



Western Area Power Administration



Fiscal Years 2003 to 2010

Executive Summary

Western, like many other Federal agencies, will face significant and challenging human capital issues in the next decade. The Federal workforce is aging; baby boomers, with their valuable skills and experience, are drawing nearer to retirement and new employees joining the Federal workforce today have different career expectations from the generation that preceded them.¹

The average age of Western's workforce is approaching 48. Almost a third of the workforce is between 50 and 54 years and most will be eligible to retire in five years. Western has almost twice as many employees who are 55 and older as it has who are 35 and younger. As the workforce ages, the proportion of younger workers is shrinking. The U.S. Census Bureau says you can expect these developments for the next 20 years. The 45 to 65 year-old work group will grow by 54 percent but the 18 to 44 population will rise by only 4 percent. According to the Bureau of Labor Statistics workers age 25 to 44 will decline by 3 million, dropping from 51 percent of the labor force in 1998 to 44 percent in 2008.

Western employees who will retire include highly skilled workers in fields such as information technology, engineering, and craft occupations. Deregulation of the electric utility industry and the establishment of regional transmission organizations and independent system operators are also demanding new and different skill mixes than those currently available in Western.

Changes in workforce demographic, in the education and skills that will be required in the

future, and an increasingly competitive job market, will require flexible and responsive human capital tools to attract and retain talented employees. These trends were the reason for a comprehensive review of Western's human capital programs to determine its readiness for the future.

In July 2001, a team of managers conducted a comprehensive assessment of Western's human capital needs. The team used the assessment to draft a framework that addresses the most critical human capital challenges in Western. Comments on the draft plan were then solicited from Western's EEO committees and managers and supervisors. The framework outlines seven initiatives for implementation:

- 1) Develop a human capital plan linked to Western's strategic goals.
- 2) Develop and implement a Westernwide workforce planning program.
- 3) Establish a succession planning program.
- 4) Create and foster a workplace environment that will attract and retain talented employees.
- 5) Establish a Western-wide recruitment program.
- 6) Develop a training program on human capital management for managers and supervisors.
- 7) Develop pay options for improving the link between pay and performance.

Our goal in developing this plan is to help Western achieve its mission to be a premier power marketing and transmission organization. This plan serves as a first step in addressing Western's human capital issues in the next decade.

¹ Human Capital: Managing Human Capital in the 21st Century (GAO/T-GGD-00-77 March 9, 2000)

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Background

In many respects, today's Western is a much different organization from the one established in 1977. Western has evolved by redefining itself to fit the changing electric utility environment. In its early days Western was heavily involved in improving transmission system reliability through an aggressive construction program. For the first decade, Western's workforce expanded to support this effort, with most of the human capital growth occurring in the engineering occupations.

In the 1990s, with electric utility industry restructuring and the proposed privatization of the power marketing administrations, Western's focus turned to improving its operating efficiency. During this period, Western underwent a major transformation designed to improve operations and customer service. Restructuring the workforce, including a significant reduction in hiring, characterized the agency's human capital strategy during this period.

As Western enters the 21st century, we face challenges that will test our ability to meet the demands of an unsettled electric utility industry. Issues such as transmission congestion, grid reliability and regional transmission organizations place increasing demands on the organization to be flexible and responsive to change. Restructuring has increased the need to provide Western's managers with responsive, flexible human capital tools.

In the next decade, Western managers will need to attract and retain talented employees to replace its aging workforce. These new employees will have different employment options and expectations from the generation that preceded them. Only 41 percent of 2,600 14 to 29-year-olds interviewed by Princeton Survey Research Associates in 1998 said that government is a good place to start their careers. Of those who did, local government was the destination of choice by a margin of more than 2 to 1 over the Federal government.² Western managers are already finding it difficult to compete for talent for some occupations in certain locations. This trend is expected to worsen as baby boomers currently in the workforce reach retirement age.

² Paul C. Light, "To Restore and Renew", Government Executive, November 2001

³ "U.S. General Accounting Office, Human Capital: Meeting the Governmentwide High-Risk Challenge, GAO-01-357T (Washington, D.C.: February 1, 2001)

