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CRITICAL MISSION: ASSESSING SPIRAL 1.1 OF THE NATIONAL SECURITY PERSONNEL SYSTEM

HEARING

BEFORE THE

COMMITTEE ON HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS UNITED STATES SENATE

ONE HUNDRED NINTH CONGRESS

SECOND SESSION

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CRITICAL MISSION: ASSESSING SPIRAL 1.1 OF THE NATIONAL SECURITY PERSONNEL SYSTEM

WEDNESDAY, SEPTEMBER 20, 2006

U.S. SENATE,
COMMITTEE ON HOMELAND SECURITY
AND GOVERNMENTAL AFFAIRS,
Washington, DC.

The Committee met, pursuant to notice, at 2:33 p.m., in room SD–342, Dirksen Senate Office Building, Hon. Susan M. Collins, Chairman of the Committee, presiding.

Present: Senators Collins and Voinovich.

OPENING STATEMENT OF CHAIRMAN COLLINS

Chairman COLLINS. Good afternoon. Today, the Committee holds its third hearing to examine the design and implementation of the National Security Personnel System. We will focus on the conversion of approximately 11,000 employees that began earlier this year.

The pay-for-performance systems underway at the Departments of Defense and Homeland Security represent the most significant change in Federal employees' supervision and compensation methods since the General Schedule was introduced in 1949. When fully implemented, the new pay-for-performance systems will cover approximately one-half of the Federal civilian workforce.

Debate on the National Security Personnel System for the Department of Defense's civilian workforce started in 2003, when the Department initially submitted a proposal that many of us believed went too far and failed to provide important provisions to protect good employees. Since then, considerable progress has been made. I want to commend Secretary England for his continued commitment during the past 3 years to ensuring that the new system is credible and that it appropriately reflects congressional intent to reward high performers and avoid unfair consequences. I am very impressed that Secretary England has stayed personally involved in this project, despite having the tremendous responsibility of being Deputy Secretary.

Despite the Department's efforts to provide a robust training program for its employees and their supervisors, I continue to hear concerns from employees and their representatives that show their lack of confidence in the new system.

I have had, for example, employees from the Portsmouth Naval Shipyard in Kittery, Maine, express to me concerns about whether

their managers will be fair in their evaluations and whether they will know how to do their evaluations. There is not a resistance to evaluation per se. In fact, most employees tell me they welcome a good evaluation system where their pay is tied to their performance. But many of them say to me, quite frankly, "I do not think my manager is going to be able to do this in a way that is fair." I believe we have a real challenge to build confidence in the new system.

Secretary England has previously testified that, "A key to the success of NSPS is to ensure that employees perceive the system as fair with trust between employees and supervisors." I think that really sums up the challenge before us. I look forward to learning how the Department is building that trust that is absolutely critical to achieve a successful implementation of the new program. If there is not employee buy-in, if employees do not view NSPS as a fair system that will truly reward good performers, then the Department is going to be met with continued resistance and opposition. After all, the real test of NSPS begins next month, when Spiral 1.1 employees receive their first written performance evaluations from their supervisors.

Implementation of the new system will, of course, require honest, accurate, and actionable evaluation and will continue to be dependent, as I have indicated, on good management, proper execution, and effective training. Each of those factors requires adequate resources. I am, therefore, also interested in hearing what kinds of improvements are planned to ensure that future employee conversions are properly funded so that managers and supervisors can make the proper judgment calls.

Whether the system set forth in the final regulation will achieve the Committee's goal of helping the Department recruit, reward, and retain a highly skilled workforce and ensuring that employees are recognized for their contributions to the mission remains to be seen. As the Department moves forward, this Committee will continue to scrutinize the system and to assist to determine if it meets the goal of supporting the best possible Federal workforce. And that really is the goal that unites all of us.

I know that Senator Voinovich, who asked me to conduct this hearing, is very eager to hear the Secretary's remarks. It is my understanding that he is on the way, so I am going to ask that the Secretary proceed with his statement, and with your permission, when Senator Voinovich arrives, I will interrupt you and defer to him for his opening comments.

Secretary England, we are delighted to have you here today.

TESTIMONY OF HON. GORDON ENGLAND,[1] DEPUTY SECRETARY, U.S. DEPARTMENT OF DEFENSE, ACCOMPANIED BY MARY LACEY, NSPS PROGRAM EXECUTIVE OFFICER, U.S. DEPARTMENT OF DEFENSE

Mr. ENGLAND. Senator Collins, thank you, Madam Chairman, and it is a delight to be here. I do thank you for the opportunity to be here. I know you are extraordinarily busy in the Senate as you get to the end of the session, so it is very gracious of you,

[1] The prepared statement of Mr. England appears in the Appendix on page 23.

frankly, to hold this hearing today. Thank you for your comments about my personal involvement, and let me reciprocate. We appreciate your personal involvement because it has been most helpful, and we do appreciate your steadfast support and your help and assistance and suggestions as we have gone along. So I do thank you.

It is a pleasure to be here today with Linda Springer. She is our very close partner at OPM. And here is Senator Voinovich, so maybe I will——

Chairman COLLINS. We will break, and I will ask you to withhold.

Senator Voinovich, you have perfect timing. You did not have to listen to my opening statement, but you did not miss Secretary England's. I would say that was good timing. So, Senator Voinovich, I was explaining that the idea for this hearing originated with you and that we have worked very closely on a variety of human capital challenges, and I would like to give you an opportunity to make some opening comments before the Secretary proceeds.

OPENING STATEMENT OF SENATOR VOINOVICH

Senator VOINOVICH. Thank you.

Thank you for holding this hearing. As you know, this Committee has had an ongoing interest in the National Security Personnel System. If it was not for the Chairman of the Committee and her leadership in the conference committee, NSPS would look very different. While the legislation establishing NSPS did not come through this Committee, we have been conducting oversight of it ever since, haven't we?

I have often said that the changes underway at the Department are far reaching and will impact Federal workforce reform across the entire Executive Branch. It is the responsibility of Congress and this Committee to continue its oversight to ensure the implementation is progressing in a positive manner and that employees are benefiting from the changes embodied in NSPS.

I am glad that Mr. England and Ms. Springer are here today to testify before the Committee. I appreciate the fact that we have had such good cooperation with you.

Madam Chairman, I know that issuing the regulations to establish the National Security Personnel System was not an easy task, and it took longer than we thought. The implementation process is going to be even more formidable if we are to institutionalize NSPS at the Department of Defense. And failure is not an option.

I want to go back to March 2001, when I Chaired the Subcommittee hearing titled "National Security Implications of the Human Capital Crisis." The panel of witnesses that day included former Defense Secretary James Schlesinger, who was a member of the U.S. Commission on National Security in the 21st Century. At that time Secretary Schlesinger said, "As it enters the 21st Century, the United States finds itself on the brink of an unprecedented crisis of competence in government. The maintenance of American power in the world depends on the quality of U.S. Government personnel, civil and military, at all levels. We must take immediate action in the personnel area to ensure the United States can meet future challenges. It is the Commission's view that fixing

the personnel problem is a precondition for fixing virtually everything else that needs repair in the institutional edifice of the U.S. national security policy."

And so far this Congress and the Committee, including my Subcommittee, have held four hearings on the National Security Personnel System. The most recent was a field hearing where we examined the training for preparation of Spiral 1.1. We looked at what they were doing at Pearl Harbor and other military bases, and we were very impressed.

In addition, my staff has met with the leaders of various components in Ohio who are preparing for implementation of Spiral 1.2. While approximately 100 DOD civilian employees in Ohio were converted to Spiral 1.1, over 3,800 Ohioans will be converted during Spiral 1.2. Department-wide, I think the total converting in Spiral 1.2 is about 60,000 more people, starting in October. That is next month.

During this past year, I have been struck by the excitement and enthusiasm I have seen in senior career staff as they prepare for NSPS implementation. In conversations with these individuals, I know they understand the challenge before them, and I am committed to ensuring that they have the necessary support and resources. The Chairman and I worry about the Department having the resources to support NSPS. Once DOD converts the next 60,000, are the budgets of the agencies going to be sufficient to train these folks to make this program successful?

So today I restate my commitment to work with the Department, and make sure, Secretary England, that they have the money to get the job done. Too often around here—and the Chairman and I have talked about this—we keep asking agencies to do more. We give them more responsibilities, and we do not give them more money to get the job done. If we are going to be successful with this, the Department has to have the resources.

I would hope that you let the Director of the Office of Management and Budget—Rob Portman—know what you need because without the support this will not be successful, it will not be institutionalized. We cannot afford to go back. Thank you.

Chairman COLLINS. Thank you, Senator. Secretary England.

Mr. ENGLAND. Senator Voinovich, I was just commenting as you came in. The Chairman was gracious enough to thank me for staying personally involved, and I was thanking the Senator, and I also thank you because you have both been very supportive and extraordinarily helpful, and we enjoy and appreciate working with you on this very important issue.

It is a pleasure to be here today with Linda Springer, our partner from OPM, also Mary Lacey, our Program Executive Officer, and also this afternoon Lieutenant General Terry Gabreski, who is from Wright-Patterson Air Force Base and so can discuss some on-the-ground real events with you today.

Before I proceed, I just want to give a very brief thumbnail, but let me first address the issue of budgets. We do not have a budget issue. The components have the money they need to do the training to the level they need to do it, and if they need more for training, they will have more money. This program is vitally important for the Department of Defense. We know it is vitally important, and

we are fully funding all aspects of this program. And that is a personal commitment. At the end of the day, I actually get to sign off on these budgets and approve them and make sure that projects are fully funded. I can assure you this program has been and will continue to be fully funded for training our people. So a commitment on the budget, Senator, is not going to be an issue. And if there is an issue, I will tell you, and you can look me directly in the eye, but I can tell you we are not going to have a funding issue in terms of training on this program.

I do want to comment—I would like to just give you a thumbnail sketch because I know time is short and there is a lot in the Senate going on. But let me say that we are making significant progress, and I have been personally very pleased by the feedback. We have been in Spiral 1.1, as you commented, Madam Chairman. We have 11,000 personnel in 12 different organizations in Spiral 1.1. And, Senator Voinovich, you are correct, we start next month. Between October and January, we will have 66,000 more people join NSPS. So we have a significant increase, and there are people from around the world in this next group of people, 66,000. They are from organizations around the world. I can tell you, supervisors are engaged, employees are engaged. We have open channels of communications. Our employees know what is expected. And I am delighted to tell you that the feedback—what people tell me, that this is the first time they have ever seen a large-scale DOD training effort focused on the leadership and our employees. This is directed to our civilian workforce and our military workforce who manages civilian employees. And so this is about improving skills, particularly improving the skills of our management personnel. And they are very pleased that this is happening.

The other feedback that is very positive is people are talking about the mission of the Department. That is, they go in and talk to their supervisor. And as you know, I have felt strongly about this from day one. The great benefit is we can take our national security objectives through the Secretary of Defense and literally down to "the deck plate" and trace that through expectations, job objectives, and then be able to evaluate job objectives tied to our mission, and for the first time, I believe, widespread—people across the Department now in Spiral 1.1 and getting ready for 1.2, are talking about the mission and how we accomplish it and how we link job performance to the mission that we are trying to accomplish. So I am very pleased.

Now, I will tell you, we do have a hiccup or two in the program. One of the hiccups, of course, is we do have a district court decision, and the district court enjoined, that is, prevented us from implementing some of the labor relations, specifically the adverse actions, appeals, and the labor relations portion itself of NSPS. So on three of the issues, we were enjoined by the court. We expect to have a decision sometime early next year, hopefully—it depends on the courts, but our expectation is early next year we will have a decision on that part of the case.

In the meantime, we are proceeding. And, by the way, I will tell you there is some degree of frustration. It takes a while to do this. We get held up by the courts and stop and start. On the other hand, my view is, literally, God bless America, this is a case where

the Legislative Branch passed a law, the Executive Branch is implementing it, it goes to the courts, and ultimately there will be an arbiter, did we do it the way that the Legislative Branch intended. And so that is the way the system works, and in the end we will end up with the right answer, and we will continue to proceed to implement the system.

In the meantime, of course, we are hopeful that the courts will rule and resolve all this. We may, depending on what the rulings of the courts are, we may come back for some clarification before the Congress next year, specifically as the program has been delayed. This has not been dictated by the calendar. We always said this was going to be whatever the schedule, the appropriate timelines were. But, we do have built into the law an end date of 2009. So if we are held up long periods of time, we may indeed come back and ask for an extension of the 2009 date. I don't know if we will, but, again, just so you will not be surprised if we do next year, that is a possibility.

The other thing that we may come back to you for is clarification regarding national level bargaining. Both the unions and ourselves would like to do national level bargaining. Unfortunately, it has been tied in now to the labor relations parts of NSPS, and now we are precluded from doing national level bargaining. We would like to separate that. We do not think that was ever the intent. So depending, again, on how the court case comes out, we may ask for clarification in that arena next time. But we will continue to be event driven. We are adapting as we go; that is, we are learning as we go, we are modifying as we go. The whole objective is to end up with an environment for our people to excel, for our Department to excel. We have not lost sight of what the end objective of this program is.

We are committed to dialogue. We are doing that with all the stakeholders, and we have had a lot of communication and training, and I will let Mary Lacey talk more about that, and also Linda Springer.

So I just want to tell you, we are committed. We have applied the resources to the program. We are making progress—not as fast as we would like, but, frankly, we are going to have this program a long time. So even if it takes us a little bit longer, it takes us a little bit longer. But we will get to the end, and when we get there, it will be a very effective program. I remain convinced that this will be a very effective program for our employees, for our Department, and for the country.

