



# NAVAL POSTGRADUATE SCHOOL

MONTEREY, CALIFORNIA

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## JOINT APPLIED PROJECT

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**The History of the Department of Defense (DoD) Civilian Personnel System:  
The Conversion from General Service (GS) to National Security Personnel System  
(NSPS) and Then Back to General Service**

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June 2011**

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SERVICE**

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# **THE HISTORY OF THE DEPARTMENT OF DEFENSE (DOD) CIVILIAN PERSONNEL SYSTEM: THE CONVERSION FROM GENERAL SERVICE (GS) TO NATIONAL SECURITY PERSONNEL SYSTEM (NSPS) AND THEN BACK TO GENERAL SERVICE.**

## **ABSTRACT**

The purpose of this Joint Applied Project (JAP) is to examine and provide a thorough overview of the history of the Department of Defense's (DoD) civilian personnel system. The research will explore converting civil servants from the General Schedule (GS) pay system to the National Security Personnel System (NSPS), then converting back to the GS system. This JAP will explore the inception of the GS System and discuss the perceived advantages and disadvantages. It will also explore the reason for the change to NSPS and the enactment of NSPS through the National Defense Authorization Act for 2004. It will also discuss the effects of the transition to the new pay-for-performance system. It will then examine the concerns, perceived issues, and discuss the perceived advantages and disadvantages of NSPS. It will explore the reasons surrounding the reimplementing of the GS system and the abolishment of NSPS through the National Defense Authorization Act for Fiscal Year 2010.

The data collected and analyzed will address the preferences and the perceptions from the affected employees who experienced the implementation of NSPS. It will conclude discussing these findings with suggestions for further research into the DoD's Civilian Personnel System.

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**Akindallis T. Whitman**

## LIST OF ACRONYMS AND ABBREVIATIONS

BRAC	Base Closure and Realignment Commission
CPAC	Civilian Personnel Advisory Center
CRS	Congressional Research Report
CSRA	Civil Service Reform Act
DA	Department of the Army
DBB	Defense Business Board
DoD	Department of Defense
FEPCA	Federal Employees Pay Comparability Act
FES	Federal Evaluation System
GS	General Schedule
KPPs	Key Performance Parameters
MPS	Merit Pay System
NDAA	National Defense Authorization Act
NSLRB	National Security Labor Relations Board
NSPS	National Security Personnel System
OPM	Office of Personnel Management
PEO	Program Executive Office
PM	Program Manager
PMP	Personnel Management Project
PMRS	Performance Management and Recognition System
PRA	Performance Review Authority

QSI	Quality Step Increase
SES	Senior Executive Service
SOFS	Status of Forces Survey
UDWC	United DoD Workers Coalition
U.S.	United States
USC	United States Code
WG	Wage Grade
WL	Wage Leader
WS	Wage Supervisor

# I. INTRODUCTION

## A. BACKGROUND

Never swap horses crossing a stream.  
–American Proverb

Most of us are resistant to change. This proved to be especially true when the Department of Defense (DoD) attempted to reform the pay scale of its civil servants. The DoD attempted to transition from a pay system that was in effect for a span of at least 50 years, General Schedule (GS), to a system, National Security Personnel System (NSPS), that raised many eyebrows, included heavy union involvement, and would prove to turn the civil servant pay system upside down. As President Barack Obama took office in January 2009, NSPS was frozen. After several months and several reports, one of which cost \$91,262 in Fiscal Years 2010–2011, NSPS was repealed by the authority of the National Defense Authorization Act for FY 2010. This Joint Applied Project (JAP) studies these events and their effects on the DoD pay system and its civil servants.

## B. PURPOSE

The purpose of this Joint Applied Project (JAP) is to examine the history of the civilian personnel system. The research will explore converting civil servants from the GS pay system to NSPS and then converting back to the GS system. This Joint Applied Project (JAP) will examine the history of both personnel systems, explore the implementation of both systems and discuss the perceived advantages and disadvantages of each system. It will also explore the reason for the change to the NSPS and GS.

### **C. RESEARCH QUESTIONS**

The five research questions addressed in this JAP are as follows:

1. When did the Department of Defense implement the GS system?
2. What prompted the change from GS to NSPS?
3. What prompted the change from NSPS back to GS?
4. What was the benefit for DoD to transition from NSPS back to GS?
5. What are the issues surrounding the transition from NSPS to GS?

## II. LITERATURE OVERVIEW AND RESEARCH METHODOLOGY

### A. HISTORY OF GENERAL SCHEDULE (GS)

#### 1. Overview

The General Schedule (GS) is the predominant pay scale within the United States civil service. It includes the majority of white-collar personnel (professional, technical, administrative and clerical positions). As of September 2004, 71 percent of federal civilian employees were paid under the GS, with the remaining 29 percent being paid under other systems (General Schedule, 2011). The 29 percent of the federal workforce not covered under the General Scale are either paid hourly (10 percent), or operate under the separate systems of the U.S. Postal Service, the Foreign Service, the Veterans Health Administration, and Senior Executives (General Schedule Pay Scale, 2011).

This pay scale consists of 15 pay grades, GS 1 through GS 15, and 10 steps within each grade. Employees' pay increases are to be based on performance, length of service, and in some instances, qualified education or training (Ginsberg, 2010).

Small within-grade step increases also occur based on length of service and quality of performance. New employees usually start at the first step of a grade; however, if the position in question is difficult to fill, entrants may receive somewhat higher pay or special rates. Almost all physician and engineer positions, for example, fall into this category (Pay & Benefits, 2010).

The GS is intended to keep federal salaries equitable among various occupations ("equal pay for equal work") (General Schedule, 2006). The GS system has predetermined pay increases based on longevity. It also takes into account the differences in the cost of living in different geographical regions. This pay differential is called *locality pay*. In an effort to make federal pay more responsive to local labor market conditions, federal employees working in the continental U.S. receive this locality pay. The specific amount of locality pay is determined by survey comparisons of

private-sector wage rates and federal wage rates in the relevant geographic area. At its highest level, locality pay can lead to an increase of as much as 26 percent above the base salary. Every January, a pay adjustment tied to changes in private sector pay levels is divided between an across-the-board pay increase in the General Schedule and locality pay increases (Pay & Benefits, 2010).

The fundamental structure of the GS pay system has been in effect for more than 75 years. Many changes to federal pay have improved the environment for rewarding employees. The introduction of incentive awards, special salary rates, locality pay, and special payments for recruitment and retention has given federal organizations tools to support the accomplishment of strategic goals.

## **2. Implementation of General Pay System**

Prior to the general schedule (GS) pay system, work and pay distinctions were few, but increased over time. In 1789, there were only three departments or agencies; State, Treasury and War. The First Congress set the maximum rate of pay at \$500 per year. In 1818, Congress set rates for pay for federal employees and it remained unchanged until 1853. It was not until a year later that Congress established four pay levels. This was the first federal pay structure. However, it did not establish nor require an accompanying job evaluation system to analyze tasks and duties as a basis for setting the pay (Brook, King, Prater, & Timmerman, 2008). From 1836 to 1900, the nation's number of federal positions jumped from 336 to over 150,000. However, no significant legislation affects pay. The Pendleton Civil Service Reform Act of 1883 initially created the civil service system. Still, the federal government's attempt to link pay with performance was unsuccessful. That was until 1949, when the General Schedule pay system was established nationwide due to The Classification Act of 1949 (Brook et al., 2008).

**a. Classification Act of 1949**

The purpose of The Classification Act of 1949 was to establish a standard schedule of rates of basic compensation for certain employees of the federal government; to provide an equitable system for fixing and adjusting the rates of basic compensation of individual employees; to repeal the Classification Act of 1923, as amended; and for other purposes (U.S. Office of Personnel Management).

**B. NATIONAL DEFENSE AUTHORIZATION ACT OF 2004**

Transforming is not an event. There is no moment at which the Department of Defense moves from being untransformed to 'transformed.' We will need to be continuously looking for ways to improve both the military and civilian sides of the department.

–Donald Rumsfeld, Secretary of Defense

Former Secretary Donald Rumsfeld viewed NSPS as a key element of defense transformation. DoD consistently emphasized the new civilian personnel management system as part of a “total force” approach to fight the Global War on Terror. Rumsfeld argued that NSPS would make the Department flexible enough to respond to the ever-changing global environment. This was emphasized in a speech that he gave at the National Defense University on January 31, 2002. He stated,

And we must transform not only our armed forces, but also the Department that serves them by encouraging a culture of creativity and intelligent risk-taking. We must promote a more entrepreneurial approach to developing military capabilities, one that encourages people, all people, to be proactive and not reactive, to behave somewhat less like bureaucrats and more like venture capitalists; one that does not wait for threats to emerge and be ‘validated,’ but rather anticipates them before they emerge and develops new capabilities that can dissuade and deter those nascent threats. (Brook, Schroeder, & King, 2010).

In 2003, Congress authorized the NSPS as part of the fiscal 2004 National Defense Authorization Act to increase effectiveness through a simplified personnel

management system that improved the way it hired and assigned, as well as compensated and rewarded its employees, while preserving employee rights and benefits.

The National Security Personnel System (NSPS), as enacted by section 1101 of the National Defense Authorization Act for Fiscal Year 2004 (NDAA FY04), Public Law 108-136 (November 24, 2003), was contained in various subsections of section 9902 of title 5, United States Code. It allowed the DoD to establish a more flexible civilian personnel management system that was consistent with the human capital management strategy. The system was designed to allow the DoD to be a more competitive and progressive employer at a time when the country's national security demanded a highly responsive system of civilian personnel management. The NSPS was intended to enhance DoD's ability to execute its National Security mission (U.S. Office of the Secretary of Defense, 2005).

According to the Federal Register (Under Secretary of Defense [AT&L], 2004), the global war on terrorism expanded the role of DoD's civilian workforce to include a more significant participation in combat support functions that allowed military personnel to focus on warfighting duties. In addition, civilian personnel were essential to maintaining institutional knowledge because of frequent rotations of military personnel. Since the end of the Cold War, the civilian workforce underwent substantial changes resulting from downsizing, base realignments and closures, and competitive outsourcing initiatives. Given Title 5, U.S. Code, requirements that supported a seniority-based system, together with the Department's aging workforce and the projected retirements anticipated by Bureau of Labor Statistics Analyses, DoD's institutional knowledge and its future ability to acquire skilled personnel was assumed to be at risk. The conjecture was that in order for DoD to meet present and future mission requirements, action was imperative to mitigate the risk of deterring highly skilled personnel from having the desire to work within the DoD. These potential candidates could have seen private-sector employment as more lucrative than DoD employment. These factors, coupled with the Secretary of Defense's imperative to transform, required DoD to strategically

manage its civilian workforce based upon a total force perspective that included civilian personnel, military active duty, reserve, and guard personnel, and DoD contractors (U.S. Office of the Secretary of Defense, 2005).

The assumption was that the critical Human Resources issues that were facing DoD required a performance-based, market-sensitive personnel system. In recognition of those needs for the civilian workforce, Congress enacted the NSPS into law. The NDAA of 2004 gave the Secretary of Defense and the Director of OPM wide joint discretion for the design and implementation of the new personnel system, but it did have a few guidelines for DoD and OPM to follow (Ginsberg, 2008).

Table 1. Compensation Schedule for GS

GRADE	PAR*	PAR*	PAR*	PAR*	PAR*	PAR*	PAR *
GS-1	\$2,960	\$3,055	\$3,150	\$3,245	\$3,340	\$3,435	\$3,530
GS-2	3,255	3,350	3,445	3,540	3,635	3,730	3,825
GS-3	3,495	3,590	3,685	3,780	3,875	3,970	4,065
GS-4	3,755	3,850	3,945	4,040	4,135	4,230	4,325
GS-5	4,040	4,190	4,340	4,490	4,640	4,790	4,910
GS-6	4,490	4,640	4,790	4,940	5,090	5,240	5,390
GS-7	4,980	5,130	5,280	5,430	5,580	5,730	5,880
GS-8	5,470	5,620	5,770	5,920	6,070	6,220	6,370
GS-9	5,985	6,135	6,285	6,435	6,585	6,735	6,895
GS-10	6,505	6,655	6,805	6,955	7,105	7,255	7,405
GS-11	7,030	7,270	7,510	7,750	7,990	8,230	.....
GS-12	8,330	8,570	8,810	9,050	9,290	9,530	.....
GS-13	9,890	10,130	10,370	10,610	10,850	11,090	.....
GS-14	11,355	11,595	11,835	12,075	12,315	12,555	.....
GS-15	12,770	13,070	13,370	13,670	13,970	.....	.....
GS-16	14,190	14,430	14,670	14,910	15,150	.....	.....
GS-17	15,375	15,615	15,855	16,095	16,335	.....	.....
GS-18	17,500	.....	.....	.....	.....	.....	.....

\*Per Alum Rates

(General Schedule, 2011)

Title VII established within grade step increases. It stated that each employee compensated on a per annum basis, and occupying a permanent position within the scope of the compensation schedules fixed by the Act, who had not attained the maximum scheduled rate of compensation for the grade in which his position was placed, shall be advanced in compensation successively to the next higher rate within the grade at the beginning of the next pay period. This could occur following the completion of (1) each 52 calendar weeks of service if his position is in a grade in which the step increases are less than \$200 or (2) each 78 calendar weeks of service if his position is in a grade in which the step-increases are \$200 or more (U.S. Office of Personnel Management). The GS was then codified as part of Chapter 53 of Title 5 of the United States Code sections 5331 to 5338 (5 U.S.C. §§ 5331–5338). The intent of the GS was to keep federal salaries equitable among various occupations and between men and women “equal pay for equal work“ (U.S. Office of Personnel Management).

### **1. Major Events Following the Classification Act of 1949**

After the Classification Act of 1949, Congress was responsible for maintaining pay rates. Pay rates were set into law and legislative action was then required. The Act reversed the shift by delegating classification authority to agencies (U.S. Office of Personnel Management).

