

Civilian Acquisition Workforce — Listen Up!

Compensation, Appraisals, Classification, Hiring, Training, Retention — Big Changes May Be Coming Your Way!

TERRY BAIN • GREG CARUTH • COLLIE JOHNSON

A little-heralded notice recently published in the *Federal Register* is about to turn the cherished, 50-year-old General Schedule (GS) compensation system for most DoD acquisition workforce employees, literally upside down. That's not all. Read on. There's more — much more.

Personnel Demo? What's It All About?

Back in 1996, the Department of Defense, seeking ways to improve efficiency and enhance the quality and professionalism of its civilian workforce, was granted legislative authority by Congress to develop a personnel Demonstration Project for the civilian acquisition workforce. For those of you unacquainted with the term "Personnel Demonstration Project," it is a means given the Office of Personnel Management (OPM), under the authority of the Civil Service Reform Act, to conduct Demonstration Projects that experiment with new and different personnel management concepts.

Based on the outcome of the Demonstration Project, OPM can determine whether such changes in personnel policy or procedures would result in improved federal personnel management.

Last year, Congress expanded the scope of DoD's proposed Demonstra-



AT A PENTAGON CEREMONY ON FRIDAY, APRIL 17, PROJECT MANAGER GREG GIDDENS FROM THE OFFICE OF THE UNDER SECRETARY OF DEFENSE (ACQUISITION AND TECHNOLOGY), DELIVERED A COPY OF THE FEDERAL REGISTER TO FORMER ACTING DEPUTY UNDER SECRETARY OF DEFENSE (ACQUISITION REFORM), DONNA RICHBOURG AND DEPUTY ASSISTANT SECRETARY OF DEFENSE (CIVILIAN PERSONNEL POLICY), DR. DIANE DISNEY. BY ANNOUNCING DoD'S PROPOSED CIVILIAN ACQUISITION WORKFORCE PERSONNEL DEMONSTRATION PROJECT IN THE FEDERAL REGISTER, GIDDENS AND THE OFFICE OF PERSONNEL MANAGEMENT FULFILL AN OBLIGATION, BY LAW, TO PUBLISH A NOTICE OF INTENT TO IMPLEMENT THE DEMONSTRATION PROJECT. PICTURED FROM LEFT: PAT STEWART, CIVILIAN PERSONNEL MANAGEMENT SERVICES; DR. JAMES McMICHAEL, DIRECTOR, ACQUISITION EDUCATION, TRAINING, AND CAREER DEVELOPMENT; GIDDENS; RICHBOURG; DISNEY; HELEN ONUFRAK, OPM PROJECT MANAGER, DEMONSTRATION PROJECT TEAM; RICHARD CHILDRESS, DEPUTY DIRECTOR, ACQUISITION WORKFORCE PERSONNEL DEMONSTRATION PROJECT; THOMAS GARNETT, PRINCIPAL DIRECTOR, OFFICE OF THE DEPUTY ASSISTANT SECRETARY OF DEFENSE (CIVILIAN PERSONNEL POLICY).

Bain is a freelance writer under contract periodically to Program Manager magazine. Caruth is the Director, Visual Arts and Press Department, Division of College Administration and Services, DSMC. Johnson is Managing Editor, Program Manager magazine, Visual Arts and Press Department, Division of College Administration and Services, DSMC.

AN INFORMAL PUBLIC HEARING ON THE ACQUISITION WORKFORCE PERSONNEL DEMONSTRATION PROJECT ON APRIL 30, AT ESSAYONS THEATER, FORT BELVOIR, VA. PANEL MEMBERS PICTURED FROM LEFT: HELEN C. ONUFRAK, OPM DEMONSTRATION PROJECT TEAM LEADER; DR. JAMES S. McMICHAEL, DIRECTOR, ACQUISITION EDUCATION, TRAINING, AND CAREER DEVELOPMENT, ODUSD(AR); ROBERTA PETERS, PRESIDING OFFICER, FORT BELVOIR, VA., PUBLIC HEARING; DICK CHILDRESS, CO-LEADER, DoD CIVILIAN ACQUISITION WORKFORCE DEMONSTRATION PROJECT PAT, OUSD(A&T); THOMAS F. GARNETT, JR., DIRECTOR, WORKFORCE RELATIONS, OASD (CIVILIAN PERSONNEL POLICY), OUSD(P&R).

MARCIA HONGSERMEIER, SAF/AQX, TESTIFIES AT THE FORT BELVOIR PUBLIC HEARING ON APRIL 30.



KEITH CHARLES, U.S. ARMY DEPUTY DIRECTOR OF ACQUISITION CAREER MANAGEMENT, TESTIFIES AT THE FORT BELVOIR PUBLIC HEARING ON APRIL 30.



TERESA WRIGHT JOHNSON, REPRESENTING THE AMERICAN FEDERATION OF GOVERNMENT EMPLOYEES, ARMY CORPS OF ENGINEERS, TESTIFIES AT THE FORT BELVOIR PUBLIC HEARING ON APRIL 30.



GREGORY L. "GREG" GIDDENS BRIEFS CONFEREES ON THE ACQUISITION WORKFORCE PERSONNEL DEMONSTRATION PROJECT AT THE SEVENTH PEO/SYSCOM COMMANDERS CONFERENCE, APRIL 15, AT THE FORT BELVOIR NCO CLUB, FORT BELVOIR, VA. GIDDENS WAS THE FEATURED LUNCHEON SPEAKER.