And so I thank you for your support, and I thank all the people who have worked so hard. We have been at this now literally for years. A lot of people have spent a lot of time, energy, and commitment, and I thank them for that commitment and time and energy on behalf of our employees and our Department, and I thank this Committee.

Chairman COLLINS. Thank you very much, Mr. Secretary.

I would now like to introduce the Director of the Office of Personnel Management, Linda Springer.

Ms. Springer, we are very glad to have you here today, and I would ask that you proceed with your statement.

TESTIMONY OF HON. LINDA M. SPRINGER,[1] DIRECTOR, U.S. OFFICE OF PERSONNEL MANAGEMENT

Ms. SPRINGER. Thank you, Madam Chairman and Senator Voinovich. It is a privilege to testify and give you an update on OPM's role with respect to the NSPS implementation. OPM has been very deeply involved, and our collaboration with DOD has been productive. It would not have occurred without DOD's leadership, especially the senior leadership, and particularly Secretary England.

The result of this collaboration is a new human resources system at the Department of Defense that will support our national security goals and objectives but at the same time respect the individuals that create those results. It will value their performance, their leadership, their commitment to public service, and really ensure accountability at all levels while remaining a competitive and cost-effective system.

In November, I testified before you that OPM would be involved and would support the Department of Defense in every way to make sure that it was an effective implementation. In my view, the Spiral 1.1 conversion has met those objectives, and OPM has played a very important role in that success.

OPM leaders participate on a weekly basis, as well as in ad hoc and other important meetings, with the DOD project team leadership to make sure that we are involved in all aspects of the policy guidance with respect to the implementation. Our legal staff actively consults with the DOD leadership's legal staff to ensure that we have met not only statutory requirements but also judicial restraints on NSPS.

Our policy experts assist in the development of the implementing issuances.

Our compensation experts were very heavily involved in the substance of the issuances to make sure that we have a credible pay-for-performance system that rewards individual performance and also allows for recognition of organizational results in developing those rewards.

Our performance management experts were involved in the development of the performance management aspects of the implementing issuances to make sure that managers and supervisors are held accountable for effectively managing the performance of the people for whom they are responsible and also that merit systems principles are not overlooked.

Our classification experts reviewed procedures for classifying positions to ensure that the system was streamlined and simplified, but not at the expense of employee rights.

Our staffing experts worked with their DOD counterparts to develop procedures for implementing such features as category rating, public notice requirements, and veterans' preference requirements.

All of these OPM experts—legal, policy, compensation, performance management, classification, and staffing—really covering the full breadth and scope of the personnel range, spent many months working with the Department of Defense in developing imple-

[1] The prepared statement of Ms. Springer appears in the Appendix on page 27.

menting issuances. Now our attention has turned to evaluating how well the NSPS is working, and with a particular emphasis on training. We have gone through all of the online training to evaluate whether or not it is in plain English, whether it is understandable, whether it is comprehensive, and the OPM experts are convinced that it is. We are going to be spending time at the on-site instructor-led training starting with the early October sessions. We will actually participate, and we will have seats in the training sessions dedicated for OPM observers.

There are three different formal evaluations that are planned or already underway. The first is a review of the performance management system that will allow the Secretary to determine whether or not by law the NSPS system should extend beyond the original 300,000 employees that were in the purview of the system. That assessment will particularly focus on the Spiral 1.1 conversion all the way through the rating process and the ultimate payout, as you mentioned, that would happen in January of 2007. OPM will be involved in the assessment process.

I have included the development of the criteria for determining whether or not that assessment is effective in the OPM Strategic and Operational Plan so that OPM's senior leaders are being held accountable for making sure that they are involved in the setting of those assessment criteria and that they really meet our standards as well as DOD's.

The second review is an ongoing program evaluation that DOD is conducting, and OPM staff meet regularly with the DOD staff on their evaluation. That is a routine evaluation.

The third one is really an OPM initiative. Under our own independent statutory authority, OPM will be conducting an evaluation of the effectiveness of NSPS. That evaluation will be very comprehensive. We will look at all levels—managers, supervisors, employees, other executives—to make sure that as they spiral into NSPS, the effective training, as well as all the other aspects of the implementation, are happening as we would expect and have met our standards. So that third independent review is one that will be completed by May 1 of next year, and we will be happy to report to you on the results of that assessment.

In sum, though, we have worked very closely with DOD on implementation, and we are now very much engaged and looking forward to our assessment efforts. And we will continue to be involved in that way. We appreciate from the very beginning the Senate and this Committee's work to make sure that OPM does have an important role, and we take that very seriously, Madam Chairman, and we look forward to continuing to let you know how we are doing.

But, in short, I would say the NSPS is providing the flexibilities that DOD needs to really be responsive to the ever-increasing and changing national security issues, which they need to meet on behalf of the American people.

So I thank you for the opportunity to testify today, and I look forward to any questions that you might have.

Chairman COLLINS. Thank you very much, Director Springer. I smiled at your closing comments because as you are well aware, Senator Voinovich and I both felt very strongly about the need for OPM to be involved at every step of the way to share its consider-

able expertise. I know that Secretary England always welcomed that involvement as well. That was not, however, true of everyone who was involved in this process.

I am now very pleased to introduce Lieutenant General Terry Gabreski. General Gabreski is the Vice Commander of the Air Force Materiel Command and is stationed at Wright-Patterson Air Force Base, an installation that is near and dear to my colleague's heart. She is responsible for the oversight of NSPS training and implementation within the Air Force Materiel Command and also oversaw the conversion of 2,400 employees at Tinker Air Force Base to NSPS earlier this year.

General Gabreski, we are very pleased to have you here to share your personal experiences.

TESTIMONY OF LIEUTENANT GENERAL TERRY L. GABRESKI,[1] VICE COMMANDER, AIR FORCE MATERIEL COMMAND, U.S. AIR FORCE

General GABRESKI. Good afternoon, Chairman Collins and Senator Voinovich. I, too, want to echo an appreciation for you all taking time to focus on this important subject for us, not just in the Department but in Air Force Materiel Command. This afternoon I would like to briefly share with you some examples of how we successfully are implementing NSPS Spiral 1.1 out at Tinker Air Force Base in Oklahoma and give you some examples of how we dress for success out there.

In particular, we worked extremely hard during the planning phases of NSPS to ensure that we emphasize training as well as communication. We continue to work those two specific areas, and we think that those investments are paying off. The one thing, I think you would agree, that separates our Armed Forces from any other in the world is our magnificent people, and certainly one of the things that makes our people great is the premium that we place on training.

So just like the training we provide for any operational mission, it is important that we ensure that our folks are trained and the emphasis is placed on training in regard to NSPS.

We have taken great care in training both our civilian and our military personnel in the specifics of NSPS implementation, as well as the soft-skill sorts of training, such as how to manage change in organizations. This training sets the stage for our continued success as we continue to deploy NSPS.

Now, hand in hand with the training focus is our focus on communication. The Air Force has made clear that communication is critical to NSPS as we continue to implement it. We have used a variety of methods within Air Force Materiel Command and at Tinker Air Force Base specifically. Our four-star commander has relayed the importance of NSPS in communications that he gives to our installations and to our individual employees. Each Air Force Major Air Command conducted "Spread the Word" briefings in which general officers traveled to the installations in their major commands underscoring the importance of this program.

[1] The prepared statement of General Gabreski appears in the Appendix on page 33.

One of the key messages that was relayed during these briefings to our people is that NSPS is much more than just a new personnel system. It is a commander responsibility, and it must be led from the top. So at Tinker, as at other AFMC bases, commanders have informed their personnel about NSPS through commanders calls, weekly newspaper articles, informative websites, even down to the electronic marquees on the installations and talking about important facts about NSPS.

Now, we have had the opportunity to put this training and communication to the test at Tinker as the first Air Force installation to deploy NSPS. Twenty-four hundred non-bargaining employees converted there in April of this year, but well before that implementation, we stood up at Tinker an NSPS program office. We have applied a programmatic approach to NSPS implementation, and we have charged that program office with the responsibility for every aspect of NSPS deployment.

We placed in charge of that program one of our high-performing employees who is a non-personnelist, a person who is an expert in our business and someone who can show the importance of NSPS as not just a new personnel system.

I visited Tinker last week personally, and I saw firsthand how their vigorous training and communication is paying off as I spoke to both employees and managers who have converted. The employees have experienced a clearer communication of performance expectations as well as a stronger linkage to the mission.

Additionally, NSPS has provided to the leadership at Tinker the flexibility and responsiveness to carry out their mission. There have been challenges as well as lessons learned at Tinker, and we continue to share those across the Air Force as well as the Department.

NSPS provides our commanders the agile human resources system they need to succeed in today's environment. As you heard from Secretary England, senior leadership in the Department is committed to the success of this program, and I appreciate and thank you for your strong support.

So I look forward to answering any of the questions you might have on our deployment of NSPS in Air Force Materiel Command and at Tinker Air Force Base specifically. Thank you.

Chairman COLLINS. Thank you very much, General Gabreski.

A key person in the unveiling and implementation of the program has been Mary Lacey, the Program Executive Officer for the National Security Personnel System. Ms. Lacey, I'd like to give you the opportunity for any comments you would like to make before we go to questions.

Ms. LACEY. Thank you for having us here today.

Chairman COLLINS. Thank you.

Secretary England, the Department has indicated that the protection of pay pool funding would be addressed in several different ways. For example, the Department has stated that it would mandate the minimum composition and expenditure of pay pool funds. In addition, certain senior-level officials would be required to certify that the funds allocated to the performance-based pay pool would be used only for that purpose.

I would like to ask you how the Department is going to ensure that, in times of tight budgets, managers do not use money that is intended to support the pay-for-performance program for other purposes. One of the fears that I hear from Department employees is that the pay-for-performance system is not really to reward outstanding employees with additional compensation, but rather, it is a means to reduce overall personnel costs.

What is your response to that?

Mr. ENGLAND. Senator, I frankly believe we are fixing a problem that used to exist in that regard. It was brought to my attention when we started that it was not unusual in the past that if somebody was short on funds, they needed to fix a building, they fixed the building and, therefore, cut down on the pay pool for employees. So I believe that was a problem that existed, frankly, before we implemented this system. It is not a problem that exists now. We have strict controls in place. We identify what the pay percentages are, what the performance pay pool allotments are. We approve those so they are controlled. People do not have flexibility to move that money around. We work with the Comptroller to make sure that is the case.

So under NSPS, I would say that we have a much stricter process in place in terms of controlling funds that they do not drift out of this system, and I am confident—we worked this very hard. That was a commitment when you passed the legislation and we started implementing this that we would make sure we had controls in place, and we do. So we approve the amount of money, we approve what goes in the bonus pools, and we control those within the Department. And I can tell you, that money is not going to migrate, and I do not believe it can migrate the way we have had the Comptroller set this up. And, Ms. Lacey, you may comment yourself because we are actually implementing this now as part of our mock pay pools to make sure we have those controls in place.

Ms. Lacey, if you want to add to that?

Chairman COLLINS. Ms. Lacey.

Ms. LACEY. We have built that into policy, which has the force of internal regulations in the Department of Defense. So those floors for the amount of money available have been set in policy already. The money is set in place in the budgets. It will be there for the January payouts for the employees, and we will continue to do that year in and year out. It is institutionalized.

Chairman COLLINS. So, Secretary England, just to close out this issue for the Federal employees who are watching today or who may read about this hearing, there is no intention on the part of the Department to spend less on overall pay under NSPS than under the old system. That is not a goal of the system.

Mr. ENGLAND. That is not a goal. As a matter of fact, as I recall, Senator, I believe we are actually precluded by law from spending less. So, we will spend the money allocated. It will not be less than it would have otherwise been. I think in some cases it will be more because of the pay-for-performance aspect. It will not be less. More importantly, the money is being protected to make sure that it actually goes to pay pools for employees. So employees can feel very confident that under NSPS there is a defined pot of money for employee raises and for pay-for-performance.

Chairman COLLINS. Thank you. The reason I wanted to spend some time on that issue is because pay-for-performance has a hollow ring to it if, in fact, you cannot get additional compensation because the money is not there.

Mr. ENGLAND. Right.

Chairman COLLINS. And that is why I think that is a really important point.

Mr. ENGLAND. You are absolutely right, Senator.

Chairman COLLINS. General Gabreski, I am very interested in your observations as someone who has overseen the conversion of some 2,400 employees. What do you think needs to be improved? What kind of feedback can you give us, can you give the Secretary, Ms. Lacey, and Director Springer?

General GABRESKI. When I was out at Tinker last week, I got some very up close and personal feedback from the folks that have converted, and several lessons come through loud and clear. One of them is that they really appreciated the quality and the quantity of training, and, if anything, they are wanting to continue that level of training to keep their skills sharp. But as important, as they go through these mock pay pools, the fact that writing objectives between supervisors and employees is harder than they thought it would be. So they are wanting specifically to improve their skills in that area so that everyone can be successful in the end, that they properly sit down with employees, outline the objectives and their expectations, and that they follow the process through in the best way.

So those are really the two takeaways I had from last week's interface and observations as we have deployed this.

Chairman COLLINS. Ms. Springer, the General Accountability Office has constantly emphasized the importance of an ongoing review which incorporates lessons learned during implementation. How is OPM making sure that changes such as the ones that were just identified by General Gabreski are fed back into the system so that the next conversion can learn from the past conversion?

