

## TSA/FAA Modified System [12]

NOTE: The content of this document has not been reviewed by legal counsel, nor does it represent a consensus view of the Design Team or indicate any kind of preference among options presented to the Senior Review Committee.

### Summary:

This option would establish a pay banding system similar (but not identical) to the systems at the Transportation Security Administration (TSA) and the Federal Aviation Administration (FAA). This system would allow DHS to adjust base pay ranges and band levels for specific occupation groups based on labor market factors. Pay progression within a band would be based, in part, on individual performance.

### Key Features:

#### Coverage

This option would cover DHS employees currently covered by the General Schedule (GS) classification and pay system.

- Pay ranges for all jobs are set using a common framework of 13 broad pay bands (pay ranges), labeled A through M. The bands generally have a 50-55% pay range, with about 15-22% difference between the bands.
- DHS would group jobs into a limited number of job families (< 20?) based on occupational similarities and labor market factors.
- For each job family, DHS would determine levels of work within the job family and assign a band (pay range) to each level based on labor market and job analysis. Generally, there would be fewer levels of work for a job than found in the GS classification system.
- DHS would pay the same locality payments as apply to GS employees.
- Pay range (structural) adjustments would be delinked from individual pay adjustments. DHS may provide a general increase for all employees at an acceptable level of performance, but that increase could be more or less than the structural increase. An employee with below-acceptable performance would not be eligible for a general increase.
- Pay progression within a band would be based on organizational performance and individual performance. (See sub-options in Detailed Description.)
- Performance appraisals are narrative and essentially result in a pass-fail distinction. However, distinctions in base pay adjustments are made based on relative performance (forced ranking) through a separate process. (See sub-options in Detailed Description, in particular sections B3 and P3.)
- The design of the system would not be subject to collective bargaining. System administration rules prescribed by DHS at the headquarters level would not be subject to collective bargaining.

### Sub-Options:

- The DHS Secretary could direct TSA to adopt a system that is identical to the DHS broadbanding system. TSA would be subject to DHS headquarters control in administering the system in the same manner as other DHS components are subject to DHS headquarters.
- The DHS Secretary could direct EP&R (formerly FEMA) to adopt a system that is identical to the DHS broadbanding system for its Stafford Act employees, who are covered by an administrative pay setting authority. (Stafford Act employees with regular schedules are currently covered by a GS-similar system. Disaster Assistance Employees are currently covered under a separate pay system.)

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- Allow employees who are retirement eligible, or within 2 years of being retirement eligible, to opt out of the new plan for a limited period (e.g., 3 years).
- Provide for limited collective bargaining over specific matters as described in any sub-options that are included in the final approved option.

### Relation to Other Options

- This option covers the pay, classification and performance management systems.
- It could work with any labor relations, discipline and appeal system.

**Implications** (This section contains "possible advantages/benefits" and "possible problems/challenges" and "other implications" suggested by design team members. The views expressed in these "implications" represent the opinions of one or more members of the design team and therefore reflect sometimes opposing points of view. These opinions do not reflect the collective judgment of the entire design team on any of the issues addressed, nor have they been reviewed by legal counsel.):

### Possible Advantages/Benefits

- Greater flexibility for DHS could allow decisions and actions that are more responsive to mission requirements. Providing greater flexibility could be viewed as resulting in making DHS more accountable since it would have greater responsibilities and control.
- Could help promote a performance culture at DHS. Could help focus attention on connection between organizational performance and individual performance. Could encourage greater communication with employees regarding individual and organizational performance.
- Setting of base pay ranges and assignment of band levels based on the labor market should help DHS attract and maintain a quality workforce and reduce or avoid staffing problems.
- Greater flexibility in setting starting pay could help DHS attract higher quality employees.
- Greater flexibility in adjusting pay within a band could help retain employees with high skills and/or performance.
- Classification system should be easier to administer since there would be fewer levels of work. No traditional position descriptions are needed.
- Would not provide general pay increases to below-acceptable performers, which reinforces the principle of accountability.
- Would provide for strategic use of base pay dollars by providing larger increases to the top performers.
- If the FAA model is followed, most employees (the top 65% or so) would receive pay increases that are roughly equivalent to or greater than what they would have received under the GS system, on average over time.)
- Builds on a pay system that is already in existence in the Federal Government (FAA and TSA), which should lead to a smoother transition than would be the case with totally new system.
- Use of GS locality pay percentages simplifies system administration and limits DHS's ability to give itself a competitive advantage over other Federal agencies.
- Limiting appeals regarding pay adjustments to internal mechanisms could provide speedier resolution and would ensure that decisions are made by officials who are close to the work and who are accountable for accomplishing the agency mission, while still providing due process. Some believe that management officials are more likely to make pay decisions based on mission-based factors than a third party.