RAY KELLY, SARDA, TESTIFIES AT THE FORT BELVOIR PUBLIC HEARING ON APRIL 30.



Why AFGE is Opposed to the Demonstration Project



The heart and soul of the demonstration project is a new pay and classification plan that DoD has named the "Contribution-Based Compensation and Appraisal System," or "CCAS." Of all the changes proposed by the project, the CCAS would undoubtedly have the greatest impact on the working lives of acquisition employees. AFGE has problems with other elements of the demonstration project, but our most serious concerns are directed at the CCAS.

Excerpt from a March 9, 1998, memorandum from Bobby L. Harnage, National President, American Federation of Government Employees (AFGE), to the AFGE National Executive Council, DoD AFGE Bargaining Council Presidents, and DoD AFGE Local Presidents, titled "DoD Acquisition Personnel Demonstration Project."

that once were covered by governmentwide laws and regulations – ensuring at least a measure of consistency and fairness – will now be controlled by local managers operating with wide, virtually unrestricted licensee. What's more, the usual safeguards of the collective bargaining agreement have been scrapped by the Department. Pay decisions will be made by a management-only pay panel, and bargaining unit employees will have *no right* to challenge these determinations through grievances or arbitration.

Briefly, the CCAS combines broadbanding – a regrouping of the current 15 GS grades into 3 broad career paths, or "bands" – with a strong pay-for-performance element. Under CCAS, an employee's contribution to organizational goals is evaluated by a supervisor and assigned a numerical score. That score is ranked against the scores of all other employees, and everyone is ultimately classified as "overcompensated," "undercompensated," or "appropriately compensated." Employees judged "overcompensated" will have their general pay increase (ECI) reduced or denied altogether. Management can award employees a salary increase based on performance – this is called a "Contribution Rating Increase" – but there is a finite pot of money for these increases and no new funding is available. In other words, larger salary increases for some employees means smaller or no increases for others.

AFGE has several objections to the CCAS pay and classification system:

1. The project provides no meaningful role for the union and puts far too much discretion over pay in the hands of management. AFGE agrees with the Defense Department that management flexibility is needed to meet the growing demand for better government performance. But we believe that flexibility without accountability invites abuse. AFGE has been a vocal and persistent critic of the government's out-dated and inflexible personnel systems, but we have always maintained strong opposition to any reforms that deny the legitimate role of labor as a workplace partner. As we see it, real accountability comes when the flexibilities given to management are carefully balanced with expanded bargaining and partnership opportunities.

Sadly, that is not the path taken by the Department in this demonstration project. Under the CCAS, managers unilaterally make all the critical decisions about pay. Pay matters

We believe that simply turning pay authority over to local managers without any of the checks and balances provided by collective bargaining and the grievance procedure is exactly the wrong approach to personnel reform. It smacks of the spoils system of the past, and is bound to generate distrust and cynicism among the very employees whose support is critical to the project's success. AFGE is convinced that the "management knows best" approach chosen for this demonstration project is seriously misguided and doomed to fail.

2. One of the project's goals is to foster and encourage teamwork. Unfortunately, with its overemphasis on the contribution scores of individual employees and a best-to-worst ranking of employees' performance, the project crudely pits one employee against another for a limited share of money. We cannot see how teamwork, group accomplishments, or morale can flourish in this kind of every-man-for-himself environment.

3. The process for evaluating employee performance and adjusting pay under CCAS is hopelessly complicated. The CCAS system is a bewildering tangle of contribution scores, compensation charts, pay "rails," and other unwieldy pay-setting mechanisms. Managers and employees alike will struggle to make sense out of the project's maze of pay and performance requirements. We believe that the CCAS system will be poorly understood and have little credibility in the workplace.

4. Finally, we don't think that the Department could have chosen terms any worse than "overcompensated," "appropriately compensated," and "undercompensated." Not only are these terms degrading, but they send an unmistakable message that employees covered by the project are really in competition with one another and not working together for a common goal.

DoD Acquisition Personnel Demonstration Project Director Responds to Union Concerns



In a March 26, 1998, letter to Jeff Sumberg, Director of Field Services, American Federation of Government Employees (AFGE), Gregory L. Giddens, the DoD Acquisition Personnel Demonstration Project Director, responded to the concerns expressed by AFGE National President, Bobby L. Harnage. The following text is an excerpt from Giddens' letter.

I am responding to President Harnage's memorandum to various AFGE officials. In the spirit of partnership and cooperation with

your officers and members, I would like to address some of your concerns on the DoD Acquisition Personnel Demonstration Project.

After many discussions with AFGE and other union partners, we realized agreement was not possible on some of the initiatives, including the Contribution-based Compensation and Appraisal System (CCAS). Nonetheless, the dialogue was most helpful. Many of labor's recommendations were adopted and contributed greatly to the project's design. We understood AFGE's concerns that annual, general pay increases would be in the CCAS pay pool. I would like, however, to clarify some points in President Harnage's memo and note changes made during the course of our work with our partners.

As to funding levels, we believe our project is more generously funded and has a larger "pot" of money for pay-outs than the other projects now underway. True, the pay pool includes monies from quality step increases, within-grade increases, certain awards and promotions, and the general pay increase. On balance, however, the aggregate funding floors are above the current system, and the funds are fenced to ensure their availability at pay-out time – a feature not found in the Government-wide system.

