized in the Federal Register and regularly made known to all employees. These new processes are designed to be easier to understand and are streamlined to include quicker resolution of employee appeals. Employee due process remains protected, as does the ability to file negotiated grievances that end in binding arbitration, and adjudication by the Merit Systems Protection Board (NSPS, Oct 2005). Expedited disciplinary and appeals process provides for faster resolution of workplace issues.

#### **7. Labor-Management Relations Supports National Security Mission**

The Department has balanced employee collective bargaining rights with DoD's need to act swiftly to meet mission requirements. While the final regulations modify the scope of bargaining, they strike a balance between employee's interests and the ability for

DoD to accomplish its mission effectively to security threats. An independent National Security Labor Relations Board will be established to accelerate labor disputes for employees.

## VI. INTERVIEWS

Interviews were conducted with the following individual representatives: NSPS Program Executive Office, Navy Human Resources Office, local union representative, employee, and supervisor. Many of the same questions were posed to the different interviewees to obtain their perspective of the same issue. Due to the candid opinions offered, these individuals will remain anonymous.

### A. INTERVIEW QUESTIONS NSPS PROGRAM EXECUTIVE OFFICE

A representative involved with the NSPS Program Executive Office (PEO) offered the following responses to our questions.

#### 1. *What other systems were reviewed when creating NSPS?*

“The PEO reviewed the DHS system, some DEMO programs, and private industry.”

#### 2. *What methodology did DoD use to analyze alternative systems?*

“I don’t know of any specific methodology. These other programs were analyzed with DoD mission requirements in mind.”

#### 3. *What were the results of DoD’s analysis of alternatives and what were the key reasons for choosing NSPS?*

“NSPS wasn’t chosen; it was created, using the best of several different systems. Systems such as the DEMO program that has been in use at China Lake for many years, and the newly created DHS system were reviewed.”

#### 4. *What problems will NSPS fix?*

“I believe NSPS will fix two problems that have plagued, not only DoD, but also the Federal government civil service system as a whole. First, NSPS will make it easier to hire and fire – more like that found in commercial environment. Second, compensation based on performance versus longevity – as found in commercial world will challenge mediocre performers to compete for additional salary with the higher performers. Maybe it will even improve the stereotype of the government worker.”



**5. Will NSPS be the answer to correct problems it is meant to fix?**

“Not necessarily. NSPS is a noble cause, specifically; the concepts of tying performance metrics back to a Department’s strategic plan. Rolling it down through the various levels starting at the top, down to the Agencies, commands, offices, etc. is going to be a huge undertaking. Still without proper training for supervisors to ensure they understand the concept of pay for performance and the link to an Agencies strategic plan, fear that supervisors will continue handing out awards and bonuses as they always have.”

**6. What are the risks associated with deploying NSPS and how can DoD mitigate those risks?**

“There is no clearly defined plan or guidance for implementation, nor is there clearly defined training. I foresee two risks in deploying NSPS.

First, there is a risk of inundating HR offices with employee complaints of unfair labor practices, which may tie up an already undermanned HR system. HR offices are going to suffer.

Second, there is the risk that training will be undermined and cut due to budget shortfalls. Mandatory supervisor training is 54 hours; employees must have 16 hours.

There are four things DoD can do to mitigate risks. To increase the odds of a successful implementation DoD must:

- Stop the fast track implementation of NSPS.
- Improve the quality of the training.
- Improve/extend the delivery time planned for the training.
- DoD funding of training and other related implementation costs would mitigate

risks associated with agencies, already strapped for funds. These agencies are already looking for ways to cut training costs. They’re asking questions like can the training be done via Internet, CD-ROM, PowerPoint. Does training really have to be 54 hours for supervisors? Supervisors can’t stop working for 1-1/2 weeks while they undergo the training.”

**7. What problems will NSPS cause?**

“In addition to those issues I mentioned previously, I think we will see others as the new hiring, firing, and pay processes unfold. Hard to tell if it will cause more work –

don't know because there isn't clearly defined guidance and it hasn't been implemented yet. Though there is concern that it is on too much of a fast track. What will be the unforeseen consequences of these new processes?

Developing performance metrics has always been difficult for supervisors. The foundation of NSPS is keyed to having good performance metrics. DoD HR offices should take the lead in standardizing meaningful performance metrics.