### **2. 1950–1978**

During this time, the world of work and pay became more complex. Though the position remained central to pay, the Government recognized the importance of an individual’s ability and performance, in addition to the need to respond and adjust to labor market changes. The General Schedule structure was then simplified. All grades had 10 steps. Each grade had a 30 percent pay range. Differentials between grades and pay advancement within a grade became uniform. The system of pay increases or decreases based on efficiency ratings was replaced by a system that made time in grade the primary determinant of within-grade advancement, based on “learning curve” theory where an employee's value rises with experience. Several new pay tools were

introduced, including special pay rates, superior qualifications appointments, incentive awards, quality step increases, and the factor evaluation system (FES) (U.S. Office of Personnel Management).

#### Special Pay Rates

These were a means for adapting to changing labor market conditions in particular occupations to address severe difficulty in attracting and retaining employees (U.S. Office of Personnel Management).

#### Superior qualifications appointments

This allowed agencies to hire a new employee above the first pay step based on job experience, academic background, and competitive need (this authority was initially restricted to positions at or above GS-13) (U.S. Office of Personnel Management).

#### Incentive Awards

These were honorary recognitions and cash payments for superior accomplishment, suggestions, inventions, special acts or services, or other personal efforts. (Such recognition or payment was expected to be rare, used only in cases of extraordinary achievement) (U.S. Office of Personnel Management).

#### The Quality Step Increase

This allowed accelerated advancement in a General Schedule pay range to recognize high individual performance (U.S. Office of Personnel Management).

#### The Factor Evaluation System (FES)

This provided a uniform set of factors for evaluating and classifying all General Schedule jobs. The factors applied to all types of work, ranging from clerical to managerial, and included knowledge, complexity, and personal contacts. The FES was designed to ease understanding, application, and supported decentralizing classification (U.S. Office of Personnel Management).

There were several Acts passed during these 28 years.

Performance Rating Act of 1950. This Act required agencies to establish appraisal systems with Civil Service Commission approval.

Classification Act of 1954. The establishment of special pay rates to address the difficulty in attracting and retaining quality employees was created with this Act (U.S. Office of Personnel Management).

Incentive Awards Act of 1954. An established government wide authority for agencies to grant cash and honorary awards to recognize various employees' contributions were achieved (U.S. Office of Personnel Management).

Federal Salary Reform Act of 1962. This 1962 Act established employees "acceptable level of competence" as a performance threshold for within-grade pay increases (U.S. Office of Personnel Management).

Federal Pay Comparability Act of 1970. Presidential authorization to adjust General Schedule pay rates began (U.S. Office of Personnel Management).

### **3. 1978–2000**

The world of work continued to become more complex and dynamic as the federal government stiffened, then raised, performance expectations. Increasingly, pay began to be viewed as a management tool, not simply an administrative function. In addition, the Civil Service Reform Act (CSRA) used pay as a means to emphasize individual performance and accountability, particularly through their links to pay and reward (U.S. Office of Personnel Management).

The CSRA of 1978 was introduced by President Jimmy Carter and passed by Congress. The purpose of the Act was to improve the management of the federal government. The GS structure was subdivided; however, the scope remained government-wide (U.S. Office of Personnel Management).

The CSRA created the potential for pay systems to evolve, by creating authority for demonstration projects to test HR system improvements for government-wide application. This Act created a merit pay system for managers and established the Senior Executive Service (SES) Brook et al., 2008).

Merit System Principles. A framework for a federal government where agencies might not have shared a common pay system, but continued to share “core” values such as individual accountability for performance and provided “equal pay for work of equal value” (U.S. Office of Personnel Management).

Senior Executive Service. A separate employment and pay system that covered employees formerly in GS grades 16, 17, and 18. The Senior Executive Service created a separate pay and performance management structure for executives. The SES pay system reinforced the importance of performance and results by replacing time-based pay advancement with the opportunity to earn substantial cash awards (U.S. Office of Personnel Management).

Merit Pay System. This system treated managerial (non-bargaining unit) employees in GS grades 13, 14, and 15 separately for purposes of advancement within a GS grade. The Merit Pay System gave agencies a tool to link pay and performance, but proved premature and suffered from problems in funding, acceptance, performance measurement, and administration (U.S. Office of Personnel Management).

By 1984, The Performance Management and Recognition System (PMRS) replaced the Merit Pay System for managers in GS grades 13, 14, and 15. PMRS attempted to resolve Merit Pay System problems such as linking pay increases to employees’ performance rather than to length of service. Instead, it created others. This system did not perform well when compared to its established objectives and by the end of 1993, it was officially abandoned (Hlavsa, 2008).

In 1990, The Federal Employees Pay Comparability Act (FEPCA) was passed. It made federal pay more market-sensitive by basing nationwide General Schedule adjustments on changes in the cost of labor. It also moved away from a “one size fits

all” approach to pay by establishing locality-based comparability payments and introducing many new pay tools. These new tools included:

Recruitment, retention, and relocation payments. Agencies could make payments needed to compete for talent in the labor market.

Expanded special rate authority. Special rates could exceed regular General Schedule rates by as much as 60 percent.

Critical pay authority. An agency head could ask the Office of Management and Budget to set pay up to Level I of the Executive Schedule (\$157,000 as of January 2000) for a position requiring extraordinary expertise.

Travel expenses. Agencies could pay travel expenses for pre-employment interviews and moving expenses for new appointees.

Superior qualifications appointments. Authority expanded to cover positions below GS-11.

Advance payments for new hires. Agencies could advance a new hire up to two paychecks to help the employee meet living and other expenses.

Waiver of dual compensation restrictions. Agencies could request OPM to waive dual compensation restrictions in rare instances when they must hire military or civilian retirees to deal with special staffing needs (dual compensation restrictions were later removed for military retirees).

Time off award. Agencies could offer time off awards to recognize specific accomplishments or behaviors (U.S. Office of Personnel Management).

In January 1994, the (FEPCA) introduced a “locality pay adjustment” component to the GS salary structure. Before FEPCA, all GS employees received the same salary regardless of location, which failed to reflect both the disparity between public sector and private sector pay as well as differences in cost of living in major metropolitan

areas. Under FEPCA, specified metropolitan areas are designated to receive pay adjustments in excess of the general adjustment provided to the “Rest of U.S.” (U.S. Office of Personnel Management).

Both Republican and Democratic administrations have complained about the methodology used to compute locality adjustments and the projected cost of closing the pay gap (as determined by FEPCA) between federal salaries and those in the private sector. In December 2007, the President's Pay Agent reported that an average locality pay adjustment of 36.89 percent would be required to reach the target set by FEPCA (to close the computed pay gap between federal and nonfederal pay to a disparity of five per cent). By comparison, in calendar year 2007, the average locality pay adjustment actually authorized was 16.88 percent. The costs of FEPCA’s attempt to attract higher quality technical government employees through increased pay comparable to the private industry were too high. As a result, FEPCA has never been fully implemented (U.S. Office of Personnel Management).

Table 2. 2010 Base Salary

GS Grade	Step 1	Step 2	Step 3	Step 4	Step 5	Step 6	Step 7	Step 8	Step 9	Step 10
1	\$17,803	\$18,398	\$18,990	\$19,579	\$20,171	\$20,519	\$21,104	\$21,694	\$21,717	\$22,269
2	\$20,017	\$20,493	\$21,155	\$21,717	\$21,961	\$22,607	\$23,253	\$23,899	\$24,545	\$25,191
3	\$21,840	\$22,568	\$23,296	\$24,024	\$24,752	\$25,480	\$26,208	\$26,936	\$27,664	\$28,392
4	\$24,518	\$25,335	\$26,152	\$26,969	\$27,786	\$28,603	\$29,420	\$30,237	\$31,054	\$31,871
5	\$27,531	\$28,345	\$29,259	\$30,173	\$31,087	\$32,001	\$32,915	\$33,829	\$34,743	\$35,657
6	\$30,577	\$31,596	\$32,615	\$33,634	\$34,653	\$35,672	\$36,691	\$37,710	\$38,729	\$39,748
7	\$33,979	\$35,112	\$36,245	\$37,378	\$38,511	\$39,644	\$40,777	\$41,910	\$43,043	\$44,176
8	\$37,631	\$38,885	\$40,139	\$41,393	\$42,647	\$43,901	\$45,155	\$46,409	\$47,663	\$48,917
9	\$41,563	\$42,948	\$44,333	\$45,718	\$47,103	\$48,488	\$49,873	\$51,258	\$52,643	\$54,028
10	\$45,771	\$47,297	\$48,823	\$50,349	\$51,875	\$53,401	\$54,927	\$56,453	\$57,979	\$59,505
11	\$50,287	\$51,963	\$53,639	\$55,315	\$56,991	\$58,667	\$60,343	\$62,019	\$63,695	\$65,371
12	\$60,274	\$62,283	\$64,292	\$66,301	\$68,310	\$70,319	\$72,328	\$74,337	\$76,346	\$78,355
13	\$71,674	\$74,063	\$76,452	\$78,841	\$81,230	\$83,619	\$86,008	\$88,397	\$90,786	\$93,175

Table 3. 2010 Locality Adjustment

Area	Adjustment	Area	Adjustment	Area	Adjustment	Area	Adjustment
Atlanta	19.29%	Dayton	16.24%	Miami	20.79%	Raleigh	17.64%
Boston	24.28%	Denver	22.52%	Milwaukee	18.10%	Richmond	16.47%
Buffalo	16.98%	Detroit	24.09%	Minneapolis	20.96%	Sacramento	22.20%
Chicago	25.10%	Hartford	25.82%	New York City	28.72%	San Diego	24.19%
Cincinnati	18.55%	Houston	28.71%	Philadelphia	21.79%	San Francisco	35.15%
Cleveland	18.68%	Huntsville	16.02%	Phoenix	16.79%	Seattle	21.81%
Columbus	17.16%	Indianapolis	14.68%	Pittsburgh	16.37%	Washington D.C.	24.22%
Dallas	20.67%	Los Angeles	27.16%	Portland	20.35%	Rest of U.S.	14.16%

As the federal government moved through the '90s and into the 2000s, the changes in the world of work, characterized by rapid changes in technology, communication, and the nature of work, triggered a rethinking of the ways that federal agencies pay employees. A series of studies and evolving private-sector practices challenge the relevance and value of a government-wide, job-centered pay system. The nature of pay changes as well. Incentives, bonuses, and similar payments join

salary as basic elements of the pay package. In both the federal and private sectors, nonmonetary and monetary recognition are no longer reserved for “once in a lifetime” accomplishments. The process for maintaining and adjusting the pay system got more refined and featured General Schedule adjustments based on nationwide changes in the cost of labor and locality-based comparability payments (U.S. Office of Personnel Management).

### **C. THE IMPLEMENTATION OF NATIONAL SECURITY PERSONNEL SYSTEM**

NSPS improves the way the Department hires, compensates, and rewards its civilian employees, while preserving employee protections and benefits, veterans’ preference, and the enduring values of the civil service. NSPS provides a performance management system that better aligns individual performance with DoD’s mission and strategic goals, as well as a rigorous evaluation system that makes meaningful distinctions in performance and rewards. –Bradley Bunn Testimony, July 22, 2008

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. –Honorable Linda M. Springer, Director Office of Personnel Management before the Committee on Homeland Security and Governmental Affairs, US Senate on Critical Mission Critical Mission: Assessing Spiral 1.1 of the National Security Personnel System September 20, 2006.

NSPS is a win-win-win system ...a win for our employees, a win for our military, and a win for our Nation.

–Gordon R. England, NSPS Senior Executive, February 10, 2005

#### **1. Overview**

NSPS was established to provide a flexible and contemporary civilian personnel system that was essential to the Department’s efforts to create and maintain an environment in which the DoD Total Force thinks and operates as one cohesive unit. NSPS was designed to provide a more flexible, mission-driven system of human resources management that retained core principles, while providing a more cohesive Total Force (U.S. Office of the Secretary of Defense, 2005).

NDA 2004 provided DoD and OPM authority to establish a flexible and contemporary civilian human resources management system for DoD civilians. The intent of NSPS was to create a performance-enhanced environment in which the DoD civilians was compelled to perform at a higher level with valuable contributions in which they would be more fully recognized and rewarded. The intent was to implement a modern pay banding performance-based pay structure. This allowed the Department of Defense to have more competitive salaries and the ability to adjust salaries based on various factors such as labor market conditions, performance, as well employee duty changes. This essentially eliminated the locality pay that is in the General Series system. Basically, NSPS was implemented to provide a more flexible human resource management system to attract experienced, competent, and highly motivated people, while also retaining and improving the skills of the existing workforce (U.S. Office of the Secretary of Defense, 2008).

NSPS retained the core values of the civil service while allowing employees to be paid and rewarded based on performance, innovation, and results. The intent was to provide employees with greater opportunities for career growth and mobility within the DoD. DoD leadership was to ensure that supervisors and employees understood NSPS and could function effectively within it. The new personnel system would also include a streamlined hiring process (Ginsberg, 2008).

The six Key Performance Parameters (KPPs) summarized in Table 4 were deemed essential for the implementation of NSPS.

Table 4. Key Performance Parameters  
(From Under Secretary of Defense [AT&L], 2004)

High Performing Workforce and Management	Employees supervisors are compensated and retained based on their performance and contribution to mission
Agile and Responsive Workforce and Management	Workforce can be easily sized, shaped, and deployed to meet changing mission requirements
Credible and Trusted	System assures openness, clarity, accountability, and adherence to the public employment principles of merit and fitness
Fiscally Sound	Aggregate increases in civilian payroll, at the appropriations level, will conform to OMB fiscal guidance; managers will have flexibility to manage to budget at the unit level
Supporting Infrastructure	Information Technology support, and training and change management plans are available and funded
Schedule	NSPS will be operational and stable in sufficient time to evaluate it before the labor relations system sunset date (Nov 09)

## 2. Implementation of NSPS

The implementation of NSPS did not come without challenges. The Office of Personnel Management (OPM) and Department of Defense were to work cohesively throughout the implementation of NSPS. However, there was not a concrete guideline either for implementation or for OPM and DoD to work in a unified process to achieve this mission (Brook, Schroeder, & King, 2010).