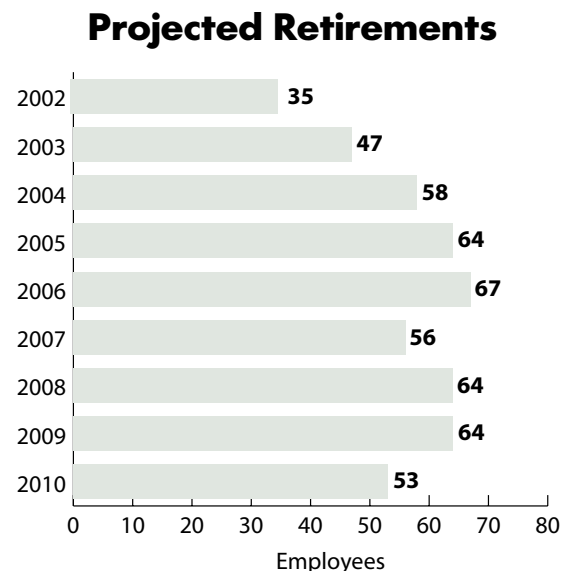
Human Capital Strategic Issues

The General Accounting Office has identified human capital management as a high-risk area for government agencies and has identified the following four strategic human capital challenges to be addressed:

- 1) Strategic human capital planning and organizational alignment
- 2) Leadership continuity and succession planning
- 3) Acquiring and developing staffs whose size, skills and deployment meet agency needs
- 4) Creating results-oriented organizational cultures³

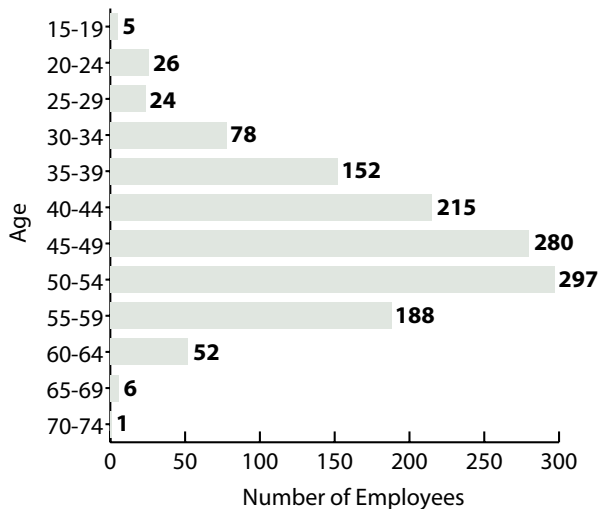
Western's biggest challenge will be replacing significant numbers of employees who will begin to leave the workforce, as they become eligible for retirement. While employee losses through retirement are expected to increase substantially, they are likely to be fairly evenly distributed during this decade as shown in figure 1. Management should be able to find qualified replacements with an effective recruitment plan.

Figure 1

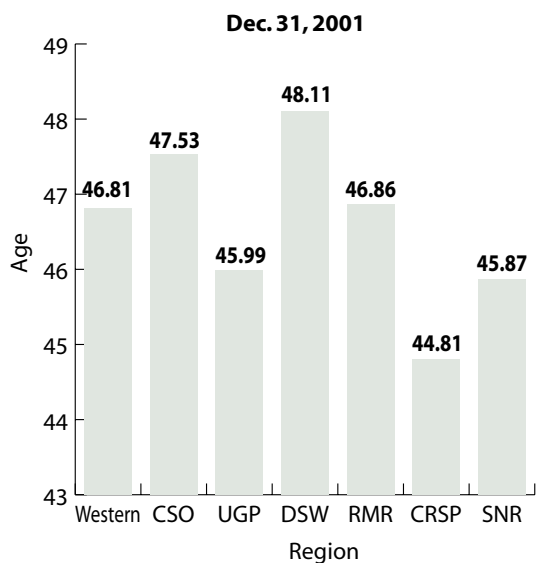


Figures 2 and 3 show how Western's workforce is aging. The average Western employee as of Dec 31, 2001 was 47 years old. Less than 5 percent of the workforce was under 30. Reduction in hiring during the 90s significantly reduced the number of new employees with competencies needed to sustain future excellence.

**Figure 2
Employee Age**

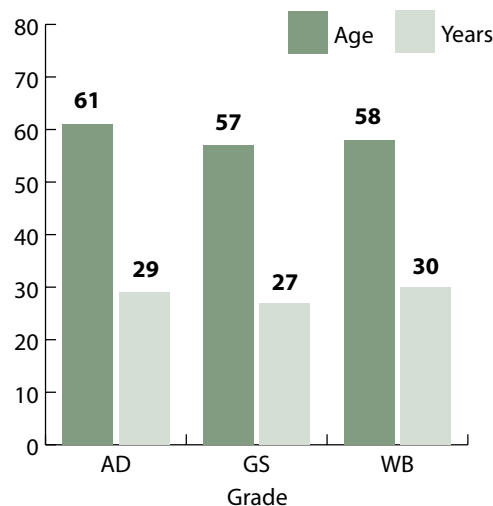


**Figure 3
Average Employee Age
by Region**



While the present downturn in the economy could impact retirement trends, the data in figure 4 indicates that Western employees tend to retire relatively close to their eligibility date. WB and AD employees tend to be slightly older with more years of service than GS employees. If this trend continues, Western must be prepared for significant numbers of employees retiring by the end of this decade.