Agencies will have to take another look at staffing levels, customer service and performance metrics in HR offices, many of which are still in process of downsizing.”

**8. *How might DoD enhance the overall effectiveness of NSPS?***

“Overall effectiveness of NSPS might be enhanced by:

- Doing a better job of scheduling the implementation, training, and distribution of information to workforce.
- Provide DoD funding for training and implementation costs.
- Take the lead in standardizing meaningful performance metrics”

**9. *What are your thoughts on the future of DoD's civilian workforce?***

“I believe many GS employees will opt to get out of DoD, maybe government service altogether. Those that are close to retirement will be prompted to leave as soon as they can. They will be replaced with younger people, new to the workforce and those individuals with some experience in the commercial world where they are familiar with pay for performance.

I think the pay pools based on location and series will make government positions more competitive with commercial market and the government will benefit by hiring more competitive (higher quality) employees.”

**10. *What are your thoughts on the future of DoD's labor-management relationship?***

“I have great concern that many supervisors don't understand their role in managing employees. Many don't take their role seriously now. Supervisor roles will be even more important under NSPS (establishing pay for performance, managing pay pools). With this lack of understanding there is the likelihood of an increase in employee complaints of unfair labor practices. HR offices will be buried in labor relation's work.

When will the unions step in to stop or at least slow down this fast track implementation as was done with the Department of Homeland Security?"

**B. INTERVIEW QUESTIONS LOCAL HR REPRESENTATIVE**

A member of the local human resource management office offered these responses to our interview questions.

***1. Have you had a chance to review NSPS? If so, what are your thoughts?***

"Yes, I have received quite a lot of information on NSPS. I just returned from a Navy PEO train-the-trainer class focused on labor relations for NSPS. Labor relations aspect was supposed to be implemented by DoD 1 Oct 05. Since we are under the DEMO plan, we have been exempt from implementing the staffing portion of NSPS until 2008. NSPS is awaiting adjudication of DHS case before they continue with the labor relation's aspect of NSPS. I have deliberately not distributed this info to managers/employees because it will probably change quite a lot before it is actually implemented.

NSPS is fashioned after the DEMO plan, DHS system, and private industry. It is very similar to our DEMO plan in that it is based on pay for performance. I think the key to the success of NSPS will be communication. This is important because performance will be judged solely based on supervisory discretion. A supervisor will have the power to levy pay increases (or not) based on their interpretation of whether an employee is performing satisfactorily. Without 360° communication, (upper management, lower management, supervisory input, peers, customers, etc.) the system will fail.

People are going to have to change the culture and realize that their performance (pay) will be judged on a total package, not just narrow standards.

The pay bands give managers flexibility, but they are still another way to distinguish and group people into categories: clerical, analyst, and manager."

***2. In systems you've worked with, what have you experienced regarding performance-based as compared to systems based on longevity?***

"Pay systems based on longevity just don't make sense. Why pay someone for merely existing in a job for a certain length of time? Not only do we pay them for being here, we also give them annual pay increases (COLAs).

With the DEMO project, I have seen a higher rate of attrition, higher salaries, and a decreased number of employees overall here at the Lab. Our current management has a performance-based pay philosophy so we have gained some experience with this philosophy. He has taken a look at the top paid employees and made changes, especially with regard to his managers. He is holding them accountable for managing their employees. For those managers that took a non-management job because they didn't like it or didn't do it very well, he gave them the opportunity to take the responsibility of being held accountable for management duties and keep the pay, or give up the pay along with the responsibilities. Many of these employees retired or found jobs elsewhere when they realized they were not able to keep receiving high salaries based on longevity. It's about time the government gets rid of the system based on longevity."

### **3. *What problems will NSPS fix?***

"I think DoD is attacking accountability. They are stressing that managers are accountable for expenditures and employees are accountable for earning their salary. NSPS will raise an awareness of what employees are doing to earn their salary.

Unfortunately, everyone has heard the story of the lazy or inefficient government workers. NSPS will hold government workers accountable and thereby improve the public's opinion of them.

As I mentioned previously, our current management here at the Lab has a performance-based philosophy. I gave him a list of his top paid 100 employees. He looked at that list and as a result organizationally realigned many people, putting them in a position to better earn the salary they receive.