### Possible Problems/Challenges

- Making pay more performance sensitive may concern employees who value the stable, predictable nature of GS pay increases. DHS discretion to determine the amount of any annual increase may lessen acceptance of the system.
- DHS flexibility in determining annual pay adjustments for employees raises the risk that the program will be inadequately funded when budgets are tight, which would likely lead to employee dissatisfaction.
- Transitioning to a labor market-based broadbanding system could be a difficult administrative challenge and may be disruptive and cause attention and resources to be diverted from core mission responsibilities.
- Some believe that not allowing collective bargaining over system design would be contrary to the intent of the Homeland Security Act and lessen employee acceptance of the system.
- The continuation of pay caps tied to the Executive Schedule would prevent employees in the highest bands from actually receiving the pay that labor market data would support. Having pay ranges that can not be fully utilized may generate dissatisfaction.
- Allowing DHS to adjust pay ranges or assign bands for levels within a job family could give DHS a competitive advantage over other Federal agencies. Other agencies could lose employees to DHS.
- Since some DHS jobs have no direct labor market comparators, assigning of job families and/or band levels to those jobs could be controversial.
- Because this option uses a framework of 13 common pay ranges and applies a single locality adjustment percentage for all occupations in any geographic area, there is limited ability to address pay disparities for a specific subgroup of employees. (Note: This deficiency could be addressed by providing authority for staffing supplements for categories of employees for which significant recruitment and retention problems exist. See related sub-option.)
- Assuming the current FAA model is followed, this option may not provide sufficiently significant distinctions in base pay adjustments for top performers to serve as a meaningful incentive.
- Some believe that pay for performance could result in competition between employees and lessen incentive for teamwork and cooperation or that, for some jobs, it may be difficult to make distinctions in individual performance because of the nature of the work or the degree of interdependence. (These concerns could be addressed, in part, by ensuring that individual performance measures take into account an employee's support of and contributions to team efforts.)
- Having a process for ranking employees based on performance/contributions that is separate and apart from the formal performance appraisal may raise questions regarding the fairness and transparency of the ranking process. To the extent that the ranking process is not understood or viewed as fair and objective by employees, it may result in dissatisfaction, confusion, and disillusionment. (Under various sub-options, the performance appraisals would be integrated with the ranking process that is used for determining pay adjustments.)
- A forced ranking process in allocating pay increases may be viewed as unfair since it could allow for treating employees with similar levels of performance differently because of fixed percentage cutoffs.
- If this system results in employees receiving less compensation than they would have received under the General Schedule, it may lessen acceptance of the system.
- Giving DHS authority to deny general increases to employees who were suspended for disciplinary reasons during the preceding year raises fairness issues. This rule assumes that all suspensions are of equal weight and deserve the same punishment. It also does not consider that employees who are suspended without pay for disciplinary reasons have already suffered a pay consequence tailored to

the offense.

- Use of organizational performance to determine the amount of the general increase may not be an effective approach since individual employees may be performing at a high level and should receive an adjustment so that their pay keeps pace with the labor market. If organizational performance is evaluated at too high a level, the line of sight between the employee's performance and the organization's performance may be very blurred. On the other hand, evaluating organizational performance at lower levels could introduce inconsistencies in treatment among different components. Given the importance of base pay in staying competitive and in determining various benefits, there would likely be a tendency for general increases based on organizational performance to become almost automatic. Thus, this approach could end up not reinforcing a performance culture but could actually undercut the goal of producing honest and objective evaluations of organizational performance. (See sub-option of using a bonus pool to reward organizational performance on a component basis.)
- Giving DHS managers considerable flexibility in writing individual performance plans (which also essentially replace position descriptions) may increase the risk that individual employees in the same job are held to different requirements and standards. (This risk also exists in the current GS system since management controls the content of both position descriptions and performance standards.)
- Some believe that not providing external appeal rights to an independent third party could reduce management accountability and may lessen acceptance of the system.
- Compared to the GS system, administration of this performance-based pay system would place additional burdens on supervisors (e.g., in dealing with complaints).
- Since pay levels could be higher, more criminal investigators would likely hit the premium pay cap as 25% availability pay is added on top of the higher base rate. Raising the premium pay cap would require legislation and could create increased pay compression vis-à-vis Senior Executive Service and Executive Schedule officials.

