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NATIONAL SECURITY PERSONNEL SYSTEM
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May 21, 2009

**MEMORANDUM FOR NATIONAL SECURITY PERSONNEL SYSTEM
OVERARCHING INTEGRATED PRODUCT TEAM**

Subject: Internal Program Evaluation Report on NSPS

Attached is the first internal program evaluation report on the National Security Personnel System (NSPS), prepared under the auspices of section 9901.107 of the NSPS regulation, which states that the Department will evaluate NSPS regulations and their implementation. The Program Executive Office (PEO), on behalf of the Secretary, carries out the evaluation activities as part of the PEO mission.

NSPS was designed to be a flexible system to meet the wide ranging needs of many different DoD organizations and their employees. Spiral implementation has enabled the Department to learn continuously through formal and informal evaluation activities, and to adjust the system and its supporting tools along the way. This evaluation encompasses NSPS staffing, pay, and performance features, as they were implemented through mid-2008 for Spiral 1 organizations, and is based on information captured after the first full rating cycle and first full year of operation for most of the Spiral 1 workforce. The report is intended to show where NSPS stood at the end of Spiral 1 in relation to its Key Performance Parameters, and to highlight areas for attention.

SRA International, Inc., a support contractor to the PEO, carried out the evaluation. The firm has years of experience in evaluating alternative personnel systems, including DoD personnel demonstration projects for both the laboratory and acquisition communities. SRA is also extremely well-versed in NSPS data and processes, and has supported the PEO from the beginning of the NSPS program.

The evaluation considered implementation program activities; analyzed performance rating and pay outcomes; sampled performance plans and assessments; analyzed workforce opinions in 2006-2008 Status of Forces Surveys of DoD civilians; and assessed the practices and views of local managers, employees, and supervisors at twelve Spiral 1 organizations.

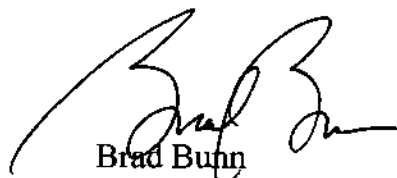
The report illustrates that the program is experiencing issues typical of major programs involving significant systemic change. In 2008, Spiral 1 organizations were still refining their implementation and the system was still stabilizing after Congressional changes. Many members of the workforce expressed doubts or uncertainty about NSPS. The report highlights issues with the compensation flexibilities available for internal

placement actions (e.g., reassignments), and describes problems with the automated appraisal tool, the quality of performance plans and assessments, pay pool process transparency, and raters' confidence about their role in performance management. The report also shows that NSPS has had a positive effect on attracting highly skilled newcomers to the Department, and highlights concerted program activities to train the workforce, communicate on key matters, and institute fair appraisal and payout review processes.

While the 2008 findings reflect an early stage of implementation, it remains essential that organizations operating under NSPS continue to focus on leadership communication, continued training and retraining, exposure to the pay pool panel deliberation process for raters, and careful and equitable management processes in all aspects of NSPS. The Department has already acted on a number of key problem areas in the report, including: release of an improved automated appraisal tool for the Fiscal Year 2009 rating cycle; a new Implementing Issuance requirement to communicate annual pay pool results to the affected workforce; additional guidance on the prohibition of forced distribution; and guidance on managing performance for deployed civilians.

The primary purpose of this evaluation report is to inform senior leaders and policymakers within the Department as they consider changes and improvements to NSPS policies and practices. This report will be shared with the NSPS Senior Executive, members of the NSPS Overarching Integrated Product Team, and Component NSPS Program Managers. It will also be provided to the Defense Business Board task group that has been established to conduct a comprehensive review of the program.

The PEO remains committed to evaluating and assessing NSPS to ensure its design and implementation reflect a personnel system that is mission-focused, fair, transparent, and effective.



Brad Bunn
Program Executive Officer
National Security Personnel System

Attachment:
As stated

NSPS 2008 Evaluation Report

PROGRAM EXECUTIVE OFFICE NATIONAL SECURITY PERSONNEL SYSTEM (NSPS) – 2008 EVALUATION REPORT



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May 15, 2009

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EXECUTIVE SUMMARY

ES.1 Purpose of the Report

The purpose of this evaluation report is to ascertain whether NSPS as implemented in Spiral 1 is achieving or is on track to achieve the expectations set forth by key performance parameters (KPPs) in the NSPS Requirements Document. The secondary purpose is to identify aspects of NSPS and its operation that warrant attention and possible adjustments. This evaluation focuses on the NSPS personnel system as it has been operating, with emphasis on performance management and compensation, which touch all employees, and to a lesser degree on classification and staffing.