**Figure 4
Average Age/Years
Employees Retire**



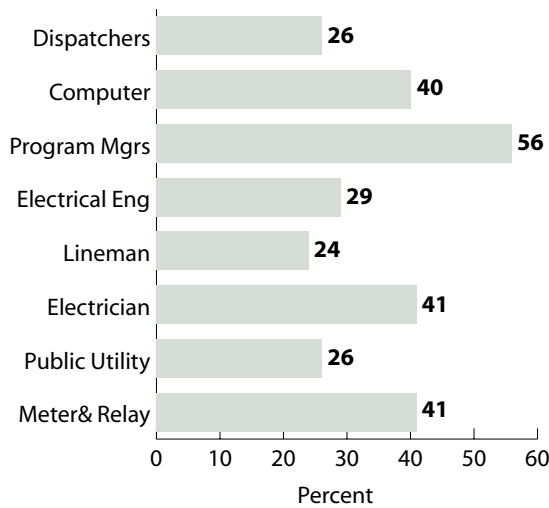
Forty percent of Western's GS workforce is GS-13 or above. Replacing highly skilled employees in a restructured electric industry where competition for talent is keen, will be challenging. From 1988 to 1998, the number of bachelor's degrees awarded in the United States increased by 20 percent. However, during the same period, the number of bachelor's degrees in engineering fell by 39 percent. Just 16,434 electrical engineering degrees were awarded in 1997. That was down from 26,791 in 1987. To make matters worse, many universities no longer offer a power engineering degree.⁴

The number of employees eligible for retirement varies among occupational disciplines, but it will be particularly acute in fields such as engineering, program management, computer specialist, electrician and meter and relay workers (Figure 5).

⁴ Utility Business, Aug 1, 2001

Figure 5

Percent of Occupations Eligible Optional Retirement 2007



Workforce diversity is also critical to Western's success in filling its workforce needs. Diversity programs must be recognized as a critical link in achieving Western's vision and mission. The business case for diversity is based on two factors.

First, the labor market has become increasingly competitive. Any organization that fails to recruit, among the full spectrum of the labor market will risk failure.

Second, the changing United States demographics means that Western's customer base is also changing. A diverse workforce will enhance Western's ability to serve its customers by offering a variety of approaches in planning, problem solving, and decision making.

To recruit and retain a diverse workforce Western must concentrate on workforce planning, succession planning, mentoring, internships and student employment. We will also use retention strategies that appeal to a wide spectrum of employees. These include:

- A flexible work environment
- Quality leadership
- An emphasis on learning and development
- Effective rewards and recognition systems

Human Capital Assessment

Western's human capital program must be built on a solid foundation of strategic planning and organizational alignment. It should focus on leadership and succession planning to recruit and train the best possible talent. It should establish a performance culture that includes appropriate performance measures and rewards, and focuses on continuous learning and knowledge management.⁵

To meet these objectives, a team composed of Western's Administrative Officers, Human Resources, Economic Impact and Diversity and Human Capital Initiatives managers and a line manager conducted an assessment of Western's human capital management issues. The team used a checklist developed by Government Accounting Office. This self-assessment provided a starting point to develop Western's human capital strategic plan.

The checklist was used as a diagnostic tool, to capture managers and employees' informed views of our current human capital programs. It enabled the team to assess Western's current human capital programs and to identify its strengths and challenges, and establish a human capital profile.

Questions listed on the self-assessment were rated by assigning scores ranging from (5) definitely/completely (4) generally (3) partially (2) generally not (1) not at all. The results of this assessment are summarized in table 1.

⁵ U.S. General Accounting Office, "Managing Human Capital in the 21st Century", GAO/T-GGD-00-77 (Washington, DC: March 9, 2000)

Table 1
Western Human Capital Self Assessment

Human Capital Management Element	Status/Comments	Assessment score
Strategic planning: Establish the agency's mission, vision for the future, core values, goals and objectives, and strategies.		
<p>1. Shared Vision. A clear, defined and well-communicated mission, vision for the future, core values, goals, objectives and strategies by which the organization has defined its direction and expectations for itself and its people.</p>	<p>Western's strategic plan includes a clear "shared vision" and mission statement. It identifies three strategic goals and several objectives under each goal to define how the organization intends to achieve its mission and vision. However, majority of employees are not involved in setting the goals and lack commitment.</p>	3.4
<p>2. Human Capital Focus. A framework of human capital policies, programs and practices specifically designed to steer the agency toward achieving its vision integrated with the agency's overall strategic planning.</p>	<p>Specifically with regard to human capital, Western's strategic plan identifies a people goal with an objective to recruit, develop and retain a safety-focused, highly productive, customer oriented and diverse workforce. However, significant numbers of employees are not involved in setting the goals and lack commitment.</p>	2.2
Organizational alignment: Integrate human capital strategies with the agency's core business practices.		
<p>1. Workforce Planning. In the human capital area this requires workforce planning that is explicitly linked to the agency's strategic goals and vision.</p>	<p>Western currently has limited workforce assessment tools. We need a more comprehensive workforce planning process to plan for current and future workforce needs and identify the technical and other knowledge, skills and competencies needed.</p>	2.6