I think in general, NSPS will generate a push upward, raising the bar on performance expectations."

### **4. *Will NSPS be the answer to correct problems it is meant to fix?***

"Yes, maybe. I think it will take time. It will force accountability from employees and managers to retain their salary and receive performance award increases.

Will it motivate poor performers? No, poor performers choose to be that way.

Will it motivate average performers? No, I think environmental factors weigh heavier than salary on the average performers."

**5. *What problems will NSPS cause?***

“Who is going to pay for this and how are the pots of money going to be managed? How can the government set-aside enough money to cover paying employees the range available in the pay bands PLUS amounts to reward them appropriately?

Who is going to figure the funding out? When this question was asked at the training I just attended, the comptrollers in front of me got a glazed look in their eyes and said they couldn’t do it.

I am afraid it will result in rewards being given to all (or most) employees, because supervisors aren’t prepared and don’t have the guts to tell their employees they don’t deserve a raise. There will be a period of culture shock and people that can retire, will leave. Others will find a job elsewhere.

HR offices will have to run mock payouts many times over to level the field and guide supervisors in making these types of decisions.

Since there is no provision for appeals of pay decisions, depending on the size of the organization, there will be hundreds or thousands of reconsiderations to process.”

**6. *How might DoD enhance the overall effectiveness of NSPS?***

“Fire everyone and start over! It requires a major change in the culture of DoD managers and employees.”

**7. *What are the risks associated with deploying NSPS and how can DoD mitigate those risks?***

“I don’t know. I wonder if the Federal government can effectively do anything on such a large scale. We need only look at the recent failure of FEMA during the hurricane disasters to see just how ineffective the government can be.

Who is the honest broker for the government? With a bank you have the Board of Directors. With the small mom & pop business you have one spouse writing out the checks. Who is watching your boss or your boss’ boss to hold them accountable?

Who is watching me? With the DoD having military leaders who rotate from job to job every two or at the most three years, a poor or even average performer can dodge them till they’re gone.”

**8. *What are your thoughts on the future of DoD's civilian workforce?***

“We will be able to offer competitive salaries, which will attract and retain new people. New employees will expect a system like NSPS. Many older employees and civilians who are military retirees won't like the new system. In time, we will have a younger, better performing workforce.”

**9. *What are your thoughts on the future of DoD's labor-management relationship?***

“At some point DoD won't have a union. The environment has changed and technology has changed the working environment. As a nation we have set standards. We have dealt with child labor, sweat shops, equal employment opportunity, and many other areas unions helped to fix. Unions aren't as necessary as they used to be. DoD is tired of dealing with them, even over the relatively small issues such as ensuring fairness in overtime and shift work opportunities. Unions are on their way out.”

**C. INTERVIEW QUESTIONS LOCAL UNION REPRESENTATIVE**

A member of the local union office offered these candid responses to our questions.

**1. *Have you had a chance to review NSPS? If so, what are your thoughts?***

“My thoughts are that NSPS has been a fallacy from the start. NSPS came about because Secretary Rumsfeld wanted control, he didn't want the unions telling him what to do, he didn't want people to have a say in matters. It's Rumsfeld's way or the highway. NSPS is a living document and Rumsfeld's egomaniacs can change it at a whim. They ran over OPM at the outset with their so-called DoD authority. Neither was there collaboration with the unions. Collective bargaining will be severely limited and at the discretion of the Secretary of Defense. Eventually unions will go away and there will be no safety rules to protect the workers. Unions will have to charge for services. NSPS will take the DoD workplace back to the 1800s.”

**2. *In systems you've worked with, what have you experienced regarding performance-based as compared to systems based on longevity?***

“My experience with the China Lake demonstration project is that people are dissatisfied due to favoritism and nepotism from the managers. With the Government's control over the pot of money, China Lake's budget was initially padded for the first few

years to make it look good and get employee buy-in. Higher payouts were possible then and that made the employees happy. Now there isn't enough money for payouts. I think the same will be true of NSPS; it will look good for the first years, then budgets will be reduced and there will not be enough for meaningful performance payouts. What they need is an incentive pot of money for performance. Consider also, there is no money for cost of living index.