Ms. SPRINGER. The first step is to make sure that OPM is involved, that we are actually sitting in on training courses, which we are doing, and that we are actually going in and using the online tools and training. Then, when we meet with individuals and interview them, as we will be doing during our assessment and independent evaluation, we can actually have a working knowledge of what it is that they are using. As a result of that level of involvement, when the individuals with whom we meet come back and say, well, this part of it needs to be enhanced or this part of it was more or less valuable to us, we already have an understanding and are able to give direction on how to incorporate those findings. It is not as if we will be in a learning mode. In many ways, our actual experience will help us to validate independently what we are being told.

The notion and the observation that the objective setting is a key part of this is no surprise to OPM. It is similar to evaluations we have done of demo projects. In fact, we are making sure that the questions that we ask and the assessment metrics that we look at are very closely aligned with what we have learned are important from evaluating demo projects. There is a very close relationship.

And that is why it was so important to make sure that these objectives were put in writing because that written exercise forces people to come to grips with a clear articulation of measurable goals. So that is not an unexpected observation.

Chairman COLLINS. Thank you.

Ms. Lacey, are there examples of changes that either have been made or will be made to Spiral 1.2 as a result of employee feedback from Spiral 1.1?

Ms. LACEY. Yes, there are several. Let me start with the aperture for the conversion. With Spiral 1.1, we converted everybody on virtually the same day, over a period of 3 or 4 days, the personnelists working to do all the electronic conversions. That meant everybody had to be prepared and trained up by the same day.

For Spiral 1.2, we have opened that aperture, opened that window, to do the conversion over a 4-month period. This makes it a lot less stressful for us to actually get people trained up and ready to go. And so we have done that. It also enables the commanders to make the final decision "my organization is ready," so they do not have that pressure of having to go by a certain date.

On the training, every single training class has feedback built right into it. We have two different kinds of feedback. We have the usual how did the instructor do in teaching you the material, but we also have a pre-test and a post-test to get a sense of how much learning did this employee actually get while they were sitting through this course. And we are using that feedback to continuously upgrade the training material so that we can ensure that employees have the opportunity to learn as deeply and richly as possible.

So we have made those changes all along, even through some of the Spiral 1.2 training that has been going on. We have added several training modules and vehicles to the toolkit. We have recently put up online some Web-based training, Camtasia training for folks so that they can get a better understanding of the automated tools that are available on employee and managers' desktops. We are adding an additional module to what we call our NSPS 101 to put more information in about pay pools and the performance management process. This certainly has caught the attention of our employees, and they want to know more. So we are adding more details there.

We also have provided additional ad hoc courses on writing performance objectives for commands and organizations that wanted a graduate school program, if you will, as they went through that process.

So we will continue to listen to that feedback and continue to do those things to ensure that we have the best experience.

Chairman COLLINS. Thank you. Senator Voinovich.

Senator VOINOVICH. I would like to continue discussing how pay adjustments work.

Congress passes a pay increase across the board for everyone, right? Then that money is allocated to the various departments, so they are going to get X number of dollars. In Spiral 1.1, which will be the first group to be paid on the basis of performance, you take that pool of workers and then you allocate X number of dollars differently. Is that right?

Ms. LACEY. The law provides for us to do that, but from a policy point of view, we have chosen not to for this payout. For Spiral 1.1's payout, any across-the-board raises that Congress passes, we will make structural adjustments to employees' pay so they will receive that.

Senator VOINOVICH. So the first Spiral will get their automatic pay increase, a cost-of-living increase, and then have extra money for those whose performances are higher. Correct?

Ms. LACEY. Correct.

Senator VOINOVICH. OK. So, in effect, you are spending more money than you would ordinarily spend.

Ms. LACEY. Not quite. The source of that other money is money that we are no longer spending that used to be automatic, the within-grade pay raises that folks got. Career ladder promotions that went away because the bands——

Senator VOINOVICH. OK. So the extra money would come from where?

Ms. LACEY. Step increases, that we would have otherwise——

Senator VOINOVICH. Step increases.

Ms. LACEY. Right.

Senator VOINOVICH. The step increases are gone, so employees will get an across-the-board increase, then you take the funds that would have funded step increases to fund performance increases. Is that right?

Ms. LACEY. Correct, and across the Department, the white-collar portion of the workforce, the GS/GM, acquisition demo equivalents, that number is actually 2.26 percent of salaries. That is what we have historically spent on within-grades that we are no longer going to be spending.

Senator VOINOVICH. And there are 11,000 trained to do performance evaluations.

Ms. LACEY. Yes.

Senator VOINOVICH. Just to be sure I really understand this, of the 11,000 only a certain number of them are managers that are going to do performance evaluations. But you have gone beyond the managers in training employees to familiarize everyone with how NSPS is going to work.

So 11,000 have been trained on NSPS, but the jacket, the heavy jacket is on the managers to write performance evaluations. Is that right?

Ms. LACEY. That is correct.

Mr. ENGLAND. Yes, Senator, that is well said. And this is a critical part of the program. You have heard a few people say that. You have alluded to it. This heavy training for managers and supervisors to be able to sit down with employees, literally write out objectives, come to agreement, and make sure those objectives track with what the objectives of the Department are so that we link these throughout the organization and that they are in sufficient clarity that you can actually then measure against the objective because at the end of the day it is pay-for-performance, so you have to be able to measure performance. And this is the very crucial part of the program.

And, Madam Chairman, when we talked earlier about the fairness of the system, this is the crux of it, to make sure that people understand how to do that.

Senator VOINOVICH. Right, but the fact of the matter is that the first real snapshot that we are going to have of the program is when that is done. When will that take place?

Mr. ENGLAND. Well, we have a mock payout this fall, so we will have feedback from the mock payout. Now, again, that is not a real payout. It is a mock. It is part of the training process. But it is just like you go through the whole process, get evaluated for the whole thing, but your pay is not dependent on that evaluation. So it is called a mock because your pay is not going to be dependent on it. We want people to go through this process so we can learn ourselves and make sure we have it right.

Senator VOINOVICH. This is an important part of a government-wide reform bill that I have introduced. All of the managers would go through the training. This ought to be done anyhow just in terms of a management objective. People should know how they fit in the organization, what the organization wants to accomplish.

Well, I am interested to see, once that happens, what kind of feedback you are going to get.

General, how do you monitor the folks that you are responsible for? Do you hear feedback or have you developed metrics that you judge whether NSPS is effective?

General GABRESKI. Absolutely, Senator. We have a variety of ways that we monitor how we are deploying and how well we are doing. One of them is at the local levels; our installations have established various forms of executive steering groups at the senior leadership level so that they can, on a routine basis, get feedback from pay pool managers, from supervisors, from their NSPS program offices. And they use metrics that measure how much training has been done versus how much needs to be done.

For instance, at Tinker Air Force Base, they have filled 17,000 training seats just in getting ready for their 2,400 folks who went into Spiral 1.1. So at the local level, we monitor all of that very closely.

Senator VOINOVICH. Do you have some kind of piece of paper that you get back, kind of an information sheet that the folks that have had the training can offer feedback. In other words, anything in writing right now that so you know whether the training is working or not?

General GABRESKI. Yes, sir. As Ms. Lacey mentioned, we get the feedback at the end of the training, but we also ask—particularly useful in doing this, in asking for this back, is our website, where folks can tell us what they need more of or what needs to be done just a little bit better. And because we are in the first spiral out there, they are able to actually help tweak the system.

Senator VOINOVICH. So you have a paper method for employees to get back to you, and they get feedback through e-mail.

General GABRESKI. You bet.

Senator VOINOVICH. Do you get a lot of that from folks?

General GABRESKI. Yes, sir, we do. Our employees are not shy, and the one big takeaway in terms of not being shy that I got last week is between the employees and the managers, they are actively

engaged in working their way through what each group has to do to get this thing done properly.

Senator VOINOVICH. They are sort of excited about this, aren't they?

General GABRESKI. Actually, they are. They really are.

Senator VOINOVICH. Yes. Secretary England, when are we going to get to the unionized employees?

Mr. ENGLAND. Senator, I expect to wait to see what happens with the court case because——

Senator VOINOVICH. Does the court case preclude you from doing pay-for-performance for unionized employees?

Mr. ENGLAND. No, it does not. We can do that. But it does get a little bit complicated because, you know, pay then gets into the labor system, particularly if you have an issue or a problem then it goes into labor relations. So it does make it somewhat complicated.

Senator VOINOVICH. I hate to interrupt you, but would the elimination of the step increases be something that might be touchy?

Mr. ENGLAND. I am not sure that is touchy. I will tell you where I have been on this, and folks, sort of our senior group, all agree with this, and that is, while the court case is going on, we actually do not want to put our employees nor the union employees in an uncomfortable position. There is really no rush to do this. We have 66,000 people in Spiral 1.2. The court case will be determined early next year. So why put people in a difficult position?

Senator VOINOVICH. The point is that down the road is when the unionized employees would be transitioned, in Spiral what?

Mr. ENGLAND. One point three, or something.

Senator VOINOVICH. So you have time before that to get this court case resolved and come back to us.

Mr. ENGLAND. You are correct, sir.

Senator VOINOVICH. OK. If NSPS is implemented with the nonunionized employees and the feedback is positive, that will be the best thing to allay employees' fears. But I know there will be some unhappy people. How successful you are with NSPS will have a lot to do with whether it will continue under a new administration. They may have a different point of view. That is why what you are doing right now has got to be quality. If you want to institutionalize NSPS, how well you do is going to make the difference for the future of the program.

Chairman COLLINS. Thank you, Senator.

I have no further questions for this panel, just a concluding comment for this panel. Do you have additional questions?

Senator VOINOVICH. I do.

Chairman COLLINS. Please feel free to proceed.

Senator VOINOVICH. Thank you. Secretary England, you mentioned that you may need an extension of the date. What is the relevance of that? I am not sure I understand the relevance of it.

Mr. ENGLAND. Senator, there is a sunset clause that we have to have a certified system, and basically we have to have—as I recall, the whole system has to be certified and in place by the end of 2009.

Now, as you know, when we started the system, that sounded like a long way down the road. But, also, we decided not to have

a calendar-driven system but an event-driven system. That is, we were never going to move to the next phase—your recent comments, make absolutely certain we are doing this right and employees benefit from it, and we are confident as we go forward. Plus the court case has been delaying because it has been a bit disruptive to us.

So at the end of the day, it may be that we may—and, again, I am not sure we will. We will wait and see where we are next year, but we may end up asking for an extension.

Senator VOINOVICH. OK. What does the sunset mean?

Mr. ENGLAND. We need to have a certified system of the first, I believe, 300,000 people before we are allowed to go forward. So it has to be certified before we can go beyond 300,000 people. That is the certification between ourselves and OPM that——

Senator VOINOVICH. So when NSPS was authorized, it was capped at 300,000 employees initially. You are saying you cannot get to 300,000 because, first of all, it took longer to develop the regulations, and I frankly think you took a lot of time with them. That was good. You are just saying we need more time because the whole system has been slowed down. Is that right?

Mr. ENGLAND. That could indeed be the case. Again, we will decide, but we did not want you to be surprised if we came back and talked to you about that next year.

Ms. LACEY. Let me add just a little bit here, sir. The specific piece that sunsets, according to the current legislation, pertains to our authority to change anything in the labor relations world. That is the piece that we are most concerned about because the anticipation was by then we would have had several years of run time under a new LR system to determine was it fair, was it credible, was it working, and if it wasn't, it ought to——

Senator VOINOVICH. But you will not know because the court case still is pending.

Ms. LACEY. Right.

Senator VOINOVICH. You might have to come back and ask for an extension as to that portion of the law.

Mr. ENGLAND. Right.

Senator VOINOVICH. OK. I want to get back again to the issue of the training because when I was out and met with the folks at Pearl Harbor, many of them said they were able to fold training into the current budget. However, they were somewhat concerned that when NSPS expands, they would not be able to absorb the costs into their regular budget process.

Now, Mr. Secretary, you said that you were going to be watching that? General, you have been doing this with your regular budget, haven't you?

General GABRESKI. Yes.

Senator VOINOVICH. You have been somehow doing it; there is no question about it. We did total quality management in Ohio, but we did ultimately have to get some more money for it.

What is your perspective on how you are going to be able to handle that? Are you going to be able to handle the next Spiral with the current budget, or are you going to need more resources in order to do the job?

General GABRESKI. Senator, we have already allocated in fiscal year 2007 the funds that we need to continue into this next spiral, and we don't currently see any problem at all, just as the Secretary said.

Senator VOINOVICH. Mr. Secretary, have you looked at the budget for future years to see if they are going to need more to get the job done?

Mr. ENGLAND. Well, what happens is the services have a certain allocation of money, and then they have to fit lots of requirements in there, and this is one of the requirements. So they prioritize and they juggle, and at the end of the day, they make it fit. And our direction to them is you have to do NSPS, it is important to the Department, and it gets done.

Senator VOINOVICH. Now, I want to make sure that the money that you use for other training does not evaporate. We often ask an agency to take on new responsibilities and then leave it up to the agency to figure out how to fund the program. Agencies then end up having things that really need to get done but do not because the resources have been put into some other area.

Mr. ENGLAND. I would expect that we are like all other agencies, and we do not have extra money. There are always more things you can do. The demand is always greater than the money. That is just the nature of every organization. But like the nature of every other organization, you prioritize what needs to get done, and you decide that this is one of those things we need to do, it is important. Ultimately, we are all convinced that we will be more efficient and more effective with NSPS, so it is an investment. And we just need to invest now so we get the benefit for our employees and for the organization later. And our management team understands that, Senator, and that is the path we are on.

Senator VOINOVICH. Well, General, we would like to get feedback, and if I do not get it from you, I am going to be out visiting your people, and I will get it from them. [Laughter.]

