

Testimony
Before the United States Senate
Committee on Homeland Security and Governmental Affairs
Wednesday September 20, 2006

Critical Mission: Assessing Spiral 1.1 of the National Security Personnel System

**Statement of
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Chairman Collins, Ranking Member Lieberman and Members of the Senate Committee on Homeland Security and Governmental Affairs:

My name is Darryl Perkinson and I am the National President of the Federal Managers Association (FMA), which represents the interests of nearly 200,000 managers, supervisors and executives in the federal government. On behalf of our membership, I would like to thank you for allowing us to express our views regarding the implementation and training program of the National Security Personnel System (NSPS) within the Department of Defense (DOD).

Established in 1913, FMA is the largest and oldest Association of managers and supervisors in the federal government. FMA originally organized within the Department of Defense to represent the interests of civil service managers and supervisors, and has since branched out to include some 35 different federal departments and agencies. We are a non-profit advocacy organization dedicated to promoting excellence in government.

Over the past few months, the Department of Defense has embarked on its historic implementation of a new personnel system positioned to change the face of the federal workforce. Managers and supervisors have undergone training and continue to be brought into the fold in preparation of the enrollment of future waves of employees. Much has happened to bring us to this point. The final regulations released in October 2005 by the largest employer within the federal government signified the biggest change in the culture of federal service in nearly thirty years. Both the House and Senate have held hearings in Washington and as far away as Hawaii to assess the challenges facing the successful implementation of the new system. FMA has proudly represented the interests of managers and supervisors at those hearings and we would like to thank the Committee for inviting us back today.

This hearing represents the sixth time FMA has presented our views before Congress on the NSPS. We have also submitted public comments during the requisite period of time to the Department on the proposed regulations, and have continued to monitor the release of implementing issuances by the Program

Executive Office of the NSPS. We appreciate the role of the many hard working personnel at the Pentagon, OPM and OMB who have toiled diligently to finalize the 10,000-foot view of the system, and continue to flush out the details and nuances of a challenging and complex system. As we said in our initial public comments and testimony previously submitted before this Subcommittee, the implementation details remain elusive to many of those responsible for making the system work. This hearing represents the first time that we will be able to discuss the pending details of the training program, and as you will hear, the challenges that remain in determining those details and putting them into effect. Indeed, we believe many of our initial concerns continue to persist.

DOD entered into the initial wave enrollees ensuring:

- maintenance of current benefits for active duty and retired employees;
- support for travel and subsistence expenses;
- continuation of current leave and work schedules;
- no loss of pay or position for any current employee upon conversion;
- no changes in current overtime policies and practices; and
- merit principles will be maintained, preventing prohibited personnel practices, adherence to current whistleblower protections and honoring and promoting veterans' preference.

We do not see any of these retained benefits waning at this time. We continue to encourage the Department to apply these provisions in its further implementation of the NSPS. In addition, we support the message of the system to institute flexibility, accountability and results in the Department. Indeed, the first round of training indicates a greater comfort level among managers and supervisors with the impending performance review process and leaves managers encouraged that the Department acts in support of these goals.

So far, the implementation process is in its nascent stages. Managers and supervisors have been trained on their rights and responsibilities in the new system, and taught the process for developing performance standards and goals

as part of their overall performance evaluation process. Without a performance review having taken place, it is difficult to give a full assessment of the success or failure of the training. However, the feed back received by FMA members as trainers and trainees remains mostly positive.

THE DEVELOPMENT AND COMMUNICATION PROCESS

The development process for the Department of Homeland Security (DHS) final personnel regulations took two years and a considerable amount of outreach and input from management and employees. Initially, DOD set an expedited larger scale development and implementation for the NSPS than occurred with DHS. Whereas DHS would only have 110,000 employees subject to its new system, DOD was looking at nearly seven times that many employees coming under NSPS and the timeframe for implementation is only slightly longer. Indeed, DHS continues to be faced with set backs and delays leaving it still in the nascent stages of implementation.