On the other hand, I have received 8 Quality Step Increases (QSIs) over my career. What is wrong with the system we have now? Longevity has its advantages when it comes to experience versus the fresh out from college.

The biggest problem I see with payouts to employees is management. For the most part management is spineless. They would rather reward employees something rather than have to confront them with non-performance issues. Under the demo project, a performance based system this base uses; our payouts for the year are nearly always less because payouts were given to the professionals at mid-year reviews.

The other part of the problem is there is not adequate training for Supervisors on how to reward its employees. Management believes it's easier to just divide the pot of money equally to all. NSPS will only make this situation worse because more flexibility will be given to management. There will be fewer rules to follow since few rules will be set in place. There will be no collective bargaining and competition amongst employees will grow.”

### ***3. What problems will NSPS fix?***

“I don't know that NSPS can fix any problems. Everything will be open for total abuse. Management is the problem, not the personnel system. There needs to be more rules in place, NSPS is too flexible. Who is watching the hen house?”

### ***4. Will NSPS be the answer to correct problems it is meant to fix?***

“I don't believe NSPS will be able to fix the problems that plague DoD – really, it's not just DoD, it's the entire Government. Again, I believe supervisors and managers are the real problem. As I mentioned earlier, the rules are already there for supervisors and managers to reward or discipline their employees. Sometimes they may seem

cumbersome, but they are there to protect the integrity of the system. I ask again, who is watching the hen house under NSPS?”

**5. *What problems will NSPS cause?***

“There already have been complaints about favoritism under the demo project, particularly with big programs that have a lot of money. If the engineer isn’t working on a high visibility program, chances are he won’t get much of a reward at the end of the year. This will cause more competition amongst employees as they compete for face time on important projects. We work as a team under the GS-system, now we’ll be competing for the same limited pot of money. I think teamwork will suffer.”

**6. *How might DoD enhance the overall effectiveness of NSPS?***

“To improve the effectiveness of NSPS you need collective bargaining. NSPS does not discriminate between military, civilians or contractors, the entire workforce is treated the same. Civilians could possibly go to war. With the references to DoD requiring control of the “total workforce” to fight the global war on terror, it sounds as though this is what they want. However, since many of these issues have not been finalized, it’s hard to say.”

**7. *What are the risks associated with deploying NSPS and how can DoD mitigate those risks?***

“People will be in shell shock when NSPS is implemented. DoD will boast that this is a wonderful system like pie in the sky. The only hope we have now is for Congress to halt the implementation.”

**8. *What are your thoughts on the future of DoD’s civilian workforce?***

“I think there will be more contractors in the future because of the budget constraints to hire civil service personnel. People will become more segmented as time goes on. There will be more competition amongst employees for money. Employees will become more fearful of losing their jobs. The GS-system is a fair and equitable system if supervisors and managers would use the tools built into this system. Why change? What is going to make the supervisors and managers use the new system to its full potential if they won’t use the one they have now?”



**9. *What are your thoughts on the future of DoD’s labor-management relationship?***

“The egomaniacs of the world will do well under NSPS. Labor and management will be at odds with each other. NSPS will slowly go down the tubes and will go full circle back to a GS system. There will be no loyalty towards the Government. Government workers are not driven by money. As hokey as it sounds, many Government workers are driven by patriotism.”

**D. INTERVIEW QUESTIONS LOCAL EMPLOYEE**

An employee from the local workforce in Panama City offered these thoughts in response to our interview questions.

**1. *Have you had a chance to review NSPS? If so, what are your thoughts?***

“Yes, I have reviewed the NAVSUP employee fact sheet that the Base Commander sent out via email. My thoughts about NSPS are that it is easier to get rid of people and easier to give them money for performance.”

**2. *In systems you’ve worked with, what have you experienced regarding performance-based as compared to systems based on longevity?***

“Under performance-based it is easier and quicker to reward people under NSPS. On the other hand, it could keep people from getting a pay raise at all. Under the GS system quality step increases were given for exceptional performance. I’ve received 4 during my career. So to me, there are rewards available under both systems.”

**3. *What problems will NSPS fix?***

“I really don’t think it will fix anything. The high achievers will always be achievers regardless what incentives are given to them. Bonuses or a higher pay band might motivate the middle achievers. The poor achievers will always be poor achievers regardless of any incentive.”