With NSPS in Ohio, I always like to get out and talk to the folks that are involved. I think a couple of my staff members were out at Wright-Patterson, weren't they?

General GABRESKI. Yes, sir, just recently, in August.

Senator VOINOVICH. Good. Now, I was wondering, what is your plan to deal with managers who find they do not want to be in this new role? Have you run into that at all? If they do not want to do it, have you decided what you are going to do?

Ms. LACEY. That would not be a surprise to us based on the experience we had with all of the other demonstration programs over the last 15 or 20 years. Truth be told, when people have been put in senior leadership, senior management positions, their job is to be a manager. We have changed the rules of the game. We understand that. We have several places that have already gone through the mock payout process, and managers have said, "I cannot handle this. I am the wrong person. This is the wrong job for me," and their line management is working with them to see about assigning them to other duties—which, by the way, is much easier in NSPS than it would have been otherwise—so that they can continue to make meaningful contributions to the organizations.

Truth be told, though, we may not be able to find equivalent senior-level positions, non-managerial positions for every individual, but we——

Senator VOINOVICH. So you might have to say to somebody, "I know you do not want to do this, but we do not have a different job for you?"

Ms. LACEY. No. I think the answer would be, "We do not have a different job for you that is not a manager's job." We would take the managerial duties away. We may not be able to place them in their perfect job right away at their current salary.

Senator VOINOVICH. But the point is that you expect that might happen.

Ms. LACEY. We expect that might happen. In fact, it has happened, and we have organizations that are working with line managers as we speak.

I will also say, though, sir, that there are many folks that have gone through this mock payout process, the mock pay pool process, the training, and they have said, "Now that I get it, now that I have had the training, now that I have had the conversations, it is not as scary to me today as it was anticipating it 6 months ago." So that training and retraining, which is built into our program, is very important as well. A little bit of knowledge takes a lot of the fear away.

Senator VOINOVICH. General, could you share with me how long it is going to take for a manager to do a complete performance evaluation?

General GABRESKI. I would tell you that after I chatted with the managers specifically out at Tinker, the fact that the training, in conjunction with the pay pool, kind of completes the cycle, just as Ms. Lacey said, that is really part and parcel of their job as supervisors and managers. So in the future, that will be part of their jobs. But now, as they are doing the training, they are getting that comfort level. And I would tell you it is not just the managers. It is the employees in terms of getting feedback, which is something different than they have had before, having to sit down face to face and eyeball to eyeball——

Senator VOINOVICH. Do you have any idea of how long it would probably take to conduct a performance appraisal?

For example, a manager sits down with an employee to discuss the written performance appraisal. By the way, is that going to be uniform throughout the system?

General GABRESKI. Well, actually, the way it works is the training that they have had and that we have been doing has been going on for about a year and a half.

Senator VOINOVICH. But the document that you are going to use, is that uniform throughout the system?

General GABRESKI. Yes, it is.

Senator VOINOVICH. Yes. And have you gotten any feedback in the training process as to whether people think that the format is a good instrument to do the evaluation? Have you discussed that one yet?

General GABRESKI. We have both sides of the coin. Once they get used to it and they are familiar with it and comfortable with it, they are going, OK, now I get it. But as you go into it, it is a little

bit scary, but once you start doing it, it is a matter of the training and the on-the-job training.

Senator VOINOVICH. One of the things that is really important is the instrument you are using. It is going to be uniform, but does it really help get the job done? Is that something you already had, or have you worked with a consultant?

Ms. LACEY. Well, sir, if I can, let me answer that question. This is built into the Defense Civilian Personnel System tool that we currently have. We have a single integrated database for all of our civilian personnel information in the Department of Defense. That particular system has some functionality in it for doing performance appraisals. It is used in the private sector. It is an Oracle-based product that we have modified to include the NSPS performance standard system. And that is now available at the desktop to all employees and supervisors as they transition into Spiral——

Senator VOINOVICH. So they can see it?

Ms. LACEY. They can see it. They can make modifications.

Senator VOINOVICH. And as you go through this, if somebody feels there is something that needs to be changed, there are ways to do that? It is really important that employees feel comfortable that the tool that you are using is fair.

Ms. LACEY. Yes.

Senator VOINOVICH. It must capture the things that really are necessary to do the job.

Ms. LACEY. In fact, I am actually changing the tool as we speak. Based on the preliminary results from the mock payouts, they said, "We need more characters that we can put in our self-assessments." So we are making that change so it will be ready for the final payouts this fall.

Senator VOINOVICH. OK.

Mr. ENGLAND. Senator, if I can make one comment, too, just for clarity, because the objective is not to sit down at the beginning with the employee and arrive at objectives and criteria, then at the end of the year sit down again. The objective is to work with the employee throughout the year so——

Senator VOINOVICH. Yes, but the point is you have to have the employee involved at the beginning.

Mr. ENGLAND. Right.

Senator VOINOVICH. A good performance evaluation is one that you do not wait a year to do. As you go through the year, people should hear constant feedback, so when it is the end of the year, employees have a pretty good idea of how they are doing.

Chairman COLLINS. It should not be a surprise.

Mr. ENGLAND. That is my point.

Senator VOINOVICH. Good.

Chairman COLLINS. Exactly.

Mr. ENGLAND. Exactly my point. By the end of the year——

Senator VOINOVICH. I am all for that.

Mr. ENGLAND. Right.

Senator VOINOVICH. It is unfortunate Mr. Perkinson is not here, and we ought to talk to him to see how he is looking at the system.

One last thing, I really think it is important that you spend a lot of time collecting feedback from folks about whether or not they think NSPS is fair or not. Some will not be happy, but they need

to know their supervisors are doing it fairly, that it is not subjective. The biggest concern we are going to hear from the unions is that this is arbitrary. How are you going to guarantee that it is being implemented the way it should be to deal with some concerns in that area?

Chairman COLLINS. Senator Voinovich, before the witnesses respond to that excellent question, I am going to have to leave, and so I am going to turn the hearing over to you.

Senator VOINOVICH. Well, this is the last question, but thank you. Thanks for staying.

Chairman COLLINS. I will allow you to finish.

Senator VOINOVICH. If she had not been willing to hold this hearing, you might not be here. [Laughter.]

Chairman COLLINS. I apologize to our witnesses. I am involved in the negotiations on four bills right now that I am trying to complete. And I hope you will keep my friend busy for a long time because chemical security is one of those bills. [Laughter.]

Senator VOINOVICH. And I want to talk to you about sunset.

Chairman COLLINS. I had a feeling that you did.

But I did want to place in the record the testimony of Darryl Perkinson, the National President of the Federal Managers Association, who has had an unexpected event arise that precludes him from being here today.[1]

I want to close my comments by citing for the record his conclusion. Mr. Perkinson says, "Education and training are easing many concerns and providing initial calm to anxious managers and supervisors. Four and a half months into the new system, this is encouraging, but we have a long way to go." I really think that sums up so well where we are, and it also indicates how absolutely critical that education and training process is to not only ensure that people understand the new system and implement it correctly, but also to ease those fears and those anxieties.

I thought that Mr. Perkinson said it very well, and since he is not here to say it for himself, I did want to say it publicly on his behalf.

Again, I want to thank Senator Voinovich for all of his work on this issue and thank all of our witnesses for being here today. Thank you.

Senator Voinovich, the gavel is yours.

Senator VOINOVICH [presiding]. Thank you. Well, it is going to be for one second.

The main thing is to make sure there is in place a mechanism for employees to provide feedback. DOD must be able to identify a potential problem area before it gets out of control.

Thank you very much. We appreciate it and look forward to seeing you after the first pay outs under NSPS.

Mr. ENGLAND. Absolutely. Senator, thanks. We do appreciate your personal involvement. You have indeed been very helpful to this whole process, and we do thank you. It is greatly appreciated.

Senator VOINOVICH. Well, the reason why I included the quote from Schlesinger is I really believe that this is fundamental to our national security. It really is.

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[1] The prepared statement of Mr. Perkinson appears in the Appendix on page 58.

Mr. ENGLAND. Absolutely.

Senator VOINOVICH. Again, how well you do in the next 2 years is going to have a lot to do with whether or not this program is going to be successful and become institutionalized. That is a big challenge. I think from your perspective that it may be the greatest contribution particularly, Mr. Secretary and Director, that you can make to your country.

Mr. ENGLAND. Absolutely. We agree. Senator, thank you.

Senator VOINOVICH. Thank you.

[Whereupon, at 3:47 p.m., the Committee was adjourned.]

APPENDIX

Statement of Deputy Secretary of Defense Gordon England
NSPS
Before the Senate Committee on Homeland Security and Governmental Affairs
20 September 2006

Chairman Collins, Senator Lieberman, Members of the Committee,

Many thanks for the opportunity to appear before you today to discuss the status of implementation of the National Security Personnel System (NSPS) at the Department of Defense. I'm pleased to appear together with Linda Springer, from the Office of Personnel Management, since our close collaboration has been the bedrock of the NSPS effort since the beginning.

My last hearing with this Committee on NSPS was in November 2005, just after the final regulations were published in the Federal Register. Today, NSPS implementation is well underway – I'd like to give you an update on our progress. The Program Executive Officer, Mary Lacey, and I will be pleased to take your questions.

NSPS remains vital to the success of the Department's mission.

This is a critical time for America. America and her friends and allies face a ruthless adversary that targets civilians, adapts extremely quickly, and aims to destroy our way of life.

Since 2001, the Department has been reorienting the capabilities and approaches of its military forces. Like the military, the Department's civilian workforce needs to become more agile, adaptable, and responsive – and more closely integrated with their military counterparts.

In the wake of 9/11, Congress helped initiate this process by granting the Department of Defense the authority to create – in close cooperation with the Office of Personnel Management – an appropriate new civilian human resources management system. NSPS is designed to provide maximum flexibility to meet national security requirements, while continuing to protect our most valuable resource – our people. Bringing NSPS on line is good for this Department's employees, the Department as a whole, and for the Nation.

NSPS makes sense practically, as well as strategically. The Department of Defense is the nation's largest employer. It uses over 40 different pay systems, and it includes 43 unions and almost 1,600 local bargaining units. Its sheer size can make it a challenge to implement Department-wide policies – like the Government travel charge card policy, or the DoD drug testing program, or direct deposit arrangements. One thing NSPS does is to help simplify and improve the way we do business, in addition to its primary focus on people.

More than four months ago, on 30 April 2006, the Department launched the first phase of NSPS implementation, entitled Spiral 1.1. This phase included 11,000 employees from 12 different DoD organizations, located across the United States.

Spiral 1.1 has been most successful. The accuracy rate of the technical conversion process is 100% – and everyone has been paid correctly!

The first employee to convert was Carmen Lerro – a student employee and Office Technician for the Department of the Navy. From the outset, he took on additional assignments, and he managed to save the organization about $5,300 dollars in labor costs. His initiative and hard work brought him greater responsibilities, and led to a salary increase made possible under the new NSPS system. NSPS rewards good performance.

NSPS implementation includes a significant degree of uniformed military involvement in shaping and preparing the civilian workforce. Lt. Gen. Terry Gabreski, a member of the second panel at today's hearing, can provide details about her own role. She is but one of many senior military leaders directly involved in the process. That close partnership supports one of NSPS's key goals – closer civilian/ military integration.

NSPS implementation is also prompting a deep and broad dialogue regarding the Department's mission. A central tenet of NSPS is creating clear linkages among the purpose of individual jobs, the goals of specific organization, and the mission of the Department as a whole. NSPS helps strengthen and clarify our shared sense of purpose.

Implementation of Spiral 1.1 did not end on 30 April 2006. Instead, this first phase, like NSPS as a whole, is an iterative process. The Department continues to seek and incorporate feedback about successes to date and needed improvements. On 20 June 2006, I joined our NSPS team for a workshop to review progress and chart the way forward. The feedback from the leaders on the "front line" of implementation is upbeat and positive.

One important key to Spiral 1.1's success has been the extensive set of consultations carried out with all relevant stakeholders, from supervisors, managers, and employees, to union partners, to OPM, to Congress, to a number of public interest groups. The Department has held meetings, focus groups, and town halls, and has taken in thousands of comments. It has not been possible to accept every single suggestion, but each one has been read, or listened to, and the Department has changed and adapted in response. That practice of consultation continues throughout the implementation of Spiral 1.1 and in the preparations for Spiral 1.2.

The Department's rigorous training program is another reason for the success of NSPS to date. 3,500 NSPS trainers were trained and given the responsibility to train the participants in Spiral 1.1 and future spirals. Training has been offered in a number of different formats – on the web, in large presentations, and in small groups. Over 200,000 training events have taken place and over 1 million hours of NSPS training provided, to date. Supervisors have also been trained in "soft skills" – how to communicate and build a team. The goal is to make sure that all participants are comfortable with the new system and understand their roles in making it successful. Systematic training will continue to be a central element of NSPS implementation.

One important tool for ongoing consultation and training is the regularly updated NSPS website. The website now has over 6,000 subscribers, and over 15 million "hits" to date. Through its

"Contact Us" feature, the NSPS team has already responded to over 1,600 inquiries from Department personnel.

One area for improvement, identified in the first phase, is the need to give individual organizations greater flexibility in the timing of their conversions. In Spiral 1.1, all participating organizations converted on the same date. In Spiral 1.2, organizations will complete their conversions any time within a four-month window. This will let leaders ensure that their organizations are ready, that training has been completed, and that concerns have been addressed, before they move forward.

A great deal has been achieved in NSPS implementation so far, but a great deal more remains to be accomplished. NSPS will remain an event-driven process that includes learning from each step and applying those lessons to further efforts.