As to labor's role in pay matters, we believe CCAS accommodates bargaining to include union involvement at every step of the CCAS process. We understand such involvement would be essential to employee confidence in the total system. With respect to perceived inequities, we do not believe the demonstration would diminish employee protections. Rather, we had agreed

to apply the same grievance and arbitration procedures with respect to overall contribution scores under CCAS that apply to performance appraisals. Thus,

employees can grieve their scores under the negotiated grievance procedure or, if there is none, under the administrative grievance procedure. The parties could also agree to expand arbitration rights to CCAS pay decisions.

As to the project's ability to foster and promote teamwork, we in the acquisition community are making great strides in fostering teamwork among the many workforce contributors helping to make government purchases cost-effective. We would not be making changes to our personnel system that did not include team cooperation. The CCAS process is built around six required factors, one of which is "teamwork." All employees evaluated must be rated annually on the teamwork factor.

In conclusion, we hope to persuade local AFGE officials to embrace this project. We see it as a new system that can reward the vast majority of our hard-working employees in ways not otherwise available. During continued downsizing, employees will benefit from an opportunity to earn more for the additional workload being placed upon them. I hope employees and their AFGE and other labor organization leaders will elect to participate and attain these rewards. I truly believe that the DoD Acquisition Workforce Demonstration Project contains the ingredients for success.

tion Project to include support personnel who work directly with the acquisition workforce. As a result, the Under Secretary of Defense (Acquisition & Technology) and Under Secretary of Defense (Personnel & Readiness), appointed a Process Action Team (PAT) to develop the Acquisition Workforce Personnel Demonstration Project Plan.

No 100-Percent Solution

Beginning their task, the PAT, led by Gregory L. Giddens, the Acquisition Workforce Personnel Demonstration Project Director, established a project goal of designing new personnel and human resource management systems that would achieve and maintain the best workforce for the acquisition mission.

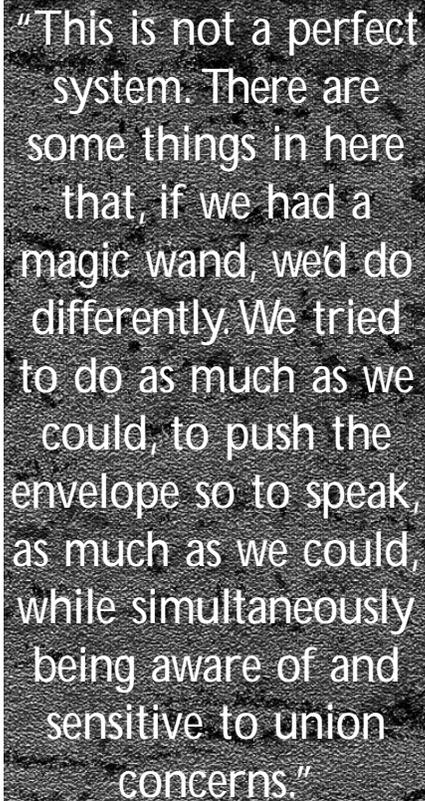
Giddens stresses that one thing was readily apparent to the team before they started their efforts: They knew they could not build something as a first Demonstration Project that would cut across all the Services and make that a 100-percent solution for anybody or everybody.

This article is the story of the team's successes, failures, and things they would like to have done, perhaps better. It also outlines the basic plan that evolved from their efforts.

Says Giddens, "We have Army, Navy, Air Force, Marines, Defense Logistics Agency, Defense Information Systems Agency, and Office of the Secretary of Defense (OSD) participation... This is not a perfect system. There are some things in here that, if we had a magic wand, we'd do differently. We tried to do as much as we could, to push the envelope so to speak, as much as we could, while simultaneously being aware of and sensitive to union concerns."

A Word About the Integrated Product Team

One of the key reasons for setting up the Demonstration Project was to create a working environment that fostered Integrated Product Team (IPT) performance. Fittingly, the Demonstration Project was designed by an IPT.



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According to Giddens, "We've brought together a group of functionals and personnelists, along with personnel from OSD and OPM, to form a true IPT in every sense of the word. This is truly a team effort, and we worked on the Demonstration Project, primarily based on the input that we got from the field.

"There's about a dozen core members, and we meet once a week. We're all here in the Washington, D.C., area, and we have an expanded group to advise us, made up of people out in the field in the different Services and agencies. That group probably numbers about 60."

Richard Childress, Deputy Director, Acquisition Workforce Personnel Demonstration Project, Office of the Deputy Under Secretary of Defense (Acquisition Reform), adds, "Usually on a team effort, you'll see people representing their own Service; now they look more to the *purple*. When something is purple, that means that it is not dark Navy blue, light Navy blue, Army green, or Marine Corps

green. Purple means that there is no designation other than DoD. A purple Demonstration Project to us [PAT] means one that is not just one entity, one Service, one agency."

As an institutionalized process and one of DoD's preferred ways of doing business, an IPT improves a process that was formerly compartmentalized into different steps. For example, one group of people completes Process A, and upon completion of the process, takes the product and "throws it over the wall" to those responsible for Process B.

The Process B group, left out of the first process, get the product and typically wonder, "I'm not really sure what they meant, but I'm going to take this product and press on. If only they had done this a little differently, it would have made my life a lot easier." They complete Process B and then "throw the product over the wall" to those responsible for Process C.

In other words, each group in the process optimizes their particular function, but they may sub-optimize the total system.

An IPT breaks down those walls. Everybody looks at the process from stem to stern. Everybody knows what is coming and gets a chance to affect the outcome during the process, versus waiting until the process is completed. The IPT tries to make smart decisions in real-time, versus bouncing documents and decisions back and forth.

