



Friday
May 2, 1997

Part IV

**Office of Personnel
Management**

Proposed Demonstration Project;
Alternative Personnel Management
System for the U.S. Department of
Commerce; Notice

**OFFICE OF PERSONNEL
MANAGEMENT**
**Proposed Demonstration Project;
Alternative Personnel Management
System for the U.S. Department of
Commerce**

AGENCY: Office of Personnel Management.

ACTION: Notice of a proposed demonstration project plan.

SUMMARY: Title VI of the Civil Service Reform Act, now codified in 5 U.S.C. Chapter 47, authorizes the Office of Personnel Management (OPM) to conduct demonstration projects that experiment with new and different human resources management concepts to determine whether changes in human resources policy or procedures result in improved Federal human resources management. This demonstration project is designed to replicate many of the features of the National Institute of Standards and Technology (NIST) demonstration project created by Congress pursuant to the National Bureau of Standards Authorization Act for Fiscal Year 1987 (Pub. L. 99-574). This project will cover portions of five Department of Commerce organizations:

- (1) Office of the Secretary
 - Office of the Chief Financial Officer and Assistant Secretary for Administration
 - Office of the General Counsel
- (2) Technology Administration
 - Office of the Under Secretary
 - Office of Technology Policy
- (3) Economics and Statistics Administration
 - Bureau of Economic Analysis
- (4) National Telecommunications and Information Administration
 - Institute for Telecommunications Sciences
- (5) National Oceanic and Atmospheric Administration
 - Portions of the Office of Oceanic and Atmospheric Research
 - Portions of the National Environmental Satellite, Data, and Information Service
 - Portions of the National Marine Fisheries Service.

DATES: To be considered, written comments must be submitted on or before July 10, 1997. Public hearings have been scheduled as follows:

1. Monday, June 9, 1997, 2:00 p.m., in Washington, DC.
2. Monday, June 16, 1997, 10:00 a.m., in Boulder, Colorado.
3. Tuesday, June 17, 1997, 10:00 a.m., in Portland, Oregon.
4. Wednesday, June 18, 1997, 10:00 a.m., in Juneau, Alaska.

5. Thursday, June 26, 1997, 10:00 a.m., in Asheville, North Carolina.

At the time of the hearings, interested persons or organizations may present their written or oral comments on the proposed demonstration project. The hearings will be informal. However, anyone wishing to testify should contact the person listed under **FOR FURTHER INFORMATION CONTACT**, and state the hearing location, so that OPM can plan the hearings and provide sufficient time for all interested persons and organizations to be heard. Priority will be given to those on the schedule, with others speaking in any remaining available time. Each speaker's presentation will be limited to ten minutes. Written comments may be submitted to supplement oral testimony during the public comment period.

ADDRESSES: Comments may be mailed to Judith B. White, U.S. Office of Personnel Management, 1900 E Street, NW., Room 7460, Washington, DC 20415; public hearings will be held at the following locations:

1. Washington—Herbert C. Hoover Building Auditorium, 14th & C Streets, NW., Washington, DC 20230;
2. Boulder—Research Laboratory Building #3, 3100 Marine Street, Room 620, Boulder, Colorado;
3. Portland—Portland Convention Center, 300 Northeast Multnomah Street, Portland, Oregon 97233;
4. Juneau—709 West 9th Street, Room 45C, Juneau, Alaska 99802; and
5. Asheville—Veech-Bailey Federal Complex, 151 Patton Avenue, Room 5000, Asheville, North Carolina 28801.

FOR FURTHER INFORMATION CONTACT: (1) On the proposed demonstration project: Darlene F. Haywood at the U.S. Department of Commerce, 1400 Constitution Avenue, NW., Room 5004, Washington, DC 20230, 202-482-3620; (2) On the proposed demonstration project and public hearings: Judith B. White, U.S. Office of Personnel Management, 1900 E Street, NW., Room 7460, Washington, DC 20415, 202-606-1526.

SUPPLEMENTARY INFORMATION: The goals of this demonstration project are to improve workforce performance and promote mission accomplishment by improving the quality of new hires, motivating supervisors and employees, retaining good performers, making line managers more responsible and accountable for human resources management, and improving the

effectiveness and efficiency of human resources systems.

James B. King,
Director.

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I. Executive Summary

This project was designed by the Department of Commerce (DoC) with participation and review by the Office of Personnel Management (OPM). The demonstration project will pursue several key objectives of the National Performance Review: to simplify the current classification system for greater flexibility in classifying work and paying employees; to establish a performance management and rewards system for improving individual and organizational performance; and to improve recruiting and examining to attract highly qualified candidates and get new hires aboard faster. The duration of the project will be 5 years, except that the project may be extended by OPM if further testing and evaluation are warranted.

The proposed project will test whether the interventions of the NIST project can be successful in other environments. Other reasons for testing the NIST interventions in the Department are: (1) all of the diverse operating units in the proposed coverage are within the same Department, the U.S. Department of Commerce, which is also the parent

agency of NIST; (2) several of the operating units in the proposed coverage have served for eight years as comparison sites for the NIST project; and (3) during the implementation and operation of the NIST project, DoC and NIST staff worked closely with the U.S. Department of Agriculture's National Finance Center (NFC), which provides personnel and payroll computing and database services to all of DoC including NIST and the units proposed for the new project.

II. Introduction

A. Purpose

The purpose of the proposed project is to strengthen the contribution of human resources management in helping to achieve the missions of specific operating units of the Department of Commerce. The project conducted by NIST successfully demonstrated that certain innovative changes could improve human resources management in the NIST environment. The proposed project will test whether these same innovations will produce similarly successful results in other environments.

B. Problems With the Present System

The Department of Commerce encourages, serves, and promotes the Nation's international trade, economic growth, and technological advancement. Within this framework, and in the interest of promoting the national interest through the encouragement of the competitive free enterprise system, the Department provides a wide variety of programs, some of which are included in the proposed coverage of the project.

The current system has three major impediments to a manager's ability to effectively manage human resources and shape the workforce: hiring restrictions and an overly complex job classification system, coupled with poor tools for rewarding and motivating employees and a system that does not assist managers in removing poor performers, build stagnation in the workforce and waste valuable time.

C. Changes Required/Expected Benefits

The innovations of the project and their objectives are:

1. Classification

Career paths will replace occupational groups, broad bands will replace grades, and Departmental broad-band standards will replace OPM classification standards. The classification system will be automated and classification authority will be delegated to line managers.

These changes are intended to simplify and speed up the classification process, make the process more serviceable and understandable, improve the effectiveness of classification decision-making and accountability, and facilitate pay for performance.

Broad bands provide larger classification targets that can be defined by shorter, simpler, and more understandable classification standards. This simpler system will be easier to automate, will require fewer resources to operate, and will facilitate delegation to line managers.

By providing broader and more flexible pay ranges for setting entry pay, broad banding will provide hiring officials with an important tool for attracting high-quality candidates and thus contribute to the objective of increasing the quality of new hires.

By providing more flexible pay setting based on performance, broad banding will give managers the ability to increase the pay of good performers to higher and more competitive levels, thus improving the retention of good performers. At the same time, the potential for higher pay increases for good performance, supported by the broader pay ranges of broad banding, will contribute to the objective of improving organizational and individual performance.

2. Staffing

Staffing methods will include two that were implemented in the NIST Demonstration Project and which are now available to all agencies through examining authority delegated by OPM. For the sake of simplification and to parallel the NIST Demonstration Project, they are retained with the same titles under the Department of Commerce Demonstration Project: Direct Examination and Agency Based Staffing. In addition, there will be placements under Merit Assignment and various noncompetitive appointing authorities. OPM registers will not be used, but positions in occupations covered by the *Luevano* Consent Decree (Administrative Careers with America or successor programs) will be filled using OPM guidance. Other supplemental staffing tools will include such elements as paid advertising, flexible entry salaries, probation, local authority for recruiting and retention payments, and more flexible pay increases associated with promotion.

These changes are intended to attract high-quality candidates, speed up the recruiting and examining process, increase the effectiveness of the probationary review process, and

increase the retention of good performers.

Agency-based staffing, supported by paid advertising, will allow hiring officials to focus on more relevant recruiting sources. Direct examination will allow managers to hire individuals with shortage skills as they find them, get them on board faster, and avoid the loss of good candidates who may grow impatient with a long hiring process, thus contributing to the objectives of increased quality of new hires and better fit between position requirements and candidate skills.

The three-year probationary period will help ensure that scientists and engineers who are retained beyond probation are capable of carrying out the full cycle of research and development (R&D) work, thus contributing to the objectives of high-quality hires and a high-performing workforce. Local authority for recruiting and retention payments will provide extra incentives for hiring and retaining individuals with shortage skills, thus contributing to the objectives of increasing the quality of new hires, improving the fit between position requirements and individual qualifications, and improving the retention of good performers.

3. Pay

The most important change in pay administration is the introduction of pay for performance, which will govern individual pay progression within bands. Funds currently applied to within-grade increases, quality step increases, and promotions from one grade to a higher grade when both grades are now in the same band, will be used instead to grant performance-based pay increases within bands. The amount of the basic pay and locality pay increases approved by Congress and the President, however, will continue to be applied to pay schedules and to the salaries of employees with acceptable performance. Other pay tools are supervisory pay differentials, flexible pay setting for new hires, and more flexible pay setting upon promotion.

Pay for performance promotes fairness through the peer ranking process and provides a motivational tool and a retention tool. As a motivational tool, the promise of higher pay increases for good performance encourages high achievement. As a retention tool, pay for performance allows the organization to quickly move the salaries of good performers to levels that are more competitive in the labor market.

Supervisory pay differentials provide a performance incentive for supervisors, addressing the objective of improved individual and organizational

performance. Supervisory pay differentials also address the objective of improving retention by raising the pay of high-performing supervisors to more competitive levels.

Flexible pay setting for new hires is a recruiting tool that gives hiring officials greater flexibility to offer more competitive salaries to high-quality candidates, addressing the objective of improving the quality of new hires. The greater flexibility in setting pay upon promotion gives managers another retention tool to help retain top performers.

4. Performance Appraisal

The new system replaces the current five-level rating system with a two-level rating system, using *Unsatisfactory* and *Eligible* labels. (*Unsatisfactory* is equivalent to *Unacceptable*, as used in Part 430 of Title 5, Code of Federal Regulations.) The most important feature of the proposed performance appraisal system is that it is based on the application of a weighted 100-point scoring system linked to pay for performance. As in the current system, each employee has an individual performance plan composed of several performance elements (all of which are critical elements) that are measured with the 100-point scoring system in conjunction with the application of benchmark performance standards. Based on the resulting total scores, supervisors rank employees by performance within peer groups and grant performance pay increases according to the ranking. Bonuses are granted at the discretion of the supervisor and are not tied to the rating. Highly ranked employees within a peer group receive relatively high pay increases and lower ranked employees receive relatively lower pay increases.

The performance appraisal process is intended to (1) promote good performance; (2) encourage a continuing dialogue between supervisors and employees on organizational objectives, supervisory expectations, employee performance, employee needs for assistance and guidance, and employee development; and (3) provide a basis for performance-related decisions in employee development, pay, rewards, assignment, promotion, and retention. The system will more effectively communicate to employees how they are performing in relation to their peers, the rewards of good performance, and the consequences of poor performance.

Performance-based pay increases give an operating unit the ability to raise the pay of good performers more rapidly, thus improving retention of good performers. The potential for higher pay

increases for good performance will encourage achievement and promote the objective of improved individual and organizational performance.

5. Performance Bonuses

In accordance with 5 CFR Part 451, at the end of the annual performance period, Rating Officials, with the approval of Pay Pool Managers, will have the opportunity to reward employee performance with bonuses up to \$10,000. Bonuses address two objectives. First, rewarding achievement will make high achievers more likely to remain, thus improving retention of the best performers. Second, the potential for bonuses for achievement will encourage improved individual performance.

6. More Efficient Systems

The Department will improve the efficiency of human resource systems by streamlining procedures, reducing paperwork, and automating processes wherever possible.