We, at FMA, were encouraged to see a scaled back version of the initially ambitious implementation schedule for employees to enroll in the new system. The original plan to enroll the first wave of 65,000 employees into Spiral 1.1 of the new system in January of 2006 and eventually include 300,000 employees by the end of the year seemed unnecessarily fast and left little time for deliberate assessment. We recommended in prior testimony a more thoughtful and reflective process moving forward, and we are pleased to see that it seems to be the case in the revised schedule.

Flexibility is the name of the game in the NSPS, and managers and supervisors are no strangers to the demands of flexibility. Schedules change, goals shift, and missions are uprooted at the drop of a hat. The key to keeping everyone on task and motivated is communication. Leading employees through a difficult transition or period requires more diligent communication than in times of routine. FMA has taken it upon itself to help DOD educate and inform its members on the status and content of the NSPS.

Over the course of the past few years, FMA has engaged the Program Executive Office of the NSPS in helping to communicate their efforts to its members. We have offered space in our quarterly magazine, *The Federal Manager magazine*, written articles in our bi-weekly newsletter, *The Washington Report*, and invited the NSPS representatives to speak at our National Conventions and Mid-Year Conferences. The NSPS Program Executive Officer Mary Lacey has been both accommodating and insightful in using our resources to reach many managers and supervisors across the Department. In fact more than two years ago, we were fortunate to hear from an NSPS representative down the road in Waikiki at our 12th annual Mid-Year Conference. Mary Lacey attended our 68th annual National Convention in Crystal City, VA to discuss pay and compensation within the new system and most recently representatives from the PEO addressed our Mid-Year Conference on collaborative coaching of employees. We cannot thank the PEO enough for attending these events and using us as an educational resource. These efforts have been tremendously appreciated.

In the following years, we believe that management and employee groups should continue to be represented at the table of discussion about changes and assessment of the success of the programs. Allowing our voice at the table helps OPM and DOD understand the perspective of managers in the field and allows us a chance to go back to our membership and explain the reasoning behind decisions being made. While consensus may not always be reached, the act of inclusion into the process ensures greater transparency and accountability from both sides involved. CFR 251 of Title 5 of the U.S. Code stipulates that Agencies must engage in ongoing dialogue with non-union federal employee representative groups. At no other time do we believe this to be more important than now. Our members on the ground both will be subjected to and responsible for bringing these ideas into real working systems. Without their continued feedback on both successes and bumps in the road, there is little confidence that problems will be properly addressed.

As soon as last week, the PEO brought in our National Vice President Jim Mahlmann, our Legislative and Public Affairs Director Thomas Richards, and myself in to discuss rollout of Spiral 2.0 and the inclusion of Federal Wage Grade employees in the new system. This meeting was both informative for us in the options being developed by the PEO for including FWG employees, but also a chance to engage in a constructive dialogue on the challenges and direction of a new personnel system for the unique workforce. We plan to continue in collaboration to provide meaningful input and a thoughtful exchange of ideas.

THE TRAINING AND IMPLEMENTATION PROCESS

As we have stated before, the two key components to the successful implementation of NSPS and any other major personnel reforms across the federal government will be the proper development and funding for training of managers and employees, as well as overall funding of the new system. We have been offered numerous reassurances that the money is there to train managers and employees, but we must continue to reiterate our message of concern and its importance. Madame Chairman, you have been stalwart in your efforts to highlight the necessity of training across government, and we encourage you to continue to be so diligent in promoting training within NSPS. Training of managers and employees on their rights, responsibilities and expectations through a collaborative and transparent process will help to allay concerns and create an environment focused on the mission at hand.

What we have heard from many managers and supervisors going through the training on NSPS is an initial trepidation and reticence on entering into the new system. The concerns over the unknown and the daunting transformations ahead loom over the beginning of many initial training sessions. Not surprisingly these concerns lessen over the course of the training program. In the end, most civilian managers and supervisors have found the training eases concerns and provides confidence that the new system will meet its intended goals of rewarding top performers.