The plan was for NSPS to be implemented in three implementation phases. These implementation phases were called Spirals. Spiral One included three phases. Spiral 1.1 included up to 300,000 GS and U.S.-based employees from Army, Navy, Marine Corps, Air Force, and other DoD activities. It was tentatively scheduled to begin in July 2005. However, On October 26, 2005, DoD announced further revised NSPS

plans, and pushed back the initial implementation of the system to calendar year 2006. On January 17, 2006, DoD identified the 11,121 employees in Spiral 1.1, the first employees to enter NSPS in April 2006. Spiral 1.2 and 1.3 was completed with the remainder of the eligible workforce in March 2007 (Ginsberg, 2008).

Spiral 2 began in October 2007, and was completed in April 2008, with more than 180,000 of roughly 670,000 DoD employees placed in NSPS (Ginsberg, 2008). Additional employees were to be brought into the system as it continued its phase-in. If current legislative restrictions were eliminated then Spiral Three would include personnel from DoD demonstration laboratories. However, Spiral Three was met with the most challenges; there were continuous adjustments to the implementation strategy and timetable (Brook et al., 2010). Overall, the intent was to cover approximately 700,000 DoD civilian employees, to include blue-collar workers, by 2009.

The labor relations' portion of NSPS was to be implemented Department-wide sometime after July 2005 (National Security Personnel System Office, 2005). The changes to labor relations included the ability to negotiate at the national level instead of negotiating with more than 1,500 local bargaining units, and the ability to establish a new independent third party to resolve labor relations disputes in DoD (U.S. Office of the Secretary of Defense, 2005). By law, DoD did not allow NSPS to change portions of the civil service system, including:

- Merit system principles
- Prohibited personnel practices, including violations of veterans
- Laws against prohibited discrimination
- Leave and attendance
- Travel, transportation, and subsistence
- Allowances
- Incentive awards
- Retirement, health benefits, and life insurance benefits
- Firefighter overtime pay calculation
- Employee training
- Suitability and security
- Safety and drug abuse programs
- Defense Laboratory Personnel Demonstration projects (before 2008) (Under Secretary of Defense [AT&L], 2004)

**a. Communication Concerns**

During the development stage of NSPS, some federal employees and their representative organizations within DoD claimed that OPM and DoD were reluctant to include them in their planning and implementation processes. One CRS Report for Congress (Ginsberg, 2008) stated that on March 12, 2004, a letter from Senator Daniel Akaka to Secretary of Defense Rumsfeld urged DoD and OPM to jointly publish all proposals on the NSPS in the *Federal Register* and not as internal regulations in order to promote “openness, transparency, public comment, and scrutiny of the details.”

Senator Daniel Akaka also stated that, “Employees throughout the federal government, especially those charged with defending the Nation, deserve compensation, appraisal, labor-management, and appeals systems that are fair. The NSPS is not fair. It gives the Department of Defense (DoD) great flexibility and authority, without real accountability. DoD employees deserve better.” He also reiterated that, “my confidence in NSPS is further undermined due to the continued lack of detail for the system.” In congressional testimony, Under Secretary of Defense for Personnel and Readiness, Dr. David Chu, said, “the devil is in the details as the best intentions may be overcome by wrongheaded implementation. I’m afraid that without details, NSPS may face this outcome” (Akaka, 2005). In addition, Senators Susan Collins, Carl Levin, Ted Stevens, John Sumunu, and George Voinovich reportedly sent a letter to Secretary England on March 3, 2004, which stated that the involvement of the civilian work force in the design of the new National Security Personnel System is critical to its ultimate acceptance and successful implementation. Full collaboration with the Office of Personnel Management and the federal employee unions will assist the department in meeting this critical challenge (Schwemie, 2005).

The CRS Report for Congress (Schwemie, 2005) stated the *Government Executive Magazine* reported that Senator Edward Kennedy wrote to Secretary of Defense Donald Rumsfeld and OPM Director Kay Coles James on November 19, 2004, to voice opposition to DoD’s refusal to share the details of the new personnel plans with union officials representing DoD employees in advance of the publication of regulations

in the *Federal Register*. Reportedly, DoD believed that to share its intentions would “depart from the intent of the Administrative Procedure Act” (Barr, 2004). Kennedy, in a December 10, 2004, press release, also emphasized development of the new system “in the most transparent way possible.” According to the Senator: “Congress gave the Department of Defense the authority to make major personnel changes affecting 700,000 defense employees, but only with the understanding that those changes would be made in consultation with representatives of the employees. It’s appalling that the Bush Administration is ignoring that understanding by stonewalling the representatives and refusing to let them review personnel changes before they are published” (Schwemie, 2005).

Although the outlined strategy and the FY2004 NDAA stated that DoD and OPM would collaboratively design and implement NSPS, the OPM role during this period was not well understood and DoD moved forward on its own in designing and implementing NSPS. There was no OPM input in the earliest NSPS design and implementation time period or at the first formal discussion with DoD employee representatives on January 22, 2004. OPM was not approached for input until the February 26–27, 2004 meeting, three months after the November 24, 2003 enactment (Kaufman, 2004). In a February 6, 2004, conference call with reporters to discuss the OPM budget request, OPM Associate Director Clarence Crawford acknowledged that OPM and DoD were not partners in the development of NSPS when he said, “we’re now just beginning to have some conversations with the Department of Defense. I don’t believe we’ve quite figured out what the level and nature of the support will be” (Kaufman, 2004). Dr. Ronald P. Sanders, OPM Associate Director for Strategic Human Resources Policy at the time, puts it more bluntly: “OPM was largely locked out of the room [...] OPM, from the Director on down, was concerned that this was moving down a path that we weren’t comfortable with and, more importantly, [a path that] we didn’t think comported with the law” (Sanders, 2008). As for the DoD’s view, Bunn explained OPM’s role this way:

“When there were discussions at the OMB level, it was clear that, yes, OPM is your partner, but DoD, you’re going to be driving this train. That thinking facilitated our approach to how we did this, so at the time, in my role, I did not feel it necessary to run everything by OPM. Ms. Groeber did not feel it was necessary to run everything by OPM. That was the way it was working. Clearly OPM had different thoughts about that” (Bunn, 2008). Despite statutory requirements to the contrary, the Department appeared to be designing NSPS on its own without any input from OPM.

In a February 10, 2005, press release, Senator Joseph Lieberman expressed his deep disappointment with DoD’s and OPM’s refusal to publish the system’s guidelines and include employees in its creation, stating, “The proposal imposes excessive limits on collective bargaining ... changes the appeals process to interfere with employees’ rights to due process ... and ... contains unduly vague and untested pay and performance provisions” (Lieberman, 2005).

***b. Union Concerns***

In a December 10, 2004, press release, The United DoD Workers Coalition (UDWC) stated that the unions continue to be frustrated with the Pentagon’s effort to create a facade that NSPS officials are listening and that healthy debate has ensued. Navy Secretary Gordon England promised the UDWC that NSPS planning would be “event-driven” and not driven by timelines. Interestingly enough, the only consistent and substantive information we have received from NSPS officials is a definite timeline for implementation reflected carefully, month by month, through 2006.

The unions continued to worry that the design of the rules and regulations was really in the hands of the Secretary of Defense and the OPM Director. Curry noted that the unions wanted the process to be different: “we started getting the sense from [the unions] that they wanted the meet and confer and collaboration process to look like a collective bargaining process” (Curry, 2008). The unions had two major issues that they wanted to have resolved before the Department finalized the regulations. First, union leaders insisted that the Department could not redefine collective bargaining. Not

only did the unions argue to keep existing bargaining rights, they also maintained that those rights should be expanded (Curry, 2008). The second major issue was about the use of focus groups to get feedback from the workforce. Initially, the Department proposed that the focus groups would be a forum for employees to directly provide feedback to managers about issues that might affect development of NSPS regulations. However, the unions argued that “management doesn’t have the right to talk to its workforce” and that the Department should deal with the employees through their representatives, the unions (Curry, 2008). In response, the Department argued that it was okay to consult the workforce for information as long as the Department was not negotiating directly with employees in lieu of their exclusive representative (Curry, 2008). The two groups were unable to come to a consensus on either of these points. Regardless, the Department maintained its plans for focus groups and its position on redefining collective bargaining. If bargaining unit employees participated in any focus groups, the NSPS PEO advised the components to invite local union representatives to attend these sessions (Brook et al., 2010).

While the unions continued to express concerns for collective bargaining and questioned whether the General Schedule needed to be abolished, they also became increasingly concerned about the lack of independence of the National Security Labor Relations Board (NSLRB). The unions argued that because the Secretary had full discretion as to who served on the NSLRB, and because the board would operate within DoD, there was no way that the NSLRB could be unbiased when hearing employees’ grievances (Brook et al., 2010). The unions saw the NSLRB as an institutionalized means through which the DoD could ignore employee concerns in any future labor management relations disputes or policy changes. In short, the unions saw this board as eliminating due process during adjudication proceedings (Brook et al., 2010).

The House Armed Services Readiness Subcommittee produced draft legislation in the FY 2008 Defense Authorization Bill that allowed DoD employees to the

right to an appeals process and collective bargaining procedures in an effort to resolve the dispute between DoD and the unions (Brook et al., 2010).

#### **D. NATIONAL DEFENSE AUTHORIZATION ACT 2008**

On January 28, 2008, President Barack Obama signed the National Defense Authorization Act (NDAA) into law for Fiscal Year 2008. The human resource areas of NSPS did not alter, but significant changes were made to other areas. The NDAA 2008 required NSPS to modify its regulations and its method of implementation (Under Secretary of Defense (AT&L), 2008). This Act also required DoD to establish collective bargaining procedures and appropriate arrangements for bringing DoD bargaining unit employees under NSPS prior to conversion of these employees. Under the NDAA 2008, these subparts were removed and were never implemented: adverse actions (Subpart G), appeals (subpart H), and Labor-management Relations (Subpart I). With these parts being deleted, the new law brings NSPS under Government-wide labor-management relation rules to include workforce shaping (reduction in force, furlough, and transfer of function, disciplinary actions, and employee appeals of adverse actions (U.S. Office of the Secretary of Defense, 2008). It also required NSPS to follow Title 5 employment laws while keeping the established unique regulations of NSPS in lieu of Government-wide regulations. In order to fill a vacancy through the competitive examining process, there must be a referral and selection from the top three available candidates. In addition, NSPS employee details are limited to 120-day periods with detail extensions limited to 120-day increments. The new Act also mandated that all employees with a performance rating above “unacceptable” receive at least 60 percent of the annual General Schedule (GS) Government-wide pay increase as a base salary increase. This increase is similar to the locality pay under GS (National Security Personnel System, 2008).

Only white-collar employees would be under NSPS, the Federal Wage System (FWS) employees were exempt. Since no wageworkers were converted under NSPS, this did not affect any FWS employees (National Security Personnel System, 2008).

## 1. Classification

Positions were classified in broad career groups based on the nature of work, mission, career patterns, and competencies. It provided a classification reassessment process and a retroactive effective date. The classification process was designed to give employees greater flexibility to perform new tasks and more opportunities for career growth. In addition, it was to give managers more flexibility to adapt their groups' work to changing organizational objectives (National Security Personnel System Office, 2005).

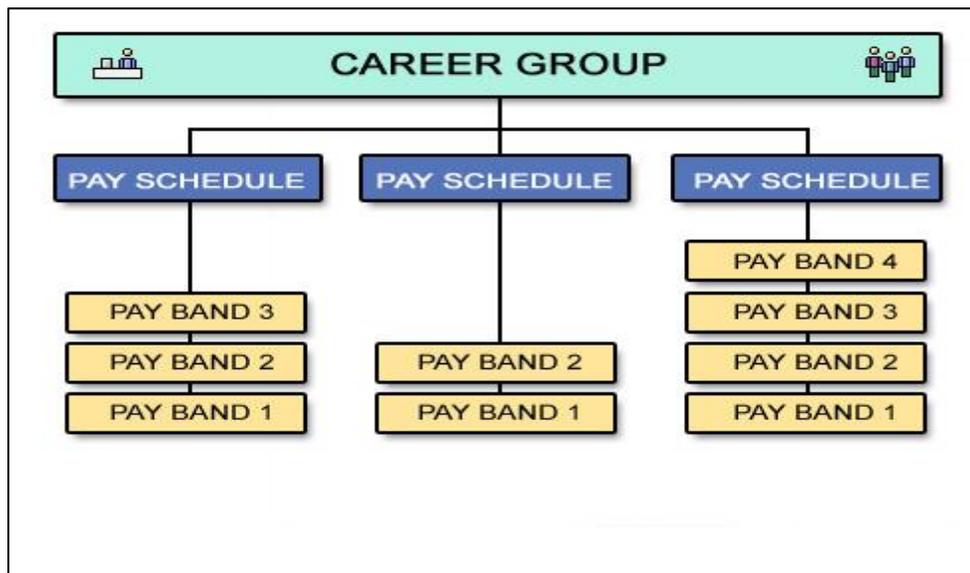


Figure 1. Career Group Pay Schedule  
(From National Security Personnel System)

## 2. Compensation

The system offered the civilian workforce a modern pay-banding structure, which included performance-based pay. As the Department moved away from the General Schedule system, the intent was to become more competitive in setting salaries and flexible to adjust salaries based upon various factors, including labor market conditions, performance, and changes in duties. The HR management system was designed to be a foundation for a leaner, more flexible support structure that attracted skilled, talented,

and motivated people, while also retaining and improving the skills of the existing workforce (U.S. Office of the Secretary of Defense, 2008).

With broad pay bands, the Department wanted to move employees more freely across a range of work opportunities without being bound by narrowly described work definitions. The Department of Defense had the flexibility to adjust rate ranges and local market supplements based on variations relating to specific occupations, rather than the current indistinct approach. The pay structure was tailored towards market conditions. Labor market conditions were considered when making pay-setting decisions. As prescribed in the enabling legislation, the new compensation system linked individual pay to performance using performance rather than time on the job to determine pay increases (National Security Personnel System Office, 2005).