7. Line Management Authority

The operating units will delegate greater authority and accountability to line managers. This delegation is intended to improve the effectiveness of human resources management by strengthening the role of line managers as the human resources managers of their units. The project will be managed by the Departmental Personnel Management Board (DPMB), chaired by the Deputy Director of NIST, now the DoC Acting Chief Financial Officer/ Assistant Secretary for Administration. Each major operating unit will have its own Operational Personnel Management Board (OPMB) to oversee local operations. (See the section on *Project Management*.)

D. Participating Organizations

The Department of Commerce encourages, serves, and promotes the Nation's international trade, economic growth, and technological advancement. Within this framework, and in the interests of promoting the national interest through the encouragement of the competitive free enterprise system, the Department provides a wide variety of programs, some of which are included in the proposed coverage:

OFFICE OF THE CHIEF FINANCIAL OFFICER AND ASSISTANT SECRETARY FOR ADMINISTRATION (CFO/ASA), OFFICE OF THE SECRETARY

The Office of the CFO/ASA is responsible for Departmental policy and operations dealing with financial

management, budget, organizational planning and development, telecommunications, information policy and planning, civil rights, human resources management, facilities and property management, transportation, security, and acquisition. This coverage provides an application of project systems to positions dealing with administrative policy setting for a large and diverse Federal executive agency, an arena never before addressed by broad banding principles. It also covers the DoC Office of Human Resources Management (OHRM), which will provide HRM expertise for the proposed project. The DoC Director of Human Resources Management will be a member of the Departmental Personnel Management Board and will provide staff resources for the project. All units of the Office of the CFO/ASA are located at the DoC headquarters building in Washington, D.C.

The work of the organization is reflected in the following key occupations: Computer Specialist; Management Analyst; General Administration; Budget Analyst; Personnel Management Specialist; Accountant; Contracts Specialist; General Business Specialist; and Security Officer.

OFFICE OF THE GENERAL COUNSEL (OGC), OFFICE OF THE SECRETARY

The OGC is responsible for providing legal services for the Department. It prepares or examines for legal form and effect all orders, rules, and regulations issued by the Department and all legal instruments entered into by the Department. It appears on behalf of the Department before tribunals and courts. It prepares or reviews all legislative proposals. This coverage provides an application of project systems to positions dealing with legal services for a large and diverse Federal executive agency, an arena never before addressed by broad banding principles. All units of the OGC are located in DoC headquarters in the Washington metropolitan area.

The key occupations are Attorney, Paralegal Specialist, and Intelligence Operations Specialist.

OFFICE OF THE UNDER SECRETARY, TECHNOLOGY ADMINISTRATION (TA)

The Technology Administration, which oversees NIST and the National Technical Information Service (NTIS), was established by Congress in 1988 as the premier technology agency working with U.S. industry in improving competitiveness and increasing the impact of technology on economic

growth. The TA coverage would include only the Office of the Under Secretary for Technology Administration and the Office of Technology Policy. This coverage would be an opportunity to apply broad banding principles to a policy, planning, and development environment dealing with issues vital to the future of the U.S. economy as it is affected by technology. All TA offices in the proposed coverage are located at the DoC headquarters building in Washington, D.C.

The key occupations are: General Administration; Management Analyst; and General Business Specialist.

BUREAU OF ECONOMIC ANALYSIS (BEA), ECONOMICS AND STATISTICS ADMINISTRATION

BEA is responsible for providing a current picture of the U.S. economy through the preparation, development, and interpretation of the national income and product accounts showing the gross domestic product, business and other components of the national wealth accounts, industrial market interrelationships traced by the input-output accounts, and other accounts showing such economic indicators as personal income, foreign investment, and balance of payments. The bureau also develops surveys and other tools for analyzing and forecasting economic developments. This coverage provides a test of the NIST system in an environment that uses economists and accountants as analysts, reporters, and forecasters. BEA is located at 1441 L Street, NW., Washington, DC.

The economic analysis work of the organization is reflected in the following key occupations: Economist; Accountant; Financial Administrator; Computer Specialist; Statistician; and Statistical Assistant.

INSTITUTE FOR TELECOMMUNICATION SCIENCES (ITS), NATIONAL TELECOMMUNICATIONS AND INFORMATION ADMINISTRATION

ITS is a major component of the National Telecommunications and Information Administration (NTIA). ITS is the principal Federal telecommunications research and engineering laboratory. The Institute conducts telecommunications research in support of NTIA's responsibilities in advising the President on telecommunications and information policy; developing U.S. plans and policies in international forums; and developing policy for Federal use of the radio frequency spectrum. This application will test how well the NIST interventions work in an R&D

environment quite different from the NIST environment. ITS is located in Boulder, Colorado.

The ITS R&D work is carried out primarily by Electronics Engineers, with help from Mathematicians.

The remaining units are subunits of the National Oceanic and Atmospheric Administration (NOAA):

OFFICE OF OCEANIC AND ATMOSPHERIC RESEARCH (OAR)

OAR is the primary research and development unit of NOAA. OAR provides the science and technology to support improvements in NOAA services and address current and future problems. OAR conducts research programs in coastal, marine, atmospheric, and space sciences through its own laboratories and offices, as well as through networks of university-based programs. The work consists of research, modeling, and environmental observations relating to weather, climate, and environmental resources. The laboratory component of OAR is the Environmental Research Laboratories (ERL). ERL includes research laboratories in space environment, aeronomy, environmental technology, weather forecast systems, climate monitoring and diagnostics, severe storms, air resources, oceanography, and geophysical fluid dynamics. This diversity provides a rich new R&D environment for the testing of broad banding principles. OAR and ERL headquarters are located in Silver Spring, Maryland. All ERL laboratories will be included in the project, except the Great Lakes Environmental Research Laboratory (Ann Arbor, MI), the Geophysical Fluid Dynamics Laboratory (Princeton, NJ), and the Pacific Marine Environmental Laboratory (Seattle, WA). The project laboratories are:

Aeronomy Lab—Boulder, CO
 Atlantic Oceanographic and Meteorology Lab—Miami, FL
 Air Resources Lab—Silver Spring, MD
 Climate Diagnostic Center—Boulder, CO
 Climate Monitoring and Diagnostics Lab—Boulder, CO
 Environmental Technology Lab—Boulder, CO
 Forecast Systems Lab—Boulder, CO
 Geophysical Fluid Dynamics Lab—Princeton, NJ
 National Severe Storms Lab—Norman, OK
 Pacific Marine Environmental Lab—Seattle, WA
 Space Environmental Lab—Boulder, CO
 The dominant occupation within OAR is Meteorologist. Other key occupations are Physical Scientist, Physicist, Electronics Engineer, Computer

Specialist, Electronics Technician, Physical Science Technician, and Mathematician.

NATIONAL ENVIRONMENTAL SATELLITE, DATA, AND INFORMATION SERVICE (NESDIS)

NESDIS operates NOAA's satellites and ground facilities; collects, processes, and distributes remotely sensed data; conducts studies, plans new systems, and carries out the engineering required to develop and implement new or modified satellite systems; carries out research and development on satellite products and services; provides ocean data management and services to researchers and other users; and acquires, stores, and disseminates worldwide data related to solid earth geophysics, solar-terrestrial physics, and marine geology and geophysics. NESDIS provides both a technical operations environment and a new R&D environment for testing the NIST interventions. NESDIS headquarters and most of its offices are located in Suitland, Maryland. Ground stations are located at Wallops Island, Virginia, and Fairbanks, Alaska. The National Climatic Data Center is located in Asheville, North Carolina. All of NESDIS will be included in the project, except for the Wallops Island ground station.

The key occupations within NESDIS are Physical Scientist, Meteorologist, Computer Specialist, Oceanographer, Physical Science Technician, Meteorological Technician, Electronics Engineer, Engineering Technician, Geophysicist, and Mathematician.

NATIONAL MARINE FISHERIES SERVICE (NMFS)

The mission of the National Marine Fisheries Service is the stewardship of living marine resources for the benefit of the Nation through their science-based conservation and management and promotion of the health of their environment. NMFS supports domestic and international conservation and management of living marine resources. The goals of NMFS are to rebuild and maintain sustainable fisheries, to promote the recovery of protected species, and to protect and maintain the health of coastal marine habitats. NMFS brings in a variety of work in the biological sciences never before addressed by broad banding principles.

In addition to the headquarters office in Silver Spring, Maryland, there are five regions, each of which consists of a Regional Office and a Fisheries Science Center. The regional offices are located in the following areas: Northeast (Gloucester, Massachusetts); Southeast

(St. Petersburg, Florida); Northwest (Seattle, Washington); Southwest (Long Beach, California); and Alaska (Juneau). All the above units of NMFS would be included in the project except for the following: in Headquarters, the Office of Enforcement and the Inspection Services Division; and in the regions, the Fisheries Science Centers located in Woods Hole, Massachusetts; Miami, Florida; Seattle, Washington; La Jolla, California; and the Alaska Center located in Seattle, Washington.

NMFS is supported mainly by occupations in the biological sciences: Fish Biologist, Biologist, Microbiologist, and Biology Technician. Other important occupations are Chemist, Oceanographer, Wildlife Biologist, Computer Specialist, and General Business Specialist.

E. Participating Employees

The project covers all positions that would otherwise be in the General Schedule (GS) system. Wage Grade positions are not included.

Table 1 shows the total number of employees in each operating unit to be covered by the project. Table 2 lists the occupational series in which current positions are classified and shows the number of employees in each series. The OPM occupational series will be retained. The series are listed under the career path in which they will be placed. (See *Position Classification* for definitions of the four career paths.) Table 3 shows the number of covered employees in each series, by General Schedule grade.

TABLE 1.—NUMBER OF COVERED EMPLOYEES BY UNIT

Operating unit	Number
CFO/ASA, OS	433
OGC, OS	177
TA	38
BEA, ESA	411
ITS, NTIA	86
NOAA	2093
OAR	(689)
NESDIS	(705)
NMFS	(699)
Total	3238

TABLE 2.—OCCUPATIONAL SERIES, BY CAREER PATH

Series	Title	Number
Scientific and Engineering (ZP) Career Path		
101	Social Scientist	1
110	Economist	244
150	Geographer*	1

TABLE 2.—OCCUPATIONAL SERIES, BY CAREER PATH—Continued

Series	Title	Number
184	Sociologist*	1
190	Anthropologist*	1
334	Computer Specialist	316
401	Biologist	58
403	Microbiologist	3
408	Ecologist*	9
480	Fish Administrator*	46
482	Fish Biologist*	165
486	Wildlife Biologist*	2
499	Biological Science Student	1
690	Industrial Hygienist	1
701	Veterinary Medical Officer*	1
801	General Engineer	3
810	Civil Engineer	5
830	Mechanical Engineer	4
850	Electrical Engineer	1
854	Computer Engineer	2
855	Electronics Engineer	101
861	Aerospace Engineer	1
1301	General Physical Scientist	194
1310	Physicist	75
1313	Geophysicist*	9
1315	Hydrologist*	4
1320	Chemist	2
1330	Astronomer	8
1340	Meteorologist*	235
1350	Geologist	2
1360	Oceanographer	77
1382	Food Technologist*	2
1399	Physical Science Student	3
1515	Operations Research Analyst	1
1520	Mathematician	27
1529	Mathematical Statistician	1
1530	Statistician	12
1550	Computer Scientist	6
ZP	Total	1649

Scientific and Engineering Technician (ZT) Career Path

332	Computer Operator	12
404	Biology Technician	11
802	Engineering Technician	24
856	Electronics Technician	27
1311	Physical Science Technician	83
1341	Meteorological Technician*	40
1531	Statistical Clerk/Assistant*	24
ZT	Total	221

Administrative (ZA) Career Path

18	Safety Specialist	2
80	Security Officer	14
130	Foreign Affairs Specialist*	10
131	International Relations Specialist*	7
132	Intelligence Operations Specialist*	8
201	Personnel Management Specialist	23
212	Personnel Staffing Specialist*	1
223	Salary and Wage Specialist*	1
230	Employee Relations Specialist	8