### Other Implications

- Unless the current labor relations system is modified, a DHS independent pay system, including the rates of pay, would be subject to collective bargaining.
- In order to implement this system effectively, a strong and well-managed performance management system is required. Employees will not only be concerned that the system be fair in its design, they will also be concerned about its application by supervisors and managers. Employee perceptions of the program will be colored by the degree of confidence they have that management officials will rate employees fairly and objectively and will also be fair in giving employees equal opportunity to show high performance (e.g., through work assignments).
- Considerable resources would be needed to train managers and employees in the new system.

### Cost

- Transition of employees to the system would require "buying out" employees for accrued time toward their next step increase, in order to promote employee acceptance of the new system. (Those costs could possibly be offset by slightly reducing the individual contribution increase pay pool during the first year or two. Since that pay pool is derived from within-grade increase funds, such an offset might be justifiable. However, this might lessen employee acceptance of the new system.)
- If the new bands provide higher pay potential than employees had under the GS system, long-term payroll costs will be higher. (The FAA-TSA pay schedule provides higher pay potential, especially for

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higher grades. At lower grades, "equivalent" FAA-TSA bands increase pay potential by roughly 1-4 percentage points (but if you consider the jobs that are classified more generously under the FAA-TSA system, the percentages are higher). Band I, which roughly equates to GS-13, has a 5% higher pay maximum. The increases are 9 percent or higher for GS-14 and 15 level employees.)

### Evaluation in Terms of Guiding/Design Principles:

#### Mission Centered

This option places great emphasis on organizational performance. The individual performance plan would include a commitment to organizational goals and values. Individual goals and standards would be linked to organizational goals. This pay system would be more sensitive to the labor market and thus could help attract and maintain a higher quality workforce, which enhances the ability to accomplish the DHS mission. The strategic allocation of limited payroll dollars based on individual performance may help retain higher-level performers and increase their motivation. DHS would have a great amount of flexibility to design the performance program and to tailor goals, standards, etc. to the specific mission of each category of employee.

#### Performance Focused

This option includes provisions to recognize individual performance and to connect individual performance to organizational goals. While the current FAA model provides limited funds (0.6% of payroll) to individual performance pay increases, it would be possible to modify the system to allocate additional funding for this purpose. The broader pay ranges will provide higher pay potential for many employees, which can be realized through high performance. There is a risk that a poorly designed or managed performance management system could harm morale, motivation, and performance.

#### Contemporary and Excellent

A system that is more sensitive to the labor market will help DHS to attract and retain a high quality workforce. The ability to give larger pay increases to top performers could help DHS retain those employees. The system will provide more flexibility than the GS system in setting and adjusting pay. Broader pay bands with open ranges are consistent with contemporary HR practices in the private sector. Pay progression based on individual performance is also common in many successful private sector companies. On the other hand, the excellence of this system ultimately will hinge on the strength of the performance management program.

#### Generate Trust and Respect

To the extent this option produces a system that values and rewards performance in an understandable, rational, and fair way, it will be respected by employees. Supervisors and managers have a key role in explaining the system, communicating clear expectations, providing feedback, and in fairly appraising individual performance. Most employees will support a system that allocates pay based on performance if they believe the system is reasonable in its design and fairly applied, without personal bias or favoritism. Again, the success of this system depends on the strength of the performance management program. Also, management must provide training so that employee perceptions are based on accurate information. Finally, it is essential that employees have an opportunity to give feedback on the system operation so that weaknesses or misperceptions can be corrected.

This option will establish a pay system that is more sensitive to the labor market than the GS system, which relates to this guiding principle since employees may have greater trust and respect for DHS if they feel

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they are paid at competitive levels.