In addition to the basic rate range, a local market supplement (previously referred to as locality pay) was established based upon geographic or occupational factors. The rate ranges and local market supplements differed by career group, pay schedule, or pay band. Local market conditions, rather than nationwide statistical data, were considered when setting pay for new hires. A new pay banding system replaced the General Schedule (GS) grades with broad salary ranges. Each range had general levels, such as entry level, full performance level, and supervisor level. Each level represented a pay band associated with classifications of work within a career group. The new system enabled employees to progress within a pay band without the requirements imposed by the GS system (National Security Personnel System Office, 2005).

### **3. Pay and Performance**

Each employee in the NSPS system was assigned to a career group, a pay band, and a pay schedule. Instead of the 15-step GS system that served as the pay structure for most federal employees, those who were in NSPS had pay bands that usually encompassed a wider pay range than a single GS grade (Ginsberg, 2008). The wider pay bands were designed to give managers greater flexibility to hire promising

employees at a higher rate of pay than they could under the GS scale, and to retain high-performing employees by increasing their pay at a faster pace than was possible under the GS scale. Pay bands, like GS grades, limited minimum and maximum pay rates. Unlike the GS scale's pay grades, pay bands did not have steps through which employees advanced automatically with satisfactory job performance. Instead, in NSPS, funds formerly used to pay for within-grade, quality-step, and other increases in the general schedule were pooled and used to fund the pay increases determined at the end of the performance appraisal cycle (Ginsberg, 2008).

NSPS contained four career groups: Standard Career Group; Scientific & Engineering Career Group; Investigative & Protective Services Career Group; and Medical Career Group. As stated in the Federal Register, Career groups are sets of occupations or positions that are based on factors such as mission, nature of work, qualifications or competencies, career or pay progression patterns, and relevant labor-market features (U.S. Office of the Secretary of Defense, 2008).

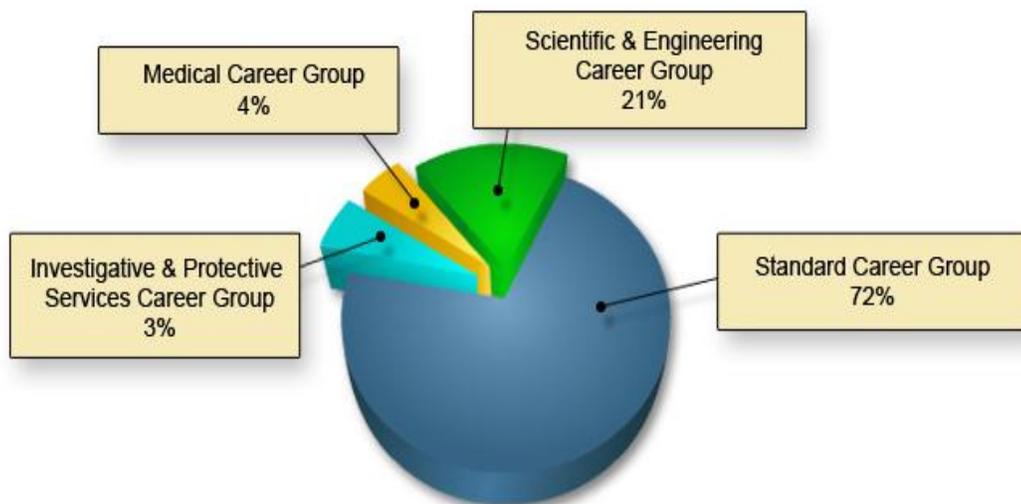


Figure 2. NSPS Career Groups  
(From National Security Personnel System)

As stated in NSPS 101, the vast majority of NSPS's approximately 226,000 employees fell within the Standard Career Group.

Table 5. Standard Career Group  
(From National Security Personnel System).

Schedule #5	Department of Defense NSPS Worldwide Pay Table	Issue Date: 3 January 2010
	Standard Career Group	
PAY SCHEDULES		BASE SALARY (PER ANNUM)
Professional/Analytical(YA)	Minimum	Maximum
Pay Band 1	\$26,858	\$65,371
Pay Band 2	\$40,695	\$93,175
Pay Band 3	\$79,535	\$135,993
Technician/Support (YB)	Minimum	Maximum
Pay Band 1	\$17,432	\$39,748
Pay Band 2	\$33,270	\$59,505
Pay Band 3	\$49,237	\$78,355
Supervisor/Manager (YC)	Minimum	Maximum
Pay Band 1	\$33,270	\$65,371
Pay Band 2	\$59,014	\$93,175
Pay Band 3	\$82,826	\$135,993
Student (YP)	Minimum	Maximum
Pay Band 1	\$17,432	\$65,371

Authority: This schedule of minimum and maximum rates has been established under the authority of paragraphs 9901.321 and 9901.322 of title 5, Code of Federal Regulations.

Table 6. NSPS Pay Schedules and Pay Plan Codes  
(From Office of the Secretary of Defense, 2008)

PAY SCHEDULE NAME	PAY PLAN CODE
Standard Career Group - Professional/Analytical	YA
Standard Career Group - Technician/Support	YB
Standard Career Group - Supervisor/Manager	YC
Standard Career Group - Student Educational Employment	YP
Scientific & Engineering Career Group - Professional	YD
Scientific & Engineering Career Group - Technician/Support	YE
Scientific & Engineering Career Group - Supervisor/Manager	YF
Medical Career Group – Physician/Dentist	YG
Medical Career Group - Professional	YH
Medical Career Group - Technician/Support	YI
Medical Career Group - Supervisor/Manager	YJ
Investigative & Protective Services Career Group - Investigative	YK
Investigative & Protective Services Career Group - Fire Protection	YL
Investigative & Protective Services Career Group - Police/Security Guard	YM
Investigative & Protective Services Career Group - Supervisor/Manager	YN

#### 4. Performance Plans

NSPS was designed to promote a performance culture in which the performance and contributions of the DoD civilian workforce were more accurately and fully recognized and rewarded. The NSPS performance management system was a crucial part of the design to provide a fair and equitable method for appraising and evaluating the performance of eligible employees (Office of the Secretary of Defense, 2008).

Performance plans were in place and communicated to the employee within 30 days from the start of the rating cycle, entrance on duty of a new employee, or employee job change. The 30-day requirement could be extended up to an additional 60 days. Such extension did not delay the payout effective date (Office of the Secretary of Defense, 2008).

Performance management was designed to be a priority for supervisors, managers, and employees at all levels. The success of leaders could be linked to the performance of subordinate supervisors and employees and full execution of performance management and performance-based pay responsibilities and practices at all levels of the organization (Office of the Secretary of Defense, 2008).

The Department of Defense used a multilevel system that made distinctions in levels of employee performance. The system linked employee achievements, contributions, knowledge, and skills to organizational results. Its intent was to allow DoD to better recognize and support team contributions and accomplishments. Performance expectations should have been clearly communicated to employees and linked to the organization's strategic goals and objectives. To foster a high-performance culture within DoD, the organizations were given the ability to recognize valid distinctions in performance and reward employees based upon those distinctions (U.S. Office of the Secretary of Defense, 2005).

Performance-based pay was the linkage between pay—base salary and/or lump-sum bonus—and measures of DoD, organizational, team, and/or individual performance. The success of performance-based pay policies depended on performance planning, measurement, and management practices. All parties needed to invest adequate time and effort throughout the appraisal period for training on and administration of performance management. Heads of DoD Components were accountable for the manner in which officials in their organizations carried out policy, procedures, and guidance. They carried out an annual analysis of the NSPS performance rating and payout results for subordinate elements; and issued guidance to lower echelons and otherwise acted to identify, examine, and remove barriers to similar rating and payout potential for demographic and other groups in the workforce, apart from differences based on individual performance or material job differences (Office of the Secretary of Defense, 2008).

An integral part of the performance management process was the supervisory assessment of performance relative to job objectives, including the impact of selected

contributing factors. This written assessment captured the employee's accomplishments or lack thereof, if applicable, during the appraisal period and was used in the rating process. Assessing performance involved evaluating employee performance relative to communicated performance expectations, including job objectives and contributing factors, for the appraisal period (Office of the Secretary of Defense, 2008).

A self-assessment was encouraged from employees for each job objective covering their performance and contributions to the organization for the current appraisal period. Employee self-assessments described accomplishments relative to performance expectations, including job objectives and associated contributing factors, organizational mission and goals, team goals, etc. The input assisted the rating official in evaluating more fully the employee's performance results (Office of the Secretary of Defense, 2008).

While voluntary, it was recommended that the employee complete the self-assessment narrative. The employee's perspective better informed the rating official of performance and contribution and thereby could have affected the recommended rating and payout (Office of the Secretary of Defense, 2008). The supervisor (or rating official, if different) prepared a narrative assessment for each eligible employee. Supervisors provided a narrative assessment addressing each job objective describing the employee's accomplishments and contributions to the organization relative to his other performance expectations, including an assessment of each job objective and associated contributing factors (Office of the Secretary of Defense, 2008).

Each job objective is evaluated based upon the employee's accomplishments relative to the employee's stated objectives. A supervisor (or rating official, if different) assigned a job objective rating (1 to 5) to each job objective in accordance with the guidance in this subchapter and supporting DoD Component policies (Office of the Secretary of Defense, 2008).

Table 7. Job Objective Rating Descriptors  
(From Office of the Secretary of Defense, 2008)

JOB OBJECTIVE RATING	DESCRIPTORS
5	Employee exceeded the assigned job objective at a level of performance equal to, or above, the Level 5 performance indicator.
4	Employee exceeded the assigned job objective at a level of performance above the Level 3 indicator but below the Level 5 performance indicator.
3	Employee met the assigned job objective at a level of performance equal to the Level 3 indicator.
2	Employee met the assigned job objective at a level of performance below the Level 3 indicator level or needed guidance and assistance beyond that described in the Level 3 indicator.
1	Employee failed to achieve the assigned job objective or failed in the performance of a single assignment where such failure had a significant negative impact on accomplishment of the mission or where a single failure resulted in or could result in death, injury, breach of security, or great monetary loss.
NR	Employee did not have an opportunity to perform the job objective because it became obsolete or could not be accomplished due to extenuating circumstances.

## 5. Reward Phase

The Reward phase began when pay pool deliberations ended. The pay pool manager communicated pay pool results with the employee's supervisor and then the supervisor met with the employee to discuss the final rating of record and associated performance payout. The employee received their performance payout in the form of a base salary increase, bonus, or combination of both (National Security Personnel System).

## 6. Pay Pool

The pay pool process, a key component of the NSPS performance management system, was to ensure that managers and supervisors applied equitable standards

when rating their employees and that the rewards provided meaningful incentives to the workforce. The pay pool process consists of three phases: Plan, Prepare, and Pay (Office of the Secretary of Defense, 2008).

The membership of a pay pool was a group of employees who share in the distribution of a common performance-based pay fund. In addition to the Pay Pool Manager, Pay Pool Panel membership usually included senior management officials of the organizations or functions represented. Final determinations of Pay Pool Panel membership was made by the Pay Pool Manager in accordance with DoD and DoD Component policies (Office of the Secretary of Defense, 2008).

The Pay Pool Panel recommended ratings of record, shared assignments, and/or payout distributions, and made adjustments, which in the panel's view resulted in equity and consistency across the pay pool. If the Pay Pool Panel found the recommended rating, share assignment, and/or payout distribution was not supported, the panel notified the rating official of the concern(s) with the recommendation(s) and afforded the rating official the opportunity to provide further justification before a final decision was rendered (Office of the Secretary of Defense, 2008).

Not later than 30 calendar days after the effective date of the payout, the Performance Review Authority (PRA), either directly or through Pay Pool Managers, communicated general pay pool results to the NSPS workforce in all subordinate pay pools. Communication of pay pool results was imperative to ensure that confidentiality or violation the Privacy Act did not take place. In unusual cases, results were aggregated at a higher level in the organization. Results included, at a minimum, the following data and was made available to the NSPS workforce in written medium: number of pay pools (if aggregate pay pool results were necessary), number of employees rated, rating and share distribution, average rating, average share assignment, share value (average share value if aggregated pay pool results were necessary) and average payout expressed as a percentage of base salary (Office of the Secretary of Defense, 2008).

Routine discussions regarding performance were encouraged between the employee and supervisor. This could prevent any surprises that related to the rating. However, if the employee disagreed with a rating, the employee had the right to challenge. The employee could challenge the Job Objective and the Rating of Record. However, the employee could not challenge interim reviews, closeout assessments, payout amounts, numbers of shares, or payout distributions (National Security Personnel System).

#### **E. NATIONAL DEFENSE AUTHORIZATION ACT 2010**

Employees, supervisors, and union representatives all had issues with NSPS. By the end of FY 09, their voices were finally heard.

“It was just bad for employees and bad for the country. It was not a motivator for federal employees. It was not fair or open. It was a gimmick.” John Gage, president of the American Federation of Government Employees (National Defense Authorization Act for Fiscal Year 2010, 2009). “The system didn’t work,” said Rep. Stephen F. Lynch (D-Mass.), one of the lead House negotiators advocating for repeal. The new arrangement will ensure Congress maintains a voice in how the Defense Department measures employee performance, he said (O’Keefe, 2009).

On October 7, 2009, House and Senate conferees reviewed a version of the National Defense Authorization Act for Fiscal Year 2010 that included language to terminate NSPS. On October 8, 2009, the House agreed to the conference report. The Senate agreed to the conference report on October 22, 2009. On October 28, 2009, the President Obama signed the bill into law (P.L. 111–84), the National Defense Authorization Act for (NDAA) FY2010 (Ginsberg, 2010).