Human Capital Management Element	Status/Comments	Assessment score
<p>2. Integrating the HR function. Does the HR function have the appropriate preparation and experience to provide effective mission support and participate as partners in the human capital effort?</p>	<p>Western's human resources staff has skill gaps that make it difficult to move toward a more consultative role working as a partner with management. Additionally, some Human Resources officers expressed concern that the FTE levels dedicated to the human resources function may not be adequate to support Western's mission.</p>	<p>1.9</p>
<p>Leadership: Foster a committed leadership team and provide reasonable continuity through succession planning.</p>		
<p>1. Defining Leadership. Has the agency defined the kind of leaders it wants and the broad performance expectations it has for them?</p>	<p>Western's SES performance standards are aligned with the strategic goals and will be cascaded down to team leads, supervisors and managers. However, Western's core competencies need to be revisited to determine currency and applicability.</p>	<p>2.6</p>
<p>2. Teamwork and communications. Do senior managers pursue an explicit strategy to promote teamwork and reinforce a shared vision for leading the organization and receive feedback from employees?</p>	<p>Western does not have an explicit strategy for promoting teamwork. However, 62% of the employees who responded to the OPM Organizational Assessment Survey gave teamwork a favorable rating.</p>	<p>2.1</p>
<p>3. Ensuring continuity. Does the agency take steps to ensure reasonable continuity through executive succession planning?</p>	<p>Western's Management Succession Program is open only to employees who hold permanent managerial, supervisory or team leader positions. Currently no formal effort is being made to identify non-managers for leadership positions.</p>	<p>3.6</p>

Human Capital Management Element	Status/Comments	Assessment score
Talent: Recruit, hire, develop and retain employees with the skills for mission accomplishment.		
<p>1. Recruiting and hiring. Does the agency have a recruiting and hiring strategy to fill short- and long-term needs and to fill gaps identified through its workforce planning process?</p>	<p>Western lacks a strategic organization-wide recruitment strategy. Recruitment efforts are fragmented and focused on short-term needs.</p>	<p>2.9</p>
<p>2. Training and professional development. Does the agency make appropriate investments in education, training and other developmental activities to help its employees build the competencies needed to achieve the agency's vision?</p>	<p>Western dedicates considerable resources to the development of some occupations such as dispatchers and to the development of current managers/supervisors. However, we lack developmental programs for other critical occupations, such as public utility specialists.</p>	<p>2.4</p>
<p>3. Workforce deployment. Is the deployment of the agency's workforce appropriate to mission accomplishment and keyed to efficient, effective and economic operations? Are there indications that the organization puts the right employees in the right roles and use them to focus the right talent on specific tasks?</p>	<p>Western's senior managers meet annually to develop a workforce deployment plan based on budget and organization priorities. Workforce levels are adjusted annually to address Western's most critical needs.</p>	<p>4.1</p>
<p>4. Compensation. Does the agency's compensation system help it attract, motivate, retain and reward the people it needs to pursue its shared vision?</p>	<p>Western's dispatchers and craft employees are compensated based on salary surveys. This has enabled Western to remain competitive. However, recruitment and retention issues exist with the GS workforce, especially in highly skilled occupations such as engineering and information technology.</p>	<p>2.7</p>