**4. *Will NSPS be the answer to correct problems it is meant to fix?***

“The proposed streamlined hiring process might attract people and the incentives might be good at first until people top out in their grades without any further promotion potential. The Government still lags behind the commercial industry.”

**5. *What problems will NSPS cause?***

“The inherent problems of restricted pay pools and their management will still exist. If the boss likes you, you’ll get rewarded, if the boss doesn’t its likely you won’t get rewarded as much. Managers will be able to override the immediate supervisor’s recommendation without an explanation.”

**6. *How might DoD enhance the overall effectiveness of NSPS?***

“Allocate more monies to the pay pools. Make it worthwhile to give someone a meaningful reward for performance. What if everyone was an excellent employee and you had a restricted pay pool? Everyone would end up receiving an equal share, which wouldn’t amount to much.”

**7. *What are the risks associated with deploying NSPS and how can DoD mitigate those risks?***

“I don’t think there are any more risks with NSPS than there are with the GS system. The system is only going to be good as managers make it.”

**8. *Do you plan to continue working for DoD once NSPS is implemented?***

“I’m already there working on DEMO. The systems are so similar I don’t see any changes working under NSPS.”

**9. *What are your thoughts on the future of DoD’s civilian workforce?***

“Unless DoD really incentivises their personnel and offers better retirement there is no real reason to stay with the Government. Because we live in a small town, it’s a good place to work but in DC or California you’re better off working for the Government for 10 years, get the experience and go work for the private sector. You make better money.”

**10. *What are your thoughts on the future of DoD’s labor-management relationship?***

“Like I said, unless there are better incentives, people will work somewhere else. Because of budget deficits there will never be the monies needed to adequately fund the pay pools.”

**E. INTERVIEW QUESTIONS LOCAL SUPERVISOR**

A local supervisor volunteered these comments in response to our interview questions.

**1. *Have you had a chance to review NSPS? If so, what are your thoughts?***

“Yes, I have read the Navy’s plans for implementation that the PEO office has put out. My thoughts are that NSPS is very similar to the DEMO program here at the Naval Surface Warfare Center (NSWC) and similar to the DEMO program in China Lake. I have been under the DEMO program since it was implemented at NSWC for the last four years and prior to that at China Lake from 1984-1986.”

***2. In systems you’ve worked with, what have you experienced regarding performance-based as compared to systems based on longevity?***

“The pay banding is more flexible in performance-based systems versus longevity systems when rewarding employees. There is less administrative time associated with a performance-based system versus the GS system. This applies mostly to writing and creating the position descriptions.”

***3. What problems will NSPS fix?***

“The benefits over GS are that there will be less restrictions on hiring, less time spent on disciplinary actions and appeals processes, less focus on the position description, less administrative time, and more flexibility within pay bands to recognize superior performance.”

***4. Will NSPS be the answer to correct problems it is meant to fix?***

“NO. It won’t fix performance issues. For example, it won’t make poor performers want to perform any more than they normally would. Statistics show that money is not that big of a motivation tool to motivate employees and money is really third or fourth on the list of motivation techniques. I do feel that NSPS will be easier to manage versus the GS system.

Also, I see a similar problem with NSPS as I do the GS system. For example, the GS system has a pool of monies that have to be divided amongst all employees whereas the NSPS has a point system pool. The Supervisors are left with the responsibility of trying to fairly reward employees with what they are given. Often times, there is not enough money or points to go around and employees are rotated each year. Meaning if you have two employees that have excellent ratings, and in your pool have only enough to reward one, the other is told he/she will get their excellent reward next year as a result. I don’t

see NSPS fixing this problem. The new system will only be as good as management can make it.”

**5. *What problems will NSPS cause?***

“I don’t see any meaningful new problems. It may make people feel more empowered over their career. There are also fewer constraints associated with NSPS that could lead to more abuse of the program.”

**6. *How might DoD enhance the overall effectiveness of NSPS?***

“Significant training should be communicated at all levels and management must be rigorous in enforcing performance appraisals.”

**7. *What are the risks associated with deploying NSPS and how can DoD mitigate those risks?***

“To mitigate some risks I would put out a list of intentions of the significant issues and changes regarding NSPS to all employees. Maybe outline the top five issues that will change compared to the GS system and the standard expectations of the proposed system. Then have follow-on training for everyone after introductory training had occurred. Communications are essential to mitigating risk by repeating the message consistently.”