Compensation — The Pocketbook Issue

Giddens readily acknowledges that compensation is the issue that, understandably, draws the most interest and most comments, both positive and negative.

Many members of the Acquisition Workforce are understandably uncomfortable about changes to the familiar GS classification system. "We had a lot of people who were very wary of what we were saying," according to Childress.

"We had some who were downright hostile," Giddens adds, "but what we found

BUSINESS MANAGEMENT & TECHNICAL MANAGEMENT PROFESSIONAL			
Broadband		Normal	
Level	GS Bands	OCS Range	Salary Range
I	1 - 4	0 - 29	\$12,960 - \$23,203
II	5 - 11	22 - 66	\$19,969 - \$47,589
III	12 - 13	61 - 83	\$43,876 - \$67,827
IV	14 - 15	79 - 100	\$61,656 - \$94,287
TECHNICAL MANAGEMENT SUPPORT			
Broadband		Normal	
Level	GS Bands	OCS Range	Salary Range
I	1 - 4	0 - 29	\$12,960 - \$23,203
II	5 - 8	22 - 51	\$19,969 - \$35,610
III	9 - 11	43 - 66	\$30,257 - \$47,589
IV	12 - 13	61 - 83	\$43,876 - \$67,827
ADMINISTRATIVE SUPPORT			
Broadband		Normal	
Level	GS Bands	OCS Range	Salary Range
I	1 - 4	0 - 29	\$12,960 - \$23,203
II	5 - 7	22 - 46	\$19,969 - \$32,150
III	8 - 10	38 - 61	\$27,393 - \$43,319

FIGURE 1. OCS & Salary Ranges by Broadband Level

was, that over a period of time, we had more and more people saying ‘Hey, this really makes sense. It looks like a good way to go.’”

Basically, Giddens explains, the proposed changes to the way GS employees are compensated are best understood when viewed as cultural changes – from an *entitlement-based culture* to a *contribution-based culture*.

“Currently, the pay raises that we give out annually (and thereafter based on longevity) through the GS step system,” says Giddens, “only have two basic requirements: be on the books and be breathing. If you meet those two requirements, you get paid more money next year than you did this year, no matter what your job is.” (Promotions, Giddens is careful to point out, are different than pay raises. The promoted employee takes on a new job with new responsibilities, and thereafter receives a pay raise commensurate with the increased responsibilities.)

“What we’ve tried to do,” explains Giddens, “is change that from an entitlement, longevity-based culture to a

contribution culture where we encourage employees to contribute. Our obligation, then is to compensate them for their contribution to the mission and for what they bring to the organization.”

The current system lays out a set of performance standards, and a person’s evaluation is then determined by a *job well done* – how well that person does their particular job.

The new Contribution-Based Compensation and Appraisal System (CCAS) designed by the PAT, takes that evaluation one step further: a *well-done job*. In other words, a person may have done well in their own job, but how did the job contribute to the mission of the organization as a whole?

In this regard, the system doesn’t look at the job as the end. Yes, it evaluates performance, but it also looks at the contribution to the mission of each employee in the organization, taking into account a *well-done job* at increased levels of responsibility.

As the PAT travels around the nation explaining the CCAS, at this point in their

briefings they consistently hear the same question: *How are you going to make sure this thing is fair and reduce favoritism?”*

Explains Giddens, “We have a process within this contribution-based system where peer reviews are conducted through a pay pool review process; this is where you really have a chance to get some engaging dialogue between peer supervisors so that there’s a good mechanism to come up with fair and consistent appraisals.”

The pay pool review process is a feature the team deliberately inserted in the process to try to reduce favoritism. They’re realistic, however, and realize that favoritism will not disappear entirely; they believe the pay pool review process will certainly make it much harder for supervisors to exert undeserved favoritism.

According to Giddens, CCAS will allow agencies to look at people in the organization that are overpaid, people that are underpaid, and then use these mechanisms (CCAS and the Pay Pool Review Process) to move for equity based on contribution, for each employee’s compensation.

“That’s something that the current system really does not link into,” he notes. “And when I talk about equity, I mean *internal* equity, not *external* equity between the public and private sector. That’s an entirely different issue.”

To illustrate equity, Giddens uses a simple analogy: “The current system looks at employees as a slice of bread – pay raises as a big jar of peanut butter. You dip your knife in the peanut butter and you give everybody the same pay raise. That’s the current system. A lot of people will present to you that that’s good,” Giddens says, “...That giving everyone the same pay raise is equitable; therefore, it’s a good system.”

“We disagree with that. We think what that does is promote sameness. It does *not* promote equity. What it does is treat everybody the same, no matter whether one person is working hard on all the

tough projects in the office; they're putting in their hours, they're getting calls on the weekend. They may be sitting next to someone who puts in (almost) their 40 hours a week. And that's it. Both people get the same raise. This situation," Giddens asserts, "is certainly not equitable. We want to try to change that."

Broadband Levels Versus GS Structure

To achieve that equity, the PAT used what they call broadband levels. These broadband levels are broken out by three career paths: business and technical professional, technical support, and administrative support. In actuality, the career paths act as placeholders to allow different breakpoints for the broadband levels (Figure 1).

For example, if a supervisor has a GS-12 employee who's in Level 3, that broadband level covers the pay range GS-12, Step 1, to GS-13, Step 10. Based on the employee's contribution, the supervisor has the leeway to adjust compensation to match the employee's overall contribution to the organization, *without the paperwork, delays, and misunderstandings with position classifiers that may arise during the promotion process.*

"Managers," according to Giddens, "can now look at what they need to support their organization, and then compensate their people for what they actually bring to the table and what they contribute to the mission."