### Based on Merit System Principles and Fairness

This option provides that pay ranges and band assignments for job families are based largely on the labor market. Within any job family, employees are placed in a band based on standardized criteria. Employees are still protected by title 5 merit system principles and bars against prohibited practices. One merit system principle provides that employees should receive equal pay for work of equal value with consideration of labor market rates and with appropriate incentives for excellence in performance. In comparison to the GS system, which primarily focuses on internal equity, this option places more emphasis on market equity and individual equity (based on individual performance). Once again, the fairness of the pay system rests on the credibility and fairness of the underlying performance management system.

### **Transition & Implementation:**

Issues for transition and implementation would include:

- Initial use of the current 2003 FAA-TSA rate ranges (A-M).
- Developing of job family categories that encompass all DHS jobs.
- Assigning of bands to levels of work within each job family.
- Development of a performance management system with local tailoring of standards and expectations (with local employee input).
- Development of supporting computer programs.

### **Detailed Description By System Component and System Element**

<b>B</b>		<b>Base Pay System</b>
System elements:		Summary description:
1	Structure of pay ranges	<ul style="list-style-type: none"> <li>• Pay ranges for all jobs are set using a common framework of 13 bands (pay ranges) labeled A through M.</li> <li>• DHS establishes bands or base pay ranges based on market analysis.</li> <li>• Assuming the current TSA/FAA pay schedule is used initially, most pay ranges would provide a 50-55% increase from minimum to maximum, which is significantly broader than the 30-percent GS rate range. (Note that employees in higher bands are subject to caps so full range is not actually available—see below.) The pay ranges would be overlapping (generally half of the range or more). Interband differentials (comparing maximum rates) would generally range from 14-22%..</li> <li>• DHS assigns levels of work to bands for each job category (i.e., family of jobs). (See Table C.)</li> <li>• Locality payments equal to GS locality payments are paid on top of base rates.</li> <li>• Caps on employees other than senior executives – cap on basic pay: EX-IV (\$134,000 in 2003); cap on adjusted basic pay, including locality pay: EX-III (\$142,500 in 2003). (These are the caps currently used by TSA.)</li> </ul> <p style="margin-left: 20px;"><i>Sub-option:</i> Allow DHS to develop its own locality pay system based on labor market and/or cost-of-living factors.</p> <p style="margin-left: 20px;"><i>Sub-option:</i> Provide authority to establish staffing supplements for a specific job or category of jobs within a job family when the normal pay levels are insufficient to</p>

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		<p>avoid significant recruitment and/or retention problems. (This tool would be used when DHS determines that creating a new job family or reassigning the job(s) to a new family with higher pay levels is not yet warranted, since the staffing problems may be temporary.)</p> <p><i>Sub-option:</i> Raise cap on base pay and adjusted base pay to EX-II to match the caps used by the FAA.</p>
2	Adjustment of pay ranges	<ul style="list-style-type: none"> <li>• DHS adjusts the pay ranges based on market analysis. Initially, DHS may use existing FAA/TSA pay ranges. DHS may adjust band ranges by different percentages depending on market. (Note: Since FAA and TSA use generic bands or pay ranges that apply across all occupations, this system does not allow for overly fine tailoring of ranges to market pay for specific job families. See attached FAA-TSA pay charts.)</li> </ul> <p><i>Sub-option:</i> Require DHS to adjust band pay ranges by the same structural increase that applies to the General Schedule. (DHS could still use labor market data to reevaluate band levels assigned to job families and to establish staffing supplements for occupations with serious recruitment and/or retention problems.)</p> <ul style="list-style-type: none"> <li>• Pay range adjustments are delinked from annual pay increases for employees. For example, pay ranges may remain fixed even though employees are granted a general increase (which is what FAA and TSA did in January 2003). Or, general increases provided to employees may be less than the pay range (structural) adjustments. (See section 3 below.)</li> <li>• Locality adjustments parallel the GS locality adjustments.</li> </ul>
3	Pay progression methodology	<ul style="list-style-type: none"> <li>• Pay ranges are open—i.e., no steps.</li> <li>• DHS determines the amount of any general increase provided to employees. The general increase may be less than or greater than the structural adjustment in pay ranges. (See section 2 above.) In determining the general increase, DHS may take into account labor market factors and organizational performance. (FAA’s current policy is that the general increase—which FAA calls an “organizational success increase”—may be up to 1 percent higher than the GS general increase, depending on organizational performance. This 1 percent is funded using some of the money previously devoted to GS within-grade increases and quality step increases.)</li> </ul> <p><i>Sub-option:</i> Do not base general increases on organizational performance but solely on labor market factors. Instead, DHS would address organizational performance through bonuses. DHS could set aside a fixed pool of money for organizational performance bonuses and allocate shares based on component performance. Components could determine how to further allocate the bonus money to individual employees. (See sub-option in section 8 below.)</p> <p><i>Sub-option:</i> Require DHS to provide the same general increase provided to General Schedule employees to all DHS employees entitled to a general increase.</p> <ul style="list-style-type: none"> <li>• The general increase would not apply to employees whose performance does not meet performance standards. DHS may also deny the general increase to employees who were subject to disciplinary suspension during the preceding year. (If suspension is later overturned upon appeal, the general increase would be restored retroactively.) [NOTE: FAA and TSA policy covers certain other disciplinary actions as a mandatory policy. We chose to limit this to suspensions and make the policy discretionary.]</li> </ul> <p><i>Sub-option:</i> Require that DHS allow an employee to improve performance/conduct and qualify for a delayed general increase after 12 weeks or 24 weeks.</p>