The greatest challenge many of our trainers see is that the military personnel remain concerned about the added workload of a multi-tiered performance rating system that is so different from their own. The current pass/fail system requires much less input from the manager in assessing the competent or incompetent service of the employee. A multi-tiered performance evaluation demands greater time and attention to supervisory duties. Moreover, performance evaluations may need justification before a pay panel in determining the ultimate compensation for an employee based on their performance. This has left many military personnel worried about the impending performance review period and any required justification.

The final regulations outlining the system were released in October 2005 and went into effect 30 days later in November 2005. At that time a training schedule was rolled out that would begin to include employees in the new system starting in January 2006. Those plans were quickly changed, and since January 2006, the NSPS training scheduled has been delayed along with a clear implementation schedule. Managers and supervisors initially prepared to begin their training program on the new system have had their expectations and funds put on hold until a smaller group can be used to test the new system out. We understand this is in an effort to avoid problems on a larger scale, and we support this course of action and ongoing assessment and analysis of the system.

Slowly but surely, supervisors and managers are being brought into the training process of the new system through soft skills workshops, computer based training, and in many cases classroom based training. The initial training programs are addressing many of the initial concerns managers and supervisors have of their performance and evaluations, but we must stress the need for continuing training as further evaluation and assessment comes in from the field. The Federal Wage Grade (FWG) employees will present an even greater challenge to the DOD for training and implementation. The PEO invited us to join them in determining the best method to address those issues affecting the FWG employees, and we are pleased to offer our thoughts.

Managers have been given additional authorities under the final regulations in the areas of performance review and “pay-for-performance”. We must keep in mind that managers will also be reviewed on their performance, and hopefully compensated accordingly. A manager or supervisor cannot effectively assign duties to an employee, track, review and rate performance, and then designate compensation for that employee without proper training. Further, the added responsibility of a reviewee to tout their performance could lead to less gregarious employees receiving lower ratings. This too must be addressed in the training system.

If there is not a proper training system in place and budgets that allow for adequate training, the system is doomed to failure from the start. The better we equip managers to supervise their workforce, the more likely we are to ensure the accountability of the new system – and the stronger the likelihood that managers will be able to carry out their non-supervisory responsibilities in support of the Department’s critical mission.

For employees, they will now be subject in a much more direct way to their manager’s objective determination of their performance. Employees would be justified in having concerns about their manager’s perception of their work product in any performance review if they felt that the manager was not adequately trained to be objective and accurate in their review and assessment. Conversely, if employees have not been properly trained on their rights, responsibilities and expectations under the new human resources requirements, they are more apt to misunderstand the appraisal process. This contradiction does not create the environment of performance based pay and results oriented productivity. Rather, it creates an environment of mistrust and conflict in opposition to the intended efforts of the proposed regulations. We believe that these issues can be effectively addressed through initial and ongoing training.

Our message is this: as managers and supervisors, we cannot do this alone. Collaboration between manager and employee must be encouraged in order to debunk myths and create the performance and results oriented culture that is so

desired by the final regulations. Training is the first step in opening the door to such a deliberate and massive change in the way the government manages its human capital assets. We need the support of the Department's leadership, from the Secretary on down, in stressing that training across the board is a top priority. We also need the consistent oversight and input of Congress to ensure that both employees and managers are receiving the proper levels of training in order to do their jobs most effectively.

So far, we have not heard any difficulties of employees or managers being short on training dollars for the NSPS, but we caution that ongoing training and proper funding are essential to the systems success. In fact, we have been made aware that those managers and supervisors initially trained in Spiral 1.1 will be required to have yearly training to keep them up-to-date on any modifications to the system and ensure his/her proper understanding and application of the policies.

PAY FOR PERFORMANCE

While we understand this hearing is primarily to discuss the initial round of implementation of the new system, we believe there remain concerns with the proper funding of the new pay-for-performance system and the adequate compensation of employees based on their review. There has been much discussion about the creation of a pay-for-performance system at both DOD and DHS. We believe that a deliberate process that takes into account both an internal and independent review mechanism for the implementation of a pay-for-performance system is crucial to its success at DOD and elsewhere in the federal government.