Human Capital Management Element	Status/Comments	Assessment score
<p>5. Employee-friendly workplace. Does the agency provide the flexibility, facilities, services and work/life programs to help it compete for talent and enhance employee satisfaction and commitment to the agency?</p>	<p>Western has a progressive work/life program, which offers employees a wide-range of flexible work schedules. Health-related programs such as fitness, physical exams, etc., are also made available to employees.</p>	<p>4.1</p>
<p>Performance culture: Empower and motivate employees while ensuring accountability and fairness in the workplace</p>		
<p>1. Performance management. Is the agency's performance management system designed to improve individual and team performance?</p>	<p>Western's performance management program was developed in the early 1990s. There is concern that it no longer serves the needs of the organization and does not assist managers in rewarding or improving performance.</p>	<p>2.1</p>
<p>2. Performance Incentives. Are meaningful performance incentives in place to support the organization's performance management system?</p>	<p>Western's SOAR and Bonus reward program are results-oriented performance incentives. However, the link between rewards and Western's strategic goals may need improvement.</p>	<p>3.4</p>
<p>3. Continuous Learning and Improvement. Does Western encourage and motivate employees to contribute to continuous learning and improvement?</p>	<p>The team members voiced concern that managers/ supervisors have not fully embraced this responsibility. The Strategic Plan specifically addresses this issue and lists an objective to develop and retain a highly skilled, motivated, customer-focused workforce. Efforts to identify best practices in learning need to be expanded.</p>	<p>2.1</p>
<p>4. Managers and supervisors. Are managers and supervisors expected, prepared and trained to help steer the workforce toward the pursuit of the organization goals?</p>	<p>Western needs to obtain better information on how well managers and supervisors demonstrate leadership. This feedback should be used to determine developmental needs.</p>	<p>2.6</p>

Human Capital Management Element	Status/Comments	Assessment score
<p>5. Job process tools and mission support. Are job processes, tools and mission support structures tailored to help employees effectively, economically and efficiently pursue their work?</p>	<p>Decisions involving new core business strategies need to be better designed to support quality, productivity and accountability.</p>	<p>2.6</p>
<p>6. Information Technology. Are employees making the best use of information technology to perform their work and to gather and share knowledge?</p>	<p>A comprehensive agency plan is needed to better manage Western's investments in information technology.</p>	<p>2.1</p>
<p>7. Inclusiveness. Does the agency maintain an environment characterized by inclusiveness and a variety of styles and personal backgrounds and is responsive to the needs of diverse groups of employees?</p>	<p>Western has an affirmative action policy, mandatory training in diversity issues and an Alternate Dispute Resolution program.</p>	<p>3.1</p>
<p>8. Employee and Labor Relations. Are relations between the agency's workforce and its management grounded in a mutual effort to achieve the agency's mission?</p>	<p>Western has a more traditional approach to labor relations based on positional interests. Attempts to encourage more partnering have been problematic.</p>	<p>2.0</p>

Human Capital Framework

To accomplish our mission and vision, Western must develop and implement human capital strategies that enable employees to maximize their performance and value to customers. At the same time, Western must be aware of the costs and risks associated with implementing new human capital initiatives. Western's challenge is to determine how to balance those requirements in the face of significant and continuous change in the business and political environment in which it operates.

A draft plan based on the human capital self-assessment and workforce profile was developed and shared with Western managers and EEO committees. Out of that effort emerged a framework for human capital management that identifies seven major initiatives (table 2). Issues such as cost and implementation ability were factored in when determining the priorities and timing of the initiatives.

Western currently has many exemplary human capital programs, such as employee-friendly workplace policies, bonus goals, SOAR awards, management development and diversity programs. Additionally, we are implementing a number of ongoing initiatives. These include

upgrades to the Quickhire program, Peoplesoft workflow, performance standards improvement and increasing workforce diversity in the craft occupations.

DOE has also developed and initiated a human capital management plan with a number of initiatives that impact Western. These include:

- * Mentoring Program
- * DOEwide Organizational Assessment Survey
- * Expanded use of automated human resources systems and streamlined hiring process
- * Diversity programs improvement project

These ongoing and planned efforts by Western and DOE were considered in developing the human capital initiatives. Implementing the seven proposed initiatives is intended to correct weaknesses in Western's current human resources program and improve the quality of the workforce

Included is a business case for each of the proposed initiatives. With the exception of pay for performance, all of the initiatives being proposed can be implemented under current laws and regulations. The Bush Administration supports legislation for pay flexibility authority to all Federal agencies so this may be a viable option in the near future.

Table 2
2003-2010
Western's Human Capital Initiatives Framework
 (Short-term less than 1 year, mid-term 1 to 2 years, long-term 3 to 5 years)

Human capital objective/ challenge	Initiative	Responsible officials	Timeframe Milestones/ Target dates	Measurable goal
Strategic Planning Develop a human capital strategy that supports Western's mission and vision.	1) Develop a Human Capital plan and link it to Western's strategic plan	Human Capital Initiatives manager	<i>Short-term</i> draft 4/1/02 AOs review 4/15/02 Senior manager review 8/15/02-9/15/02 Plan published 10/1/02 Plan incorporated into FY 2003 Performance Plan 10/30/02	Senior manager approval of plan that supports mission/vision & plan is linked to Western's 2003 strategic goals.