TABLE 2.—OCCUPATIONAL SERIES, BY CAREER PATH—Continued

Series	Title	Number
260	Equal Employment Specialist	22
301	Miscellaneous Administration	107
340	Program Manager	2
341	Administrative Officer	24
342	Support Services Specialist*	3
343	Management Analyst	117
391	Telecommunications Specialist	12
501	Financial Administrator	16
510	Accountant	66
560	Budget Analyst	49
610	Nurse*	1
696	Consumer Safety Specialist	1
904	Law Clerk*	2
905	Attorney*	124
930	Appeals Officer*	2
950	Paralegal Specialist*	7
1001	General Arts and Information	3
1008	Interior Designer*	2
1035	Public Affairs Specialist	2
1082	Writer/Editor	16
1083	Technical Writer/Editor	5
1084	Visual Information Specialist	12
1101	General Business Specialist	71
1102	Contracts Specialist	21
1140	Trade Specialist	10
1165	Loan Specialist*	10
1170	Realty Specialist*	4
1176	Building Management Specialist*	2
1222	Patent Attorney*	1
1410	Librarian	18
1412	Technical Information Specialist	3
1601	General Facilities Manager	1
1654	Printing Manager	11
1670	Equipment Specialist	1
2010	Inventory Manager	2
2030	Distribution Facilities Specialist*	1
2101	Transportation Specialist	2
ZA	Total	827

Support (ZS) Career Path

29	Environmental Protection Assistant*	2
86	Security Clerk/Assistant*	9
203	Personnel Clerk/Assistant	10
303	Miscellaneous Clerk/Assistant	96
305	Mail and File Clerk	1
309	Correspondence Clerk/Assistant	1
318	Secretary	236
322	Clerk-Typist	3
326	Office Automation Clerk/Assistant	47
335	Computer Clerk/Assistant	46
344	Management Clerk/Assistant	8
361	Equal Opportunity Clerk/Assistant	1

TABLE 2.—OCCUPATIONAL SERIES, BY CAREER PATH—Continued

Series	Title	Number
399	Student Trainee	24
503	Financial Clerk/Assistant ..	2
525	Accounting Technician	10
530	Cash Clerk/Teller*	1
544	Payroll Clerk/Technician ...	1
561	Budget Clerk/Assistant	7
963	Legal Instruments Examiner*	9

TABLE 2.—OCCUPATIONAL SERIES, BY CAREER PATH—Continued

Series	Title	Number
1087	Editorial Clerk/Assistant	1
1101	Trade Information/Financial Assistant	6
1105	Purchasing Agent	4
1106	Procurement Clerk/Assistant	1
1411	Library Technician	9
2005	Supply Clerk/Assistant	5

TABLE 2.—OCCUPATIONAL SERIES, BY CAREER PATH—Continued

Series	Title	Number
2102	Transportation Clerk/Assistant	1
ZS	Total	541

* These occupations were not tested by the NIST project.

TABLE 3.—COVERED EMPLOYEES, BY SERIES AND GRADE

Series	Grade															Total
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	
18					1				1				1			2
29							1									2
80								1				6	5	2	1	14
86						7		1	1							9
101												1				1
110								1		23		33	81	42	39	244
130													2	3	4	10
131														3	3	7
132									1		1	2	2	1	1	8
150												1				1
184															1	1
190															1	1
201								1				6	8	5	3	23
203					1			7	2							10
212														1		1
223														1		1
230												2	3	3		8
260								1					3	3		22
301								1		15	1	22	19	17	15	107
303		2		3	4	21	16	28	11	11						96
305				1												1
309						1										1
318				1	26	87	58	35	27	2						236
322			1	2												3
326	1	4	1	10	21	8	2									47
332					2	1	5		4							12
334					1		10	24								316
335			1	3	8	8	10	8	4	3	47	93	90	45	6	46
340											1		1			2
341								3	3		5	8	4	1		24
342									1		1	1				3
343								8	6		9	13	39	31	11	117
344							2	2	2							8
361								1								1
391										2		1	2	4	2	12
399	22				2											24
401							3		9		11	17	11	4	3	58
403							1					1			1	3
404			1	1	9											11
408											3	1	1	3	1	9
480												1	10	22	13	46
482							4		10		29	59	45	15	3	165
486											1	1				2
499				1												1
501							1		1		1	8	5			16
503							2									2
510							2		2		8	20	16	15	3	66
525				1	4	4	1									10
530						1										1
544										1						1
560									5		9	6	15	8	6	49
561						3	3	1								7
610										1						1
690												1				1
696											1					1
701													1			1
801														1	2	3
802			2	1			1			1	2	17				24
810												3	2			5
830										1	1		1	1		4
850															1	1
854											1		1			2
855							2	4			11	17	36	17	14	101
856							1	1	4	2	9	9	1			27
904											2					2
905											4	13	16	38	53	124
930												1	1			2
950										5	1	1				7
963						4	4	1								9
1001									1					1		3
1008														2		2
1035														2		2
1082										2		10	3	1		16
1083										2		1	1			5

TABLE 3.—COVERED EMPLOYEES, BY SERIES AND GRADE—Continued

Series	Grade															Total
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	
1084									2		6	3	1			12
1087							1									1
1101					1	3	7		16		22	9	11	5	3	77
1102											2	3	4	9	3	21
1105							4									4
1106								1								1
1140												3	6		1	10
1165											7	1	2			10
1170												2	1	1		4
1176													1	1		2
1222															1	1
1301								1		4		9	30	56	38	194
1310											2	10	18	22	23	75
1311				3	4	1	1	9	3	21	3	24	6	8		83
1313										1		1	2	2	2	9
1315												2	1		1	4
1320								1		2		1	5	8	5	26
1330												1	5	1	1	8
1340					1		1	3	3	15	64	79	48	24	235	
1341				1		12	10	3	9		3	2				40
1350													1		1	2
1360									1		9	15	26	15	11	77
1382											1		1			2
1399				3												3
1410									1		2	10	2	2	1	18
1411		1														9
1412			2			2	4						2			3
1515											1					1
1520										1	3	8	10	5		27
1529															1	1
1530									1		1	1	4	4	1	12
1531				1		2	5	2	10	3	1					24
1550												1	4	1		6
1601												1				1
1654										1	2	3	1	3	1	11
1670												1				1
2005					2	1	2						1			5
2010									1				1			2
2030													1			1
2101													2			2
2102						1										1
Total	25	5	14	35	101	164	210	70	247	15	343	612	651	464	285	3238

Senior Executive Service and ST-3104 Positions

The personnel systems for SES positions (see 5 U.S.C. 3131-3136 and 5 U.S.C. 5381-5385) will not change for the project. SES classification, staffing, compensation, performance appraisal, awards, and reduction in force will be based on standard SES methods. The personnel systems for ST-3104 positions (see 5 U.S.C. 3104 and 5376) will change only to the extent that ST-3104 positions are in the same performance appraisal, awards, and reduction-in-force systems as General Schedule positions. Classification, staffing, and compensation, however, will not change. Neither SES nor ST-3104 employees will be subject to the pro rata share payouts upon conversion to the demonstration system. Pay adjustments for their positions under the project will be carried out in accordance with existing Federal rules pertaining to SES and ST-3104 pay adjustments.

General Schedule Positions

All General Schedule (GS and GM) positions are incorporated in the new career path/pay band system. The step

increases of the General Schedule will be replaced by the annual performance pay increases. Except as otherwise provided in the project plan, laws and regulations pertaining to GS employees (e.g. overtime pay and cost-of living allowance provisions) continue in force for all project employees in the same way as they do for GS employees.

F. Labor Participation

There is one bargaining unit within the Office of the Chief Financial Officer/Assistant Secretary for Administration (CFO/ASA), represented by the Graphics Communications International Union (GCIU). All other unions affected by the project are local unions of the American Federation of Government Employees (AFGE). All of the AFGE representation is within the National Oceanic and Atmospheric Administration (NOAA). The following table shows the number of project employees represented by each union local.

TABLE 4.—BARGAINING UNIT COVERAGE

Operating unit	Location	Union local	Employees covered
CFO/ASA	Washington, DC.	GCIU 1-C.	21
NESDIS ..	Camp Springs, MD.	AFGE 3680.	118
.....	Asheville, NC.	AFGE 146.	146
NMFS	Silver Spring, MD.	AFGE 2703.	169
MASC	Boulder, CO.	AFGE 2186.	84
OAR	Triangle Park, NC.	AFGE 3347.	39

The project operating units provided numerous briefings on the project to employees and union representatives. Human resources representatives traveled to the various organizational locations to conduct three-hour information briefings. In addition, each bargaining unit covered was invited to send a representative to Boulder, Colorado at management's cost to

receive further information on the project and to interact with a panel of NIST managers and employees currently in the NIST project. The project operating units offered Impact and Implementation Bargaining to each of these unions on the conditions and provisions of the proposed project. All of the unions on the list have agreed to the project.

G. Project Design/Methodology

The project methodology is to introduce into selected DoC operating units certain innovations in human resources management, and to evaluate over time the effects of those innovations on the ability of the operating units to manage their human resources. The methodology includes the following steps:

1. Selection of Innovations: After review of the innovations tested at NIST, the Department has determined that all would have potential benefit in other DoC units and therefore should be included in the proposed project. These innovations, and the procedures associated with them, are described below under *Position Classification, Staffing, Reduction-in-Force, Pay Administration, and Performance Evaluation and Rewards*.

2. Selection Of Operating Units: The Department has selected several operating units (See *Participating Organizations*.) that will provide a useful test of whether the innovations successfully tested at NIST will produce similarly successful results in other environments.

3. Establishment of Goals and Objectives: The following section on *Goals and Objectives* describes the overall goals of the project and the objectives associated with each of the innovations.

4. Partnership: The Department has sought input on the proposal from each affected local union. (See *Labor Participation*.) The Department will also ensure that partnership in accordance with Executive Order 12871 continues to be an integral part of planning and implementation.

5. Baseline Evaluation: To provide a basis of comparison between employee opinions of the current system and their future opinions of the project system, each employee in the covered operating units will be asked to complete an opinion questionnaire on the current system prior to implementation of the project. To establish a baseline cost analysis, each operating unit will be required to analyze its personnel costs during fiscal years 1994, 1995, and 1996.

6. Training: The Department and the operating units will provide training to human resources staff, managers, and employees prior to implementation of the project and will provide additional training to managers on the pay-for-performance system prior to the end of the first performance cycle. (See *Training*.)

7. Implementation: To ensure a smooth implementation, the Department and the operating units will emphasize top management support; the development of detailed operating procedures prior to implementation; thorough training of managers and human resources office staff; step-by-step implementation planning; adequate backup systems, particularly in automated personnel and payroll systems; and sufficient operating resources.

8. Operation: The Department will exercise continual oversight, under the direction of the Departmental Personnel Management Board (See *Project Management*.) to ensure that project authorities and procedures are administered correctly.

9. Evaluation: The Department will arrange for an annual evaluation of the project under an OPM-approved evaluation plan. (See *Project Evaluation*.) The evaluation will be designed to determine whether the innovations are achieving the goals and objectives described in the following section and are operating within acceptable cost limits (See Budget Discipline.)

III. Personnel System Changes

A. POSITION CLASSIFICATION

1. Introduction

Career paths will replace occupational groups, broad bands will replace grades, and Departmental broad-band standards will replace OPM classification standards. The classification system will be automated, and classification authority will be delegated to line managers.

These changes are intended to simplify and speed up the classification process, make the process more serviceable and understandable, improve the effectiveness of classification decision-making and accountability, and facilitate pay for performance. Broad bands provide larger classification targets that can be defined by shorter, simpler, and more understandable classification standards. This simpler system will be easier to automate, will require fewer resources to operate, and will facilitate delegation to line managers.

By providing broader and more flexible pay ranges for setting entry pay, broad banding will provide hiring officials with an important tool for attracting high-quality candidates and thus will contribute to the objectives of increasing the quality of new hires and improving workforce performance.

By providing more flexible pay setting based on performance, broad banding will give managers the ability to increase the pay of good performers to higher and more competitive levels, thus improving the retention of good performers. At the same time, the promise of higher pay increases for good performance, supported by the broader pay ranges of broad banding, will contribute to the objective of improving organizational and individual performance.