The next major phase is the Spiral 1.2 conversion, to be carried out between October 2006 and January 2007. This phase will include more than 66,000 employees, some of them based overseas, and will bring the total number of employees who have transitioned to NSPS to over 77,000. That is substantial progress.

The Department of Defense and OPM are also beginning to work on the design of NSPS for other pay systems, such as the Federal Wage System, which covers wage grade employees. Unions, the Federal Managers Association, and other stakeholders will be involved in that design process.

Bringing the science and technology reinvention labs into NSPS depends on a determination by the Secretary of Defense, as required by law. The Department should have enough accumulated experience in 2008 to compare the NSPS and lab systems. The Department is committed to doing what is best for the labs, and the comparison will be made objectively and fairly.

The court case *AFGE v. Rumsfeld*, now making its way through the legal system, has created some complications in the important area of labor relations. The Department does continue to abide strictly by the court's February 2006 ruling. However, NSPS is designed to be a DoD-wide system, bringing the greatest benefits to the Department, and to the American taxpayer, when the system is allowed to operate as a cohesive whole.

The Department remains hopeful that the courts will rule in our favor. If the decision is unfavorable, or delayed, the Department may come back to Congress next year to seek clarification, to allow full implementation of NSPS.

For example, the Department might ask Congress to consider an extension of the time line for the labor relations system – to allow sufficient time to implement adjustments to the system consistent with any court decisions. Meanwhile, the Department will continue to press ahead on the human resources part of the program.

So far, expenditures for NSPS implementation track with expectations. The program has an estimated budget of 158 million dollars over the Future Years Defense Program (FYDP), for

system design, training, automation and operating costs. The Department is committed to funding this vital system. The Department is only implementing and funding those provisions of NSPS that are not enjoined by the courts.

The Department is evaluating and monitoring the program with metrics. To do so, we are drawing on existing surveys, and some of the tools used over the past 25 years to evaluate demonstration projects. The Department is working closely with OPM and other experts to ensure a rigorous evaluation process.

The NSPS performance management system is subject to a determination by the Secretary of Defense to verify that the system meets the criteria specified in the NSPS statute. The performance management process is the heart of the NSPS program. Its basic goal is creating an environment in which all employees can excel. To do that, it establishes clear linkages between job objectives and organizational goals, and provides for ongoing feedback and appraisal. The Department is partnering with OPM on this specific effort, too.

The Department is committed to an open, ongoing process of communication and consultation about NSPS with all key stakeholders, including our unions.

NSPS is the right thing to do, for the Department of Defense and for America. I'd like to thank the Department's NSPS Office, and all those involved in the process, for their hard work and dedication. I'd also like to thank the Members of Congress for working with us to make NSPS a success.

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

before the

Committee on Homeland Security and Governmental Affairs
United States Senate

on

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

September 20, 2006

Madam Chairman and Members of the Committee:

I am pleased to be here today to discuss the Office of Personnel Management's (OPM) role in the implementation of the Department of Defense (DOD) National Security Personnel System (NSPS) and our plan for evaluating the system. The initial phase of the NSPS implementation, known as Spiral 1.1, is a critical step in realizing a human resources system that will better assist DOD in accomplishing its national security mission.

Our collaboration with DOD has been a productive one and could not have occurred without the leadership of Secretary Rumsfeld and Deputy Secretary England. I thank them both for their efforts to help create an environment of cooperation, energy, and enthusiasm necessary for a successful outcome to the NSPS development and implementation. The result of our collaboration is a new human resources (HR) system

that balances the competing needs of uniformity and flexibility and incorporates the principles of merit and equal employment opportunity into the design and implementation of civilian HR policies at all organizational levels. Most importantly, implementation of NSPS will support national security goals and strategic objectives; respect the individual; value talent, performance, leadership, and commitment to public service; ensure accountability at all levels; and be competitive and cost effective.

In November, I testified before this committee that OPM would support DOD in every way to make sure the implementation of NSPS proceeds smoothly. In my view, the conversion of Spiral 1.1 employees into the NSPS has gone well, and OPM played an important role in that success.

Senior OPM leaders participate in weekly Overarching Integrated Product Team meetings and other periodic and ad hoc leadership meetings to provide policy guidance on the implementation of NSPS. OPM and DOD legal staffs actively consult to ensure that the implementation of NSPS meets the statutory requirements for, and judicial restraints on, NSPS.

OPM also provided DOD the services of its policy experts to assist in the development of the NSPS implementing issuances. These individuals provided guidance, review, and coordination on a wide range of human resources policy areas, including employee compensation, performance management, position classification, staffing and recruiting, and workforce shaping.

OPM compensation experts contributed substantively to the development of issuances to implement the NSPS pay policy of equal pay for work of equal value with appropriate consideration of market factors. These implementing issuances ensure a credible pay-for-performance system that rewards individual performance and provides the flexibility to consider organizational results in determining that reward. An organization's success also can be a factor in the amount of pay pool funds it is allocated. This allows expenditure of pay pool funds for the performance-based contributions of both the individual and his or her organization.

Our performance management experts were involved in the development of the performance management implementing issuances. The procedures developed will hold managers and supervisors accountable for effectively managing performance consistent with merit system principles.

Key characteristics of the performance management system include clear written communication of performance expectations; aligning those expectations with organization mission and goals; providing meaningful, constructive, and candid feedback relative to performance expectations; and making meaningful distinctions among employees based on performance and contribution. These elements form the foundation of a fair and transparent performance management system that fully supports NSPS pay for performance.

OPM's classification experts reviewed procedures for classifying positions, including career groups, banding structures, band level descriptions, and occupational descriptions. They helped to ensure the system's streamlined and simplified processes are adaptable and flexible but also preserve employee rights. This simplified system reflects the natural progression in the work levels of today's national security environment of knowledge-based work, ranging from entry and/or developmental assignments to journey and expert work levels.

Our staffing experts worked with their DOD counterparts to develop procedures for implementing the NSPS delegated examining system, including category rating, public notice requirements, and veterans' preference requirements. They also reviewed new probationary period requirements for appointments into NSPS, internal placement procedures, and workforce shaping procedures to ensure veterans' preference entitlements remained consistent with OPM's Governmentwide reduction in force and transfer of function regulations.

While we spent several months working with DOD to develop implementing issuances, we already have turned our attention to evaluating NSPS. Three different evaluations are either planned or underway.

The first is a review of the performance management system to assist the Secretary in making a determination that the NSPS performance management system meets the statutory criteria for applying NSPS beyond 300,000 employees. This assessment will

cover the period from the initial Spiral 1.1 conversion through the final rating process and compensation payout in January 2007. DOD will manage and conduct the assessment using a team consisting of DOD and OPM personnel.

Recognizing the importance of this determination, I included the development of the determination criteria as a deliverable in OPM's 2006-2010 Strategic and Operational Plan. I am pleased to report that we met our July 1, 2006 deadline for their development.

The second review is an ongoing program evaluation that DOD is conducting. OPM staff met periodically with DOD to consult on their evaluation plan.

Finally, OPM, under its independent statutory authority for oversight and evaluation of human resources programs, will be evaluating the effectiveness of NSPS. This evaluation will include assessing the comprehensiveness of the training provided to executives, managers, supervisors, and employees as they spiraled into NSPS because, as you know, effective training is critical to the successful implementation of any new system.

While this evaluation will be ongoing and ultimately will encompass all phases of the NSPS implementation, we have included in our Strategic and Operational Plan the goal of producing our first implementation assessment by May 1, 2007.

In sum, we have worked hard with DOD to implement NSPS for 11,000 Spiral 1.1 employees, and we will continue to collaborate with DOD as we assess the strength of the NSPS performance management system and prepare for more widespread implementation. I believe NSPS provides the flexibilities DOD needs to be more responsive to the ever-changing national security environment, while preserving employee protections and benefits. Ultimately, NSPS will help ensure the Federal Government has an effective civilian workforce.

Madam Chairman, I appreciate the leadership that you and other Members of the Committee have provided for addressing these important issues. I thank you for the opportunity to testify.

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

DEPARTMENT OF THE AIR FORCE

PRESENTATION TO THE COMMITTEE ON HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS

SUBJECT: "CRITICAL MISSION: ASSESSING SPIRAL 1.1 OF THE NATIONAL SECURITY PERSONNEL SYSTEM"

STATEMENT OF: **LIEUTENANT GENERAL TERRY L. GABRESKI**
VICE COMMANDER
AIR FORCE MATERIEL COMMAND
UNITED STATES AIR FORCE

20 SEPT 2006

Good afternoon Chairman Collins, Senator Lieberman, and members of the Committee. I am Lieutenant General Terry Gabreski, Vice Commander, Air Force Materiel Command (AFMC). I am responsible for the oversight of all NSPS training and implementation within AFMC. Prior to this assignment, I was the commander of the Oklahoma City Air Logistics Center at Tinker AFB and was responsible for NSPS implementation planning at the Air Force's first installation to deploy NSPS. Thank you for your interest in this important national security issue and for this opportunity to testify before the committee on our NSPS deployment efforts within Air Force Materiel Command.

AFMC is tasked with ensuring our Air Force is properly equipped to win our nation's wars now and into the future. We provide war-winning expeditionary capabilities to the warfighter through four core missions: development and transition of technology, professional acquisition management, exacting test and evaluation, and world-class sustainment of all weapon systems. The civilian population of our Command is vital to developing the expertise and continuity across the entire life cycle of our weapon systems. They are key to our mission success and vital to our national security. Our 56,000 Air Force civilians comprise 70% of our total Command population and 34% of the entire Air Force civilian population. Such a large civilian population warrants our best effort in implementing NSPS and that is exactly what we have endeavored to do in AFMC. General Bruce Carlson, AFMC Commander, expects that all Airman and Air Force civilians be accountable to continuously improve performance across the acquisition life cycle. We need leaders, civilian and military alike, to inspire co-workers,

set expectations, reward results, and create an environment that has a passion for improved performance. We believe NSPS offers an historic opportunity to transform our workforce into one that is agile, responsive, and flexible.

AFMC is leading the way for Air Force NSPS planning and deployment. Our previous experience with the Air Force Research Laboratory (AFRL) Personnel Demonstration Project and the DoD Acquisition Workforce Personnel Demonstration Project has provided valuable insight to the benefits of alternative personnel systems and pay for performance environments. In preparing for NSPS, we have capitalized on the experiences of these projects by actively sharing lessons learned across our installations as well as throughout AF and DoD. We are committed to working together as a joint team to ensure successful implementation and have served on several DoD developmental working groups as well as the PEO's Senior Advisory Group. AFMC stepped forward and nominated Tinker AFB to be one of the first installations in the AF to deploy NSPS. I was privileged to be a part of the planning process for Tinker's implementation and would like to take a minute to share this success story with you.

On 30 April 2006, Tinker became the DoD's largest activity to deploy NSPS with the conversion of over 2,400 non-bargaining unit employees. This successful conversion followed months of workforce preparation, communications and training. Tinker began their transition process by establishing an NSPS program office and establishing an Executive Steering group made up of senior leaders from the Air Logistics Center and its associate units. The Tinker NSPS program office is responsible for the day to day operations associated with NSPS deployment including communications, training,

fleshing out the new local management flexibilities and bringing topics to the Executive Steering group for discussion and decisions.

Communication was and is the most vital piece of NSPS implementation. Each Air Force Major Command had General Officers conduct "Spread-The-Word" briefings to senior leaders at each installation underscoring that NSPS is much more than a replacement personnel system and is a commander responsibility which cannot be delegated. Tinker's communication strategy established information flow by developing an NSPS website, Town Hall meetings, Commanders Calls, articles in the local base newspaper, and memos from the Commander/Director to employees. By quickly and efficiently disseminating information, we equipped our workforce with the tools necessary for transition to NSPS, engaged their participation and encouraged feedback on their questions and concerns.

Tinker also placed a strong emphasis on training employees and managers including military supervisors. All employees who were deploying into NSPS received approximately 8 hours of soft skills training covering change management and 8 hours of NSPS specifics. Civilian and military supervisors and managers received a day and a half on soft skills, 2 days on NSPS specifics including performance management, pay setting, classification and filling vacancies and 2 days of pay pool management training which included conducting a mock pay pool panel. Additionally, to ensure new employees and newly appointed supervisors are familiar with NSPS, training is being designed into current courses such as orientation programs and supervisory

development training. We are committed to preparing our supervisors and employees for the challenges and opportunities of NSPS and view this investment in training as crucial to successful implementation.

NSPS has provided Tinker the much needed management flexibility to move high performing employees quickly and easily into mission critical positions. In addition, Tinker has seen increased communications between employees and supervisors via feedback on the development of performance objectives and employee input on their accomplishments during the performance cycle. Although Tinker has not yet reached the end of their first NSPS appraisal cycle they are already realizing the benefits from the NSPS performance management and pay pool process which encourages employee participation, rewards high performers, links performance objectives to organizational goals, and increases accountability.

NSPS deployment has not been without its challenges. These challenges include the normal comparison of the NSPS system and the General Schedule system anticipated with any change of this magnitude...a situation magnified by the split deployment pending the outcome of the DoD appeal of the Feb 2006 court decision in AFGE vs. Rumsfeld. Despite these challenges, the Tinker implementation has shown the tremendous potential and benefits of NSPS which strengthens our resolve to successfully implement across the Command.