Human capital objective/ challenge	Initiative	Responsible officials	Timeframe Milestones/ Target dates	Measurable goal
Data-Driven Human Capital Decisions Decisions involving future human capital management and its link to Western's achievements are routinely based on complete, valid reliable workforce data.	2) Develop and implement strategic workforce planning system that includes gap analysis capability and skills inventory	CFO/COO staff	Long-term TBD	Complete, accurate workforce data is available to management for planning purposes. Data is used to manage risk and identify areas needing attention before crises develop.
Leadership Develop a committed leadership team and provide for reasonable continuity	3) Establish a succession planning program	Human Resources manager/ Human Capital Initiative manager	Short-term TBD	Program produces sufficient high quality candidates for managerial /supervisory vacancies
	4) Conduct employee surveys to obtain workplace environment feedback including exit interviews and follow-up surveys of new hires	Human Resources manager & Human Capital Initiatives manager	Short-term Every 12 to 18 months	Survey results are shared with managers and employees; action plans are developed to deal with challenges
Talent Recruit, hire, develop and retain employees with the skills needed for Western to achieve its mission	5) Establish Western wide coordinated recruitment program for college/ professional recruitment.	Servicing Human Resources Officers	Mid-term TBD	Annual turnover rate 4% or less; management has sufficient pool of highly qualified candidates for their vacancies
	6) Establish a training program for managers/ supervisors/ team leads on Human Capital Issues and pay/ recruitment flexibility options	Human Capital Initiatives Manager/ Human Resources Manager	Short term Pilot date TBD	100% of managers have received training
Performance Culture Empower and motivate employees while ensuring accountability and fairness in the workplace	7) Develop compensation options (e.g. pay banding) that will improve link between pay and performance	Study team of line managers/ Human Capital Initiatives manager	Mid-term TBD	Pay options developed and submitted to senior managers for approval

1. Initiative: Develop a human capital plan

Issue: GPRA requires that agencies address human capital issues in the context of performance-based management and specifically requires that annual performance plans describe how agencies will use human capital to accomplish their goals and objectives.

Decision: Approve human capital strategic plan that will be integrated into Western's strategic goals and plan.

Reasons in Support: During the next decade, a significant number of employees will retire and Western will be challenged to meet the potential crises. First, it will have to compete for talented employees in a job market where competition for the best talent will be tough. Second, Western needs modern human resources programs that support a new generation of workers with different expectations. Third, we will need to develop leaders that are results-oriented and customer-focused. To meet this challenge, Western needs a strategic approach to managing its human capital resources that supports its mission and meets customer expectations.

Cost: Cost to implement the plan will depend on the specific initiatives adopted.

2. Initiative: Develop and implement a strategic workforce-planning system

Issue: Western needs the ability to make informed workforce deployment decisions. To accomplish this, Western must determine its current and future human capital needs—including the appropriate number of employees, the key competencies for mission accomplishment and the appropriate deployment across the organization. Management then must create strategies to identify and fill the gaps.

Decision: Develop a strategic workforce planning process that can periodically assess the nature of future work and the kind of workforce required to perform it.

Reasons in Support: Western currently lacks the detailed information needed to make informed workforce deployment decisions, including: 1) information on the relationship between its budget request for FTE and its ability to meet goals and (2) any gaps in needed competencies within the organization. Western needs a more in-depth, fact-based approach to human capital strategic planning that permits sound business decisions for its human resources needs. Accurate workforce planning data and gap analysis would enable Western to better assess its human capital needs and develop mid- and long-range staffing and recruitment plans. This tool would improve Western's ability to predict future workforce needs and avoid management by crisis.

A workforce-planning program would enable Western managers to:

- Link strategic goals and competencies directly to individual employees.
- Determine knowledge capital needs for strategic business planning.
- Forecast hiring needs and strategies.
- Assess the competencies of the workforce and use these to "model" the future workforce.
- Assess the gap between the current workforce and future needs.

Cost: Other Federal agencies have developed workforce planning tools that can be adopted to meet Western's needs at a reasonable cost. The U.S. Army, for example, has a program that would be available at no cost. However considerable in-house staff resources might be required to implement the program. (The CIO has expressed an interest in having her organization serve as the pilot for this effort.)

3. Initiative: Establish a succession-planning program

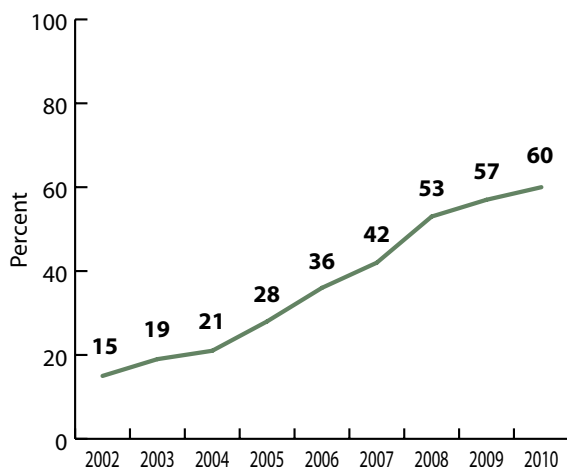
Issue: Ensure that Western has a pool of future leaders to meet its needs

Decision: Establish a succession planning program to develop a cadre of talented managers.