2. Career Paths

A career path aggregates comparable occupations that have parallel career patterns and are suitable for similar treatment in staffing, classification, pay, and other personnel functions. There are four career paths:

(a) Scientific and Engineering (ZP): research, policy, staff, and managerial positions in science, engineering, computing, and mathematics.

(b) Scientific and Engineering Technician (ZT): science and engineering support positions.

(c) Administrative (ZA): specialist positions in such fields as finance, procurement, human resources management, public information, technical information, accounting, and management analysis.

(d) Support (ZS): clerical, assistant, secretarial, police, and other support positions not fitting the definition of any of the other career paths.

3. Bands

Each career path is divided into five bands, which replace GS grades. The maximum rate of a band is step 10 of the highest GS grade in the band *including* locality rates in the 48 contiguous States and the District of Columbia. When a special rate for one or more of the occupations in the band is higher than the applicable locality rate, the Departmental Personnel Management Board will have the option of using the maximum applicable special rate to set the maximum rate of the band. For each regular band, there is a corresponding supervisory band for employees who receive supervisory pay differentials. The supervisory band has the same minimum rate as the nonsupervisory band, but has a maximum rate 6 percent higher than the maximum rate of the nonsupervisory band. Positions in the

supervisory band include positions that involve formal supervisory duties that occupy at least 25 percent of the incumbent's time and other positions

approved by the DPMB on a case-by-case basis. The following chart shows the four project career paths, the bands in each career path, and the relationship

between bands and General Schedule grades.

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CHART 1: CAREER PATHS AND BANDS

CAREER PATHS	BANDS														
	Scientific and Engineering (ZP)	I			II			III			IV		V		
Scientific and Engineering Technician (ZT)	I		II			III		IV		V					
Administrative (ZA)	I				II				III			IV		V	
Support (ZS)	I	II		III		IV		V							
GS Grades	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15

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4. Occupational Series

The General Schedule occupational series will be retained. New occupational series may be added or deleted in response to programmatic needs. New or revised series may also be established.

5. Classification Standards

Each classification standard will describe each band in two factors: (1) general duties and responsibilities and (2) knowledge, skills, and abilities. These two factors complement each other at each band in a career path and may not be separated in classifying a position. OPM classification standards will not be used.

6. Position Descriptions

Line managers will follow an automated menu-driven process to classify positions and produce position descriptions.

7. Delegation of Classification Authority

The Departmental Personnel Management Board (DPMB) will oversee the delegation of classification authority to line managers. Under authority delegated by the DPMB, the Department's human resources staff will monitor and review classification decisions made by managers to ensure consistent and uniform application of classification policies and guidelines. Under this authority, the Department's Director for Human Resources Management will establish a plan to review the accuracy of classification decisions made by line managers and make periodic reports to the DPMB. A variety of approaches will be used to conduct classification reviews, such as regularly scheduled Departmental oversight reviews as well as ad hoc reviews conducted to address specific classification issues identified through data analysis, random sampling of classification actions, project evaluation reports, etc. The Governmentwide

system of approval of SES and ST-3104 positions will be maintained.

8. Classification Appeals

An employee covered by the DoC Demonstration Project may appeal the career path, occupational series, or pay band of his or her position at any time. An employee wishing to formally appeal must first appeal to the Operating Unit (OU). If the employee is dissatisfied with the OU decision, he or she may appeal further to the Department level. The decision of the Department will be final.

Details pertaining to the classification appeals process are found in the Project Operating Procedures.

B. Staffing

1. Introduction

The project operating units will use a variety of staffing methods to fill positions, including Direct Examination, Agency-Based Staffing, Merit Assignment, and various noncompetitive placements. Recruiting

and examining will be carried out directly by the operating units except for positions covered by the *Luevano* Consent Decree. OPM registers will not be used. These methods will be supplemented by other staffing tools, such as paid advertising, flexible entry salaries, probation, recruitment and retention payments, and more flexible pay increases associated with promotion. The Department will make necessary adjustments in response to future revisions in staffing statutes. These changes are intended to attract higher-quality candidates, speed up the recruiting and examining process, increase the effectiveness of the probationary review process, and improve the retention of good performers.

Agency-based staffing, supported by paid advertising, will allow hiring officials to focus on more relevant recruiting sources. Direct examination will allow managers to hire individuals with shortage skills as they find them, get them on board faster, and avoid the loss of good candidates who may grow impatient with a long hiring process, thus contributing to the objectives of increasing the quality of new hires and improving the fit between position requirements and candidate skills. The three-year probationary period will help ensure that scientists and engineers who are retained beyond probation are capable of carrying out a full cycle of R&D work, thus contributing to the objectives of higher-quality hires and a higher-performing workforce. Local authority for recruiting and retention payments will provide extra incentives for hiring and retaining individuals with shortage skills, thus contributing to the objectives of increasing the quality of new hires, improving the fit between position requirements and individual qualifications, and improving the retention of good performers.

2. Direct Examination

The project will apply two direct examination authorities: Direct Examination Critical Shortage Occupations and Direct Examination Critical Shortage Highly Qualified Candidates. These vacancies will normally be filled through direct recruiting by selecting officials, supplemented by a required search of the operating unit Applicant Supply File. Direct examination procedures are not exempt from the application of veteran preference rules.

(a) Direct Examination: Critical Shortage Occupations.

Direct examination procedures will be used for categories of occupations which require skills that are in short

supply. All occupations for which there is a special rate under the General Schedule pay system constitute a shortage category, and all occupations at Band III and above in the ZP Career Path constitute a shortage category. Any position in these shortage categories may be filled through direct examination procedures.

(b) Direct Examination: Critical Shortage Highly Qualified Candidates.

Direct examination procedures will be used for additional positions for which there is a shortage of highly qualified candidates. Candidates for positions at Band I or II of the ZP Career Path who have a bachelor's degree with at least a 2.9 GPA (on a 4.0 scale) in a job-related major or a master's degree in a job-related field constitute a shortage category; candidates for positions at Band I of the ZT Career Path who have at least a 2.9 GPA in a job-related field during a minimum of at least 2 years in an accredited college, junior college, or technical institute constitute a shortage category; and candidates for positions at Band II of the ZT Career Path who have at least a 2.9 GPA in a job-related field in 4 years of college study constitute a shortage category.

3. Agency-Based Staffing

Agency-based staffing procedures will be used to fill vacancies not covered by direct examination or the project operating unit Merit Assignment Plan (MAP). Vacancies filled by agency-based procedures will be advertised at a minimum through the Governmentwide automated employment information system operated by (OPM).

4. Merit Assignment Plan (MAP)

MAP procedures will be used to fill positions restricted to current or former Federal employees with competitive status. These plans will be amended to include any demonstration project flexibilities.

5. Applicant Supply Files

The operating units will advertise the availability of job opportunities in direct-examination occupations by continuous posting of an Applicant Supply Bulletin on the Governmentwide automated employment information system operated by OPM. The operating units will accept applications for this file on an open-continuous basis for all direct-hire authorities. Selecting officials will be able to recruit directly for applicants, but any applicants they find must compete with applicants who apply through the Applicant Supply Bulletin and other applicants whose applications

are stored in the operating unit Applicant Supply File.

6. Referral Procedures for Direct Examination and Agency-Based Staffing Authorities

Either direct referral or rating and ranking will be used to refer applicants for vacancies under direct examination and agency-based staffing authorities.

(a) Direct referral.

A qualified candidate may be referred directly without rating and ranking:

(1) When there are no more than three qualified candidates and no preference eligibles; or

(2) If the candidate is a preference eligible with a compensable Service-connected disability of 10 percent or more. (These preference eligibles are given absolute preference except when the position is at Band III or above in the Scientific and Engineering Career Path.) Selecting officials may choose any of these preference eligibles when more than one are referred.

(b) Rating and ranking.

Rating and ranking (including veteran preference and "rule-of-three" procedures) will be used when the list of qualified candidates contains:

(1) More than three candidates; or

(2) Two or more candidates including at least one preference eligible (except when direct referral of a 10-point veteran is made under 1b above).

7. Priority Placement

All Department of Commerce and OPM priority placement programs will be followed.

8. Paid Advertising

Paid advertising may be used as one of the first steps in recruitment without having to first try unpaid methods.

9. Private Sector Temporaries

Private sector temporary help services may be used as appropriate.

10. Probationary Period

Probation under the project will follow current law and regulations, except when an employee in the Scientific and Engineering (ZP) Career Path is required to serve a probationary period. The ZP probationary period will be three years, except that a supervisor may end the probationary period of a subordinate ZP employee anytime after one year. Near the end of the first year of a ZP employee's probationary period, the supervisor will be required to decide whether to (1) change the employee from probationary status to non-probationary status; (2) remove the employee; or (3) continue the employee on probation. If the employee is

continued on probation, the supervisor must select from the same options near the end of the second year of probation. If probation is continued into the third year, the supervisor must make a final decision on whether to retain or remove the employee near the end of the third and final year of probation.

The purpose of the three-year probationary period for scientists and engineers only is to allow a hiring official to view the full cycle of a research assignment before making a final decision on retaining the employee. The one-year probationary period is insufficient to cover the full cycle of research and development from assignment of a research project to publication of results. For the other three career paths, the one-year probationary period is adequate.

11. Qualification Standards

The qualifications required for placement within a band and within a career path will be based on the OPM Qualification Standards for General Schedule Positions, except that testing requirements will not be used and the Superior Academic Criterion will be defined as a 2.9 GPA (on a 4.0 scale). The minimum qualifications for the occupation and for the GS grade corresponding to the lowest grade in the band will apply. The DPMB may authorize new or modified qualification standards based on current practices in the scientific, engineering, and computer science fields and to reflect modern curricula in recognized degree programs.

12. Recruitment and Retention Payments

The project operating units may grant recruiting and retention payments in appropriate circumstances, not to exceed \$10,000 or 25 percent of basic pay, whichever is greater. Decisions on allowances will be based on market factors such as salary comparability and salary offer issues, relocation and dislocation issues, programmatic urgency, emerging technologies, turnover rates, special qualifications, and shortage categories or scarcity of positions unique to the operating unit. All scientific, engineering, and other hard-to-fill positions will be eligible. Recruitment and retention payments will not be considered part of basic pay.

13. Travel Expenses

Travel and transportation expenses, advancement of funds, per diem expenses incident to travel, and/or relocation expenses may be provided to new hires in the same manner as is authorized in sections 5723, 5724,

5724a, 5724b, and 5724c of title 5, U.S. Code. Recipients must sign service agreements indicating commitment to at least 12 months of continued service.

14. Promotion

A promotion is a change of an employee to (1) a higher band in the same career path, or (2) a band in another career path in combination with an increase in pay. To be eligible for promotion, an employee must have a current performance rating of *Eligible*. The time-in-band requirement for promotion eligibility is 52 weeks, with two exceptions: (1) an employee may be promoted from Band I to Band II in the Support Career Path without time restriction; and (2) an employee may be promoted from Band II to Band III in the Support Career Path without time restriction if the employee was not promoted from a Band I to a Band II position during the previous 52 weeks. (For pay provisions related to promotion, see *Pay Administration*.)

C. Reduction-in-Force

1. Introduction

The project operating units will follow reduction-in-force procedures contained in law and regulation, except that career path will be added to the definition of competitive areas, retention credit for performance will be based on performance ranking, and grades will be converted to bands for the purpose of interpreting reduction-in-force regulations.

The objective of the link between career paths and competitive areas is to improve the fit between the skills of displaced employees and the positions they are offered through reduction-in-force procedures. The objective of the link between performance and retention standing is to continue to make performance a factor in retention during reduction-in-force.

2. Competitive Areas

Each of the four career paths in each project operating unit local commuting area will be a separate competitive area—separate from the other career paths and separate from the competitive areas of other operating unit employees.

3. Link Between Performance and Retention

An employee with an overall performance score in the top 10 percent of scores within a peer group (See *Performance Evaluation and Rewards* below.) will be credited with 10 additional years of service for retention purposes. The total credit will be based on the employee's three most recent annual performance ratings of record

received during the 4-year period prior to an established cutoff date, for a potential total credit of 30 years. Career status and veteran preference will continue to have the same effect on retention standing as they now have under current regulations. No performance-related retention credit will convert to this system from any other performance appraisal system.