**8. *What are your thoughts on the future of DoD’s civilian workforce?***

“I feel the future is strong and bright for the DoD workforce. The NSPS system will attract more professionals by streamlining the hiring process. The benefits offered by DoD attract people and people feel safe knowing they have continuous year round employment. The retirement package is an added bonus and the workforce is good. It will be a challenge to attract new people into the workforce due to the Veteran’s preference. This is why DoD is experiencing a mature work force that has an average of 40 years old.”

**9. *What are your thoughts on the future of DoD’s labor-management relationship?***

“My thoughts about the labor relations of the future are that it will be more open-ended. The Union to date, has always wanted to put things in boxes. They will always

be more representative than will they be flexible. The future will have fewer contingents, be more spirited and have fewer technicalities."

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## VII. ANALYSIS

This section provides an analysis to the creation of NSPS through literature research, interview perspectives, and comparisons of the different personnel systems discussed.

What methodology did DoD use to analyze alternative systems?

The review task force established in March 2002, reviewed all demonstration (DEMO) projects in the Federal government and additional alternative personnel systems. They also looked to the commercial world to identify best practices to apply to a new personnel system for DoD. No document was generated or published by this task force to document their analysis of these systems.

What were the results of DoD's analysis of alternatives and what were the key reasons for choosing NSPS?

We were unable to determine the results of DoD's analysis of alternatives due to the failure of the PEO to create such a record documenting their analysis. The information available to us was through research, documents published in the Federal Register, and interviews. In November 2003, DoD and OPM proposed regulations to establish the NSPS. The authority to develop and deploy NSPS was through PL 108-136. Congress enacted NSPS into law and now DoD prepares to implement the law.

NSPS was not chosen. Management for the creation of NSPS was supposed to be done jointly by the Secretary of Defense and the Director of OPM. However, PL 108-136 further provided that if the Secretary of Defense deemed creation, modification, or adjustment was in the interest of national security, the Secretary of Defense, was authorized to waive the requirement to coordinate with OPM. It appears that minimal coordination was conducted with OPM.

Will NSPS be the answer to correct problems it is meant to fix?

The Secretary plans to fix staffing and workforce reshaping. Under NSPS veteran's hiring preference will still impact the ability to hire new people in a streamlined process much as it does in the GS system. This is one reason the DoD workforce is a mature

workforce. The hiring and pay preferences given to the veterans provide them an advantage over new hires. Many new hires are blocked from selection due to veterans priority. If veteran's preference continues to carry priority in filling DoD positions under NSPS, then staffing will continue to be a problem.

NSPS will move away from the occupation specific PD we have under the GS system to one that is based on career groups, making the system more flexible and generic. With career groups, managers will no longer have to write lengthy, detailed position descriptions. The plan is to make it easier for managers to realign their current workforce. At this writing, NSPS has not specified how this will be accomplished.

DoD typically reshapes its workforce through RIF. They must comply with strict criteria, based heavily on longevity and performance, when abolishing positions. Under NSPS, the criteria will be loosened considerably. A major change is in determining the area within which to conduct the RIF and only consideration of most recent performance rating. These changes may make it easier for DoD to eliminate undesirable employees, but does little to encourage attracting younger, smarter, better performers to Government service.

The problem of improving the performance of government workers is another area the Secretary plans to fix with NSPS. NSPS is designed to encourage and recognize the high performers through pay bonuses. DoD's budget is tight and probably will be for the foreseeable future. How will future Congresses adequately ensure funding the budget for performance recognition? As seen in the NAWC,WD China Lake DEMO project, monies padded the first couple of years to paint a rosy picture and ensure employee buy-in. Now, according to information gathered during interviews, employees are dissatisfied and disillusioned as the performance bonus pool dried up (GOVEXEC).

Employee appeals, discipline, and labor relations are other key areas that need to be fixed according to the Secretary. Interviews with employees, union representatives, supervisors, and HRO representatives revealed that each group believes NSPS will put employees at disadvantage against management with regard to appeals and labor relations. The primary concern from each group is that there is no outside independent

review available to the employee. With the Secretary controlling appointments to the NSLRB, doubt is raised to its ability to function independently. The NSPS PEO has yet to define metrics to measure the success of this new system.

