

**Statement of
The Honorable Linda M. Springer
Director
Office of Personnel Management**

before the

**Committee on Homeland Security and Governmental Affairs
United States Senate**

on

**“From Proposed to Final:
Evaluating Regulations for the National Security Personnel System”**

November 17, 2005

Madam Chairman and Members of the Committee:

I am pleased to be here this morning to discuss the development of final regulations establishing the National Security Personnel System (NSPS) at the Department of Defense (DOD) and the continuing role of the Office of Personnel Management (OPM) in the implementation of the NSPS.

Our collaboration with the Department truly has been a joint effort, with many months of hard work by both agencies. I must thank Secretary England and Secretary Rumsfeld for their leadership throughout this undertaking. They helped to foster and encourage the necessary cooperation between our agencies at all levels.

I also want to thank Chairman McPhie of the Merit Systems Protection Board and Chairwoman Cabaniss of the Federal Labor Relations Authority for their cooperation, their valuable insight and helpful suggestions. Having their timely reviews of our proposals was important in keeping the process moving ahead.

In the course of this effort, we learned about the special needs of DOD in fulfilling its national security mission. This is invaluable experience for a central management agency in better understanding some of the shortcomings and trade-offs inherent to standardized, uniform rulemaking. As a result, I believe OPM is better positioned to share with other Federal agencies the insights we gained from this experience.

And I would be remiss if I did not express my gratitude to Chairmen Collins and Voinovich and Senators Lieberman and Akaka for your continued interest and involvement. Your ongoing attention has helped to ensure that as we create a contemporary and flexible human resources system for the Department we do not compromise merit system principles, veterans' preference and other special protections extended to employees in their service to the public.

Outreach and open communications

From the outset of our involvement in the NSPS effort, OPM has been interested in using an open and inclusive process to develop the regulations. We joined DOD in reaching out to a broad community of interests – managers and employees, DOD unions, members of Congress and staff, veterans' groups, public interest groups, and other Federal agencies.

Before regulations for the NSPS were even proposed, we met extensively with labor organizations representing DOD employees to share the concepts and ideas that were under consideration. We shared broad policy options with the unions, before they were narrowed to decision options, in order to solicit their views early in the decision-making process.

The Department embarked on extensive Town Hall meetings with its employees, a workforce dispersed literally around the world. They held over 100 focus groups with bargaining and non-bargaining unit employees, with representative groups of managers and supervisors, and with various subsets of human resources (HR) practitioners, and labor and employee relations specialists.

From the initial development of the system to publication of the proposed regulations, we kept the lines of communication open with all the constituencies of interest. When the NSPS proposal was published we received over 58,000 public comments that were systematically analyzed and given consideration when finalizing the regulations. We held intensive in-depth meetings with DOD unions for nearly 2 months, longer than the statute required. We held numerous meetings and briefings with Congressional staff; we met with veterans' groups, public interest groups, and other stakeholders.

Throughout the process the NSPS website kept the workforce and the general public informed of the latest developments, and provided details and tutorials on new concepts being considered. Through the website employees and other interested parties were given the

opportunity to send in comments and raise questions, and the Department effectively maintained an open dialogue by publishing responses to frequently asked questions.

These multiple sources of input were of great benefit as OPM and DOD crafted the final changes to the proposed NSPS.

OPM's Role

The NSPS authorizing statute called for the creation of a contemporary and flexible system to support the DOD mission. The primary purpose of any modern human resource system is to enhance the organization's ability to accomplish its mission. Putting "mission first" is a fundamental guiding principle inherent in our design of the NSPS. This principle recognizes the need for the Department's new HR system to be responsive to an ever-changing environment.

OPM's role in the partnership with DOD was to balance the "mission first" requirement with the needs of its workforce. It is, after all, the people in Government who make Government work.

The recognition that public service is deserving of special considerations is a concept that evolved over our nation's history, at times through bitter lessons. While some aspects of the current civil service system must change, other core values are essential to ensure that Government continues to serve all the people, not narrow special interests, and that the system remains protected against corruption. The Government's HR system must promote

fairness and transparency, and guarantee equal access for all. These core values of the civil service will endure; they will not change.

In modernizing the HR system for DOD, we made sure these core values are sustained and that the protections of the civil service extend to the employees covered by the NSPS. Thus the NSPS not only guards against prohibited personnel practices, it protects whistleblowers from recriminations, it maintains all the safeguards against discrimination, it fully ensures employee rights to due process and maintains their right to representation and to bargain collectively. Finally, the NSPS honors and promotes veterans' preference, a privilege earned by our men and women in uniform through personal sacrifice.

NSPS – a contemporary and flexible HR system

The enabling legislation also seeks to ensure that as the NSPS supports DOD's mission it does so with a pay-for-performance system that meets a number of objectives desirable of any modern contemporary HR system. In the recently published final regulations I believe we have accomplished these objectives.

NSPS is a contemporary HR system in that it promotes accountability at all levels of DOD through a performance management system linked to agency mission that promotes excellence and rewards achievement.