4. Link Between Bands and Grades

OPM reduction-in-force regulations on assignment rights (5 CFR 351.701) will be applied to the project by substituting "one band" for "three grades" and "two bands" for "five grades."

D. Pay Administration

1. Introduction

The most important change in pay administration is the introduction of pay for performance, which will govern individual pay progression within bands. The amount of the basic pay and locality pay increases approved by Congress and the President will continue to be applied to pay schedules and employee salaries, with the variations described below. Other pay tools are supervisory pay differentials, flexible pay setting for new hires, and more flexible pay setting upon promotion.

Pay for performance promotes fairness and provides a motivational tool and a retention tool. It is fair that higher achievement should produce higher rewards. In particular, the quality work that arises from a commitment to the goals and objectives of the organization should be rewarded by higher pay increases. As a motivational tool, the promise of higher pay increases for good performance encourages high achievement. As a retention tool, pay for performance allows the organization to more quickly move the salaries of good performers to levels that are more competitive in the labor market.

Supervisory pay differentials provide an extra performance incentive for supervisors, addressing the objective of improved individual and organizational performance. Supervisory pay differentials also address the objective of improving retention by raising the pay of high-performing supervisors to more competitive levels. Flexible pay setting for new hires is a recruiting tool that gives hiring officials greater flexibility to offer more competitive salaries to high-quality candidates, addressing the objective of improving the quality of new hires. The greater flexibility in setting pay upon promotion gives managers another

retention tool to help retain top performers.

2. Pay for Performance

Pay for performance has three components: (a) the annual adjustment to basic pay, which includes the annual general increase and the locality pay increase; (b) annual performance pay increases; and (c) bonuses. The first component, the annual adjustment to basic pay, is set according to the subsections referring to general and locality increases. The second component, performance pay increases, is set according to the procedures under *Performance Evaluation and Rewards*. The third component, bonuses, is managed in accordance with the subsection on *Performance Bonuses* under *Performance Evaluation and Rewards*.

3. Placement in a Lower Band

An employee whose performance rating is *Unsatisfactory* does not receive the annual adjustment to basic pay. Because the minimum pay rate for each band is increased each year by the amount of the annual adjustment to basic pay, it is possible that the new minimum rate of a band will exceed the basic pay of an employee in that band who does not receive the annual adjustment to basic pay due to unsatisfactory performance. When this happens, the employee is placed in the next lower band. This placement shall not be considered an adverse action under 5 U.S.C. 7512, nor shall grade (i.e., band) retention under 5 U.S.C. 5362 be applicable.

4. Supervisory Pay Differentials

Appropriate supervisory and managerial pay differentials will be provided. Employees who spend at least 25 percent of their time performing supervisory duties will receive supervisory differentials. (Other employees may be approved by the DPMB on a case-by-case basis to receive the supervisory differential.) Supervisory differentials will be considered a part of basic pay.

Upon conversion to the project, all eligible supervisory positions will be placed in the supervisory bands. The incumbents of these positions will be converted at their basic pay (including special rates or locality pay) at the time of conversion, except for Scientific and Engineering (ZP) supervisors, who will begin receiving the added differential upon conversion. New hires into supervisory positions after the date of conversion will have their pay set at the supervisor's discretion within the pay

range of the applicable supervisory band.

There will be two types of differentials. The first type will apply to supervisors in the ZP Career Path only. The amount of this type of differential will be fixed at 3 percent or 6 percent, for first and second-level (and higher) supervisors, respectively. The second type of supervisory differential will apply to all bands in all career paths where there are supervisors. Supervisors receiving this type of differential will be eligible for higher pay band ceilings which they may reach through pay for performance. The higher pay band ceilings are set in accordance with the Project Operating Procedures.

The granting of a differential is not considered a promotion or a competitive action. The differential is canceled when an employee's supervisory responsibilities are discontinued. The cancellation of a supervisory differential does not constitute an adverse action, and there is no right of appeal under 5 U.S.C. Chapter 75. Pay retention under 5 U.S.C. 5363 is not applicable. Before entering a supervisory position, an employee will be required to sign a statement certifying that the employee understands that the differential will be canceled when the employee ceases to be a supervisor.

5. Pay and Compensation Ceilings

The maximum rate for a band (excluding special bands established to allow for the supervisory pay differential) will be equal to the maximum rate—GS rate, locality rate, or special rate, as applicable—payable to GS employees for the grades corresponding to the band. An employee's basic pay may not exceed the maximum rate of the employee's band (including a supervisory band), except for employees receiving retained rates of pay.

An employee's rate of basic pay payable under any pay band may not exceed the rate of basic pay payable for Level IV of the Executive Schedule. An employee's aggregate monetary compensation for a calendar year may not exceed the basic rate of pay for Level I of the Executive Schedule, as required by 5 U.S.C. 5307 and (OPM) regulations in Subpart B of 5 CFR 530.

6. Locality Pay

Locality pay is implemented as basic pay for all purposes except as otherwise provided in this plan. The locality adjustment will be applied to the minimum and maximum rates of each band. For bands affected by special rates, the maximum rate will be the higher of the special rate and the

locality rate. A locality adjustment may be applied to an eligible employee's basic pay only to the extent that it does not cause the employee's basic pay to exceed the maximum rate of the band.

7. Special Salary Rates

When appropriate, special salary rates will be used to determine employees' maximum pay rates in lieu of the normal pay band ceilings. The provisions of current regulations (5 CFR 530.303) will be followed to determine the appropriateness of special salary rates. As provided for under these regulations, special salary rates will be restricted to occupations and/or geographic locations for which there is an existing or likely difficulty in the recruitment or retention of well-qualified personnel.

8. Effect of General and Locality Pay Increases on Bands

The minimum and maximum rates of each band will be increased at the time of a general pay increase under 5 U.S.C. 5303 and/or a locality pay increase under 5 U.S.C. 5304 or 5304a so that they equal the new locality-adjusted minimum and maximum rates of the grades corresponding to the band. The maximum rates of bands set according to special rates, however, may exceed this amount to the extent necessary to equal the 10th step of the appropriate special rate scale if that rate is higher.

9. Effect of General and Locality Pay Increases on Individual Pay

Only employees with a current annual performance rating of record of *Eligible* may receive an increase in their basic pay at the time of band adjustments. This increase in basic pay will reflect any applicable general and/or locality pay increase for General Schedule employees. The increase in basic pay for eligible employees whose basic pay is at the ceiling of their band will equal the increase in the ceiling.

The basic pay increase for eligible employees whose basic pay is below the ceiling of their band will be calculated by applying two factors to the employee's rate of pay. One factor is the general increase factor representing the increase in General Schedule rates under 5 U.S.C. 5303 (e.g., 1.02 if the general increase is 2 percent). The second factor is the locality pay increase factor, which is derived by dividing the newly applicable locality pay percentage factor by the formerly applicable locality pay percentage factor. (For example, if the locality payment percentage for an area increased from 4.23 percent to 5.48 percent, the locality pay increase factor

would be 1.0548 divided by 1.0423, or approximately 1.012.) Thus, the new

rate of basic pay would be calculated using the following formula:

$$\text{new pay rate} = \text{general increase factor} \times \frac{1 + \text{newly applicable locality pay percentage}}{1 + \text{formerly applicable locality pay percentage}} \times \text{former pay rate}$$

However, a basic pay increase will be applied only to the extent that it does not cause an employee's basic pay to exceed the ceiling of the applicable band.

10. Basic Pay

Employees covered by the project will not have separate basic pay rates and locality pay rates, as do General Schedule employees. Project basic pay rates will be basic pay for all purposes, except as specifically provided in the demonstration project plan.

11. Pay Setting Upon Promotion

The new basic pay rate upon promotion may be set at any level in the new band (If the move is to a different career path, any band in the new path would be considered a "new band."), except that the minimum pay increase upon promotion is 6 percent. The maximum percentages allowed upon promotion are described in the Project Operating Procedures.

12. Pay Setting for New Hires

The setting of initial salaries within bands for new appointees will be flexible, particularly for hard-to-fill positions in the Scientific and Engineering Career Path. Supervisory guidance on setting pay for new hires is included in the Project Operating Procedures.

13. Conversion of Employees From the General Schedule to the Demonstration System

For employees being converted from the GS pay system to the demonstration project, GS grades will translate directly to the project's career path and band structure. Employees will be converted at their current highest rate under the

GS pay system (i.e., highest of locality rate or special rate or similar rate) at the time of conversion, except for supervisors in the Scientific and Engineering Career Path who qualify for a supervisory/managerial pay differential upon conversion. No one's salary will be reduced as a result of the conversion. When conversion of an employee into the project is accompanied by a geographic move, the employee's GS pay entitlements (including any locality rate or special rate) in the new area will be determined before converting the employee's pay to the demonstration project pay system.

At the time of conversion, each converted employee will be given a lump-sum cash payment for the time credited to the employee toward what would have been the employee's next within-grade increase. The payment for a General Schedule employee will be computed by (1) calculating the ratio of (a) the number of days the employee will have spent in the employee's current rate through the day prior to the day of conversion, to (b) the total number of days in the employee's current waiting period for a regular within-grade increase (364, 728, or 1092 days), and (2) multiplying that ratio by the dollar value of the employee's next within-grade increase, as in effect at the time of conversion.

14. Movement of GS Employees From Other Organizations to the Demonstration System

GS employees can move into the project from other organizations through transfer, reassignment, promotion, or new appointment. When the movement is by lateral transfer or lateral reassignment, the employee's GS grade

will translate directly to the project's career path/band structure and the employee's rate of basic pay under the demonstration project will equal his or her current highest rate under the GS pay system (i.e., highest of locality rate or special rate or similar rate), except for the addition of a supervisory differential if the position is a supervisory position in the Scientific and Engineering Career Path. When a lateral transfer or lateral reassignment is accompanied by a geographic move, the employee's GS pay entitlements (including any locality rate or special rate) in the new area will be determined before converting the employee's pay to the demonstration project pay system. When the movement is by new appointment, promotion, reassignment with pay adjustment (through merit assignment plan competition), or transfer to "higher grade" (i.e., to a band higher than the band that corresponds to the employee's current GS grade, the new pay rate is set according to project pay setting flexibilities for new hires and promotions.

15. Pay Setting Upon Movement of an Employee to a Different Pay Area

Employees who move (voluntarily or involuntarily) from one geographic area to another within their operating unit will have their pay adjusted to account for any change in the band maximum rates between the two areas. This adjustment ensures that the employee's relative position in the band (measured as a percentage of the band maximum rate) will be maintained upon movement. The pay rate in the new area will be derived using the following formula:

$$\text{new pay rate} = \text{general increase factor} \times \frac{1 + \text{newly applicable locality pay percentage}}{1 + \text{formerly applicable locality pay percentage}} \times \text{former pay rate}$$

The new pay rate is calculated before any other simultaneous pay action (e.g., general pay adjustment or promotion effective on the same date). Any reduction in pay solely attributable to a movement from one pay area to a lower-paying area shall not be considered a reduction in basic pay under the

adverse action provisions of 5 U.S.C. 7512(4) or under the pay retention provisions of 5 U.S.C. 5363. (The employee retains the right to grieve or file a complaint regarding a geographic reassignment if there is an allegation of a violation of nondiscrimination statutes or a prohibited personnel practice.)

16. Severance Pay

(OPM) severance pay regulations (5 CFR 550.703) will be applied to the project by substituting "one band" for "two grades" and "two grades or pay levels."

17. Grade and Pay Retention

Grade and pay retention will follow current law and regulations, except as allowed by specific waiver (e.g., "career path and band" for "grade"). Specific waivers are listed in the section entitled *Authorities and Waiver of Laws and Regulations Required*.

E. Performance Evaluation and Rewards

1. Introduction

The most important feature of the performance evaluation system is that it is based on the application of a weighted 100-point scoring system in support of pay for performance. As in the current system, each employee has an individual performance plan composed of several performance elements. Through application of benchmark performance standards and a 100-point scoring system, supervisors rank employees by performance within peer groups and grant performance pay increases according to the ranking. Highly ranked employees within a peer group receive relatively high pay increases and lower ranked employees receive relatively lower pay increases.