This NDAA repeals the authority of the National Security Personnel System (NSPS) that was gradually implemented in 2006. The Secretary was directed to convert NSPS positions to positions that last applied to such employees or positions before the NSPS was implemented by January 1, 2012. A majority of the approximately 226,000 employees that were under NSPS will return to the General Schedule system. If the

employee's position did not exist prior to NSPS or if the previous pay scale was abolished during NSPS's lifetime, DoD must determine an appropriate pay scale for the employee. The DoD stressed that its goal is to execute an orderly transition with the least amount of disruption to organizations; the mission, the workforce, and that employees experience no loss of or decrease in current pay as a result of the transition (Pax, 2010).

In further detail, the NDAA for FY 2010 directs the Secretary to establish and implement regulations providing performance management and workforce incentives for employees currently covered under the NSPS. This will include a fair, creditable, and transparent performance appraisal system for employees, system for linking employee bonuses and other performance-based actions to performance appraisals of employees, a process for ensuring on-going performance feedback and dialogue among supervisors, managers, and employees throughout the appraisal period and setting timetables for review, as well as the development of performance assistance plans that are designed to give employees formal training, on-the-job training, counseling, mentoring, and other assistance. In addition, it authorizes the Secretary to establish the Department of Defense Civilian Workforce Incentive Fund for such purposes (National Defense Authorization Act for Fiscal Year 2010, 2009).

The NDAA for FY 2010, states that the Secretary shall also promulgate regulations to redesign the procedures which are applied by the DoD in making appointments to positions within the competitive service in order to better meet mission needs, respond to manager's needs and the needs of applicants, produce high-quality applicants, support timely decisions, uphold appointments based on merit system principles, and promote competitive job offers. The FY 2010 NDAA directs the Secretary to promulgate regulations providing fair, credible, and transparent methods for making appointments to positions in the competitive service. It also outlines criteria for the establishment of a new personnel management system for such employees (National Defense Authorization Act for Fiscal Year 2010, 2009).

A training program for supervisors within the new personnel management system shall be developed by the Secretary. The training will include actions, options, and strategies a supervisor may use in the development and discussion of relevant goals and objectives with the employee, communicating and discussing progress relative to performance goals and objectives, and conducting performance appraisals; mentoring and motivating employees, and improving employee performance and productivity; fostering a work environment characterized by fairness, respect, equal opportunity, and attention to the quality of the work of employees; effectively managing employees with unacceptable performance; addressing reports of a hostile work environment, reprisal, or harassment of or by another supervisor or employee; and otherwise carrying out the duties and responsibilities of a supervisor (National Defense Authorization Act for Fiscal Year 2010, 2009).

The Secretary of Defense will be required to provide reports on the conversion no later than six months after the date of enactment of the Act. This report will include the initial steps taken to reclassify positions and the initial conversion plan to begin converting employees from the NSPS. This information shall be supplemented by reports describing the progress of the conversion process as well. In addition, plans for the new personnel management system and appointment procedures shall be reported no later than 12 months after the date of enactment (National Defense Authorization Act for Fiscal Year 2010, 2009).

The NDAA of FY 2010 authorizes the Secretary, if determined in the best interests of DoD, to develop for implementation additional personnel flexibilities (to be submitted to Congress for approval). It also directs the CG, during 2010 through 2012, to review employee satisfaction with the conversion processes outlined under this section (National Defense Authorization Act for Fiscal Year 2010, 2009).

The enactment of the NDAA of FY 2010 enables the Secretary of Defense, the Director of the Office of Personnel Management, and the Director of National Intelligence to effectively track and review the impact on career progression, the appropriateness or inappropriateness in light of the complexities of the workforce

affected, the sufficiency in terms of providing protections for diversity in promotion and retention of personnel, and the adequacy of the training, policy guidelines, and other preparations afforded in connection with transitioning from NSPS (National Defense Authorization Act for Fiscal Year 2010, 2009).

## **F. REIMPLEMENTATION OF GENERAL SCHEDULE**

### **1. How Did We Get Here?**

During the 2008 presidential election campaign, candidate Barack Obama responded to a letter submitted to him by Gregory Junemann, National President of the International Federation of Professional & Technical Engineers, which asked the candidate whether he supported NSPS. In his letter, Obama agreed with Junemann that it was “inappropriate and unwise for DoD to implement such a highly contentious, ill-conceived program so late in this administration, particularly following the vast revisions to the program included in the FY 08 National Defense Authorization Act.” Obama outlined his major concerns with NSPS, including its restrictions of bargaining rights, a disconnection between pay and performance, the use of a forced distribution to determine performance ratings, the suppression of wages and benefits as a result of bonuses in lieu of raises, and what he termed as the “virtual elimination of merit consideration in the promotion process.” Obama said that he “cannot and will not support a pay system which discriminates against employees,” and he promised that if he were elected president he would “substantially revise these NSPS regulations, and strongly consider a complete repeal” (Brook et al., 2010). Barack Obama was elected president of the United States on November 4, 2008.

Implementation of NSPS has taken place in a policy environment that is much different from that of the time when NSPS was formulated and enacted. In 2004, a Republican Administration and Republican-controlled Congress were successful in drafting and enacting legislation to overhaul the DoD civilian personnel system in the name of national security. Promoting reform in the name of national security instilled a sense of urgency that convinced Congress, over the objections of organized labor, to

grant the Department far reaching powers. As time passed, however, some of the factors that contributed to the legislative success of NSPS were fading from memory. National security was no longer a policymakers' "trump card" while other actors of success became liabilities. For example, general language and broad grants of authority made congressional intent difficult to discern. This became an issue when the details of NSPS were revealed. Moreover, the policy making process did not produce a consensus for reform among key stakeholders in the personnel management policy community. Thus, the unions and their supporters continued the fight over NSPS during the implementation phase, first by moving the policy debate to a different venue: the courts. The courts slowed NSPS implementation, a strategic pause, and it became politically vulnerable when both houses of Congress came under Democratic control in 2006. Union leaders gained political traction in the Democratic Congress, and Congress began to look at changing or eliminating NSPS (Brook et al., 2010).

Nevertheless, DoD was undeterred in its efforts to implement NSPS where it could. The strategic pause may have changed the timeline to a somewhat slower pace, but the shift to the PEO structure put NSPS implementation into an established system whose processes for implementation pushed forward even as criticism and change was coming from outside the Department (Brook et al., 2010).

Although the political tide seemed to have turned against NSPS, there is inadequate evidence to conclude whether or not the system has reached its intended objectives. Nearly all of the studies produced at Congress' request concluded that due to the low number of employees who have been converted and the short timeframe of NSPS implementation, it is unwarranted to make a conclusion about the efficacy of NSPS. On January 16, 2009, DoD was still moving forward to implement NSPS even as they awaited a new presidential administration and the possibility of a new direction in civilian personnel management (Brook et al., 2010).

President Obama was sworn into office on January 20, 2009. On Inauguration Day, the Obama White House issued a memorandum that froze the advancement of any pending programs from the previous administration. The memo instructed agency

and department leadership that “no proposed or final regulation should be sent to the Office of the Federal Register (OFR) for publication unless it has been reviewed and approved by a department or agency head appointed or designated by the president after noon on January 20, 2009, or in the case of the Department of Defense, the Secretary of Defense.” This memo effectively froze the advancement of any programs for which regulations had not been published by the Bush Administration. NSPS final regulations had been published four days prior to the issuance of this memo; however, the regulations had not yet gone into effect, and consequently NSPS was effectively frozen from expanding or implementing the finalized regulations without review from the Obama Administration (Brook et al., 2010).

Congressional leaders maintained their opposition to NSPS and urged the administration to freeze or end NSPS. A February 11, 2009, letter from Congressmen Ike Skelton, Chairman of the House Armed Services Committee, and Solomon Ortiz, Chairman of the Readiness Subcommittee, to Secretary Gates stressed that “because it will take some time for a review and a determination of the best course of action to occur, we urge you to immediately halt the conversion of any additional employees to NSPS at any level or any location until the Administration and Congress can properly address the future of the Department’s personnel system.” The Congressmen argued that NSPS created “distrust and discontent” among DoD employees, and that the president should follow through on his campaign assurance to unions that he would consider a repeal or complete overhaul of NSPS (Brook et al., 2010).

OPM released a report on February 11, 2009, that concluded that the DoD “has built a strong foundation for implementing its performance-based personnel system and provides a consistent approach for supporting the National Security Personnel System across its agencies that have adopted it.” However, the report indicated that “a growing number of employees do not trust the system to ensure fairness in pay or performance ratings.” In the report, the OPM confirmed what was suggested in a 2008 GAO report on workforce attitudes. When there is a major change to a personnel system, employee

attitudes and perceptions typically decline initially as it generally takes from three to five years for employees to fully understand and accept the new system (Brook et al., 2010).

On March 16, 2009, Deputy Defense Secretary William J. Lynn III announced that DoD and OPM initiated a complete review of NSPS. The review would address Congressional and union concerns about NSPS by focusing on NSPS's "fairness, transparency, underlying policies, and effectiveness." In his April 1, testimony before the readiness subcommittee, Bradley Bunn, Program Executive Officer for NSPS, said that the review could take months and that DoD would not advance NSPS until the review was complete. In response to the DoD's decision, eight Democratic Congressional leaders signed an April 3 letter to OPM Director Peter Orszag commending the Administration's decision to freeze NSPS, and urging the Administration "to put on hold further advancement of any pay-for-performance measures in the federal government and conduct a government-wide review to determine the best way forward to improve performance management while preserving merit principles." Orszag responded on May 29 to the letter saying "the Administration does not feel that it is necessary at this time to put an across-the-board hold on further advancement of other pay-for-performance systems in the federal government," but that "the Administration will not support any pay system that is unfair or has the effect of suppressing wages or discriminating against employees" (Brook et al., 2010).

On May 14, 2009, Secretary Lynn and OPM Director John Berry announced that the Defense Business Board (DBB) was asked to form a task group to review NSPS. Lynn wrote in his instructions to the DBB that the "task group should deliver recommendations aimed at helping the department determine if the underlying design principles and methodology for implementation are reflected in the program objectives, whether the program objectives are being met, and whether NSPS is operating in a fair, transparent, and effective manner" (Brook et al., 2010).

After an extensive examination of NSPS, the Task Group released its findings on August 25, 2009. According to National Security Personnel System the Period of Implementation, the Task Group reviewed a number of sources from within DoD,

Congress, public panels, and unions. The Task Group presented seven recommendations for DoD and OPM regarding NSPS; (1) initiate a reconstruction of NSPS within DoD that begins with a challenge to the assumptions and design of NSPS. A 'fix' could not address the depth of the systemic problems discovered. The Task Force does not recommend an abolishment of NSPS because the performance management system that has been created is achieving alignment of employee goals with organizational goals, (2) reestablish a DoD commitment to partnership and collaborating with employees through their unions, (3) establish DoD's commitment to strategic management and investment in career civil servants, (4) continue the existing agreed period of delay on transitions of more work units into NSPS until DoD can present a corrective action plan to address identified issues, supported by data that the implemented corrective actions will address the identified issues, (5) the following areas of identified concern must be addressed: pay pool, pay bands, trust, and best practices, (6) continued GAO monitoring of NSPS implementation, with specific analysis of indicators of unintended Equal Employment Opportunity consequences in the NSPS workforce, would be beneficial, and (7) create a collaborative process for DoD managers and employees currently in the General Schedule system to design and implement a performance management system that ties individual employee performance goals to organizational goals and explore the replacement or the current General Schedule classification system (Brook et al., 2010).

Robert Tobias, a professor at American University, director for the Institute for the Study of Public Policy Implementation, and a member of the Task Force, conceded in an interview “[NSPS] should be reconstructed from scratch.” In response to the Task Group's findings, William Dougan, President of the National Federation of Federal Employees, said, “the Pentagon has had six years to get NSPS right, and they have failed miserably to do so. If the recommendation is to scrap NSPS as it exists today, we should not bother creating a new NSPS in its place” (Brook et al., 2010).

While the Task Group's review was underway, Congressional leaders were actively moving to end NSPS through the National Defense Authorization Act FY 2010

(NDAA FY 2010). Representative Carol Shea-Porter (D-NH) introduced an amendment in June that would mandate that all NSPS employees receive 100 percent of the GS annual raise, “require the Defense Secretary to prepare to end to controversial system, or submit a report to Congress demonstrating why it should remain,” and abolish NSPS within a year unless Congress decided to act on it. The Administration did not voice an opinion on the amendment to end NSPS, and only threatened to veto NDAA FY2010 due to the inclusion of funding for F-22 fighter jets despite the Department’s opposition to the program. Prompted by the amendment, in September 2009, the Department announced that in light of the ongoing review and concerns, NSPS employees covered by NSPS would receive the same salary adjustment as their GS counterparts (Brook et al., 2010).

The conference committee working on the NDAA FY 2010 released a report of the final legislation on October 7, 2009, that called for the repeal of the law that authorized NSPS and the reconversion of all employees covered by NSPS back to the GS system by January 1, 2012. Senator Daniel Akaka (D-Hawaii) praised the conference committee’s decision and said,

I am pleased my fellow Armed Service conferees agreed that it is time to end this short-sighted policy, which threatens the rights and protections of the DoD civilian workforce. Employees throughout the federal government, especially those charged with defending the nation, deserve a fair personnel system. I believe this agreement will more appropriately protect DoD employee rights while giving DoD the additional performance management and hiring flexibility it needs.

The agreement required the Secretary of Defense to begin returning the 200,000 NSPS employees to the GS system within six months of the law’s enactment. The conference report also required that “no employee shall suffer any loss of or decrease in pay” when they revert to the GS system. “While the conference report does not give the Defense Secretary authority to establish a new pay system unilaterally, it does direct him to make substantial changes to performance management within the department.” The agreement also gives the Secretary the authority to create a “Department of

Defense Civilian Workforce Incentive Fund” that can be used to award employee performance and hiring/retention bonuses for Defense employees (Brook et al., 2010).

President Obama signed NDAA FY 2010 into law on October 28, 2009, which set the timetable for the destruction of NSPS and the reversion of NSPS employees to the GS system. Tim Curry, acting NSPS-PEO, said, “The Department is going to proceed deliberately and cautiously without unnecessary delay,” and that the transition back to GS would take place organization-by-organization (Brook et al., 2010).