NSPS is contemporary with its streamlined staffing processes, simplified rules, and workforce shaping provisions that serve mission needs – putting the right person, in the right place, at the right time.

NSPS is contemporary with a compensation architecture that is based on market sensitive means to pay setting and adjustment that recognizes and rewards performance.

NSPS is flexible in its ability to respond to the dictates of competition for talent in the Nation’s labor pool.

NSPS is flexible in allowing the Department greater latitude to make changes in support of its evolving mission priorities.

Together with DOD we blended these features into NSPS while fully preserving the due process rights of employees.

Together with DOD we achieved a balance of employees’ right to representation and to bargain collectively with the “mission first” requirements of the Department – a very special mission – the security of our nation.

DOD’s invaluable experience with HR innovation

Many of the concepts and critical elements designed into the NSPS came from previously tried and tested ideas. While we recognized the authority granted in the legislation to

consider truly innovative approaches in crafting the NSPS we were mindful of the challenges inherent in transforming an organization of the magnitude of the Department of Defense. To mitigate the risks in a transformation of this size, we turned to many of the ideas tested within the Department itself.

DOD has long been a key laboratory for testing and evaluating new concepts in Federal HR management. The Department has over two decades of experience developing and implementing demonstration projects and alternative personnel systems. Over the years, 45,000 DOD employees have been covered under various alternative personnel systems. Some of these concepts, such as crafting career paths using occupational groups and pay bands, have already been adopted by other agencies.

Many lessons learned from these experiences were adapted to the NSPS. Many of these lessons were documented by OPM, and we were pleased to discuss this at the recent hearing on alternative personnel systems conducted by Chairman Voinovich.

Next Phase – Implementation

We are as anxious for DOD to succeed as they are. There is no question that implementation of the NSPS is a large undertaking. After all, with over 700,000 civilian employees the Department comprises nearly 40 percent of Federal employees. But, in light of DOD's years of experience with the concepts adopted by the NSPS, we are confident the Department will succeed in the implementation of the system. Many of the elements necessary for success are already in place – advanced planning, sound program management, and training for all.

From the Department's strategic pause early last year to the current stage of development we have followed a well-executed "acquisition" plan. The program management team that developed the regulatory construct of the NSPS is expanding to encompass project management teams in various components and commands of the Department to cover detailed aspects of the implementation. NSPS will be rolled out in stages or "spirals" over several years, giving DOD the opportunity to make adjustments in its implementation strategy.

Training is important; it is the ultimate key to success. Here, again, DOD is well versed in developing training strategies and training methodology; they do it routinely and they do it well through a robust existing training infrastructure. Furthermore they are uniquely situated, under current precepts, in being able to draw on the in-house expertise they developed during the implementation of previous alternative personnel systems.

OPM will support the Department in every way to make sure that the phasing in of NSPS proceeds smoothly during the coming years.

Quality Assurance and Oversight

While we are enthusiastic and supportive of DOD, we are nevertheless mindful of our broader responsibilities as the central HR management agency of the Federal Government. Even as we remain partners with the Department in this endeavor, we have a dual role to provide both quality assurance in the exercise of the flexibilities the Department acquires in

the NSPS and continued oversight in adherence to merit principles and the core values of the civil service. Accordingly, we stipulated in the regulations a list of specific matters that are subject to continued coordination between us in areas such as classification, establishing qualification standards, creating new appointing authorities, and in setting and adjusting pay, just to cite some examples. The complete list is found in section 105 of the NSPS regulations.

This stipulated coordination will provide quality assurance for the Department in providing external input as the NSPS evolves, and it will afford OPM the opportunity to maintain a balance in these important areas against practices in the rest of Government.

Further, the statute restricts initial coverage of the NSPS to no more than 300,000 Department employees. Before coverage can be expanded beyond this limit DOD is required to certify that the pay-for-performance system meets the requirements established in the legislation. NSPS regulations require the Department to coordinate this certification with OPM.

OPM's role as guarantors of the Merit System will continue. We maintain our oversight responsibilities and we will participate in the program evaluation of the NSPS. The evaluation of the NSPS has been expressly stipulated in the regulations.

I believe we have achieved the right balance between the flexibility for DOD to manage its human resources and the role of OPM in maintaining government wide policy that protects the merit system principles inherent to public service.

Close and a Look Forward

Our partnership with DOD has provided OPM with valuable experience in synchronizing HR management with operational mission requirements in the agencies. We have learned first hand what aspects of our current HR system may not suit the needs of all agencies. We have a better appreciation of the need by Government agencies for greater flexibility in today's environment.

We are ready to share this experience with other Government agencies. The upgrades and flexibility gained by the Department of Defense in managing human resources will be sought by other Cabinet agencies. The rest of Government is watching and waiting for their turn. We stand ready to help them, and I know the Congress will continue to be attentive to these challenges as well.

That concludes my remarks. I would be pleased to respond to any questions the Committee may have.