Future implementation will occur by spiral with each AFMC installation assigned to the DoD spiral increments. In addition, all of our installations were partnered with other

AFMC installations in other increments, providing an environment of continuous learning throughout the development process and a network for assistance to sister activities. Tinker was proactive in sharing their lessons learned across AF and DoD. Some of the deployment lessons learned include the following:

- Writing performance objectives is harder than expected; start early with workshops to train managers
- Dedicate an NSPS staff to manage deployment
- Communication is critical
- Provide training early
- Provide Soft Skills training in advance of NSPS specific training
- Begin flexibilities and conversion discussions with managers early
- Senior leader buy-in is critical

Using these lessons learned, the remaining 9 AFMC bases will deploy NSPS to over 10,000 non-bargaining unit employees between October 2006 and January 2007. Tinker's deployment strategy will be their guide but each base will be tailoring it to fit the needs and functionality of their bases and employees. Our preparation efforts have been well thought out, thorough and embraced by leadership. We are committed to spreading the success we are realizing at Tinker to the rest of our Command. NSPS will make us a better Command, a better Air Force and a better DoD.

The first performance cycle for our NSPS employees will close out on 31 Oct 2006 with payouts resulting from this cycle in January 2007. DoD has placed controls on the pay

pool payout process. The controls are set to ensure that in accordance with the NSPS statute the overall amount allocated for compensation of the DoD employees who are included in the NSPS may not be less than the amount that would have been allocated for compensation of such employees if they had not been converted to NSPS. In addition, the controls ensure payroll costs do not rise above what could be normally expected.

To date, AFMC has funded NSPS mainly from its own resources. DoD and AF have funded the train-the-trainer events with each MAJCOM and installation financing the remainder of the deployment effort from existing resources. The bulk of AFMC's expenditures (approximately 95%) have been for salaries of the deployment teams and for contractor support. In FY05 and the first three quarters of FY06, AFMC expended $4.3M command-wide preparing our ten installations. We project an additional expenditure of $3 Million in FY07 as our remaining nine installations deploy NSPS. We think this is money well spent.

From my perspective as a General Officer, NSPS provides our commanders the tools of a modern and flexible human resources system that is responsive to today's national security environment. It provides an environment where leadership is accountable, performance objectives are aligned with organizational goals and employees are recognized for their contributions to the mission.

Air Force Materiel Command has established itself as a champion for NSPS implementation. Our civilians have and will continue to be critical to ensuring we

provide war-winning technology, acquisition, test, and sustainment to the warfighter. Our civilian teammates play a vital role in our nation's security and deserve the best possible human resource system to help them accomplish our mission. NSPS is that system, it's a force multiplier...and once we are able to implement across the entire department our nation will truly reap the benefits.

Thank you for your service to our country and for the invitation to testify today on NSPS and our deployment efforts within Air Force Materiel Command.

CHARRTS No.: SG-01-001
Senate Committee on Governmental Affairs
Hearing Date: September 20, 2006
Subject: Critical Mission: Assessing Spiral 1.1 of the National Security Personnel System
Witness: Mr England
Senator: Senator Collins
Question: #1

Question. Do you believe the date for potential conversion of the labs should be extended so as to allow for a productive comparison?

Answer. I do not believe Congress needs to legislate a change to the October 1, 2008 date. The NSPS statute does not require any particular action or decision on or by October 1, 2008. Rather, that is the earliest date NSPS can be applied to certain Defense laboratories if the Secretary of Defense determines that NSPS provides more flexibility than the laboratories have.

The Science and Technology Reinvention Laboratories are very important to the Department. We will not make a premature determination about the comparative flexibilities of the personnel systems and whether to bring the laboratories into NSPS.

By spring 2008, Spiral 1.1 units will have two full years of experience with NSPS, and the employees will have been through two performance cycles and pay outs. Spiral 1.2 units and employees will have one year of experience. In these first two NSPS spirals, thousands of employees in a variety of organizations will have converted into the NSPS science and engineering career group. By October 2008, we should have a good sense of NSPS flexibilities in general and as they apply in and around the technology community.

The comparison of flexibilities and the Secretary's determination will be event driven, however. If the Department needs more time for NSPS to mature, beyond FY 2008, we will take the extra time.

CHARRTS No.: SG-01-002
Senate Committee on Governmental Affairs
Hearing Date: September 20, 2006
Subject: Critical Mission: Assessing Spiral 1.1 of the National Security Personnel System
Witness: Mr England
Senator: Senator Warner
Question: #2

Preparation for Expansion Beyond 300,000 Employees

Question. What steps have you taken to prepare for this determination, and how has the Office of Personnel Management been involved?

Answer. The review of the performance management system is being conducted under the auspices of the NSPS Overarching Integrated Product Team (OIPT), whose members are DoD's senior Secretariat personnel policy officials, and a member from OPM. The OIPT shaped the review approach and framework including measures that would help us determine if the criteria are being met. OPM coordinated on the framework to ensure matters it considers important are assessed. The OIPT established a review team composed of members from all four DoD components and OPM. The team began its work in August, and they are already conducting focus groups and interviews with employees, supervisors, and senior officials at Spiral 1.1 units.

The team will report their findings to the OIPT around May next year, after the first Spiral 1.1 cycle is complete, and the FY 2007 cycle is well underway. The OIPT will consider the report and decide what determination to recommend to the Secretary.

CHARRTS No.: SG-01-003
Senate Committee on Governmental Affairs
Hearing Date: September 20, 2006
Subject: Critical Mission: Assessing Spiral 1.1 of the National Security Personnel System
Witness: Mr England
Senator: Senator Warner
Question: #3

Is DoD Ready to Proceed with Another 66,500 Employees in NSPS?

Question. Are you ready for a new phase -- an increase by a factor of 6 in the number who are now included under the new pay for performance system?

Answer. Yes, the Department is ready for the next phase. Spiral 1.1 implementation has gone very smoothly. The Department continues to seek and incorporate lessons learned about what went well and areas that need improvement.

For example, in Spiral 1.1, all participating organizations converted on the same date. In Spiral 1.2, organizations will be allowed to complete their conversions any time within a four-month window. This will let the respective leaderships ensure they are ready, training has been completed, and concerns have been addressed, before they move forward.

We have developed a set of online tools to support the NSPS Performance Management cycle. The first of these tools – the Performance Appraisal Application – is available to employees who have already converted to NSPS.

We continue to train employees, managers, and supervisors in all phases of NSPS. Employees are provided training that covers the basics of the NSPS human resources management system including information on career groups and the pay band structure. A course on the performance management system trains employees on how a performance-based system operates and helps employees understand their roles and responsibilities. Supervisors and managers will receive additional training so they can fairly manage, appraise and rate employees.

CHARRTS No.: SG-01-004
Senate Committee on Governmental Affairs
Hearing Date: September 20, 2006
Subject: Critical Mission: Assessing Spiral 1.1 of the National Security Personnel System
Witness: Mr England
Senator: Senator Warner
Question: #4

NSPS Culture Change

Question. Mr. Secretary, on the subject of pay for performance -- this represents a true sea change within the Department. How are you reaching management, supervisors and employees with a clear understanding of how pay for performance will work? Can you tell us what you tell them?

Answer. Our senior leaders are committed to NSPS and to a smooth transition to our workforce. They are conducting Town Hall meetings and commanders' calls to help educate the workforce, answer their questions and concerns, and share information and lessons learned across the community with respect to pay-for-performance.

We are reaching out to supervisors and employees through extensive training and ongoing information and communication initiatives. We are educating the workforce using web-based and classroom training, lectures, videos, brochures and our NSPS interactive web site. All employees are being trained to understand the system, how it works, and how it will affect them.

Through all these communications, we tell the workforce that the performance management process is the heart of the NSPS program. Its basic goal is creating an environment in which all employees can excel. To do that, it establishes clear linkages between job objectives and organizational goals, and provides for ongoing feedback and appraisal. These are smart business practices that make sense for any enterprise.

CHARRTS No.: SG-01-005
Senate Committee on Governmental Affairs
Hearing Date: September 20, 2006
Subject: Critical Mission: Assessing Spiral 1.1 of the National Security Personnel System
Witness: Mr England
Senator: Senator Warner
Question: #5

Future Legislative Changes to NSPS

Question. Can you elaborate in general terms on the areas of law that you believe would need clarification in order for the Department to proceed in implementation DoD wide?

Answer. The District Court decision highlights several significant areas of concern. First, the Court's decision left many questions regarding the extent to which the Department can actually change current labor relations rules. While the Court acknowledged the Department can deviate from the current labor relations law, it offered little in the way of guidance regarding what the Department can do on matters such as scope of bargaining. This is critical for the Department to know. The unions take the position that the Department is limited to two changes in labor relations – national level bargaining and independent third party review. The scope of bargaining issue is significant for implementation of the NSPS human resources management system across the Department and for issues related to accomplishment of the Department's national security mission.

Next, the Department is limited in using the national level bargaining authority in the law. This authority extends only to those organizations covered by the NSPS human resources management system. Also, national level bargaining disputes must be resolved by the independent third party for disputes under 5 U.S.C. 9902(m) – which has been enjoined by the Court.

Another major area of concern deals with employee appeals of adverse actions. The law states that the final decision of the appeals process is a DoD decision and allows the Secretary to establish legal standards regarding the appeals process. The Court's decision focused on these matters and did not offer any guidance regarding what would be acceptable regarding the appeals process.

These matters are the most significant and need to be addressed in light of the Department's national security mission.

CHARRTS No.: SG-01-006
Senate Committee on Governmental Affairs
Hearing Date: September 20, 2006
Subject: Critical Mission: Assessing Spiral 1.1 of the National Security Personnel System
Witness: Mr England
Senator: Senator Warner
Question: #6

NSPS Training for Military Personnel

Question. What is the Department doing to ensure that military managers and supervisors understand NSPS, especially in the application of a pay for performance system for civilian employees under the supervision of military personnel?

Answer. NSPS places a significant amount of responsibility on the shoulders of the Department's supervisors, both military and civilian, and our senior leaders are committed to ensuring all the Department's leaders are prepared. We've included specific requirements for supervisors and managers to hold them accountable for effectively managing the performance of employees under their supervision. Within these requirements, we established "rating official qualifications" which all rating officials must meet before they can recommend a rating of record for payout purposes. In addition, once an individual supervisor, either military or civilian, submits a recommended rating to the appropriate pay pool, the pay pool process maintains the integrity of the system and ensures individual supervisors are held accountable for meeting all their responsibilities.

In addition to the requirements established by the performance management system, we have ensured all training for supervisors and managers is available to our military members, and each Component is closely monitoring attendance at the training sessions to ensure our management teams, military and civilian, are properly prepared. Our communications plan also includes many military briefings and senior leader events.

CHARRTS No.: SG-01-007
Senate Committee on Governmental Affairs
Hearing Date: September 20, 2006
Subject: Critical Mission: Assessing Spiral 1.1 of the National Security Personnel System
Witness: Mr England
Senator: Senator Warner
Question: #7

Personal Responsibility Increases under NSPS

Question. Do you agree with that characterization of NSPS? If so, are employees and supervisors receptive to that challenge? Does the emphasis on personal responsibility in any way undermine teamwork as a factor in performance?

Answer. NSPS does emphasize personal responsibility and accountability of both supervisors and employees. In fact, one of the Key Performance Parameters (KPPs) against which we rate NSPS is that the system is "credible and trusted," which includes openness, clarity, accountability, and adherence to merit and fitness.

Personal responsibility and accountability are most noticeable within the NSPS performance management system where accountability is built in at all levels in the organization. Accountability begins with the supervisor, who is required to establish a performance plan and communicate the performance expectations to the employee.
Employees are encouraged to take an active role in developing job objectives and participating in interim reviews and the annual appraisal by writing self assessments that capture accomplishments. The pay pool panel considers whether the employee is being adequately rewarded for his or her achievements and contributions to the mission based on employee self-assessment and input from the supervisor.

This process does not in any way minimize the emphasis on teamwork as a factor in performance; in fact, the performance management system incorporates "cooperation and teamwork" as a specific factor when evaluating performance. NSPS also rewards organizational and team performance through specific performance-based awards known as "Organizational/Team Achievement Recognition (OAR)." The OAR is an increase to employee base salary, bonus or a combination of the two which recognizes the members of a team, organization, or branch whose performance and contributions have successfully and directly advanced organizational goals.

CHARRTS No.: SG-01-008
Senate Committee on Governmental Affairs
Hearing Date: September 20, 2006
Subject: Critical Mission: Assessing Spiral 1.1 of the National Security Personnel System
Witness: Mr England
Senator: Senator Akaka
Question: #8

Question. You testified that funding for the pay pools for the National Security Personnel System (NSPS) will not be less than what they would have been and may be more. Under what circumstances would the funding for the pay pools increase?

Answer. As a part of the Department's fiscal guidance, we have published base salary increase funding floors. Once funding floors have been established, the pay pool fund is the budgetary device used for administering allocation of these funds. Each pay pool, in conjunction with guidance from their respective Component, has the ability to increase the amount of money placed into the pay pool above and beyond what is required to meet the established floor. This may occur when a particular pay pool or organization anticipates the funding floor is not sufficient to adequately compensate the performance-based contributions of their employees, both at the individual and organizational level.

CHARRTS No.: SG-01-009
Senate Committee on Governmental Affairs
Hearing Date: September 20, 2006
Subject: Critical Mission: Assessing Spiral 1.1 of the National Security Personnel System
Witness: Mr England
Senator: Senator Akaka
Question: #9

Question. Upon conversion into NSPS, employees are covered by the new regulations governing reductions-in-force. Does DoD's rollout of NSPS take into consideration DoD's schedule for facilities to comply with the recommendations of the Defense Base Closure and Realignment Commission?