What are the risks associated with deploying NSPS and how can DoD mitigate those risks?

Through our research and discussions with interviewees we have identified areas at risk when deploying NSPS. These risks range from nonstandard implementation and execution of the new system, inadequate training, loss of an independent review, risk associated with employee performance metrics, and deterioration of pay status for future DoD workforce.

The fact that there is very little guidance for implementation, except to identify the implementation spirals is of concern. With this lack of guidance, personnel offices and managers all across DoD risk implementing NSPS with wildly different viewpoints on how the system is designed to work. If this happens, it could severely affect personnel that move from one DoD office to another. This risk may be mitigated by the publication of detailed implementation instructions, followed up with GAO reviews to ensure instructions were executed properly.

Next, is the concern that training for this new system will be inadequate. This is somewhat related to the first risk, in that there is very little guidance for implementation. NSPS proposes to mandate certain numbers of hours for training different levels of workers. However, that training has yet to be developed and runs the risk of being undermined due to budget shortfalls. Training funds are typically one of the first cut when budgets must be tightened. DoD can mitigate this risk by preparing, distributing the training materials and setting aside funds for each agency targeted exclusively for training.

Replacement of the FLRA and MSPB by the NSLRB creates another risk that affects not only DoD employees but also the integrity of the entire system whose actions are validated by outside reviewers. More than one interviewee asked the question, “Who



will watch the hen house?” Increasing the membership on the NSLRB to include an outside employee representative could mitigate this risk.

Finally, future salary ranges for DoD workers are at risk of falling even lower than their commercial counterparts due to budgetary constraints. Considering how the Federal appropriations process works, future salary adjustments must be guaranteed by law in order to mitigate this risk.

## VIII. CONCLUSION

As a result of the literature research, interviews, and analysis we conclude that DoD leadership has failed to provide information to substantiate the need for a new personnel system. The deficiencies DoD leadership has raised concerning the current GS system are really deficiencies pointing back to their own leadership performance. Top leaders have failed to ensure their managers properly execute the system now in place.

The fact that the NSPS PEO has not defined metrics to measure the success of this new system is a deficiency. It is odd that such an important facet of this new system has been omitted, especially when one considers the current focus on measuring and tracking performance improvements across the Government.

The costs spent to date in the creation of NSPS, notwithstanding the fact that it has yet to be implemented, and those costs not yet incurred, have not been tracked. Was the failure to capture this cost data really an oversight of the PEO or was it a well-planned strategy? We estimate that millions of dollars have already been diverted from other DoD projects to fund this effort. It is questionable these costs are justified, in light of the current defense budget shortfall and rising costs to support the war fighter.

NSPS may turn out to be a positive change for DoD in the long run, but we caution fast-tracking such a far-reaching and important change to DoD's civil servants. Fast-tracking such a change without proper analysis, training and a detailed implementation plan could create costly unintended consequences.

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## IX. RECOMMENDATIONS

In order to facilitate the success of NSPS, further work must be accomplished prior to implementation of this far-reaching and important change to the DoD personnel system. Based on the information gathered during interviews and analysis of the literature we researched, DoD leadership should consider the following recommendations.

- DoD has yet to prove it has the ability to establish meaningful performance metrics. Without the establishment of strong performance standards and metrics across all occupational groups, the performance-based system will not function as intended. DoD should publish performance metrics prior to implementing NSPS.
- DoD should be required to set aside funds for agencies to charge for the time spent training supervisors and employees alike.
- DoD should consider funding and fielding a training team that conducts training and assists in the implementation of NSPS.
- DoD should begin implementation of NSPS with supervisors and managers. These leaders should be evaluated on how well they discharge their supervisory duties, to include performance and disciplinary actions under the systems their employees are currently covered by.
- DoD should be required to release information on how they plan to design the performance pay pools.
- DoD should be required to release information on how they plan to budget for salaries under the new program, as well as budget for performance payouts.

- DoD should identify how they plan to budget for and conduct labor market studies and validate the results of these studies, which will directly affect locality supplements.
- DoD should be required to appoint an independent employee representative to the NSLRB.

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