He points out that adjusting salaries within the same broadband level is a pay adjustment action. However, that doesn't mean the promotion system is scrapped. Quite the contrary – the promotion system is still alive and well. The difference is that the employee would move, say from broadband level 2 to level 3, versus moving from GS-11 to GS-12. Such a move could be competitive or non-competitive – just as in the GS system.

A Word About the Pay Pool

The amount of money available within a pay pool is determined by the general increase and the money that would have been available under the GS system for

quality step increases, within-grade increases, performance-based awards, and promotions between grades.

The general increase is the full general pay increase, agreed to by the President and Congress, that federal employees normally receive each January. It is not tied to a cost index and is not a Cost Of Living Allowance (COLA) as some people mistakenly believe.

A Contribution Rate Increase, which is an adjustment to salary similar to the step increases under the GS system, ties the increase (as the name implies), to the employee's contribution. They're not automatically made based on the calendar.

Giddens notes that locality pay was not figured in the numbers the PAT used. All the numbers used in the Demonstration Project are base pay figures; locality pay is then figured on top of that (as in the current GS system).

Classification & Appraisal — Inextricably Linked

The current GS system is classified using the OPM classification guidance, and it's been around for a little more than 50 years. Further, the current system uses two different mechanisms: one for classifying a job and another for evaluating the employee's contribution to the job.

The PAT took a hard look at these two divergent mechanisms and asked, "Why don't we take the same factors we use to classify a job and use those to evaluate

the contribution in the job?" As a result, the PAT merged the two to form one system, and agreed on six factors¹ representing areas where people working in the acquisition environment should be making a significant contribution:

- Problem Solving
- Teamwork/Cooperation
- Customer Relations
- Leadership/Supervision
- Communication
- Resource Management

In the current system, personnel managers (classification specialists) do the classification. "We believe," says Giddens, "that the proper role for personnel in the classification process is as advisors – *advising* managers, not *deciding* their requirements.

"We would encourage people," says Giddens, "to continue to use personnel as advisors. We believe that's the proper place for their role – that they should be advising managers, not making decisions on the organization's internal grade structure."

Under the Demonstration Project, supervisors will look factor by factor at what the employee is doing and rate their contributions according to where they're at within those factor descriptions.

Explains Giddens, "Perhaps the supervisor has someone who's great on problem solving, but their teamwork and cooperation skills really are lacking. This

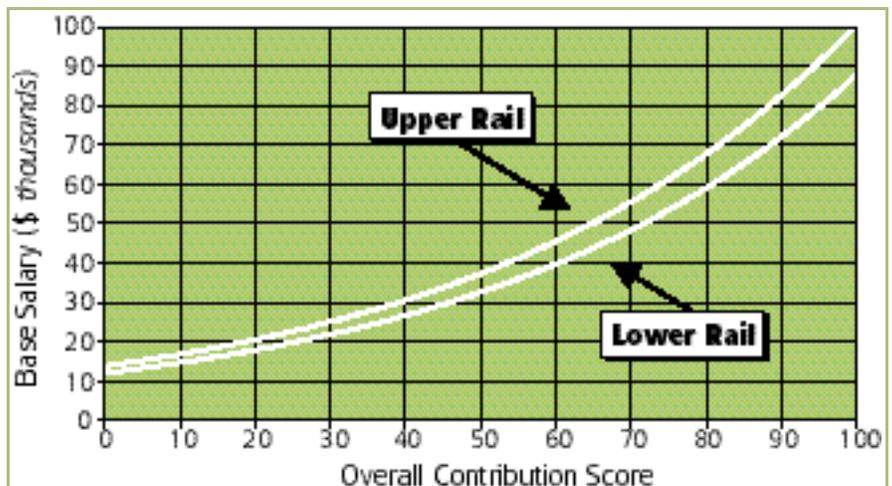


FIGURE 2. Normal Pay Range

allows you, the supervisor, to identify those strengths and weaknesses and work with the employee. Recognizing their strengths and weaknesses, the supervisor can then get a better feel for how the employee fits into the overall organization."

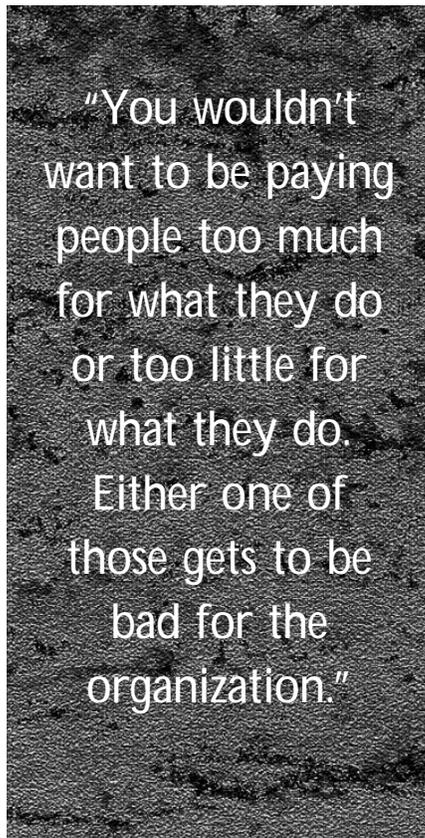
Currently, the team is trying to provide some automated software tools to simplify the factor evaluation process for supervisors. Giddens notes that the automated software tool was an idea that the Air Force implemented about March 1997. The PAT is simply piggybacking off that idea.