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		<p><i>Sub-option:</i> Do not allow DHS to deny general increase to employees who were suspended during the preceding year, if current performance is acceptable.</p> <ul style="list-style-type: none"> <li>• DHS would establish a program for adjusting base pay based on individual performance and contributions—an “<b>individual contribution increase.</b>” Initially, DHS could model this program after the FAA’s “superior contribution increase” (SCI) program, which is essentially a three-tier performance system that provides base pay adjustments (in addition to the general increase) to employees who are placed in the top two tiers (based on a ranking of their performance/contributions):             <ul style="list-style-type: none"> <li>○ Tier 1 – top 20% (+/- 2.5%) of employees get 1.8% increase</li> <li>○ Tier 2 – next 45% (+/- 2.5%) get 0.6% increase</li> </ul> </li> </ul> <p>The above distribution yields a cost of about 0.6% of base payroll. Employee in similar occupations would be grouped into organizational pools in applying the percentage limits. Managers determine top performers based on assessment of employees’ contributions in comparison to three standard criteria--collaboration, customer service, impact on organizational success. There is a structured process in which managers use a decision tool to assess employee performance and contributions against a continuum ranging from most superior performance to acceptable performance.</p> <p><i>Sub-option:</i> Use all money now spent on GS within-grade increase and QSIs to fund the individual contribution increases (e.g., 1.6% instead of 0.6%). (For example, a 1.6% pool would allow a 3.8% increase for tier 1 and a 1.9% increase for tier 2, if the distribution percentages remain the same. Another alternative would be to provide DHS with flexibility to modify the number of tiers and/or the percentages—e.g., top 20% get 3.4% increase, next 30% get 1.7%, and rest of employees meeting performance standards get 0.85%.) (See Table P, section 3 for additional sub-options.)</p> <ul style="list-style-type: none"> <li>• If an employee’s pay rate reaches the band maximum, unpaid general increase or individual contribution increase amounts are converted to a lump-sum payment.             <p><i>Sub-option:</i> Establish a supplemental bonus program that is integrated with the base pay adjustment program. Provide that an employee who receives an individual contribution increase (ICI) receives a bonus whose amount is linked directly to the employee’s ICI (e.g., set percentage or multiple of the ICI amount).</p> </li> </ul>
4	Pay administration rules	<ul style="list-style-type: none"> <li>• <i>New Hires.</i> DHS would set policies regarding when a newly hired employee’s pay rate may be set above the minimum of the band based on superior skills and abilities; Also, DHS would set policies on setting an applicant’s pay based on his/her highest previous rate of pay as a Federal employee, if his/her duties in the previous position are related to the current position.</li> <li>• <i>Hiring Federal Employees from Other Agencies.</i> DHS may increase pay even if the new position does not represent a promotion. (For example, during its stand-up phase, TSA routinely gave a 5% pay increase to such employees. Now 5% increases given only as needed. Headquarters must approve increases greater than 5%.)</li> <li>• <i>Promotion to Higher Band.</i> 0-15% pay increase; should average 8-10%</li> <li>• <i>Reassignment within Same Band.</i> 1-7% pay increase if meet criteria (e.g., hard-to-fill, increased responsibility/value); increase should average 4-5%; may be received by no more than 20% of employees who are reassigned in any fiscal year; approved at the Assistant Administrator (or equivalent) level.</li> <li>• <i>In-Position Increase.</i> 1-7% pay increase if meet criteria (e.g., work has become substantially more difficult/complex; high performance); increase should average 4-5%; may be received by no more than 2% of employees within an organization in any fiscal</li> </ul>