Answer. Yes, BRAC implications are a consideration, but, are not the only consideration for including or excluding organizations from NSPS. There are other situations that require careful consideration -- such as a planned major reduction in force or a transfer of work or function. The decision to include or exclude an organization begins at the lowest level and is worked up through the chain of command. Each Component and DoD Agency has the final approval authority for determining which organizations are ready to convert to NSPS.

CHARRTS No.: SG-01-010
Senate Committee on Governmental Affairs
Hearing Date: September 20, 2006
Subject: Critical Mission: Assessing Spiral 1.1 of the National Security Personnel System
Witness: Mr England
Senator: Senator Akaka
Question: #10

Question. Next week, the Senior Executives Association will release the results of its survey of the Senior Executive Service (SES) on how pay for performance is working. Based on comments I have received from employees, senior executives are concerned about the use of quotas, lack of transparency, and, for some, lack of a pay increase for work that meets expectation. How does the SES pay for performance system at DoD compare with the pay for performance system for NSPS employees in Spiral 1.1? How is the training provided to employees in DoD's SES corps and in NSPS differ?

Answer. In the Department of Defense, the performance management systems for NSPS and the Senior Executive Service are similar in important respects. Both systems link pay increases to performance and both systems are results-oriented, with the requirement that individual performance plans are mission-driven and aligned with the organizational goals and objectives. Both systems use job objectives focused on results, annual evaluations with employee and supervisor assessments, continual feedback, specific performance factors, and a five-level rating system with an associate range of performance pay shares. While the mechanics of the two systems are not identical, the underlying concepts are consistent. For example, under NSPS the individual performance ratings are based on a direct assessment of the job objectives, while taking into account the factors that contributed to their success (e.g., technical competence, cooperation and teamwork). Under the SES system, job performance of the objectives is evaluated through the "lens" of the performance factors (or elements). Both systems, however, evaluate and assess the "what" (objective) and the "how" (performance factors).

Both the NSPS and SES performance management systems use a pay pool process to review recommended ratings and shares. This rigorous process allows for transparency and ensures consistency in the ratings across organizational lines. The pay pools for both NSPS and SES are funded for salary increases and bonuses, with payouts based on shares recommended by the supervisors and approved by a senior authority. Both systems allow flexibility in allocating shares between basic pay increase and bonus, subject to specific statutory and budgetary constraints. Again, the two systems are not identical, but operate under the same basic premise, that is, annual pay increases are based on rigorous performance evaluations, resulting in meaningful distinctions in ratings and rewards.

Training is an important element in the implementation of both these pay for performance systems. Because of the high numbers of employees under NSPS, the training approach has differed from the SES system; in particular, NSPS training involves extensive formal classroom training and exercises. In recognition of the unique characteristics of the SES, training has been more tailored to individual executives, with deskside briefings, coaching, and online materials. Each of the DoD Components designed their own training. However, the Department will provide standard curriculum in performance management. The first learning modules are under review now and we expect to begin field testing the curriculum in early December.

CHARRTS No.: SG-01-011
Senate Committee on Governmental Affairs
Hearing Date: September 20, 2006
Subject: Critical Mission: Assessing Spiral 1.1 of the National Security Personnel System
Witness: Mr England
Senator: Senator Akaka
Question: #11

Question. The costs associated with implementing NSPS is of great concern to me. You testified that NSPS is fully funded. A. What has been the overall cost associated with NSPS training for Spiral 1.1 throughout DoD? B. What has been the overall cost associated with NSPS training for Spiral 1.1 for the individual service components? C. What have been the costs associated with system design of NSPS to date? D. What have been the costs associated with automation and operating costs to date?

Answer. **A. What has been the overall cost associated with NSPS training for Spiral 1.1 throughout DoD?**

Answer: Generally, the Department budgets for training as part of the operations and maintenance requirement. Training required by law and mission essential training, including NSPS training, will continue to be top training priorities. The Department does not track training costs by spirals; however, the overall cost for NSPS training for DoD employees during FY05 and the first 3 quarters of FY06 was approximately $21 million.

B. What has been the overall cost associated with NSPS training for Spiral 1.1 for the individual service components?

Answer: While it is not possible to provide Spiral 1.1 specific training costs, total NSPS training costs for the period October 1, 2004 through June 30, 2006 were approximately:

Army	$ 2 million
Navy	$ 7 million
Air Force	$ 4 million
4th Estate	$ 4 million
Program Executive Office	$ 4 million

Variability of the training costs can be attributed to the use of classroom versus web-based training, and the number of training sites and associated TDY, and the Program Executive Office costs include central development of core NSPS training materials and delivery of "train-the-trainer" sessions.

C. What have been the costs associated with system design of NSPS to date?

Answer: The total NSPS system design costs for the period October 1, 2004 through June 30, 2006 are approximately $11 million.

D. What have been the costs associated with automation and operating costs to date?
Answer: The total NSPS automation and operating costs for the period October 1, 2004 through June 30, 2006 are approximately $4 million.

CHARRTS No.: SG-01-012
Senate Committee on Governmental Affairs
Hearing Date: September 20, 2006
Subject: Critical Mission: Assessing Spiral 1.1 of the National Security Personnel System
Witness: Mr England
Senator: Senator Akaka
Question: #12

Question. At the Oversight of Government Management Subcommittee hearing on NSPS on April 12, 2006, we received testimony that NSPS training was basically an unfunded mandate. This is of great concern because some entities, like the Pearl Harbor Naval Shipyard, are mission funded. As such, what programs are being scaled back or eliminated by DoD to pay for NSPS training?

Answer. The Office of the Secretary of Defense (OSD), the Military Departments, and the Defense Agencies recognize the high priority of NSPS training and will fund delivery of training to their headquarters and field activity personnel. We are committed to funding delivery of that training within existing resources without sacrificing other required programs.

CHARRTS No.: SG-01-013
Senate Committee on Governmental Affairs
Hearing Date: September 20, 2006
Subject: Critical Mission: Assessing Spiral 1.1 of the National Security Personnel System
Witness: Mr England
Senator: Senator Akaka
Question: #13

Question. You testified at the hearing that DoD may ask Congress to pass legislation removing the federal court injunction on one portion of the labor-management relations regulations related to the Department's ability to bargain on a national level. Has DoD discussed this proposal with the unions, and if so, what has been their reaction?

Answer. No, we have not discussed legislative changes with the unions. However, our unions have previously stated to us their belief that national level bargaining can occur now. We may discuss this with the unions as we believe this is something they may be willing to support because of their strong interest in doing national level bargaining.

CHARRTS No.: SG-01-014
Senate Committee on Governmental Affairs
Hearing Date: September 20, 2006
Subject: Critical Mission: Assessing Spiral 1.1 of the National Security Personnel System
Witness: Mr. England
Senator: Senator Akaka
Question: #14

Question. Last year Secretary Chu testified before the Senate Armed Services Committee that 703 positions were converted to the private sector in fiscal year (FY) 2004. Can you tell me the nature of the job, or function that was converted to private sector performance? How many of the converted positions for FY 2005 have been subject to competitive sourcing and are now being performed by the private sector? Please detail the job or function that was converted to private sector performance.

Answer: In FY 2004, a total of 7,640 military billets were converted to civilian or private sector performance, and in FY 2005, a total of 13,046 were converted.

Of the 7,640 converted in FY 2004, 4,803 were converted to the private sector, and 2,837 were converted to civilian performance. In 2004, 836 military billets were subject to competitive sourcing, but only 703 of the 836 were converted to private sector performance. The other 133 remained in-house.

- Of the 1,790 Air Force military to civilian conversions in FY 2004, 595 were a result of competitive sourcing. Public-private competitions for all these military billets were awarded to private sector contractors. These competitions were predominantly in the following functional areas: Computing Services and/or Data Base Management; Expeditionary Force Operations; Telecommunication Centers; and Management Headquarters – Communications, Computing and Information Services.

- None of the Army's 4,281, or the Navy's 905 conversions for FY 2004, resulted from competitive sourcing. However, installation security guard functions performed by 4,100 Army National Guardsmen were converted to contract performance in FY 2004, and the Guardsmen were subsequently demobilized.

- Of the 664 military billets converted by the Marine Corps in FY 2004, 241 were a result of competitive sourcing. However, competitions for only 108 of the military billets were awarded to private sector contractors. Competitions for the remaining 133 billets were awarded to the government, and the work was converted to civilian performance. Marine Corps competitions awarded to the private sector involved the following functions: Range Operations, Motor Vehicle Maintenance, Fuel Distribution, Real Property Management, and Grounds Maintenance.

Of the 13,046 military billets converted in FY 2005, 341 were to private sector performance and the other 12,705 were to civilian performance.

- The Army and Marine Corps did not convert any military billets through competitive sourcing in FY 2005.

- In FY 2005, the Air force converted 335 military billets to private sector performance through competitive sourcing. These competitions were in the following functional areas: Minor Construction, Maintenance and Repair of Buildings and Structures Other Than Family Housing; Expeditionary Force Operations; Storage and Warehousing; and Distribution of Petroleum, Oil and Lubricant Products.

- The Navy converted six billets to private sector performance in FY 2005. All six were in health care.

CHARRTS No.: SG-01-015
Senate Committee on Governmental Affairs
Hearing Date: September 20, 2006
Subject: Critical Mission: Assessing Spiral 1.1 of the National Security Personnel System
Witness: Mr England
Senator: Senator Akaka
Question: #15

Question. Secretary Chu also testified in March that the Department plans to convert 10,000 positions in fiscal year (FY) 2006 and FY 2007. In total, this number falls far short of the 320,000 touted by the Department in 2003. Given that certain positions should not be converted due to rotation and career progression needs, what is the total number of military to civilian conversions that the Department plans to make? What jobs or functions should not be converted to civilian positions?

Answer. In previous testimony, we estimated that there were approximately 320,000 positions that could be studied for possible conversion, but the Department did not assert that it would be practical or desirable to convert this many.

In FY 2004 and FY 2005, 20,686 military billets were converted. By FY 2007, we expect the number of conversions to exceed 31,000. In addition, the Department of Defense (DoD) components have developed goals that, together with the number of conversions already completed and programmed, could raise the number of conversions to over 61,000. However, as the Department implements its plans for Active/Reserve Rebalancing and Base Realignment and Closure, the number of planned conversions could change.

When DoD components review the 300,000-plus military billets for conversion, they must verify which of the billets must remain military due to laws, treaties, Executive Orders, and international agreements, and which are required for readiness or workforce management reasons. This includes military positions needed for career progression, rotation, wartime assignments, risk mitigation, and other similar requirements. In addition, certain inherently governmental responsibilities that require military-unique knowledge and skills cannot be converted to either DoD civilian or private sector performance. Decisions to convert military billets depend on the merits of each situation within the 300,000-plus positions under review. As a result, the "total number" of conversions will change from year to year as Defense priorities, threat levels, and technologies change how the Department structures its workforce to plan, fight and win wars.

Post-Hearing Questions for the Record
Submitted to the Honorable Linda M. Springer
From Senator John W. Warner

"Critical Mission: Assessing Spiral 1.1 of the National Security Personnel System"
September 20, 2006

1. **DoD's Readiness to Proceed with the Next Phase of NSPS Implementation**

It is obvious from your testimony that the Office of Personnel Management has been deeply involved with the Department of Defense in its implementation of the National Security Personnel System. Such collaboration was always envisioned by Congress as critical to ensuring that NSPS retained the fundamental principles of civil service -- fair and equitable treatment, equal pay for work of equal value, and compensation based on merit. I commend you and the employees at OPM for that effort and spirit of cooperation.

Question 1a: Director Springer, in your professional judgment, is DoD ready to proceed to the next major phase of implementation of NSPS for some 60,000 non-bargaining unit employees?

Response: Yes.

Question 1b: Have the lessons of Spiral 1.1 been absorbed?

Response: Sprial 1.1 implementation will not be completed until the final rating process and compensation payout in January 2007. However, DoD has absorbed the lessons learned to date and is conducting real time assessment of Spiral 1.1 as it moves toward that first compensation payout and I am confident it will make whatever adjustments are necessary and appropriate to assure a successful implementation of NSPS.

Question 1c: In other words, have we gotten the kinks worked out?

Response: See response to 1b.

2. **Preparation for Expansion Beyond 300,000 Employees**

The NSPS statute requires that the Secretary of Defense make a determination that the performance management system meets all statutory requirements prior to expansion beyond 300,000 employees.

Question: How has the Office of Personnel Management been involved in this process?

Response: We worked with DoD to develop the determination criteria the Secretary will use and OPM staff will be participating in the DoD review and assessment of the performance management system that will assist the Secretary in making his determination that the performance management system meets all statutory requirements.

3. **Personal Responsibility Increases under NSPS**

One characterization of the culture change under NSPS is that personal responsibility increases -- for communication to employees, for communication about performance objectives, and for achievement of performance goals.

Question 3a: Do you agree with that characterization of NSPS?

Response: Yes.

Question 3b: If so, are employees and supervisors receptive to that challenge?

Response: I believe they are. Our experience shows that clearly communicated performance goals and expectations give employees the direction they need to accomplish those goals.

Question 3c: Does the emphasis on personal responsibility in any way undermine teamwork as a factor in performance?

Response: No. In fact, I believe it would do just the opposite because teamwork is a contributing factor under the NSPS performance management system.

Post-Hearing Questions for the Record
Submitted to the Lieutenant General Terry L. Gabreski
From Senator John W. Warner

"Critical Mission: Assessing Spiral 1.1 of the National Security Personnel System"
September 20, 2006

1. **Civilian Partnerships in NSPS**

When I served as Secretary of the Navy, I had nearly 600,000 civilian employees working side by side with the military -- it was teamwork straight down the line.