The performance appraisal process is intended to (1) promote good performance; (2) encourage a continuing dialogue between supervisors and employees on organizational objectives, supervisory expectations, employee performance, employee needs for assistance and guidance, and employee development; and (3) provide a basis for performance-related decisions in employee development, pay, rewards, assignment, promotion, and retention. The system will more effectively communicate to employees how they are performing in relation to their peers, the consequences of poor performance, and the rewards for good performance.

Performance-based pay increases give an operating unit the ability to raise the pay of good performers more rapidly, thus improving retention of good performers. The promise of higher pay increases for good performance will encourage achievement and promote the objective of improved individual and organizational performance.

2. Coverage

All employees covered by the project will be covered by the project performance evaluation and rewards system, except that the Departmental Personnel Management Board may remove from the system any position not filled by career or career conditional appointment. ST-3104 employees will have their performance evaluated under the structure of the performance evaluation system and may receive

bonuses, but do not receive performance pay increases. Members of the Senior Executive Service will remain under the non-demonstration DoC SES performance appraisal, pay, and bonus system.

Upon conversion to the demonstration project, any administrative action already initiated under a previous appraisal program will continue to be processed in accordance with the requirements and procedures of the program in effect when the action was initiated.

3. Performance Cycle

The performance year begins October 1 and ends September 30. The stages of the performance cycle are performance planning, performance review, performance appraisal, and performance-related decisions.

4. Performance Plans

Performance plans will be developed each year by supervisors with input from employees. Critical performance elements will be established for each position. (All elements are critical.) The supervisor weights each element so that the total weight of all elements is 100 points. Benchmark performance standards define the range of performance. A supervisor may add supplemental standards to a performance plan to further elaborate on the benchmark performance standards.

5. Mid-Year Review

A required mid-year review addresses mid-year accomplishments, performance successes and deficiencies, and any need for performance plan modifications. Additional reviews may be held as needed.

6. Performance Appraisal

Performance appraisals bring supervisors and employees together to discuss performance and accomplishments during the performance year. The appraisals lead to decisions by supervisors and Pay Pool Managers on performance scores, performance ratings, performance pay increases, and bonuses. Performance appraisal is scheduled for the final weeks of the performance year. However, at any time of the year, a supervisor may determine that an employee's performance is not satisfactory on one or more critical elements and place the employee on a Performance Improvement Plan.

7. Performance Ratings

The demonstration project performance ratings are Eligible (for performance pay increase, bonus, and

annual adjustment to basic pay) and *Unsatisfactory*. The rating *Eligible* covers the same performance range as the former ratings of Marginal, Fully Successful, Commendable, and Outstanding. *Unsatisfactory* covers the same performance range as the former ratings of Unsatisfactory and Unacceptable. An employee whose performance is unsatisfactory is placed on a performance improvement plan and given an opportunity to improve before a final rating is assigned.

8. Performance Scores

Each element is evaluated individually against the benchmark performance standards and any supplemental standards. If a single element in an employee's plan is rated *Unsatisfactory*, the overall rating is *Unsatisfactory* and there is no performance score. If all elements meet at least the minimally acceptable benchmark, the overall rating is *Eligible*. Rating Officials score the performance of employees rated *Eligible* on a 100-point scale, which corresponds to the 100-point element weight scale. An individual element score may be as high as the weight of that element. The total performance score is the sum of the element scores. A perfect score on each element would produce a total score of 100 points.

9. Performance Ranking

Employees are ranked, by performance score, within a peer group. A peer group may involve no more than one career path, but may be otherwise organized by any combination of organization, occupation, band, or appointment type. Rating Officials rank their own employees, then Pay Pool Managers interleave the rankings of subordinate Rating Officials to produce peer group rankings at the pay pool level. A Pay Pool Manager is a line manager who manages his or her organization's pay increase and bonus funds and has final decision authority over the performance scores, performance pay increases, and bonuses of subordinate employees.

10. Performance Pay Decisions

The Performance Pay Table divides each band into three segments or *intervals*. Each interval is linked to a range of potential percentage pay increases beginning at zero and progressing to a maximum percentage pay increase. The maximum performance pay increase an employee may receive, therefore, depends on the interval into which the employee's salary falls. The Pay Pool Manager makes a performance pay decision for

each employee in a peer group, based on the Pay Pool Manager's ranking and the pay increase ranges in the Performance Pay Table. Within a peer group, an employee may not receive a higher proportion-of-range than a higher-ranking employee or a lower proportion-of-range than a lower-ranking employee. Proportion-of-range is the percentage of the maximum pay increase allowed for a particular interval of a pay band, i.e., a percent of a percent. For example, if the pay increase range for the pay interval is 0-12 percent, and the employee receives a 9 percent increase, that employee receives a proportion-of-range that equals 75 percent of the maximum 12 percent.

11. Performance Bonuses

Bonuses are the only cash awards directly linked to the project performance appraisal system, and are awarded at the end of the performance year in conjunction with decisions on performance pay increases. A Pay Pool Manager may award a bonus to any employee with an *Eligible* rating. The OPMBs will determine the bonus authority to be delegated to their pay pool managers.

Bonuses address two objectives. First, the ability to reward the accomplishments of good performers will make them more likely to remain, thus improving the retention of high achievers. Second, the promise of bonuses for achievement will encourage improved individual performance.

12. Action Based on Unsatisfactory Performance

If, after an opportunity to improve, an employee's performance is still not satisfactory, the operating unit will give a rating of *Unsatisfactory* and must take action to reassign or remove the employee, or place the employee in a lower band, in accordance with performance action provisions in law and regulation.

IV. Conversion or Movement From a Project Position to a General Schedule Position

If a DoC Demonstration Project employee moves to a General Schedule position, the following procedures will be used to convert the employee's project pay band to an equivalent GS grade and the employee's project rate of pay to equivalent GS rates of pay. The converted GS grade and rates of pay must be determined before movement out of the project and any accompanying geographic movement, promotion, or other simultaneous action. For lateral reassignments and lateral transfers, the converted GS grade

and rates of pay will become the employee's actual GS grade and rates of pay, unless immediately affected by a simultaneous geographic movement or another pay action. For non-lateral transfers, promotions, and other actions, the converted GS grade and rates of pay will be deemed to be the employee's grade and rates of pay at the time of movement out of the project and will be used in applying applicable pay setting rules (e.g., promotion rules.)

A. Grade-Setting Provisions

An employee in a band corresponding to a single GS grade is converted to that grade. An employee in a band corresponding to two or more grades is converted to one of those grades according to the following rules:

1. The employee's project basic rate of pay is compared with step 4 rates in the highest applicable GS rate range (including a rate range in the GS base schedule, a rate range in the applicable locality rate schedule, or a rate range in a special rate schedule for the employee's occupation). If the series is a two-grade interval series, only odd-numbered grades are considered below GS-11.

2. If the employee's pay rate equals or exceeds the applicable step 4 rate of the highest GS grade in the band, the employee is converted to that grade.

3. If the employee's pay rate is lower than the applicable step 4 rate of the highest grade, the pay rate is compared with the step 4 rate of the second highest grade in the employee's band. If the employee's pay rate equals or exceeds step 4 of the second highest grade, the employee is converted to that grade.

4. This process is repeated for each successively lower grade in the band until a grade is found in which the employee's rate of basic pay equals or exceeds the applicable step 4 rate of the grade. The employee is then converted at that grade. If the employee's rate of pay is below the step 4 rate of the lowest grade in the band, the employee is converted to the lowest grade.

5. Exceptions: (1) If the employee's pay rate exceeds the maximum rate of the grade assigned under the above-described "step 4" rule but fits in the rate range for the next higher applicable grade in the band (i.e., between step 1 and step 4), then the employee shall be converted to that next higher applicable grade; (2) An employee will not be converted to a lower grade than the grade held by the employee immediately preceding a conversion, lateral reassignment, or lateral transfer in the project unless since that time the employee has undergone a reduction in

band; (3) In Band I of the ZP and ZA Career Paths, students without a bachelor's degree or comparable experience are converted no higher than GS-4.

B. Pay-Setting Provisions

An employee's pay within the converted GS grade is set by converting the project rate to GS pay rates in accordance with the following rules:

1. The pay conversion is done before any geographic movement or other pay-related action that coincides with the employee's movement out of the demonstration project.

2. An employee's project rate is converted to a rate on the highest applicable rate range for the converted GS grade (including a rate range in the GS base schedule, a rate range in the applicable locality rate schedule, or a rate range in a special rate schedule for the employee's occupation).

3. If the highest applicable rate range is a locality pay rate range, the project rate is converted to a GS locality rate of pay. If this rate falls between two steps in the locality-adjusted schedule, the rate must be set at the higher step. The converted GS rate of basic pay is the GS base rate corresponding to the converted GS locality rate (i.e., same step position). (If this employee is also covered by a special rate schedule as a GS employee, the converted special rate will be determined based on the GS step position. This underlying special rate will be basic pay for certain purposes for which the employee's higher locality rate is not basic pay.)

4. If the highest applicable rate range is a special rate range, the project rate is converted to a special rate. If this rate falls between two steps in the special rate schedule, the rate must be set at the higher step. The converted GS rate of basic pay will be the GS rate corresponding to the converted special rate (i.e., same step position).

5. Exception: If an employee's project rate exceeds the maximum rate of the highest applicable rate range upon conversion to the General Schedule, the affected employee's project rate will be converted to a retained rate under 5 U.S.C. 5363. If an employee is entitled to a special rate under the General Schedule, the project rate is converted directly to a retained rate. If an employee is only entitled to locality pay under the General Schedule, the retained rate is derived by dividing the project rate by the applicable locality payment factor (i.e., 1 plus the locality payment percentage). Thus, the locality-adjusted retained rate will equal the project rate the employee had been receiving before conversion. Since the

employee's total rate of pay is not reduced upon conversion, this change to converted rates under the General Schedule will not be considered a reduction in basic pay under 5 U.S.C. 5363 or 7512.

6. After conversion or movement out of the demonstration project, an employee's converted GS rates will be used in applying GS pay administration rules, as necessary, in lieu of using his or her demonstration project rate. Thus, for example, the converted GS rate of basic pay (or converted special rate, if applicable) will be used in applying GS rules for promotions, maximum payable rate determinations, and pay retention, as appropriate. For conversions upon termination of the project and for lateral reassignments, the converted GS rates will become the employee's GS rates immediately after movement out of the demonstration project (before processing any accompanying geographic move).

V. Budget Discipline

Each project operating unit will maintain compensation during the project at the level it would have reached under the current system. Current costs will be reallocated to cover project costs. To ensure appropriate carryover of costs from pre-project to project years, a base assessment will be made using three base years: Fiscal Years 1994, 1995, and 1996. Budget discipline will be required and achieved by imposing specific funding principles (described in detail in the section on *Funding Pools for Performance Pay Increases and Bonuses*). Finally, both longitudinal and site comparisons will be used to ensure that spending remains within acceptable limits.

A. Reprogramming Costs

The following actions and their costs will be eliminated by the new system:

1. Promotions from one grade to a higher grade where both grades are now in the same broad band. For example, because Band III of both the ZP and ZA career paths will cover the same pay range as current grades GS-11 and GS-12, there will be no more promotions from GS-11 to GS-12.

2. Regularly scheduled Within-Grade Step Increases and Quality Step Increases. There are no steps in the broad band system. These actions will be eliminated.

3. Cash awards related to the performance appraisal cycle (These funds will be applied to bonus pools only—not to pay pools).

The cost savings from eliminating these actions will be used to finance the following new actions:

- Performance-based pay increases within bands, including the ability to increase the pay of supervisors, through performance-based pay increases, to a higher level than under the current system. There is no guaranteed performance pay increase in the proposed system, however, for *Eligible* performance; and
- Performance bonuses.

B. Base Cost Assessment

In order to determine whether project costs are being maintained at acceptable levels, a base assessment of pre-project costs will be needed. Costs will be computed as annual averages over three pre-project years: Fiscal Years 1994, 1995, and 1996. The costs of all personnel actions of types that are being replaced by project systems will be totaled and averaged.