Once the supervisor completes the factor evaluation process, the next level is a peer review meeting, where peer managers also provide input to the evaluation process along with their second-level managers. And according to Giddens, that's really where the balancing, fairness, and consistency come in.

For example, all managers at the peer review see the names filled out in the boxes. They may see that Fred is in a box with Joe, Harry, and Sally; but Fred really performs at a level above the others, or Joe performs at a level below. What the review does is engage people in dialogue, and compel them to consider: "Do we have the people rated comparatively that are performing at, comparatively the same level?"

In other words, if a supervisor is going to exert favoritism toward an undeserving employee, this is the part of the process where that supervisor must, in essence, co-op other managers at the peer review to join in perpetuating an undeserved evaluation. "We've found," Giddens adds, "that this mechanism is a source of some assurance to employees that the process will be done fairly and consistently."

Once the supervisor and peer review group assign employees to the appropriate boxes, each employee receives a numerical rating for each of the factors, and a resulting Overall Contribution Score (Figure 2). That number is really key to the process.



Once the employee receives an Overall Contribution Score, that score is plotted on a graph that depicts salary ranges on the vertical axis and the Overall Contribution Score at the bottom of the graph across the horizontal axis. Lines on the graph represent the rails of normalcy,

which mean that if the employee was compensated comparable with their level of contribution, they would lie within those rails.

In Figure 3, Employee A is below the rails. That identifies you, the supervisor, that they're being undercompensated. They're contributing at a level higher than what would be indicated by their compensation. To appropriately compensate Employee A, their salary would need to increase to the normalcy range.

Employee B is within the rails. That person is appropriately compensated. They're properly being paid for what they're contributing to the mission of the organization. "I think if you were running a company, says Giddens, "that's pretty much where you'd want your folks to be. You wouldn't want to be paying people too much for what they do or too little for what they do. Either one of those gets to be bad for the organization."

Employee C is overcompensated – the employee's level of contribution does not match their salary. So the supervisor's concern, then should be to 1) increase the employee's contribution to the organization; and 2) recognize that, right now, the employee is overcompensated.

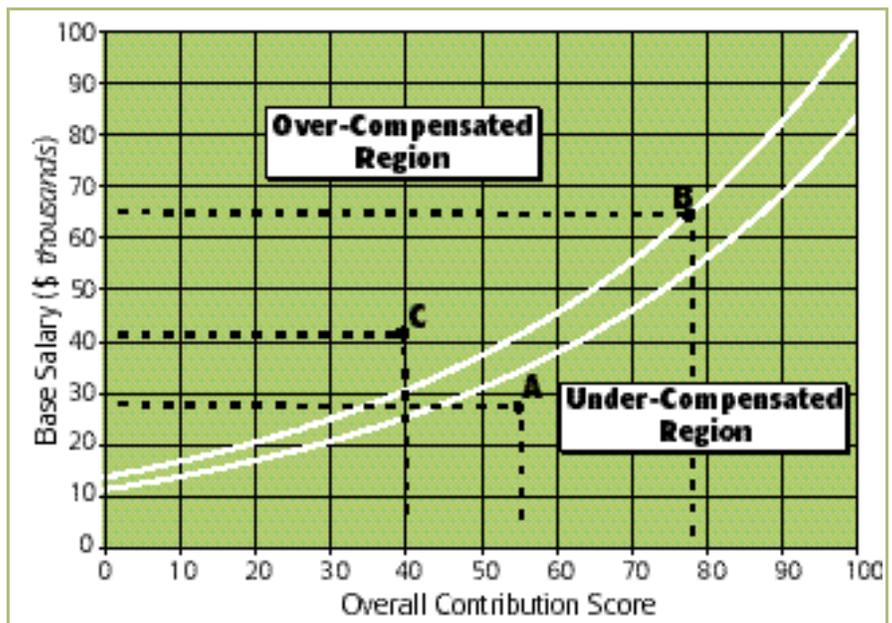


FIGURE 3. CCAS Compensation Categories

Giddens notes that Appropriately Compensated and Undercompensated ratings have limits on the maximum Contribution Rate Increase. For people within the normalcy rail, the maximum Contribution Rate Increase is 6 percent. For those below the rail, the maximum is 20 percent. Employees with Appropriately Compensated and Undercompensated ratings are also eligible for cash awards.

Late last summer, the PAT did about 20 test runs on CCAS with all the different Services and agencies. As expected, every agency had people outside the normalcy rails. "This kind of information," says Giddens, "tells us that a lot of organizations have no helpers. All they really have are senior people.

"We believe your organizations really need some helpers," he continues. "You need some journeymen, and you need some senior leaders. By plotting on a graph the variances in employees' Overall Contribution Scores, supervisors can see information about their workforce that will help them manage their organizations better."

At the conclusion of the Seventh PEO/SYSCOM Commanders Conference, conducted at the Defense Systems Management College, Fort Belvoir, Va., April 14-15, Dr. Jacques S. Gansler, Under Secretary of Defense (Acquisition and Technology), told the conferees, "I believe the [DoD] Acquisition Workforce is clearly No. 1." The redesign of the classification system is aimed at not only keeping it No. 1, but recognizing and rewarding those who make it No. 1.

Reducing Pay

On the downside [or upside, depending on a person's point of view], Giddens notes that the project also incorporates a process (as does the GS system) to reduce pay and move people to a lower broadband level. The Demonstration Project includes that process, Giddens maintains, because "Managers wanted that flexibility even though they may infrequently use it."