How do you assess the impact of NSPS on that all-important sense of teamwork that exists in the military and civilian workforce within the Department of Defense?

2. **NSPS System Requirements**

By law, NSPS must be flexible in its support of national security requirements. You have testified that, "NSPS has provided Tinker AFB much needed management flexibility to move high performing employees quickly and easily into mission critical positions."

This statement, in my view, gets at the heart of the purpose of the change that NSPS represents.

Can you elaborate on your statement, and how you were able to utilize NSPS authorities in a way that was not possible under the current civilian personnel system?

3. **Personal Responsibility Increases Under NSPS**

One characterization of the culture change under NSPS is that personal responsibility increases -- for communication to employees, for communication about performance objectives, and for achievement of performance goals.

Do you agree with that characterization of NSPS? If so, are employees and supervisors receptive to that challenge? Does the emphasis on personal responsibility in any way undermine teamwork as a factor in performance?

CHARRTS No.: SG-01-016
Senate Committee on Governmental Affairs
Hearing Date: September 20, 2006
Subject: Critical Mission: Assessing Spiral 1.1 of the National Security Personnel System
Witness: Lieutenant General Gabreski
Senator: Senator Warner
Question: #16

Civilian Partnerships in NSPS

Question. How do you assess the impact of NSPS on that all important sense of teamwork that exists in the military and civilian workforce within the Department of Defense?

Answer. Lieutenant General Gabreski - Teamwork is one of the contributing factors identified under the NSPS performance system. NSPS has enhanced the sense of teamwork by linking performance to the organizational mission. During my sessions with NSPS employees and supervisors at Tinker AFB, it was evident more information is being shared between employees and supervisors under this system than previously. Employees and supervisors underscored the value of a common framework to discuss work objectives and ensure better alignment to the overall mission. They appreciated the increased feedback under NSPS and recognize they are valued members of the team. They requested, and will be receiving, additional training to enhance writing skills and ability to adequately capture and report accomplishments.

Witness: Lieutenant General Gabreski
Senator: Senator Warner
Question: #17

NSPS System Requirements

Question. Can you elaborate on your statement, and how you were able to utilize NSPS authorities in a way that was not possible under the current civilian personnel system?

Answer. In their first five months under NSPS, Tinker AFB processed 228 assignment actions using NSPS flexibilities. Supervisors at Tinker reported a 50% reduction in time to fill critical NSPS positions and noted increased skill development and advancement opportunities under pay banding.

Witness: Lieutenant General Gabreski
Senator: Senator Warner
Question: #18

Personal Responsibility Increases Under NSPS

Question. Do you agree with that characterization of NSPS? If so, are employees and supervisors receptive to that challenge? Does the emphasis on personal responsibility in any way undermine teamwork as a factor in performance?

Answer. It is clear to me personal responsibility and accountability are integral aspects of the NSPS cultural change. Certainly at Tinker, employees are taking ownership of their own performance and success. Employees are actively looking for ways to capture and report success in achieving organizational goals. Supervisors are also stepping up to the challenge of providing honest feedback to employees on both strengths and areas of needed improvement. In fact, several employees commented that feedback on weak areas was refreshing and validated the credibility of the new system. The honest responses I received from NSPS supervisors and employees during my recent visit to Tinker confirm the commitment to the organizational mission -- the very essence of teamwork.

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

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

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

On behalf of the managers and supervisors in the Department of Defense, I would like to thank you for allowing us to express our views regarding the implementation and training program of the National Security Personnel System (NSPS) within the Department of Defense (DOD).

Over the past few months, the Department of Defense has embarked on its historic implementation of a new personnel system positioned to change the face of the federal workforce. Managers and supervisors have undergone training and continue to be brought into the fold in preparation of the enrollment of future waves of employees.

The implementation process is in its early stages. Many managers and supervisors have been trained on their rights and responsibilities in the new system, and taught the process for developing performance standards and goals as part of their overall performance evaluation process. So far, the feedback received by FMA members as trainers and trainees remains mostly positive. But the road map is all that's been laid out. We've yet to have the rubber meet the road with performance reviews and related compensation. It's at that time that we will begin to see the greater challenges presented in the practice of pay for performance.

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

One of the initial challenges we foresee is how a supervisor addresses introverted versus extroverted employees. Since the performance evaluation is

dependent upon the employee to tout their performance achievements, a more outgoing employee may be more likely to get a higher rating simply based on their ability to sell their performance to their supervisor. On the other side, a more reserved employee could receive a lower rating for the same reason.

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

In the following years, we believe that management and employee groups should continue to be represented at the table of discussion about changes and assessment of the success of the programs. Allowing our voice at the table helps OPM and DOD understand the perspective of managers in the field and allows us a chance to go back to our membership and explain the reasoning behind decisions being made. While consensus may not always be reached, the act of inclusion into the process ensures greater transparency and accountability from both sides involved.

As recently as last week, the Program Executive Officer Mary Lacey brought members of our National Office staff, our National leadership and I in to discuss rollout of Spiral 2.0 and the inclusion of Federal Wage Grade employees in the new system. This meeting was both informative for us in the options being considered and developed by the PEO for including FWG employees, but also a chance to engage in a constructive dialogue on the challenges and direction of a new personnel system for the unique workforce. We plan to continue in collaboration to provide meaningful input and a thoughtful exchange of ideas.

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

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

We at FMA cannot stress enough the need to take a cautious and deliberate path for implementing the final system. We recommend continued collaboration with management and employee groups as well as independent review and auditing by the Government Accountability Office, with the oversight of Congress. Through these checks and balances, we are hopeful that challenges will be confronted and the DOD workforce will continue to perform.

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

United DoD Workers Coalition

Nat'l Assn. of Aeronautical Examiners
Nat'l Air Traffic Controllers Assn.
Professional Airways Systems Specialists
Antilles Consolidated Education Assn.
Int'l Brotherhood of Boilermakers
Assn. of Civilian Technicians
Communications Workers of America
Federal Education Assn./NEA
Int'l Brotherhood of Electrical Workers
Nat'l Federation of Federal Employees
Fairchild Federal Employees Union
American Federation of Gov. Employees
Nat'l Assn. of Gov. Employees
Int'l Guard Union of America
Int'l Assn. of Fire Fighters
Hawaii Council of Defense Commissary Unions
Laborers' Int'l Union of North America
Int'l Assn. of Machinists and Aerospace Workers
Nat'l Marine Engineers Beneficial Assn.
Int'l Organization of Masters, Mates & Pilots
Metal Trades Dept., AFL-CIO
American Nurses Assn.
United American Nurses
Int'l Union of Operating Engineers
Int'l Union of Painters and Allied Trades
United Assn. of Journeymen and Apprentices of the Plumbing & Pipe Fitting Industry of the U.S. and Canada
United Power Trades Org.
Int'l Federation of Professional and Technical Engineers
Retail, Wholesale, and Department Store Union
Seafarers Int'l Union
Service Employees Int'l Union
Sport Air Traffic Controllers
American Federation of State, County and Municipal Employees
American Federation of Teachers
Int'l Brotherhood of Teamsters
Int'l Assn. of Tool Craftsman
(List in formation)

STATEMENT FOR THE RECORD

BY THE

UNITED DEPARTMENT OF DEFENSE WORKERS COALITION (UDWC)

BEFORE

THE SENATE HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS COMMITTEE

REGARDING

THE NATIONAL SECURITY PERSONNEL SYSTEM

Hearing Date: September 20, 2006

Madam Chairman and Committee Members,

On behalf of the United Department of Defense Workers Coalition (UDWC) and its member unions, which represent 750,000 civilian employees in the Department of Defense (DoD), we wish to submit this statement for inclusion in the hearing record of September 20, 2006 regarding implementation of Spiral 1.1 of the National Security Personnel System (NSPS).

During the hearing, Deputy Secretary of Defense Gordon England testified that "the Department might ask Congress to consider an extension of the time line for the labor relations system – to allow sufficient time to implement adjustments to the system consistent with any court decisions."

Later both Secretary England and Ms. Mary Lacey, the Pentagon's program executive overseeing NSPS, testified that the Department would likely need to ask Congress for legislation extending the date of the sunset of the labor relations system developed under NSPS. Public Law 108-136 includes a provision which ensures that any authority to "establish, implement and adjust the labor relations system developed under this subsection shall expire six years after the date of enactment of this subsection, at which time the provisions of chapter 71 will apply." (*See* 5 USC section 9902 (m)(9)). Since the FY 2004 National Defense Authorization Act (NDAA) was signed into law on November 24, 2003, the labor relations system created under chapter 71 of title 5 would be reinstated in November 2009. It appears to the UDWC that Secretary England will be requesting additional time past 2009 to implement the new labor relations system established by regulation and currently enjoined by the court.

The UDWC strongly opposes any extension of the six-year period preceding the restoration of chapter 71 of Title 5.

It is useful to review the many events that have taken place since the two largest executive branch departments were granted similar authority to establish new personnel systems by regulation. These far-reaching regulations, once implemented, will replace current provisions of Title 5, U.S. Code, affecting pay, classification, personnel management, employee appeal rights, and collective bargaining.

Department of Defense

The FY 2004 NDAA (Public Law 108-136) was signed on November 24, 2003.

The law required that NSPS be created jointly with unions through a "meet and confer" process. In order to ensure that the process would be a success, the 36 unions representing Defense workers came together in February 2004 and formed the UDWC in order to speak to DoD with a united voice.

After more than a year since enactment, on February 14, 2005, DoD published draft regulations to create NSPS.

In April 2005, union and Department officials began the meet and confer process. Despite a good-faith effort by the UDWC to collaborate with the agency to develop a workable personnel system, DoD failed to take the process seriously. For all practical purposes, the Department completely ignored union-backed proposals. DoD officials made clear they simply wanted unlimited authority with no real outside review. In effect, the meet and confer was "window-dressing."

On November 1, 2005, DoD published final NSPS regulations that were unilateral, arbitrary, and went well beyond the intent of the law. Despite 30-plus days of meet and confer and 58,000 comments from concerned DoD employees, there were remarkably few changes made from the proposed regulations.

On November 7, 2005, ten federal employee unions jointly filed suit in the United States District Court for the District of Columbia.

On February 27, 2006, Judge Emmett G. Sullivan released his decision. Following closely the *Collyer* decision, Sullivan ruled illegal several key labor-management components of the new personnel system, including collective bargaining and independent third-party review of labor-management disputes.

On April 18, 2006, DoD appealed Judge Sullivan's decision.

On September 20, 2006 Pentagon officials testified before the Senate Homeland Security and Governmental Affairs Committee.

Department of Homeland Security

The Homeland Security Act was signed on November 25, 2002.

From about April to October 2003, unions representing DHS employees and OPM and DHS representatives spent six months exploring options and debating proposals to address pay, classification, performance, disciplinary actions, appeals and labor-management relations. (Design Team and Senior Review Committee)

The Senior Review Committee, made up of high level DHS, OPM, and union officials met October 20 -23, 2003. Despite a vigorous discussion, no progress was made.

On February 20, 2004, DHS issued draft regulations creating a new personnel system, including major changes to labor relations and employee appeals which were opposed by the unions.

Over three months passed. Then from June 14 to August 6, 2004, DHS, OPM, and the unions engaged in the statutory "meet and confer" process over the DHS draft regulations.

Six months passed with very little communication between the agencies and the unions. Then on January 27, 2005, DHS and OPM published the Final Rule establishing the new DHS personnel system (MAX HR).

On January 27, 2005, the unions filed suit against the DHS final regulations.

On August 12, 2005, Federal District Court Judge Rosemary Collyer ruled that major portions of the DHS regulations were illegal, and enjoined the labor relations system.

DHS appealed the *Collyer* decision to the Court of Appeals on November 14, 2005, and the Court of Appeals upheld the *Collyer* decision on the labor relations issues on June 27, 2006.

The deadline for DHS to appeal to the Supreme Court expired on September 25, 2006.

Based on the events over the past four years, it is inconceivable that the Department of Defense could not have had a labor relations system up and running by now. Instead, despite the head start DoD had upon enactment of P.L. 108-136, due to the extensive regulatory development process DHS had just undergone on virtually the same issues, DoD did not publish draft regulations for 14 months. They waited again until the spring to engage in the statutorily required meet and confer process, but never took it seriously.

More than eight months after publishing draft regulations, DoD published final rules that were clearly illegal in light of the comprehensive and well-reasoned *Collyer* decision in August, which should have led the Department to redraft its regulations before final publication.

Despite the blow of the *Sullivan* decision against the Department in late February 2006, they did nothing to make improvements in the regulations, never suggested that the parties get together to discuss the situation again, but instead waited for more than seven weeks to file an appeal in late April.

Two months later the Court of Appeals not only upheld the *Collyer* DHS decision on labor relations, but actually strengthened the decision in favor of the unions. Still the department has done nothing to make changes to their regulations. DoD officials are content to wait until oral arguments and a Court of Appeals decision, likely due sometime in 2007.

It strains credulity that the Department is complaining that they have not had time to implement a new labor relations system. **In fact, they have had three and three-quarters years to come up with a system which could have been implemented immediately if it had been fair and lawful.**

The Department of Defense has been dilatory, punitive, and stubborn. They were granted extraordinary authority to craft a personnel system outside of Title 5, but instead they have wasted the time of the employees, the unions, the taxpayers, and worst of all, the warfighters.

The coalition urges the Congress to oppose any extension of the six-year period preceding the restoration of chapter 71.

The Department has had its chance.

This concludes our statement.

○