C. Funding Pools for Performance Pay Increases and Bonuses

The results of the base cost assessment will provide a basis for: (1) setting maximum spending limits; and (2) constructing performance pay increase and bonus funding pools by organization, career path, band, and salary. Performance pay pools for project employees will be subject to the same budgetary constraints and reductions imposed on other Department funding allocations. Neither allocations nor authorizations convey funding. Therefore, managers will be required to make payout decisions tied to their individual budgets, within allocations. The following principles will be observed:

1. In terms of career paths and bands, costs will be kept for the most part where they are found in the base assessment. That is, base costs for promotions, within-grade increases, and cash awards in a particular band and career path will form the basis for project spending in the same band and career path.

2. Formulas will be devised to authorize pay increase and bonus pools up to the limits calculated from base-year spending. For each pool, the authorized spending ceiling will depend on the number of employees in the pool by career path, band, and salary.

3. No allocation will be placed in performance pay increase pools for employees who are not eligible for a performance pay increase, such as those who have insufficient time in the position to be rated and those whose salaries are at the ceilings of their bands. No money will be placed in bonus pools

for employees not eligible for a bonus, such as those not eligible for a performance rating or who are not on the payroll the last day of the performance cycle.

4. The potential size of performance pay increases will be relatively high for employees whose salaries are near the minimum rate of the band and relatively low for those whose salaries are near the maximum rate of the band. This arrangement imposes a reduced rate of salary increases as an individual advances in the band, similar to the reduced rate of within-grade increases in a General Schedule grade imposed by the one-year, two-year, and three-year waiting periods.

5. There will be no guaranteed performance pay increase in the proposed system. An employee with an *Eligible* performance rating may, if ranked at or near the bottom of a peer group, get no performance pay increase.

6. Although Pay Pool Managers will not be allowed, under normal circumstances, to exceed their allocated pay increase and bonus pools, they will be allowed to spend less than the full amounts of their pools.

7. Funds previously used to pay cash awards will be applied to bonus pools only—not to performance pay pools.

D. Budget Monitoring

These procedures permit changes in operating unit expenditures which result from legislatively mandated program changes and changes in Federal pay and benefits. The operating units may offset selected salary increases with savings by reducing turnover, eliminating unnecessary overhead, and cutting other personnel costs.

The operating units will measure their adherence to cost control by preparing budget estimates based on prescribed Federal budget processes and monitoring actual spending under the project against this budget estimate. Two cost comparisons will be used:

1. Longitudinal Comparisons

a. Project costs will be calculated on an established schedule.

b. Costs will be compared against the spending limits calculated from the base years to ensure that budget limitations are not being exceeded.

c. Each year, the funding of the performance pay increase and bonus pools will be used as an opportunity to "balance the books." That is, the funding of the pools will be limited to the amount that is judged to maintain budget discipline.

2. Site Comparisons

a. A number of non-project units will be selected from within the Department to serve as comparison sites. The comparison sites will be selected to reflect, as nearly as possible, the missions and workforces of the project units.

b. Periodically, the rate of increase in salaries in the project units will be compared to the rate of increase in salaries in the comparison units.

c. When it is found that salaries in project units are outpacing salaries in comparison units, and the differences cannot be explained by non-project

variables, appropriate adjustments will be made in project funding.

VI. Project Evaluation

The Department will arrange for periodic evaluations of the project under an OPM-approved evaluation plan. The evaluation will be designed to determine whether the interventions are achieving the goals and objectives of the project within acceptable cost limits. (See *Costs*.)

The following table lays out the project evaluation model, beginning with and flowing from the objectives that the project is designed to achieve. The Objective column and the Intervention column together serve as

the project hypotheses; i.e., the hypotheses to be tested are that the objectives will be achieved by the interventions linked to them. Most objectives are linked to more than one intervention. Each intervention is associated with at least one expected result. The Measures column lists the means by which the actual results will be measured, and the Data Sources column shows where the data required for the measurements can be found.

A hypothesis will be supported—that is, the intervention will be deemed to have achieved the objective—when actual results are found to match expected results.

TABLE 5.—PROJECT EVALUATION MODEL

Objectives	Interventions	Expected results	Measures	Data sources
Increased quality of new hires; improved fit between position requirements and individual qualifications; greater likelihood of getting a highly qualified candidate.	Agency-Based Staffing	Hiring officials will be able to focus on more relevant recruiting sources and avoid losing candidates who grow impatient with long hiring processes.	<ul style="list-style-type: none"> • Hiring officials' judgments of the improvement in the quality of new hires. • Hiring officials' judgments of improvements in the fit of qualifications of new hires. • Rate of acceptance of offers. 	<ul style="list-style-type: none"> • Interviews with hiring officials. • Focus groups. • HRM office records on offers and acceptances. • Periodic employee/ supervisor surveys. • Exit interviews.
	Direct Examination	For skill areas in which well qualified individuals are hard to find, managers will be able to hire good candidates as they find them, thus avoiding the loss of well qualified individuals through delays.	<ul style="list-style-type: none"> • Hiring officials' judgments of the improvement in the quality of new hires. • Hiring officials' judgments of improvements in the fit of qualifications of new hires. • Rate of acceptance of offers. 	<ul style="list-style-type: none"> • Interviews with hiring officials. • Focus groups. • HRM office records on offers and acceptances. • Periodic employee/ supervisor surveys.
	Broad-band Classification System, in conjunction with Flexible Entry Salaries.	Broad bands and flexible entry salaries within bands provide a more competitive range of entry salaries for managers to use in negotiating with candidates, thus increasing the ability to hire highly qualified candidates.	<ul style="list-style-type: none"> • Hiring officials' judgments of the improvement in the quality of new hires. • Hiring officials' judgments of improvements in the fit of qualifications of new hires. • Rate of acceptance of offers. 	<ul style="list-style-type: none"> • Interviews with hiring officials. • Focus groups. • HRM office records on offers and acceptances. • Periodic employee/ supervisor surveys.
	More Flexible Paid Advertising.	Managers will be able to make greater use of paid advertising, thus expanding the scope of recruiting efforts or focusing the recruitment effort on specialized sources.	Number of selections resulting from paid advertising.	HRM office records.
	3-Year Probationary Period for Scientists and Engineers.	Greater likelihood that scientists and engineers who are retained after probation will be capable of the full range of R&D functions.	Number of scientists and engineers released during probation after the first year.	<ul style="list-style-type: none"> • Automated history file data. • HRM office records.
	Local Authority for Recruitment Payments.	The ability of managers to grant recruitment payments during negotiations with highly qualified candidates will increase competitiveness.	Number of selections made for which the recruitment payment was instrumental in attracting the candidate.	<ul style="list-style-type: none"> • HRM office records. • Interviews with hiring officials. • Focus groups.

TABLE 5.—PROJECT EVALUATION MODEL—Continued

Objectives	Interventions	Expected results	Measures	Data sources
Increased retention of good performers.	Broad-Band Classification System.	Broad-banding gives an operating unit the ability to raise the pay of good performers to higher and <i>more competitive levels</i> , thus improving retention of good performers.	Turnover rates among good performers. Turnover rates of low performers.	Automated history file data.
	Performance-Based Pay Increases.	Performance-based pay increases give an operating unit the ability to raise the pay of good performers <i>more rapidly</i> , thus improving retention of good performers.	Turnover rates among good performers.	<ul style="list-style-type: none"> • Automated history file data. • Interviews with hiring officials. • Focus groups.
	Bonuses	The ability to reward the accomplishments of good performers will make them more likely to remain.	Turnover rates compared to size of bonus.	Automated history file data.
	Local Authority for Retention Payments.	The ability of managers to grant retention payments will improve their ability to retain employees in critical skill areas in a job-related course of study.	A count of the instances in which a retention payment is instrumental in retaining an employee who would otherwise have left.	<ul style="list-style-type: none"> • HRM office records. • Interviews with hiring officials. • Focus groups.
	Supervisory Pay Differentials.	The ability to raise the pay of high-performance supervisors to higher levels will make their salaries more competitive, improving retention.	Turnover rates among supervisors in relation to pay and performance.	Automated history file data.
	More Flexible Pay Increase Upon Promotion.	Flexible pay increases upon promotion gives an operating unit the ability to raise the pay of high-performing employees and employees in critical skill areas to higher and more competitive levels, thus improving their retention.	Turnover rates in relation to pay and performance.	Automated history file data.
Improved individual and organizational performance.	Two-Level, 100-Point, Peer Group Performance Appraisal System.	This system will more effectively communicate to employees how they are performing in relation to their peers, the consequences of poor performance, and the rewards for good performance.	Judgments of Pay Pool Managers, Rating Officials, and Employees.	<ul style="list-style-type: none"> • Interviews with hiring officials. • Periodic employee/ supervisor surveys. • Focus groups.
	Pay Increases Linked to Performance.	The promise of higher pay increases for high achievement will encourage improved performance.	Judgments of managers, supervisors, and employees.	<ul style="list-style-type: none"> • Periodic employee/ supervisor surveys. • Focus groups.
	Supervisory Pay Differentials.	The promise of higher pay levels for effective supervision will encourage improved supervisory performance.	Judgments of higher-level managers.	<ul style="list-style-type: none"> • Management interviews.
	Bonuses Linked to Performance.	The promise of bonuses for good performance will encourage improved performance.	Judgments of managers, supervisors, and employees.	<ul style="list-style-type: none"> • Periodic employee/ supervisor surveys. • Focus groups.
	Hiring Interventions (listed above).	By improving the quality of new hires, the hiring interventions will gradually produce a higher-performing workforce.	Judgments of managers and supervisors.	<ul style="list-style-type: none"> • Interviews with hiring officials. • Focus groups.

TABLE 5.—PROJECT EVALUATION MODEL—Continued

Objectives	Interventions	Expected results	Measures	Data sources
More effective human resources management.	Retention Interventions (listed above).	By improving the retention of good performers, the quality of the workforce will be higher than it otherwise would be.	Judgments of managers and supervisors.	<ul style="list-style-type: none"> • Interviews with hiring officials. • Focus groups.
	Broad-Band Classification	The broad-band classification system will be simpler to use, more understandable to managers and employees, and more accurate.	Judgments of managers, supervisors, and employees.	<ul style="list-style-type: none"> • Interviews with managers. • Periodic employee/ supervisor surveys.
	Delegated Classification Authority to Managers.	Line managers understand the organizational mission and the work related to the mission and are therefore better prepared to classify the work.	Judgments of managers and supervisors.	<ul style="list-style-type: none"> • Interviews with hiring officials. • Periodic employee/ supervisor surveys. • Focus groups.
	Delegated Pay Authority to Managers.	Line managers are in a better position to understand the labor market forces related to the work they manage and will therefore be more effective pay managers.	Judgments of managers and supervisors.	<ul style="list-style-type: none"> • Interviews with hiring officials. • Focus groups.
More efficient human resources management.	Automated Broad-Band Classification System.	The broad-band classification system will be simpler, faster, easier to automate, require fewer resources to operate, and involve fewer classification decisions.	<ul style="list-style-type: none"> • Judgments of managers and supervisors. • Time required to produce position descriptions and classify positions. • Number of classification decisions. 	<ul style="list-style-type: none"> • Interviews with hiring officials. • Periodic employee/ supervisor surveys. • Focus groups. • HRM office records. • Automated history file.

VII. Project Management

The Office of Personnel Management will oversee the project under its demonstration project authority in 5 U.S.C. 4703. The DoC Departmental

Personnel Management Board will manage the project at the Department level.

Each major operating unit will have its own Operational Personnel

Management Board to oversee local operations. The following table lists the separate responsibilities of these three bodies.