As the PAT travels the country briefing the Demonstration Project, a common

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complaint surfaces: "I'd like to reduce an employee's pay or [even] demote a person, but with 10 years' service, with ratings of 'Fully Successful' or 'Excellent,' I can't."

He notes that although there are ways built in the current system to withhold step increases, the federal system has been institutionalized to the point where that is rarely done. (Although OPM is still collecting the data, the number of people who do not get within-grade increases on time appears to be very close to a point zero decimal percentage.)

Under the current GS system, supervisors reduce an employee's pay through an adverse action. Under the system, if an employee is Overcompensated, supervisors can elect not to give pay increases. "You can stop the bleeding with this process," says Giddens, "if you have a person that's getting paid way above what they're contributing. You can at

least not give them a raise next year...that's at least a first step."

He notes that Overcompensated employees aren't eligible for an increase above their current level, and they aren't eligible to receive a cash award. However, Overcompensated employees can receive a part of the general increase for federal employees. (That flexibility is left with the local commanders and local installations.)

As the team travels and briefs the Demonstration Project, they often hear the question, "What's in it for the 13, Step 10 who's performing over and above? Under this system, supervisors can't increase the employee's base salary, but they can reward the employee with a cash award versus an increase in salary.

Essentially, these employees are no worse off under the Demonstration Project than they are in today's GS system where they're "capped out" at their Step 10 salary unless they receive a promotion. "This system puts money in the pot for everybody in the Demonstration Project," Giddens says, "with the expectation that everybody is going to be working to increase their contributions. Our obligation is to be able to compensate them for their contributions."

Giddens notes that today's environment of scarce dollars fosters a climate where there's no minimum to what needs to be set aside to compensate employees. It's something some organizations do after they plant trees, paint buildings, or pave parking lots.

"Decisions get hard," he says, "when money is tight. Under the Demonstration Project, we've made compensating employees, and having that money available to compensate employees, a requirement. It's in the *Federal Register*, which has the same effect as Title 5 under the law."

Agencies that participate in the Demonstration Project will be required to set aside 2.4 percent of their civilian payroll for the first year and at least 2 percent for the remaining years, and use that to

compensate employees with salary increases. "This is a positive thing for the unions," Giddens adds. "Unions see that management is really stepping up to an obligation for setting aside money to compensate employees."

Also included in the pay pool are monies set aside for awards. The same rule applies. Agencies must set aside 1.3 percent the first year for awards, and a minimum of 1 percent a year thereafter. All told, agencies must front about 3 percent of civilian salaries to support this system, and on top of that is the annual general pay increase. Says Giddens, "We worked hard to keep the general pay increase...You need to have enough money at the end that it is truly worth going through the process."

Workforce Realignment Initiatives

A constant refrain the PAT heard from civilian personnel managers across the nation was that they needed a workforce shaping tool: "The only workforce management tool we [civilian personnel managers] have now is Reduction in Force [RIF]. That's a pretty blunt instrument."

Recognizing the urgent need for just such a workforce management tool that would indeed allow civilian personnel managers to conduct fair and equitable realignments, the PAT also included provisions in the Demonstration Project that reshape the process of downsizing and realigning the workforce.

Basically, workforce shaping under the Demonstration Project will limit RIF competition to one round by essentially combining the two rounds found in the current system. Besides simplifying RIF rules, the Demonstration Project eliminates grade retention, but keeps pay retention, and is designed to reduce disruption to the workforce.

The project also de-links the current Voluntary Separation Incentive Plan (VSIP) authority from a RIF. Under the current system, for every VSIP an agency gives someone, they must abolish a slot. Essentially, the agency cannot hire back. VSIPs add little, Giddens commented,

to workforce shaping for demographics or a particular skills balance.

"All you can do with a VSIP is get people *out* the door. You can't bring anybody *in* the door. So if you're always attriting and you're never bringing anybody in, you're not going to be able to manage the workforce to meet not only today's needs, but tomorrow's needs."

The Personnel Demonstration Project changes those restrictions. It allows agencies to offer VSIPs and then hire back behind them, based on what the organization needs. An agency can offer 10 VSIPs and hire 10 people back, even if it has reached its civilian strength ceiling.

Another workforce shaping tool developed by the PAT is modification of the existing Priority Placement Program. Under the current GS system, if agencies are downsizing, they have the authority to fill vacancies with people already employed in their agencies before they go to the Priority Placement Program (stopper list). However, this authority is restricted to an agency's employees who reside in the commuting area.

Under the Personnel Demonstration Project, that area would be broadened. For example, if a supervisor at the U.S. Army Tank-Automotive Command in Warren, Mich., has vacancies and there are employees who are excess at Picatinny Arsenal, qualified to fill those vacancies, then the supervisor in Michigan can offer those people a job and move them laterally without going to the stopper list.

Under today's GS system, the people at Picatinny Arsenal would go on the stopper list, and the supervisor in Warren, Mich., would get a different stopper list. "What we're trying to do here," Giddens explains, "is allow organizations to offer those jobs to people that are already familiar with the organization, familiar with the environment and the systems, and allow them to sort that out internally. Then supervisors could still go to the stopper list to fill any remaining vacancies.

"Again, it's a workforce shaping tool. It gives the supervisor some flexibility on how to fill vacancies when an agency is reorganizing or downsizing. We [PAT] haven't been to a lot of places over the last month [May 1998] where these options are not under consideration."

Giddens said that the PAT was pleasantly surprised to gain agreement from Civilian Personnel policy makers on its workforce realignment initiatives.