## **2. Transitioning Employees**

NSPS was initially intended to cover all DoD employees, but had a total final enrollment of roughly 227,000 DoD employees or 31.7% of the department’s 717,000-person workforce. DoD announced on September 30, 2010, that it anticipated that approximately 75% of employees in NSPS would be placed in the GS. The remaining 25% of employees, most of who would be placed in pay scales other than the GS, may take longer to transition out of NSPS (Ginsberg, 2010).

Since the National Defense Authorization Act for Fiscal Year 2010 included language preventing any employee from suffering a loss or decrease in pay as a result of the elimination of NSPS, some transitioning employees have been placed on “retained pay,” which allows them to maintain their NSPS rate of pay instead of transitioning to the GS pay rate assigned to their job’s grade. In such cases, the GS rate of pay assigned to the employee’s position may not reach the pay level the employee achieved under NSPS. Retained pay, pursuant to statute, requires that an employee receive half of the annual pay adjustment given to employees who are at the maximum payable rate for their GS grade (step ten) (Ginsberg, 2010).

## **3. Transition Timeline**

According to the DoD NSPS Transition Office, which is the office in charge of implementing the elimination of NSPS, approximately 75% of the employees in the NSPS system will either return to or enter the General Schedule. At a June 9, 2010, Senate hearing, John H. James, Jr., director of the transition office, said that employees

entering the GS would be transitioned by the end of September 2010. Another 21% of employees will be returned to or placed in other systems, including some pay systems that have not yet been created. In addition, 4% of employees will have their jobs eliminated as a result of closing military bases pursuant to the 2005 Defense Base Closure and Realignment Commission (BRAC) findings (Ginsberg, 2010).

As noted above, some NSPS employees will be moved into personnel systems that have not yet been established. The FY 2010 NDAA authorized DoD to create demonstration pay systems at certain defense-related laboratories. Some of the federal employees at certain laboratories were in NSPS. By the end of April 2011, DoD must create new personnel systems at these laboratories and move eligible employees from NSPS into these personnel systems (Ginsberg, 2010).

As of June 17, 2010, DoD reported that 60,930 employees had been transitioned from NSPS to the GS (Ginsberg, 2010).

#### **4. Concerns**

Employees who were covered by NSPS that were placed on pay retention when moved to a different pay schedule may suggest that they are experiencing a loss in pay because they are not receiving the full annual pay increase that is provided to other federal employees. As explained earlier in this report, an employee who is moved to the GS but who receives a retained pay rate keeps his or her NSPS pay rate if the NSPS pay rate is above the GS grade classification pay level. However, the employee receives half of the annual pay increase given to GS employees until the pay rate he or she can receive in the GS eclipses his or her retained NSPS pay rate. The employees on a retained rate were likely high-performing employees, which allowed them to achieve higher pay rates in NSPS. Once removed from NSPS, these employees can no longer receive annual NSPS performance-based pay increases. A retained pay rate, however, allows the employee to collect a higher take-home pay (pay after taxes) than a similar employee in the GS system. The employee on retained pay also qualifies for larger pension benefits than could have been accrued in the GS (Ginsberg, 2010).

On the other hand, those who disagree with the employees on retained pay may suggest that these employees are receiving a higher rate of pay than would otherwise be permitted on the GS. In fact, the employees on retained pay may receive pay rates much higher than employees who have the same GS classification and who perform at levels that are quite similar. An employee who remained on the GS and who never entered the NSPS, did not have the opportunity to increase his or her pay based largely on performance and has no access to a retained pay rate (Ginsberg, 2010).

## **5. Options**

Some employees in NSPS occupy positions that did not exist prior to NSPS's creation, and they cannot, therefore, be returned to a pre-existing pay scale. Other employees performed their jobs at such high levels that they achieved pay rates that are not aligned with rates on their non-NSPS pay scale. Still other employees cannot be returned to a pre-existing pay scale because the pay scale was eliminated while NSPS was active. DoD has been examining ways to place employees who fit into these categories into appropriate pay schedules for their positions, including a solution that involves developing a new pay system. Congress has a variety of options to address these pay and personnel issues, including passing a law that would require all employees to receive the full annual pay increase, modifying the GS to better coincide with NSPS pay rates, or permitting DoD to determine the most effective course of action (Ginsberg, 2010).

Congress required DoD to determine where to place NSPS employees who are or were to convert out of the NSPS. DoD must place employees in a variety of pay systems while adhering to all statutory requirements. This includes both requirements in NDAA FOR FY10 and those that existed prior to the law's enactment. DoD has placed certain employees on retained pay. This policy has led to complaints from some employees who claim that retained pay, in effect, amounts to a loss in pay. Others, however, may claim that retained pay allows certain employees to maintain a higher rate of pay than an employee who is not eligible for retained pay, even though they perform the same work at similar performance levels. Congress may determine that

DoD's policies follow the requirements of both NDAA FOR FY10 and Title 5 of the U.S. Code, which governs most of the civil service. Conversely, Congress may decide that allocating half of the annual pay increase to those on a retained pay rate violates the spirit of the language in NDAA FOR FY10, which states that employees removed from NSPS should not suffer a loss in pay as a result of the transition to a non-NSPS pay scale. If Congress determines that the reduced pay increase does violate the law, it could choose to enact legislation that ensures employees who convert to the GS or another pay system and who are on retained pay receive the full annual pay increase. Such legislation; however, would likely cause the retained pay rates to remain above GS pay rates in perpetuity. GS employees who performed similar work at similar performance levels may never receive the same pay as an employee who receives both the retained pay rate and a full annual pay increase (Ginsberg, 2010).

A policy option that could offset concerns about loss of pay exists. Employees who are on retained pay could also receive a performance-based cash award to supplement their pay to account for any pay they will not receive as a result of the cap on their annual pay adjustment. Pursuant to United States Code, Title 5, 4505a a federal employee who receives a performance rating of fully successful or above may receive a one-time cash award in an amount deemed appropriate by the head of the agency. The cash award can be up to \$10,000 without OPM approval, or up to \$25,000 with OPM approval. DoD could use this authority to pay federal employees on retained pay the other half of the annual pay adjustment (Ginsberg, 2010).

DoD could provide this cash award until the GS rate of basic pay for the employee's position eclipsed the retained NSPS pay rate. If DoD chose to use the performance-based cash award, the agency may need additional appropriation from Congress to fully fund it. Additionally, employees in the GS who perform similar work at similar performance levels will not receive the same pay for their work as the employee on the retained rate of pay (Ginsberg, 2010).

Congress could also choose to modify the GS to better coincide with the pay rates on NSPS. Congress could enact legislation that adds grades or steps to the GS,

allowing for NSPS pay rates to be incorporated in the personnel system and also for continued movement up the personnel system's pay scale for all GS employees. However, such action could complicate GS operations and policies by requiring job reclassifications and new regulations to govern the additional grades and steps (Ginsberg, 2010).

NDAAs FOR FY10 also required DoD to create a new performance management system and hiring process. Congress had the option to choose to use its oversight authority to ensure that all parties that may be affected by the establishment of such new system and process are afforded an opportunity to offer suggestions and present concerns prior to implementation (Ginsberg, 2010).

## **6. Converted Employees**

During Fiscal Year (FY) 2010, nearly 172,000 employees were converted from NSPS to GS, out of 226,000 at the start of the transition. The great majority, 79%, were placed on a pay step for their GS grade that equaled their NSPS pay if it matched a step, or the closest higher step if their NSPS pay fell between steps, in accordance with government-wide GS pay setting rules. Another 21% converted on retained pay because their NSPS pay exceeded the maximum rate for their GS grade (NSPS Transition Office Program Evaluation Section, 2011).

There are two key contributing factors for employees who converted on retained pay, the GS step the employee held before coming to NSPS and the number of NSPS ratings and payouts the employee received. Individual performance ratings played a secondary role. The overall GS grade distribution after transition is similar to what it was for the kinds of positions involved, before they were placed under NSPS, indicating that there were not systemic classification issues with conversion (NSPS Transition Office Program Evaluation Section, 2011).

The NSPS workforce grew from its initial Spiral of nearly 11,000 employees in April 2006 to a high of 226,000 employees who needed to be transitioned without unduly disrupting missions (NSPS Transition Office Program Evaluation Section, 2011).

In terminating NSPS, NDAA 2010 requires DoD to place employees/positions in the system from which they converted to NSPS or which otherwise would have applied if NSPS had not been implemented. DoD identified five primary system groups: the GS, the Acquisition personnel demonstration project, the Navy alternative personnel system, new laboratory personnel demonstration projects required by NDAA for FY10 and medical/health care occupations for which the Department had long considered implementing an alternative pay and qualification system under special statutory authority (NSPS Transition Office Program Evaluation Section, 2011).

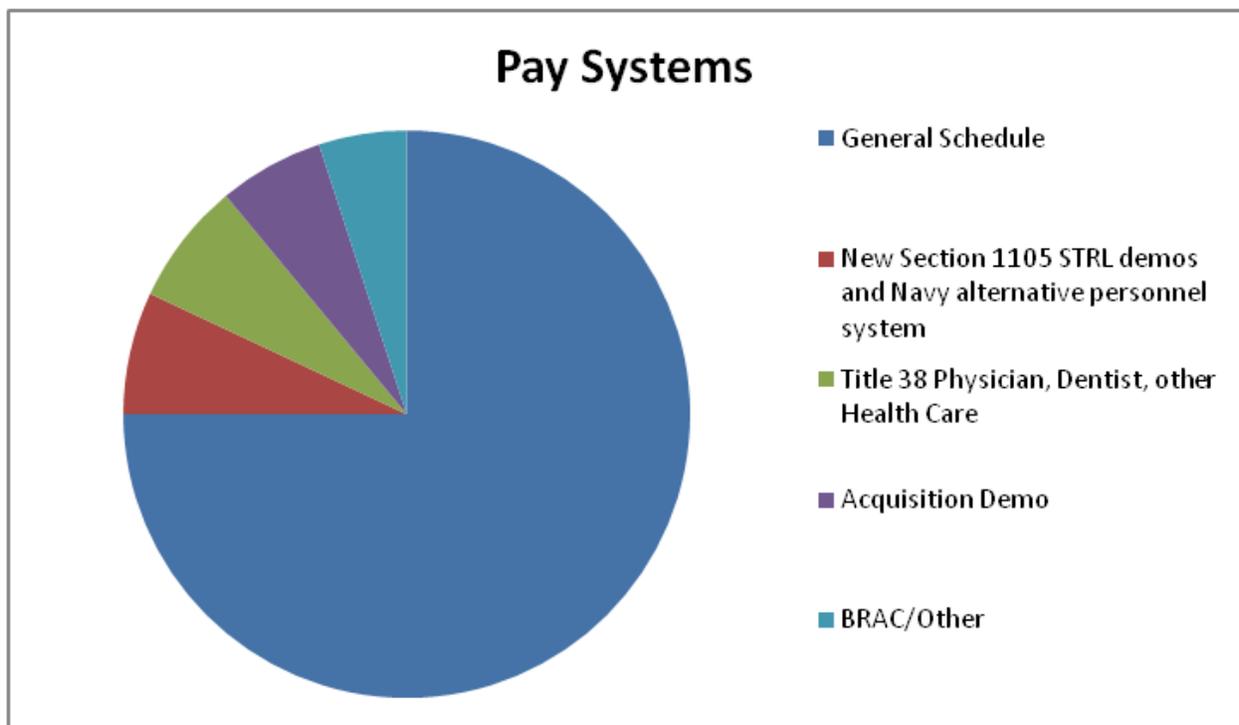


Figure 3. Pay Systems

The Deputy Secretary of Defense directed conversion in FY 2010 of as many NSPS employees as was feasible. That decision led to conversion of the three-fourths of the workforce whose positions would revert to the GS system without extenuating situations (NSPS Transition Office Program Evaluation Section, 2011).

Table 8. FY 2010 conversion Totals for Each Component

Army	67,073 (30.0%)
Navy/Marine Corps	42,695 (24.8%)
Air Force	37,163 (21.6%)
05D, Defense Agencies and Activities	25,054 (14.6%)
Grand Total	171,985

NSPS transitions are carried out on an organizational basis. DoD transitioned approximately 172,000 employees to the GS pay and personnel system between February 28 and September 30, 2010. The GS system applied to these employees and their positions before NSPS, or would have if NSPS had not been implemented. Individual turnover since February further reduced the remaining NSPS workforce to approximately 53,000 as of September 30, 2010. Those employees will transition to their appropriate system this year (2011) (NSPS Transition Office Program Evaluation Section, 2011).

### III. DATA ANALYSIS

Several surveys were administered to Department of Defense employees to determine their perception of NSPS and the effectiveness of the system. These surveys have been taken since the implementation of NSPS. The survey that was used in this data analysis is from the 2010 Status of Forces Survey (SOFS) of DoD Civilian Employees. The data collected for the 2010 Status of Forces Survey of DoD Civilian Employees was segregated into groups according to the employee's grade, occupation, NSPS status and the specific component of DoD. The DoD components were Army, Navy, Air Force, and DoD Agencies/ Field Activities. The Marine Corps was a subset of the Navy component. The survey also distinguished between managers and non-managers. The grades of the participants ranged from GS1 to SES. The blue-collar grades ranged from WG 1 to WS/WL 19. Demographics of the participants were also included in this survey to include race, gender, and age.

This portion of the survey is 17 questions that relates to NSPS. These questions were chosen because they address the comparison between NSPS and the participant's previous personnel system, in addition to the employee's perception of the system with regards to pay for performance. The data analysis will only focus on the participants who responded that they were NSPS status. NSPS status participants were segregated into Spiral groups according to when they entered NSPS. All responses have been consolidated into a table for each question.