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		<p>year; an individual may receive no more than 1 in-position increase over a 2-year period.</p> <p>[Note: Promotions, reassignment increases, and in-position increases are in addition to general increases and individual contribution increases. They are also separately funded.]</p> <ul style="list-style-type: none"> <li>• <i>Geographic Movement.</i> Locality pay (or staffing supplement, if provided under a sub-option) may be reduced or increased in the event of a geographic move. Employees are entitled to the applicable locality payment (or staffing supplement) for the new official duty station.</li> <li>• <i>Pay Reduction.</i> No provision for performance-based reductions in base pay, except when an employee is reduced in band level.</li> <li>• <i>Pay Retention.</i> Similar to title 5, but no provision for band retention.</li> <li>• <i>Conversion to New System:</i> Employees on board at the time the new system is established who have accrued service toward a within-grade increase would receive the prorated value of the within-grade increase as a base pay adjustment at the time of conversion, as long as performance is an acceptable level.</li> </ul>
5	Managerial compensation	<ul style="list-style-type: none"> <li>• Senior executives are in a separate system. Cap on adjusted basic pay: EX-II (\$154,700 in 2003).</li> <li>• Other managers are in the primary compensation system as described in this summary. (See section 1 for discussion of system caps.) <ul style="list-style-type: none"> <li><i>Sub-option:</i> Raise cap for managers (other than senior executives) to EX-II.</li> <li><i>Sub-option:</i> Raise cap for senior executives to EX-I (\$171,900).</li> </ul> </li> </ul>
6	Appeals	<ul style="list-style-type: none"> <li>• Employees may appeal internally the level of the individual contribution increase they received; however, this appeal would be handled under the regular internal grievance procedure. <ul style="list-style-type: none"> <li><i>Sub-option:</i> Allow the level of an employee's individual contribution increase to be appealed internally through a separate procedure.</li> <li><i>Sub-option:</i> Allow the level of an employee's individual contribution increase to be appealed externally.</li> <li><i>Sub-option:</i> For bargaining unit employees, allow the level of an employee's individual contribution increase to be appealed under negotiated procedures.</li> </ul> </li> <li>• An employee may appeal internally the denial of a general increase (based on an unacceptable performance rating). <ul style="list-style-type: none"> <li><i>Sub-option:</i> Allow employees to appeal externally the denial of a general increase.</li> <li><i>Sub-option:</i> Allow bargaining unit employees to appeal the denial of a general increase under negotiated procedures.</li> </ul> </li> <li>• Other pay matters may not be appealed (but could be included in an internal grievance procedure).</li> </ul>
7	Evaluation	<ul style="list-style-type: none"> <li>• Collect data on salary costs, average salary, distribution of pay increases, etc.</li> <li>• Use employee surveys to collect information on employee views on fairness of the base pay system.</li> </ul>
8	Other compensation	<ul style="list-style-type: none"> <li>• DHS would operate a performance award program under 5 U.S.C. chapter 45. <ul style="list-style-type: none"> <li><i>Sub-option:</i> Award/bonus money would be funded at a fixed percentage of base payroll (e.g., 2%), but DHS could withhold bonuses from low-performing organizations or increase bonus allocations for high-performing organizations. Components would determine distribution of bonus money to employees, subject to</li> </ul> </li> </ul>