Training and Sabbaticals

Under the Demonstration Project, local-level authorization allows payment for critical skills training, including degree training authority. The Defense Acquisition Workforce Improvement Act (DAWIA) authorizes degree training authority for acquisition-coded positions through 2001. Employees are encouraged to grow into new areas of expertise.

OPM's *Federal Register* notice of March 24, 1998, stated that organizations participating in the Acquisition Personnel Demonstration Project will have the authority to grant sabbaticals without application to higher levels of authority. The sabbatical provides opportunities for employees to acquire knowledge and expertise that cannot be acquired in the standard working environment. It can be used for training with industry or on-the-job work experience with public, private, or nonprofit organizations.

Sabbaticals, under the Demonstration Project, will become available to GS employees, rather than just SES employees. However, employees must have seven years of federal service: and the sabbatical must be from three to 12 months' duration, job-related, and advantageous to the employee and the organization. Of the many benefits offered by sabbaticals, this allows a full-time effort to technical or managerial research that will keep the employee and the government on the cutting edge.

According to Giddens, one of the big resource drainages under the current GS system is having somebody out of the office for three months or longer. "You don't have to send somebody four

states away to do a sabbatical," says Giddens.

"Some organizations have already indicated to us that they are gearing up to send employees to a local academic institution or a local private business" he added, "to focus some energies on studying particular elements of a business or industry. Managers see this as a quick way to get employees the training they need, and get them back on the job sooner."

What About Union Participation?

For close to a year, staff from the Field Services Department at the American Federation of Government Employees (AFGE) National have been working on the acquisition project with representatives from the Department of Defense and the various Services.

They met frequently and worked through several successive drafts of the project. AFGE's goal was to develop a Demonstration Project that is consistent with the union's vision of intelligent and effective personnel reform, and that meets the needs of employees and the Department.

Despite the best efforts of everyone involved, AFGE and the Department of Defense could not agree on a number of key details. As a result, the AFGE National President, on March 9, 1998, in a memorandum to the AFGE National Executive Council, AFGE DoD Bargaining Council Presidents, and AFGE DoD Local Presidents, strongly recommended against AFGE bargaining unit employees participating in the DoD Acquisition Workforce Personnel Demonstration Project.²

Says Bobby L. Harnage, AFGE National President, "We want you to know that the Department's representatives sought sincerely and in good faith to find common ground with AFGE on the project's design. Some revisions were made along the way, and all points of view were given a fair hearing."

The Department of Defense and AFGE did agree on one crucial issue. Acquisi-

tion employees in bargaining units will not be included under the Demonstration Project unless a written agreement is ratified between the union and management allowing these employees to be covered.

Giddens anticipates that there will be some local unions that view this in a not-so-positive light, and they will not want to participate. "We cannot implement the Demonstration Project with bargaining unit status employees at the local level without the local union group's approval," he stresses.

Giddens regrets that after many discussions with AFGE and other union partners, the PAT realizes agreement is probably not forthcoming on some of the initiatives, including the Contribution-based Compensation and Appraisal System (CCAS). Nonetheless, he confirms that the dialogue is ongoing, and as modifications are made to the project, the changes are briefed to the National Unions. Giddens and the PAT are hopeful that before the second *Federal Register* is published, more agreements can be reached.

DoD hopes to persuade local AFGE officials to embrace this project. "It is a new system that rewards the vast majority of hard-working employees in ways not otherwise available," says Giddens. "During continued downsizing, employees will benefit from an opportunity to earn more for the additional workload being placed upon them. There is hope that employees and their AFGE and other labor organization leaders will elect to participate and attain these rewards."

"We have got to draw together and find a way to work out some agreements with the unions to get them on board," says Darleen Druyun, Principal Deputy (Acquisition and Management), Office of the Assistant Secretary of the Air Force (Acquisition), speaking at the Service Acquisition Executives Panel at the Seventh PEO/SYSCOM Commanders Conference.

Pat Stewart, Civilian Personnel Management Services, says "I think that it's an

exciting and valuable opportunity. I think that the acquisition leadership has worked very hard to do very extensive studies to come up with initiatives that will benefit the workforce. This is something that has undergone a great deal of careful consideration before being launched."

Demonstration Project Not the Easy Way Out

Giddens, Childress, and the rest of the PAT who have worked so hard and diligently to develop a viable Demonstration Project, do not view it as the *end* of change. They view it as the *beginning* of change. "I encourage everyone to look at this process, not as the end product for managing the workforce, but the beginning of change to a new process in a new environment."

Says Giddens, "This Demonstration Project is not the easy way out. If you're an organization and you want to manage people the easy way, don't do the Acquisition Personnel Demonstration. We did not set it up to establish it as the easy way out.

"Rather," he countered, "we set it up to establish it as the best way we could devise to manage a workforce, be fair and equitable to the employees, and allow them to be rewarded for the contribution they're making as we draw down and expect them to do more."

Editor's Note: The project has a Web site at <http://www.demo.wpafb.af.mil> that includes briefings, the *Federal Register* detailing the proposed changes, and a Q&A section.

E N D N O T E S

1. The *Federal Register*, Vol. 63, No. 56, Notices for Tuesday, March 24, 1998, contains detailed guidance on the factors for each broadband level within each career path, to help supervisors determine how an employee is contributing.

2. See "Why AFGE is Opposed to the Demonstration Project," and "DoD Acquisition Personnel Demonstration Project Director Responds to Union Concerns," pp. 14-15.