TABLE 6.—PROJECT AUTHORITIES

Arena	Project authorities		
	OPM	DPMB	OPMB
General	<ul style="list-style-type: none"> • final approval authority for the Project Plan, Implementing Regulations, and any future changes to the plan or implementing regulations. 	<ul style="list-style-type: none"> • approval authority within the Department for the Project Plan and Implementing Regulations. • approval authority within the Department for proposing changes in the Project Plan or Implementing Regulations to (OPM). • monitoring the success of project interventions so as to propose appropriate mid-course corrections to (OPM). • setting project policies within the parameters of the Project Plan and Implementing Regulations. • delegating authority to OPMBs, including the withdrawal of authority when warranted. • exercising the authority to make exceptions to normal project procedures on a case-by-case basis when it believes an exception is warranted (the OPMBs will not have this authority). • assuring adequate resources for designing, implementing, and operating the project. • establishing a training plan to train managers, employees, and support staff in project policies and procedures. 	<ul style="list-style-type: none"> • establishing operating unit project guidelines within the Project Plan, Implementing Regulations, and DPMB policies. • management of authorities outlined below and any additional authorities delegated by the DPMB. • delegating authority to managers within the operating unit, including the withdrawal of authority when warranted. • assuring adequate resources for implementing and operating the project within the operating unit. • overseeing training of operating unit managers, employees, and support staff in project policies and procedures.
Position Classification	<ul style="list-style-type: none"> • approval of the project Classification Interventions. 	<ul style="list-style-type: none"> • setting project classification policy within the Project Plan and Implementing Regulations. • approving automated classification systems and classification standards. • approving new occupational series and titles. 	<ul style="list-style-type: none"> • establishing operating unit classification guidelines within the Project Plan, Implementing Regulations, and DPMB policies. • delegating classification authority to operating unit managers. • establishing career ladders. • ensuring proper classification of positions within the operating unit. • resolving issues in operating unit classifications. • approving or delegating the approval of new specialty descriptors.
Staffing	<ul style="list-style-type: none"> • approval of the project Staffing Interventions. 	<ul style="list-style-type: none"> • approving project staffing policies • establishing policy and criteria for recruiting and retention payments.. 	<ul style="list-style-type: none"> • establishing operating unit staffing guidelines within the Project Plan, Implementing Regulations, and DPMB policies. • approving or delegating the approval of individual recruiting and retention payments. • establishing career ladders. • approving use of recruiting services. • delegating and overseeing use of paid advertising. • overseeing the application of the three-year probationary period. • establishing operating unit practices on vacancy distribution, opening timeframes, and similar local issues.
Reduction in Force ...	<ul style="list-style-type: none"> • approval of the project reduction in force Interventions. 	<ul style="list-style-type: none"> • approving project reduction-in-force policies. 	<ul style="list-style-type: none"> • establishing operating unit reduction-in-force guidelines within the Project Plan, Implementing Regulations, and DPMB policies. • establishing procedures on operating unit competitive levels. • establishing guidelines for, and overseeing, reductions in force within the operating unit.

TABLE 6.—PROJECT AUTHORITIES—Continued

Arena	Project authorities		
	OPM	DPMB	OPMB
Pay Administration ...	<ul style="list-style-type: none"> approval of the project Pay Administration Interventions. 	<ul style="list-style-type: none"> approving project pay administration and pay-for-performance policies. approving project pay tables approving performance pay increase ranges. approving automated performance pay increase systems. approving formulas used to develop performance pay increase pools. 	<ul style="list-style-type: none"> establishing operating unit pay guidelines within the Project Plan, Implementing Regulations, and DPMB policies. establishing operating unit performance pay increase pools. establishing operating unit guidelines and delegating approval authorities for setting pay levels for new hires and promotions.
Performance Evaluation.	<ul style="list-style-type: none"> approval of the project Performance Evaluation Interventions. 	<ul style="list-style-type: none"> approving project performance evaluation policies. approving project-wide forms for performance plans and appraisals and for recording outcomes. 	<ul style="list-style-type: none"> establishing operating unit performance evaluation guidelines within the Project Plan, Implementing Regulations, and DPMB policies. overseeing the operating unit annual performance appraisal process, from development of plans to individual pay increases and bonuses. establishing operating unit guidelines on performance elements. delegating rating, review, and pay pool management authorities.
Bonuses	<ul style="list-style-type: none"> approval of the project Bonus Interventions. 	<ul style="list-style-type: none"> approving project bonus policies delegating bonus limits to OPMBs 	<ul style="list-style-type: none"> establishing operating unit bonus guidelines within the Project Plan, Implementing Regulations, and DPMB policies. delegating bonus limits to pay pool managers. establishing operating unit bonus pools.
Costs and Budget Discipline.	<ul style="list-style-type: none"> approval of the project cost plan. 	<ul style="list-style-type: none"> approving project budget policies 	<ul style="list-style-type: none"> establishing and overseeing operating unit budget procedures. assuring operating unit budget discipline. designating pay pool managers. establishing and overseeing the use of operating unit performance pay increase and bonus pools.
Project Evaluation	<ul style="list-style-type: none"> approval of the project Evaluation Model. clearing annual evaluation reports. transmitting annual evaluation reports to Congress. 	<ul style="list-style-type: none"> approving the approach for selecting an evaluator to carry out the annual project evaluation. assuring adequate resources for project evaluation. approving project policies for internal Departmental assessments. 	<ul style="list-style-type: none"> overseeing and assuring operating unit participation in project evaluations, including data collection, focus group participation by operating unit employees, and availability of managers for interviews. approving objectives and procedures for internal operating unit assessments.

The DoC Chief Financial Officer/ Assistant Secretary for Administration will chair the Departmental Personnel Management Board (DPMB). The DPMB members will be senior managers of the operating units in the project and the DoC Director of Human Resources Management. Each OPMB will typically be chaired by the senior manager designated to serve on the DPMB. The operating units will appoint other key managers to their boards as they think appropriate.

VIII. Training

The project operating units will schedule training for managers, supervisors, employees, and support staff.

A. Manager and Supervisor Training

The operating units will give managers and supervisors general training in the overall features of the project and specific hands-on training in the new authorities they are to exercise. Computer training facilities will be used to teach managers and supervisors how to use the automated classification system to produce position descriptions. The classification training will emphasize principles of project classification, such as the classification logic embedded in the automated classification system, career path coverage criteria, occupational series definitions and coverage, proper classification by bands in accordance with project classification standards,

sound titling practices, and economic and effective position management.

Managers and supervisors will also be given specific training in performance appraisal and pay-for-performance. A key part of this training will be a simulation of the performance evaluation and rewards system prior to the actual end-of-year performance evaluation. Prior to the simulation, each Rating Official and Pay Pool Manager will be trained in the automated performance pay increase system. During the simulation, rating officials and pay pool managers will carry out the appraisal, scoring, rating, and performance pay increase process just as they would at the end of a performance year, but for training purposes only. The results will not be official and will not

be communicated to employees. This training exercise was used in the first year of the NIST project and was found to be an effective approach to revealing and correcting problems and misunderstandings prior to the real end-of-year process.

B. Employee Training

Through general presentations, handouts, and direct training from supervisors, employees will be given an understanding of project systems and how those systems affect them.

In the general presentations scheduled for everyone covered by the project, employees will be led through all project systems, from classification to pay administration to pay for performance. As each system is presented, it will be contrasted with the General Schedule system so employees can see how the system is changing and how the changes affect them. The presentations will also cover employee rights and grievance procedures. Employees will be given ample opportunity to ask questions at the presentations and will be given the names and numbers of individuals to call if they have questions later.

In addition to the general presentations that will be scheduled for all employees, supervisors will be instructed to pass along more individualized information about the system in conjunction with the implementation of those systems. For example, at the time supervisors give employees their new project position descriptions, the supervisors will explain the position descriptions, the process that produced them, and the process for keeping them current. Also, at the time of the performance appraisal simulation, supervisors will explain to employees how they fit into the performance scoring and peer-group ranking process and how the process leads to decisions on performance pay increases.

C. Support Staff Training

There are three categories of support staff: (1) personnel specialists in the various HRM offices serving project operating units; (2) budget specialists in operating unit budget offices assigned to monitor and advise on budget discipline issues and specifically to assist in establishing performance pay increase and bonus pools; and (3) administrative officers in the operating units, who will assist in processing personnel actions, distributing local performance pay increase and bonus pools, and electronically transmitting pay pool manager decisions to the automated payroll system.

Two of the HRM offices that will serve project operating units have served the NIST Demonstration Project since its implementation in 1988. These two offices will help train personnel specialists in the other HRM offices. Budget specialists in the operating units, besides receiving the general employee training, will receive advice from a NIST budget specialist and will receive further training on the distribution of performance pay increase and bonus pools during the simulation of the performance evaluation and rewards system. Administrative officers will be invited to take part in the supervisory training sessions and will also receive further training during the simulation of the performance evaluation and rewards system.

IX. Experimentation and Revision

Many aspects of a demonstration project are experimental. Modifications must be made from time to time as experience is gained, results are analyzed, and conclusions are reached on how the system is working. The DPMB, with DoC and OPM approval, will authorize minor modifications, such as changes in the occupational series in a career path, without further notice. Major changes, such as a change in the number of career paths, will require OPM approval and will be published in the Federal Register.

X. Authorities and Waiver of Laws and Regulations Required

The following waivers of law and regulation are necessary:

Title 5, U.S. Code

Section 3308 Competitive Service; examinations; educational requirements prohibited; exceptions
Chapter 51 Classification
Section 5303 Annual adjustments to pay schedules
Section 5304 Locality-based comparability payments
Section 5305 Special Pay Authority
Subchapter III of chapter 53 General Schedule Pay Rates
Subchapter VI of chapter 53 Grade and Pay Retention (Waiver is applicable only to allow the following modifications: (1) using bands in lieu of grades; (2) providing no band retention if reduction in band is caused by employee's pay being exceeded by band minimum rate; (3) providing no pay retention upon reduction in pay caused solely by geographic movement; (4) providing no pay retention upon conversion to the General Schedule as long as the employee's total rate of pay is not reduced; and (5) providing no pay

retention upon cancellation of a supervisory differential.)

Section 5753-5754 Recruitment and relocation bonuses; Retention allowances (except that relocation bonuses under Section 5753 continue to apply)

Section 7512(3) Actions covered (Waiver is applicable only to use bands in lieu of grades and to exclude from section 7512(3) reductions in band not accompanied by a reduction in pay, due to the employee's pay being exceeded by the band minimum rate.)

Section 7512 (4) Actions covered (Waiver is applicable only to allow the following modifications: (1) exclude reductions in pay that are solely due to recomputation upon geographic movement; (2) exclude conversions to GS pay that do not result in a reduction in the employee's total rate of pay; and (3) exclude reductions in pay due to the cancellation of a supervisory differential.)

Title 5, Code of Federal Regulations

Section 315.801 Probationary period; when required (Waived only for positions in the Scientific and Engineering Career path)
Section 315.802 Length of probationary period (Waived only for positions in the Scientific and Engineering Career path)
Section 351.401 Determining retention standing
Section 351.402 Competitive area in RIF
Section 351.403 Competitive level in RIF
Section 351.504 Credit for performance
Section 351.701 Assignment involving displacement
Part 511 Classification under the General Schedule
Part 530, Subpart C, Special salary rate schedules
Part 531 Pay under the General Schedule
Part 536 Grade and Pay Retention
Waived only to allow the following modifications: (1) using bands in lieu of grades; (2) providing no band retention if reduction in band is caused by employee's pay being exceeded by band minimum rate; (3) providing no pay retention upon reduction in pay caused solely by geographic movement; (4) providing no pay retention upon conversion to the General Schedule as long as the employee's total rate of pay is not reduced; and (5) providing no pay retention upon cancellation of a supervisory differential.
Section 550.703 Definition of reasonable offer (Waiver is applicable

only to allow substitution of (1) "one band" for "two grade or pay levels" and "two grades" and (2) "band" for "grade.")
Part 575, Subpart A, Recruitment bonuses
Part 575, Subpart C, Retention allowances
Section 752.401(a)(3) Coverage, Reductions in grade (Waiver is

applicable only to use bands in lieu of grades and to exclude reductions in band not accompanied by a reduction in pay due to the employee's pay being exceeded by the band minimum rate.)
Section 752.401(a)(4) Coverage, Reductions in pay (Waiver is applicable only to exclude reductions in pay that are solely due to

recomputation upon geographic movement; (2) exclude conversions to GS pay that do not result in a reduction in the employee's total rate of pay; and (3) exclude reductions in pay due to the cancellation of a supervisory differential.)

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