Reasons in Support: As shown in Figure 6, 60 percent of Western’s supervisors/managers will be eligible to retire by 2010. If Western is to achieve its goal and mission it needs to have employees who are prepared for a leadership role and are committed to Western’s vision. The purpose of the succession-planning program in Western is to ensure a continuous supply of talent for key positions. The program objective would help employees develop their potential so that they are prepared and qualified to assume positions in line with individual career goals and organizational requirements.

Figure 6

Supervisors/Managers Eligible for Retirement



Program Elements:

At least once a year, the organization will sponsor:

- A replacement planning activity that will assess how well Western is positioned to meet replacement requirements from within.
- Individual performance appraisals of all managerial and supervisory employees that assess how well those employees are meeting their current job requirements
- Individual potential assessments of all managerial and supervisory employees to assess how well those employees are presently equipped for future advancement. The focus of this assessment will be on the future.
- Individual development plans for all managerial and supervisory employees. These plans will include action items that will help the employee develop and be prepared for advancement.
- Leadership development component that will develop employees who are not team leads or supervisors for leadership roles with Western. The number of employees to be developed would be based on careful workforce analysis of projected needs and competencies required for success as a manager in Western,

This program will complement and operate in tandem with current in-house development and performance management programs.

Costs: Program costs are for development and training and should be similar to prior year expenditures. Using online developmental courses and on-the-job training will minimize costs.

4. Initiative: Create and foster a workplace environment that will attract and retain talented employees

Issue: Western managers must understand the issues that motivate and engage employees in their work if they want to create a workplace environment that will attract and retain talented employees.

Decision: Western senior management support for periodic employee surveys to establish baselines and track employee attitudes regarding the workplace. This will include exit interviews and new employee surveys.

Reasons for Support: Data obtained from employees will help managers to determine the health of the workplace. Topics may include quality of supervision, effectiveness of pay and reward practices, safety and health programs, etc. Also, issues and concerns in the workplace frequently change. Just because something worked well last year doesn't mean that it still does. By listening to what employees say, management has an opportunity to correct problems. Surveys are the most cost-effective way to obtain this data. A well-designed and professionally conducted survey can disclose a wealth of information about employee perceptions that management can use to improve the work environment. Conducting a survey can send a positive message to employees that their opinions are valued and management is open to hearing what all of the employees think. Managers and employees can then mutually become engaged in the process of improving the workplace.

Cost: If DOE continues to contract for the OPM survey, which appears to be the case, no additional funds will be needed to support periodic Westernwide employee surveys. If DOE requests reimbursement or we contract to conduct our own survey, the annual cost would be approximately \$50,000. Exit inter-

views are not currently being conducted, but the cost to initiate an exit interview program is minimal (estimate less than \$1,000 a year). Surveys on new hires have been conducted for the last two years. This effort should be continued to establish a trend database. Costs to continue this program are estimated at \$2,000 per year (based on supervisor's time to complete the survey form and staff work to compile data).

5. Initiative: Establish a Westernwide coordinated recruitment program for entrance-level professional hiring.

Issue: Western's college/professional recruitment efforts could benefit from a more focused, coordinated effort.

Decision: Establish a council of regional and corporate staffs to coordinate Westernwide professional /college recruitment efforts. The council would also develop a recruitment marketing plan and make policy recommendations to the Administrator and senior managers about the use of recruitment pay flexibilities, e.g. recruitment, relocation and retention bonuses. The council should include staff from the Economic Impact and Diversity Office and Corporate Communications. This effort would not impact the ability of the regions or any program offices to make hiring decisions.

Reasons in Support: Since the late 1990s competition for college recruits and professionals in technical fields has been intense. The recent downturn in the economy has cooled the job market but we can anticipate that it will turn around in the future. As the babyboomer generation retires and fewer employees become available for jobs, competition for the best talent will become intense. An effective recruitment program requires

delivering a compelling message to the target audience and managing the process as effectively as possible. Western currently lacks a coordinating body to help focus recruitment efforts and minimize duplication of effort.

Cost: The coordinating council should develop a detailed annual budget. Expenses for this effort would be mostly for marketing materials and publicity such as brochures. Estimated cost is \$30,000, not including travel cost for college visits that are presently covered at the regional level.

6. Initiative: Develop a human capital management training program for managers and supervisors.

Decision: Establish a training program to educate supervisors on their responsibilities for human capital issues (e.g. pay flexibilities).