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	any controls or guidelines established by DHS headquarters.
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<b>C</b>		<b>Classification System</b>
System elements:		Summary description:
1	Functions	<ul style="list-style-type: none"> <li>• Use to assign position to level (band) and thus pay range developed by DHS.</li> <li>• Use for workforce planning.</li> </ul>
2	Categorization of type of work	<ul style="list-style-type: none"> <li>• DHS would establish a limited (e.g., less than 20) number of job families, which are groupings of similar jobs with the same band structure. To the maximum extent possible, DHS would base groupings on labor market factors. (DHS could start with TSA job families and add any additional families needed.)</li> <li>• Use OPM-published series for General Schedule occupations.</li> </ul>
3	Work valuation method	<ul style="list-style-type: none"> <li>• 13 common pay bands or pay ranges (A-M) that provide a framework for the pay ranges for all job families. (See section 1 in Table B.)</li> <li>• Based on market analysis, DHS would assign bands (pay ranges) to levels of work within each job category. For each job family, there would be 3-5 nonsupervisory levels and 2-3 managerial levels. For some job families, the same pay bands are used for some higher-level nonsupervisory employees and some lower-level managers (i.e., dual career tracks).</li> <li>• For jobs without a direct labor market comparator, DHS would rank the job vis-à-vis other jobs based on required skills and responsibilities, relationship to other DHS jobs, staffing factors (marketability of employees with given skills), and mission impact.</li> <li>• For each job family, DHS would establish career level definitions that define requirements and expectations at each relevant band level.</li> </ul>
4	Qualifications	<ul style="list-style-type: none"> <li>• There would be no time-in-pay-band requirement for promotion to higher level. However, employees generally must have 1 year of relevant experience (within or outside the Government) comparable to experience at next lower pay band level.</li> <li>• Use OPM qualification standards for GS positions, unless an alternative DHS standard has been established.</li> <li>• Must meet the career level definition for the pay band.</li> <li>• Promotion decision tool identifies consideration factors.</li> </ul>
5	Applying system	<ul style="list-style-type: none"> <li>• Do not use traditional position descriptions. Specific work requirements are in the individual performance plan.</li> </ul>
6	Appeals	<ul style="list-style-type: none"> <li>• Employees may appeal internally any kind of involuntary reduction in band. <ul style="list-style-type: none"> <li><i>Sub-option:</i> Allow employees to appeal externally an involuntary reduction in band level based on performance or misconduct.</li> <li><i>Suboption:</i> Allow employees in a bargaining unit to appeal an involuntary reduction in band level based on performance or misconduct under negotiated procedures.</li> <li><i>Sub-option:</i> Allow employees to appeal internally their occupational series assignment.</li> </ul> </li> <li>• Employees may not appeal other classification decisions (but could file an administrative</li> </ul>

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		grievance for any covered actions).
7	Evaluation	<ul style="list-style-type: none"> <li>• DHS would monitor distribution of employees by occupation and work level.</li> <li>• DHS would collect information from employee surveys on perceived fairness of the classification system.</li> </ul>

<b>P Performance Management System</b>		
System elements:		Summary description:
1	Purpose	<ul style="list-style-type: none"> <li>• Support measurement/appraisal of individual employee's performance (with focus on end results or accomplishments, to the extent feasible).</li> <li>• Link individual performance to organization performance/mission.</li> <li>• Identify poor performers and (1) seek improvement, (2) find a better job fit, or (3) remove.</li> <li>• Determine employee development needs.</li> <li>• Use performance appraisals as factor in promotion decisions.</li> <li>• Use performance appraisals to determine who receives certain pay adjustments, bonuses, or other awards.</li> </ul>
2	Measures	<ul style="list-style-type: none"> <li>• Individual performance plan includes certain organization goals (both DHS-wide goals and unit goals specified by supervisor) and individual goals, which are linked to organization goals.</li> <li>• Individual performance plan includes standards that further define performance expectations for a satisfactory rating (DHS-prescribed generic standards plus supervisor-defined standards).</li> <li>• Principle: Similar positions should have similar standards whenever possible.</li> </ul>
3	Appraisal	<ul style="list-style-type: none"> <li>• Use a pass-fail performance appraisal system that includes a narrative assessment of employee's individual performance (addressing both positive elements and areas for improvement. Two levels: (1) meet or exceed individual performance goals (i.e., satisfactory) or (2) fail to meet them (i.e., unacceptable).  <i>Sub-option:</i> Provide for input on employee's appraisal from multiple sources (e.g., a 360 degree approach).</li> <li>• Appraisal period (i.e., performance cycle) ends at end of fiscal year.</li> <li>• Appraisal based on written performance plan. Plan should be issued within 30 days after hiring or beginning of appraisal period. Mid-cycle review should be conducted approximately half way through the performance cycle. Final appraisal should be given within 30 days after end of appraisal period.</li> <li>• Employee must work a minimum of 90 days under a performance plan before employee can be rated.</li> <li>• Unacceptable rating applies if one or more critical element standards are not met.</li> <li>• Eligibility for individual contribution increases would be determined separately from the pass-fail performance appraisal. (See Table B, section 3.)  <i>Sub-option:</i> Continue to have only one "label" for performance that meets or exceeds standards, but expressly provide that the narrative assessment is a primary factor in placing employees into ranked performance categories for purpose of determining</li> </ul>