The replacement of the standard General Schedule pay system with a proposed pay banding system creates a devastating problem should insufficient funds be appropriated by Congress. As it stands, the regulations will have employees competing with one another for the same pool of money, all of which is based on their performance review. If this pool of money is inadequate, the

performance of some deserving federal employees will go unrecognized, causing the new system to fail in meeting its objective, in addition to creating dissension in the workplace. In short, the integrity of “pay-for-performance” will be severely hindered if ALL high performers are not rewarded accordingly. We believe that DOD should continue to allocate at least the annual average pay raise that is authorized and appropriated by Congress for General Schedule employees to DOD employees who are “fully successful” (or the equivalent rating), in addition to other rewards based on “outstanding” performance (or equivalent rating).

There is an increased emphasis in the final regulations on basing general pay for employees on the local job market. This is certainly a step in the right direction of closing the pay gap between federal civilian employees and their private sector counterparts. However, we believe that these provisions should be expanded on to establish multiple locality market supplements to prospective pay adjustments, and require clear compelling criteria for the establishment of additional locality market supplements. Furthermore, the supplements should contain implementing issuances that require a balance of human resources interoperability with mission requirements.

The performance appraisal process is key to this new personnel system. The review determines the employee’s pay raise, promotion, demotion or dismissal in a far more uninhibited way than is currently established in the General Schedule. We support the premise of holding federal employees accountable for performing their jobs effectively and efficiently. More specifically, the removal of a pass/fail performance rating system is a step in the right direction.

We are concerned, however, that within any review system there must be a uniform approach that takes into account the clear goals and expectations of an employee and a system that accurately measures the performance of that employee, with as little subjectivity on the manager’s part as possible. As such, it is essential that within the review process, the methodology for assessment is unmistakable and objective in order to reduce the negative effects of an overly critical or overly lenient manager. The most important component in ensuring a

uniform and accepted approach is proper training, and funding thereof, that will generate performance reviews reflective of employee performance. We would like to submit the following necessary elements for executing a pay-for-performance system that has a chance to succeed:

- adequate funding of “performance funds” for managers to appropriately reward employees based on performance;
- a transparent process that holds both the employee being reviewed and the manager making the decision accountable for performance as well as pay linked to that performance;
- a well-conceived training program that is funded properly and reviewed by an independent body (we recommend the Government Accountability Office as an auditor), which clearly lays out the expectations and guidelines for both managers and employees regarding the performance appraisal process.

While we need training and training dollars, we should allocate those funds towards a program that takes into account all agencies within DOD. If we are to empower managers with the responsibility and accountability of making challenging performance-based decisions, we must arm them with the tools to do so successfully. Without proper funding of “performance funds” and training, we will be back where we started – with a fiscally restricted HR system that handcuffs managers in the equitable distribution of limited dollars.

CONCLUSION

For most of the managers, supervisors and employees expected to enroll in the new system, they remain reticent about the new system. Education and training are easing many concerns and providing initial calm to anxious managers and supervisors. Four and a half months into the new system, this is encouraging, but we have a long way to go. No performance evaluations have occurred and no determination of compensation based on a review has been allocated. We believe larger issues will begin to arise as we trudge deeper into the new system.

We at FMA cannot stress enough the need to take a cautious and deliberate path for implementing the final system. We have yet to go through a full review and compensation period, so much needs to be determined. We recommend continued collaboration with management and employee groups as well as independent review and auditing by the Government Accountability Office, with the oversight of Congress. Through these checks and balances, we are hopeful that a set of guiding principles will emerge to assist other agencies in their expected personnel reform efforts.

Thank you again, Ms. Chairman, for the opportunity to testify before your Subcommittee, and for your time and attention to this important matter. Should you need any additional feedback or questions, we would be glad to offer our assistance.