Reasons in Support: Western managers and supervisors need to understand their roles and responsibilities in human capital management. They must be committed to valuing and investing in employees by providing them with the tools to do their best and focusing their performance on mission accomplishment. Among other things, this training would enable managers to better use current pay and retention flexibilities to attract and retain highly quality employees.

Costs: The major components of this training program could be developed in-house at nominal cost. However, it might require outside vendor support. Estimate development costs are \$20,000.

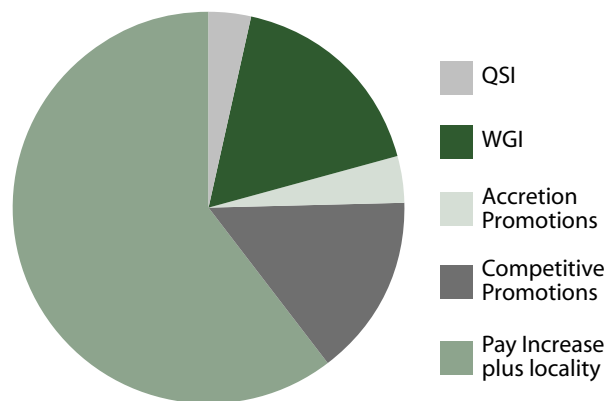
7. Initiative: Develop compensation options to improve the link between pay and performance.

Issue: The link between pay and performance in Western is weak, and the job classification/pay structure does not provide managers sufficient flexibility to manage the workforce

Decision: Senior managers should appoint a small team of managers and staff to study the feasibility of implementing a performance-based pay system in Western.

Reasons in Support: Western's pay system for General Schedule employees is performance insensitive. Pay adjustments are, for the most part, automatic leaving little room for managers to recognize performance. Figure 8 shows that approximately 80 percent of the total increase in Western's payroll in FY01 went to employees for simply remaining on the rolls and was not performance sensitive. The message to employees is that a mediocre employee can prosper, and a better performer will not necessarily get better pay.

Figure 7
Role of Performance in Pay Increases in FY 01



In addition, the GS job classification system is antiquated, rigid and limits a supervisor's ability to manage the workforce. It was originally established in 1949 for a rigid, bureaucratic government structure. Movement of employees between grades was not an issue when the government was mostly an army of clerks. However, in today's matrix and multitask organizations, the rigid classification structure inhibits the deployment and development of employees. To make matters worse, many current job classification standards are badly out-of-date and make it difficult to accurately classify positions. For example, the electrical engineer job classification standard is 30 years old.

A performance-based pay system would provide managers with much greater flexibility to set salaries and link pay increases. For example, annual cost-of-living pay adjustments and step increases could be linked to performance and not be granted automatically, as is now the case. Employees who are marginal or poor performers would typically not receive an annual pay adjustment or an automatic step increase and, under this scenario, they could be expected to either get the message and improve or leave the organization. Under pay banding, for example, the 15 grades of the General Schedule are typically merged into four or five salary ranges. Within those ranges, managers have more freedom to set salaries than they do under the current system, which limits pay to the 10 steps in the grade. This approach permits more flexibility by relaxing the constraints of the current General Schedule system. Broader pay bands also permit managers to shift employees to new roles more easily within a pay band.

Reasons to consider implementing pay for performance include:

- Delegate more personnel authority/flexibility to managers.
- Facilitate assignment and development of employees.
- Attract and retain high performers.
- Make dual career tracks workable.
- Encourage mobility.

- Reduce or redeploy HR staff and decrease time to fill vacancies (greatly reduces job classification).
- Achieve understandability and flexibility.

Managers in Federal agencies currently using pay banding say it allows them to reward high performers and motivate employees to higher performance levels. However, establishing performance-based compensation requires a credible and reliable performance management system.

The Bush Administration is proposing new management initiatives that may include the option of implementing pay for performance in Federal agencies. Those proposals are a year or more away, but it would be to Western's advantage to have studied and developed the issue in advance. Western could also consider obtaining its own approval for pay legislation if the Administration does not submit a proposal and obtain congressional authority.

Cost: Cost to conduct a pay for performance study will be salary dollars of current managers and staff. This is estimated to be approximately \$30,000. The study would require a small team (5 employees) that could dedicate a minimum of 30 days to study the issue. No consultant fees should be required. Travel costs for team meetings are estimated to be around \$10,000.

Costs associated with a change to pay for performance will be more difficult to measure. First, there will be disruption of the workforce that results from implementing a system that impacts employee pay. Second, total compensation costs for organizations implementing pay banding generally increase. However, the improvements in productivity and customer service that may result from a pay for performance system could more than offset the costs.