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P Performance Management System		
System elements:	Summary description:	
		<p>individual contribution increases.</p> <p><i>Sub-option:</i> Revise the performance appraisal to have two positive rating categories: (1) meets expectations and (2) exceed expectations. Employees in the “exceeds expectations” category would receive an individual contribution increase (ICI) at one of two levels. The amounts of the ICI levels would not be predetermined but would depend on how many employees receive an “exceeds expectations” rating. The top 30% of employees with this rating would be identified through a ranking process. The top 30% would receive an ICI that is a fixed multiple of the ICI received by other employees with an “exceeds expectations” rating. Thus, for example, if 80% of employees received an “exceeds” rating and ICI multiple for top rated employees is 3, then an ICI pay pool of 0.6% of payroll might allow a 1.44% increase for the top 30% of employees with an “exceeds” rating (24% of all employees) and a 0.48% increase for other employees with an “exceeds” rating. On the other hand, if only 60% of employees received an “exceeds” rating, an ICI pay pool of 0.6% of payroll might allow a 1.875% increase for the top 30% (18% of all employees) and a 0.625% increase for other employees with an “exceeds” rating.</p> <p><i>Sub-option:</i> Revise the performance appraisal process to have at least three positive rating categories and use a pay pool and a predetermined share formula that allocates increases among the rating categories based on the distribution of ratings.</p> <p><i>Sub-option:</i> Revise the performance appraisal process to have at least three positive rating categories and directly link an employee’s performance rating to the amount of the individual contribution increase. This would require the forced distribution of performance ratings to manage payroll costs. The rating of employees against standards or expectations would take into account the relative performance of other employees.</p> <p><i>Sub-option:</i> Provide DHS with considerable flexibility in designing a performance appraisal system and its linkage to individual base pay adjustments, subject only to the requirement that components (1) make distinctions in base pay adjustments among employees with acceptable performance ratings and (2) establish appropriate cost controls through either forced distribution of ratings, forced distribution of performance-based pay adjustments, or fixed performance pay pools that use a share formula through which allocations of increases varies based on the distribution of performance ratings. DHS could establish a common, department-wide framework within which all components must operate.</p>
4	Communication vehicles	<ul style="list-style-type: none"> <li>• Managers must be trained and held accountable to provide constant communication to employees regarding performance so that employee deficiencies are addressed promptly, as they arise.</li> <li>• Written individual performance plan to be discussed and signed by both supervisor and employee when issued, at mid-cycle, and after end of appraisal period.</li> <li>• Establishment of improvement plan (usually 30-90 days) when performance falls below expectations.</li> <li>• Employee Performance Folder maintained by supervisor and available for review by employee.</li> </ul>
5	Appeals	<ul style="list-style-type: none"> <li>• Adverse action may be taken after improvement plan does not result in meeting expectations or unsatisfactory job performance is so serious that immediate action is</li> </ul>

**TSA/FAA Modified System [12]**

<b>P</b>		<b>Performance Management System</b>
System elements:		Summary description:
		<p>required without an improvement plan.</p> <ul style="list-style-type: none"> <li>• An employee may appeal a performance rating internally; however, this appeal would be handled under the regular internal grievance procedure except for cases where an employee is denied the general increase or reduced in band level based on the rating. (See sub-options in Table B, section 6, for cases where a performance rating has a base pay consequence. See sub-option in Table C, section 6, for cases where an employee is involuntarily reduced in grade based on performance.)</li> </ul>
6	Evaluation	<ul style="list-style-type: none"> <li>• Collect data on performance rating distribution, appeals and resolution of appeals, etc.</li> <li>• Use employee surveys to collect information on employee views on fairness of the performance management system.</li> <li>• Review a rotating sample of performance plans for alignment with organizational goals and focus on results.</li> </ul>