Table 9. NSPS Conversion Table  
(From Defense Manpower Data Center, 2010)

NSPS Spiral	NSPS Conversion Date	First NSPS Ratings and Payouts
Spiral 1.1	Apr 06	Jan 07
Spiral 1.2	Oct 06 – Feb 07	Jan 08
Spiral 1.3	Mar – Apr 07	Jan 08
Spiral 2.1	Oct – Nov 07	Jan 08
Spiral 2.2	Feb – Apr 08	Jan 09

**A. QUESTIONNAIRE**

1. (Question 114) Were you under NSPS for the Fiscal Year 2009 rating period?

	% RESPONDING	% YES
NSPS Pay Plan	96	98
NSPS STATUS		
Spiral 1.1	97	99
Spiral 1.2	96	99
Spiral 1.3	96	98
Spiral 2.1	96	99
Spiral 2.2	96	97
Spiral 2.3/2.4	96	98

Figure 4. Responses to Question 114

2. (Question 115) What personnel system were you under prior to first being under NSPS?

Available Responses

1. I was a DoD civilian in an organization that transitioned to NSPS
2. I joined an organization that was under NSPS while I was a DoD civilian under the General Schedule system
3. I joined an organization that was under NSPS while I was a DoD civilian under the Wage Grade system
4. I joined an organization that was under NSPS while I was a DoD civilian under NSPS while I was a DoD civilian under a demonstration/alternative project pay system
5. I joined an organization that was under NSPS while I was a non-DoD federal government employee

	% Responding	Percentages					
		1	2	3	4	5	6
NSPS Pay Plans	94	70	12	1	2	3	13
NSPS STATUS							
Spiral 1.1	96	67	11	1	3	3	15
Spiral 1.2	95	69	12	1	2	3	14
Spiral 1.3	94	66	12	1	4	3	14
Spiral 2.1	95	71	14	1	0	3	11
Spiral 2.2	93	74	12	1	1	2	12
Spiral 2.3/2.4	94	79	6	0	6	1	8

Figure 5. Responses to Question 115

Analysis: This question was used to determine the previous system of the survey participants before they were under the NSPS system.

3. (Question 117) To what extent do you agree or disagree with the following statement? OFFICIAL Material I saw or a presentation I heard within the past 12 months about NSPS was informative.

Available Responses

1. Strongly disagree 2. Disagree 3. Neither agree nor disagree  
4. Agree 5. Strongly agree

% Responding		Percentages				
		1	2	3	4	5
NSPS Pay Plans	96	6	15	27	44	8
NSPS STATUS						
Spiral 1.1	97	3	13	29	43	9
Spiral 1.2	96	7	14	27	44	8
Spiral 1.3	95	6	15	30	41	8
Spiral 2.1	96	6	15	24	47	7
Spiral 2.2	96	6	14	27	44	9
Spiral 2.3/2.4	96	6	15	26	47	7

Figure 6. Responses to Question 117

Analysis: According to the statistics, 52 percent of the NSPS Plan participants either agreed or strongly agreed that they received helpful information regarding NSPS. The NSPS Spiral groups 2.1 and 2.3–2.4 revealed that 54 percent received informative information. This was the highest percentage of the NSPS employees. The lowest percentage was from the Spiral 1.3 group; 49 percent reported that they received pertinent information. It appears that pertinent information regarding NSPS is getting out to the employees.

4. (Question 118b) What effect do you think NSPS has had on human resource practices in correcting poor work performance, compared to employees' prior system?

Available Responses

1. Greatly weaken      2. Weaken      3. About the same  
 4. Somewhat improve   5. Greatly improve   6. Do not know

% Responding		Percentages					
		1	2	3	4	5	6
NSPS Pay Plans	92	9	13	42	17	6	12
NSPS STATUS							
Spiral 1.1	94	9	13	42	20	7	9
Spiral 1.2	93	9	12	41	19	7	12
Spiral 1.3	91	10	13	42	16	6	14
Spiral 2.1	92	11	16	40	16	6	12
Spiral 2.2	91	9	12	44	16	6	13
Spiral 2.3/2.4	93	7	9	42	18	6	19

Figure 7. Responses to Question 118b

Analysis: Twenty-three percent of the NSPS Pay Plan respondents replied that NSPS was better at correcting poor work performance than the employees' prior system. Twenty-two percent felt that NSPS was worse or much worse than their previous system. Forty-two percent believed that it was about the same.

NSPS was created to get rid of or minimize poor work performance. This system was supposed to get rid of the stigma of the "lazy government worker." However, the responses infer that this system did not greatly improve the work performance of its employees. This system was touted to be a significant improvement to work ethic, but the numbers suggests that it is the same as the previous systems.

5. (Question 118e) What effect do you think NSPS has had on human resource practices in the classification of jobs by series and pay grade/pay band compared to employees' prior system?

Available Responses

1. Greatly weaken 2. Weaken 3. About the same  
4. Somewhat improve 5. Greatly improve 6. Do not know

% Responding		Percentages					
		1	2	3	4	5	6
NSPS Pay Plans	93	13	18	36	14	5	13
NSPS STATUS							
Spiral 1.1	95	13	16	38	15	6	12
Spiral 1.2	94	14	19	34	15	7	12
Spiral 1.3	92	14	16	37	14	5	14
Spiral 2.1	94	16	19	35	15	3	12
Spiral 2.2	92	12	18	38	15	5	13
Spiral 2.3/2.4	93	13	22	40	11	2	12

Figure 8. Responses to Question 118e

Analysis: Only 19 percent of the respondents agreed that NSPS has either somewhat improved or greatly improved the human resource practice, classification of jobs by series and pay grade/pay band, than prior systems. However, 31 percent felt that NSPS has either weakened or greatly weakened the human resource practices compared to prior systems. Thirty-six percent replied that they felt it was about the same and 13 percent stated that they did not know. The classification of jobs seemed to have decreased under NSPS. This highest percentage came from Spiral 1.2, 22 percent who felt that the classification of jobs improved. In the Spiral 2.1 group, 25 percent believed that the classification of jobs has greatly weakened.

6. (Question 118f) What effect do you think NSPS has had on human resource practices in communication between supervisors and employees, compared to employees' prior system?

Available Responses

1. Greatly weaken 2. Weaken 3. About the same 4. Somewhat improve  
5. Greatly improve 6. Do not know

% Responding		Percentages					
		1	2	3	4	5	6
NSPS Pay Plans	93	9	10	44	21	9	7
NSPS STATUS							
Spiral 1.1	95	9	9	44	22	10	6
Spiral 1.2	94	8	11	43	21	10	7
Spiral 1.3	93	10	10	44	19	8	9
Spiral 2.1	94	10	12	42	23	7	6
Spiral 2.2	92	8	9	45	23	9	7
Spiral 2.3/2.4	93	8	10	48	23	5	7

Figure 9. Responses to Question 118f

Analysis: In regards to the communication between supervisors and employees, 30 percent felt that it improved with NSPS versus prior systems. Nineteen percent felt that communication between supervisors and employees weakened. However, 44 percent of employees believed that communication stayed the same. The results of this question were interesting because NSPS was implemented to greatly improve supervisor–employee relations. It appears that NSPS did not achieve this goal. Interestingly, the groups that were implemented first felt that the employee–supervisor relations improved more than the last groups that were implemented. All groups were over forty percent when stating that communication stayed the same.

7. (Question 121) Compared to the previous personnel system, NSPS is ...

Available Responses

1. Much worse 2. Worse 3. Neither better nor worse 4. Better  
5. Much better 6. Do not know

% Responding		Percentages					
		1	2	3	4	5	6
NSPS Pay Plans	94	19	23	25	17	9	6
NSPS STATUS							
Spiral 1.1	95	16	21	27	20	9	6
Spiral 1.2	95	19	23	23	18	12	7
Spiral 1.3	93	20	22	26	16	8	8
Spiral 2.1	94	25	24	25	15	6	6
Spiral 2.2	92	18	23	26	17	9	7
Spiral 2.3/2.4	94	23	33	25	11	4	5

Figure 10. Responses to Question 121

Analysis: Twenty-three percent believed that NSPS is at least better than previous personnel system. Forty-two percent of the respondents believed that NSPS was worse or much worse than previous personnel system. Out of the NSPS Spiral 1.1 participants, 29 percent believed that NSPS is better previous systems while 37 percent believed that NSPS was worse. As for the group that was implemented into NSPS last, Spiral 2.3/2.4, only 15 percent believed that NSPS was at least better than previous systems. In this same group, 56 percent believed NSPS was worse or much worse than previous systems. It appears that the first group of Spiral has a more positive take on NSPS than the last group. Although in the first group, less than half of the respondents felt positive about this system.

8. (Question 120i) For employees in your organization, how does NSPS compare with the previous personnel system for managers' accountability for their employees?

Available Responses

1. Much worse 2. Worse 3. Neither better nor worse 4. Better  
5. Much better

% Responding		Percentages				
		1	2	3	4	5
NSPS Pay Plans	92	5	12	55	21	7
NSPS STATUS						
Spiral 1.1	94	7	11	53	22	7
Spiral 1.2	93	5	11	54	20	9
Spiral 1.3	92	6	13	55	19	6
Spiral 2.1	92	6	13	52	23	5
Spiral 2.2	91	4	11	56	23	6
Spiral 2.3/2.4	92	6	12	58	22	3

Figure 11. Responses to Question 120i

Analysis: Twenty-eight percent of the employees believed that NSPS was at least better with manager's accountability for their employees when compared with the previous personnel system. Whereas, 17 percent believed it was worse or much worse than the previous system. However, 55 percent believed that NSPS was neither better nor worse than the previous systems concerning manager's accountability for their employees. Thirty percent of supervisors who responded to this question believed manager's accountability was better under NSPS than previous systems and 39 percent of managers agreed that NSPS was better or much better than previous system when concerning management accountability. Fifteen and thirteen percent of supervisors and managers, respectively, believed that managers' accountability for their employees was

worse or much worse. Fifty-five percent of supervisors and forty-nine percent of managers felt that managers' accountability for their employees was neither better nor worse.

NSPS was promoted as a better personnel management system; however, the survey suggests the opposite. Seventy-two percent of the respondents believe this system was at best the same, if not worse, than the previous personnel system. This belief did not alter much among the NSPS Spiral groups.

9. (Question 120g) For employees in your organization, how does NSPS compare with the previous personnel system for your salary level?

Available Responses

1. Much worse 2. Worse 3. Neither better nor worse 4. Better  
5. Much better

% Responding		Percentages				
		1	2	3	4	5
NSPS Pay Plans	92	6	14	38	30	12
NSPS STATUS						
Spiral 1.1	94	5	12	34	35	15
Spiral 1.2	93	6	13	33	32	15
Spiral 1.3	92	7	15	40	27	11
Spiral 2.1	92	7	16	37	30	10
Spiral 2.2	91	4	13	38	33	12
Spiral 2.3/2.4	93	6	17	55	19	4

Figure 12. Responses to Question 120g

Analysis: Forty-two percent of employees under NSPS pay plans felt that their salary level was either better or much better than the previous personnel system. Twenty percent felt that their salary was worse or much worse than the previous personnel system. Thirty-eight percent responded that their pay was better or worse under the previous personnel system. The NSPS group that have been under NSPS the longest, Spiral 1.1, 50 percent replied that they their salary level is better or much better than the previous system. However, Spiral 2.3/2.4, the last spiral implemented, thirty-one percent replied that their salary has improved. Out of the Spiral 1.1 respondents, 34 percent believed that their salary level was neither better nor worse and 55 percent of Spiral 2.3/2.4 respondents believe they did not see a difference, as well.

Responses to this question were interesting because the first implemented group believed their salary under NSPS was better than the previous system, actually more than half felt this way. However, less than a third of the last implemented group responded that they believed their salary improved. Overall, the favorable responses were still less than half. It appears that NSPS was on the right track initially as far as the salaries were concerned; however, it did not hold up. NSPS was touted as a system that would increase salaries for its employees but more than half of the respondents did not agree.

10. (Question 120f) For employees in your organization, how does NSPS compare with your previous personnel system for recognition and rewards?

Available Responses

1. Much worse 2. Worse 3. Neither better nor worse 4. Better 5. Much better

% Responding		Percentages				
		1	2	3	4	5
NSPS Pay Plans	92	7	19	45	20	9
NSPS STATUS						
Spiral 1.1	94	6	16	46	22	10
Spiral 1.2	93	7	17	45	20	11
Spiral 1.3	93	8	20	46	18	8
Spiral 2.1	93	7	23	41	22	7
Spiral 2.2	91	5	18	45	23	9
Spiral 2.3/2.4	93	8	22	50	17	3

Figure 13. Responses to Question 120f

Analysis: Twenty-nine percent of NSPS pay plan applicants felt that recognition and rewards were at least better under NSPS than the previous personnel system. Twenty-three replied that recognition and rewards were worse and 45 percent believed that recognition and rewards were neither better nor worst. Rewards and recognition were to improve under this pay for performance system, although the respondents in this survey did not see a significant difference. Sixty-eight percent of the respondents believe that this system is the same if not worse than the previous system.

11. (Question 120d) For employees in your organization, how does NSPS compare with your previous personnel system for pay levels?

Available Responses

1. Much worse 2. Worse 3. Neither better nor worse 4. Better 5. Much better

% Responding		Percentages				
		1	2	3	4	5
NSPS Pay Plans	92	6	19	41	24	9
NSPS STATUS						
Spiral 1.1	94	6	15	40	29	10
Spiral 1.2	92	7	18	37	26	12
Spiral 1.3	92	7	19	43	22	8
Spiral 2.1	92	7	22	42	23	6
Spiral 2.2	91	5	18	43	26	8
Spiral 2.3/2.4	92	7	26	50	15	2

Figure 14. Responses to Question 120d

Thirty-three percent believed that NSPS was better or much better than the previous personnel system. Forty-one percent believed that the pay levels were neither better nor worse and 25 percent believed that the pay levels were worse or much worse. These percentages seem to imply that the pay levels of NSPS did not have a significant change on the employees. Sixty-seven percent felt that the pay levels did not change or they were worse.

12. (Question 120e) For employees in your organization, how does NSPS compare with your previous personnel system for performance management?

Available Responses

1. Much worse 2. Worse 3. Neither better nor worse 4. Better 5. Much better

% Responding		Percentages					
		1	2	3	4	5	6
NSPS Pay Plans	94	8	12	40	15	7	17
NSPS STATUS							
Spiral 1.1	96	7	9	38	21	12	13
Spiral 1.2	94	7	12	38	18	9	15
Spiral 1.3	93	8	13	40	14	7	18
Spiral 2.1	94	9	15	41	13	4	17
Spiral 2.2	92	8	11	42	15	6	18
Spiral 2.3/2.4	94	8	14	46	7	2	24

Figure 15. Responses to Question 120e

Analysis: Twenty-eight percent responded that NSPS was better at performance management than the previous personnel system and 24 percent replied that NSPS was worse or much worse than the previous personnel system. Forty-eight percent of the respondents believed that it was neither better nor worse. The responses to this question were interesting because performance management was supposedly one of

NSPS’s strong elements. However, according to the results, it implies that the NSPS performance management was not any different than the previous system management system.

Thirty-three percent of the Spiral 1.1 employees felt that it was beneficial but none of the other Spirals percentages were that high. It appears that the first group of NSPS is more optimistic than the other groups. In Spiral 2.2/2.3, only 9 percent believed that it was better. Overall, majority of the participants felt that either NSPS was the same as the previous system or it was worse. This was not the perception that was envisioned when NSPS was first implemented.

13. (Question 118a) What effect do you think NSPS has had on human resource practices in hiring new employees, compared to employees' prior system?

Available Responses

1. Greatly weaken 2. Weaken 3. About the same 4. Somewhat improve  
5. Greatly improve 6. Do not know

% Responding		Percentages					
		1	2	3	4	5	6
NSPS Pay Plans	94	8	12	40	15	7	17
NSPS STATUS							
Spiral 1.1	96	7	9	38	21	12	13
Spiral 1.2	94	7	12	38	18	9	15
Spiral 1.3	93	8	13	40	14	7	18
Spiral 2.1	94	9	15	41	13	4	17
Spiral 2.2	92	8	11	42	15	6	18
Spiral 2.3/2.4	94	8	14	46	7	2	24

Figure 16. Responses to Question 118a

Analysis: Less than 25 percent believed that NSPS is better at hiring new employees than the previous systems. This statistic is also surprising since this system

was designed to attract new, talented, and highly skilled workers. NSPS was promoted as being more attractive than the previous system and this would bring better employees to the government. However, 20 percent believed that this system was either worse or much worse than the previous system. Interestingly, 40 percent believed that this system is not that different than any previous system such as GS. This may suggest that the NSPS employees are not completely convinced that this new system is the best for the Department of Defense.

14. (Question 118c) What effect do you think NSPS has had on human resource practices in rewarding good work performance, compared to employees' prior system?

Available Responses

1. Greatly weaken 2. Weaken 3. About the same 4. Somewhat improve  
5. Greatly improve 6. Do not know

% Responding		Percentages					
		1	2	3	4	5	6
NSPS Pay Plans	93	14	15	26	24	14	8
NSPS STATUS							
Spiral 1.1	95	12	14	27	25	16	6
Spiral 1.2	94	13	14	24	24	18	7
Spiral 1.3	92	16	16	26	20	13	9
Spiral 2.1	93	16	16	25	23	13	6
Spiral 2.2	93	12	14	26	26	14	8
Spiral 2.3/2.4	93	9	11	32	21	11	17

Figure 17. Responses to Question 118c

Analysis: Thirty-eight percent of the NSPS respondents believed that NSPS had a better effect on rewarding good work performance and twenty-nine percent believe that it was worse. In addition, 26 percent believe that it was the same and 6 percent did

not know. At first glance, this appears as positive feedback; however, the average rating suggests that NSPS does not reward good performance better than any other system.

15. (Question 118d) What effect do you think NSPS has had on human resource practices in linking pay to performance, compared to employees' prior system?

Available Responses

1. Greatly weaken 2. Weaken 3. About the same 4. Somewhat improve  
5. Greatly improve 6. Do not know

% Responding		Percentages					
		1	2	3	4	5	6
NSPS Pay Plans	93	14	15	26	23	14	7
NSPS STATUS							
Spiral 1.1	95	13	13	26	27	16	6
Spiral 1.2	94	14	15	24	24	18	7
Spiral 1.3	93	16	15	28	19	14	9
Spiral 2.1	93	16	17	24	23	13	6
Spiral 2.2	93	12	14	26	26	14	8
Spiral 2.3/2.4	93	13	19	34	20	10	17

Figure 18. Responses to Question 118d

Analysis: Thirty-seven percent of the respondents believed that NSPS had a positive effect on linking pay to performance when compared to the previous system and 29 percent felt that NSPS had an adverse effect than the previous system. Twenty-six percent believe that it had no effect on linking pay to performance. Although, 37 percent responded favorably, more than half of the respondents felt that NSPS was not a benefit in linking pay to performance. In every Spiral group, overall more than half did not see a significant benefit to NSPS when linking pay to performance. Accountability was the key word when the implementation of NSPS was mentioned. However,

according to the responses of this question, it failed to meet the mark. This was surprising because NSPS was created to fix the alleged accountability problems with GS.

16. (Question 123b) To what extent do you agree or disagree with the following statement: The pay pool panel helps ensure that the performance rating and payout process is equitable in my organization.

Available Responses

1. Strongly disagree 2. Disagree 3. Neither agree nor disagree 4. Agree  
5. Strongly agree 6. Not applicable

% Responding		Percentages					
		1	2	3	4	5	6
NSPS Pay Plans	93	24	22	27	20	6	1
NSPS STATUS							
Spiral 1.1	95	23	22	27	22	5	1
Spiral 1.2	94	25	22	25	20	6	1
Spiral 1.3	93	26	20	28	20	6	1
Spiral 2.1	93	28	21	26	18	5	1
Spiral 2.2	92	22	23	29	20	6	1
Spiral 2.3/2.4	93	20	22	33	20	2	1

Figure 19. Responses to Question 123b

Analysis. Twenty-six percent of the respondents believed that pay pool panel ensured that the payout process was fair in the organization and forty-six percent believe that it was not. The results of this question leans toward the perception NSPS is wrought with favoritism concerning the payout process. This issue has plagued NSPS with concerns of everyone not being treated equitably as far as the payout process is concerned.

17. (Question 123c) To what extent do you agree or disagree with the following statement: The 5-level NSPS performance rating scale provides meaningful performance differentiation among employees.

Available Responses

1. Strongly disagree 2. Disagree 3. Neither agree nor disagree 4. Agree  
5. Strongly agree 6. Not applicable

% Responding		Percentages					
		1	2	3	4	5	6
NSPS Pay Plans	93	21	22	28	22	6	1
NSPS STATUS							
Spiral 1.1	95	21	24	27	21	6	1
Spiral 1.2	94	22	23	25	21	7	1
Spiral 1.3	93	22	21	29	21	6	1
Spiral 2.1	93	24	20	29	23	6	1
Spiral 2.2	92	19	22	29	23	6	1
Spiral 2.3/2.4	93	23	23	29	21	3	2

Figure 20. Responses to Question 123c

Analysis: Twenty-eight percent of the respondents revealed that the NSPS performance rating scale provides meaningful performance differentiation among employees but 43 percent felt that it did not. Twenty-eight percent believe that it was neither good nor bad. It appears that NSPS fell short of this goal. The highest positive response came from Spiral 2.1 and 2.3 with 30 percent. Forty-six percent of Spiral 2.3/2.4 strongly disagreed with the statement. It appears that the perception did not improve.

## **B. SUMMARY**

Overall, regarding the 17 questions above, the first implemented group of NSPS had more positive responses for NSPS than the latter groups. This may be a result of Spiral 1.1 being used to the changes in the personnel system. The implementation of Spiral 2.2/2.3 may have been met with resistance and consequently had more of a negative feeling towards the change. Even though Spiral 1.1 had more positive responses than the other groups, they still did not have overwhelming numbers in support of NSPS. Although changes have been made to NSPS, according to these responses, the employees have not fully embraced this system. According to more than half of the respondents, the belief is that this system is neither better nor worse than the previous system they were under.

## IV. FINDINGS

During our research, it was revealed that the employees and labor union representatives must be in agreement with the newly implemented system. From the beginning, full collaboration with the Office of Personnel Management and the federal employee unions would have been an asset to the department in meeting the critical challenge of implementing NSPS. Instead, the DoD refused to share the details of the new personnel plans with the union officials that represented the DoD employees. Even as early as the development phase of NSPS, the developers failed to get buy-in from some of the key stakeholders. The unions worried continually about the design of the rules and regulations of NSPS. There was also a communication gap between DoD, OPM, and the union. This breakdown in communication eventually led to mistrust and skepticism. The communication gap never closed.

Thus, thorough research should be conducted prior to the implementation of any DoD pay for performance system. Any boards assigned to conduct the research should include labor union representatives.

Our result also brought to light the fact that NSPS employees were concerned that not everyone was being treated equitably as far as the payout process was concerned. There was a perception that NSPS was wrought with favoritism. Any personnel system revamp should not leave areas open for biases and favoritism.

NSPS was touted as a better personnel system that would correct poor performance, improve supervisor-employee relations, improve human resource management, and authenticate recognition and reward; however, our data analysis suggested otherwise. In addition, NSPS was considered a better system at hiring new employees. Forty-two percent of the respondents in the Data Analysis felt that NSPS was worse or much worse than the previous system. Only twenty-three percent believed that it was at better than the previous system. Manager's accountability for their employees did not significantly improve either. More than half of the respondents believed that NSPS did not improve accountability.

Less than 25 percent of the NSPS Pay Plan respondents agreed that NSPS was better at correcting poor performance than their previous system and almost half thought it was the same. DoD wanted to move away from the GS personnel system because it rewarded poor performance. In the area of human resource practices such as classification of jobs by series and pay grade, less than 25 percent of the respondents believed that NSPS improved this area. In other areas of human resource management such as performance management and rewarding good work performance, the belief was less than 30 percent that NSPS was on the right track. The research also revealed that although 30 percent of the respondents believed that communication between the employee and supervisor improved, 63 percent felt that communication was the same or worst when compared to their previous system. Twenty-six percent of NSPS respondents in the data analysis believed that the pay pool panel ensured that the payout process was fair and 46 percent believed that it wasn't. This finding leans towards the perception that NSPS is wrought with favoritism concerning the payout process. This issue has plagued NSPS with concerns that not everyone is treated equitably as far as the payout process

In the area of hiring new employees, less than twenty-five percent thought that NSPS was better at hiring new employees. This data was surprising since this system was designed to attract new, talented, and highly skilled workers. Interestingly, 43 percent did not feel that this system was any better than their previous system.

Overall, as far as positive responses, the first implemented Spiral Group, Spiral 1.1, had more positive responses than the newly implemented group, Spiral 2.2/2.3. Although the initial implementation group had more positive responses than the other groups, Spiral 1.1 did not have overwhelming numbers in support of NSPS. Changes were made to NSPS; however, employees failed to embrace this system. It appeared that the implementation process did not include winning over the employees. The level of support for NSPS never reached a majority consensus.

## **V. CONCLUSION AND RECOMMENDATIONS**

### **A. CONCLUSION**

The Department of Defense implemented a more modern pay-for-performance personnel system, essentially what would become the National Defense Personnel System (NSPS). This new system would correct all of the problems associated with the GS pay system to include accountability of employees' performance. However, this new system did not come without challenges.

Consequently, during the development phase of NSPS, the developers failed to get buy-in from some of the key stakeholders, such as AFGE, DoD Coalition, congressional representatives, employees, and supervisors. In addition, there was a communication gap between DoD, Office of Personnel Management (OPM), and the union. The breakdown in communication eventually led to mistrust and skepticism. Essentially, the gap never closed between DoD, OPM, and the union.

As a result of this research, it was realized that pay-for-performance systems cannot fully work if biases, favoritism, and trust issues are not eliminated, as were perceived under NSPS. In addition, the GS system has its flaws as well, since it rewards employees simply because of longevity. Now, DoD is reverting to the GS system until something else comes along. It has been stated that the GS system does not work; however, NSPS was perceived to be worse than GS. There has to be a system that eliminates the flaws and utilizes the positive characteristics of both systems.

If there is going to be another pay-for-performance system implemented, it needs to be transparent. The new system must have support from the key stakeholders; otherwise, the new system's fate may be the same as NSPS. It is incumbent upon DoD to conduct more research and implement the right system that is conducive to DoD's needs.

In addition, we found out that millions of dollars were spent to implement, modify, and eventually abolish NSPS in its entirety. There cannot be a rush to implement any

new personnel system, and the system must ensure that employees' rights are being preserved. Although millions have been spent on NSPS, how many more millions will be spent before DoD implements the appropriate system for DoD and its employees?

## **B. RECOMMENDATION FOR FURTHER RESEARCH**

During this project, we found out about the Defense Civilian Intelligence Personnel System (DCIPS). This is a pay-for-performance system for intelligence agencies. DCIPS derives its authority from Title 10 of the U.S. Code and utilizes a common excepted service civilian personnel authority for its civilian intelligence positions within DoD. The majority of DoD, by contrast, uses Title 5 authority for the administration of its civilian positions. President Obama is supportive of a pay-for-performance system and his administration is supportive of this DCIPS (Defense Civilian Intelligence Personnel System). The Defense Civilian Intelligence Personnel System seems more contemporary in comparison with industry personnel systems. However, the fact that it does not adhere to Title 5 employment laws would be a serious hindrance with the implementation of this pay system on the rest of DoD employees. This is a personnel system that requires a thorough examination to determine whether some of the elements will meet the needs and goals of DoD. We did not pursue further research due to it being outside the scope of this JAP.

As a result of the data and analysis, we recommend that further effective research should be conducted to find the best personnel system to meet the needs of DoD employees and the Department. DoD should be mindful that it could not fully function like industry when dealing with personnel systems. There are laws and regulations that must be followed. The new system must find a way to encourage the hiring of highly motivated and well-skilled employees.

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