DoD's white collar workforce entered NSPS in segments, or spirals. Spiral 1 was subdivided into three parts. The first conversion, Spiral 1.1, included more than 10,000 employees and supervisors from organizations in the Army, Navy, Air Force, and Fourth Estate. Their first rating cycle was a six-month period that began on 30 April 2006. Spirals 1.2 and 1.3 began in October 2006 and March 2007 respectively, with NSPS conversions taking place over several months for each. Spiral 1.2 included about 64,000 employees, and Spiral 1.3 included almost 34,000 employees. This second NSPS rating period ended in September 2007, with the accompanying payout cycle completed in January 2008. Spiral 2 converted in FY08.

ES.2 Evaluation Goals and Objectives

This report aligns with the NSPS Evaluation Plan issued by the Program Executive Office (PEO) for NSPS on 30 June 2007. The NSPS Evaluation Plan lists five KPPs, which are capabilities or characteristics that are "so significant that failure to meet a minimum 'threshold' can be cause for that element, concept or system to be reevaluated, or the program to be reassessed or terminated" (Requirements Document, 25 September 2004, p. 5). The five KPPs are:

- *High-Performing Workforce and Management* – whether employees and supervisors are compensated and retained based on their performance and contribution to mission.
- *Agile and Responsive Workforce and Management* – whether the workforce can be easily sized, shaped, and deployed to meet changing mission requirements.
- *Credible and Trusted System* – whether the system assures openness, clarity, accountability and adherence to the public employment principles of merit and fitness.
- *Fiscally Sound System* – whether aggregate increases in civilian payroll, at the appropriations level, will conform to OMB fiscal guidance, and whether managers will have flexibility to manage to budget at the unit level.
- *Supporting Infrastructure Information Technology Support* – whether information technology support, and training and change management plans are available and funded.

ES.3 Evaluation Data Sources and Findings

This evaluation report analyzes data from three primary sources:

- Automated data extracts from the **Defense Civilian Personnel Data System (DCPDS)** and the **Compensation Workbench (CWB)**. Section 2 presents analyses that examine rating and payout information for the 2007 performance management cycle that involved 108,758 individuals. Additional analyses in this section address 2007 and 2008 personnel movement among NSPS organizations, out of NSPS, or out of DoD; discrimination complaints; and sampled employee performance plans.

- **Site visits to 12 organizations** across all four components and operational echelons. The study teams conducted 58 focus groups and 53 interviews and reviewed documentation relating to each organization's implementation of NSPS. Section 3 addresses the site visit findings.
- Employee attitudes as reported in the **Status of Forces Survey-Civilian (SOFS-C)** for 2006, 2007, and 2008. The SOFS-C is administered yearly by the Defense Manpower Data Center. Analyzing these responses over time tracks changes in workforce attitudes regarding satisfaction with job, work, workplace, and coworkers; satisfaction with leadership, supervisors, and policies; satisfaction with performance management; satisfaction with career progression; and attitudes towards NSPS. Section 4 examines SOFS-C responses.

ES.4 Findings by KPP

Section 5 of the report presents an integrated summary across all three data sources. Key findings presented in the integrated summary indicate that while NSPS has not yet achieved all five KPPs, progress is being made. This report contains key findings that apply to the five KPPs as well as three findings that apply to NSPS more generally. The latter are listed as "Additional Topics."

KPP 1. High Performing Workforce and Management

- *Stronger link between total compensation and performance.* The link between pay and performance is still vague for many employees and is, in the opinion of some senior leaders, not yet fully realized. Analyses of DCPDS data show a clear link between performance ratings and payouts. According to SOFS-C results, a recent positive upswing in workforce opinion that NSPS has improved linking pay to performance is offset by a greater majority indicating a contrary perspective. Employees indicate more unfavorable than favorable views that NSPS is better for recognition and rewards and has rewarded good work performance. However, all NSPS spirals are substantially more favorable and less unfavorable than the non-NSPS population that pay raises depend on how well employees perform.
- *Market sensitive salary and wages.* NSPS employees are generally satisfied with pay, but caution that the five percent reassignment cap and control points cause concerns. They also express concern that outside hires benefit more than they do from flexible starting salaries. Some also perceive that NSPS funding is not equivalent to GS funding, thereby potentially limiting their earnings and affecting retention.
- *Performance system provides ongoing feedback.* Findings from employee focus groups generally agree with SOFS-C results that regular and formal feedback and the time required to develop performance plans are worthwhile, although SOFS-C results show no strong indication that NSPS has improved communications between supervisors and employees. While SOFS-C results show employees are satisfied with their performance recognition, they also indicate that meaningful distinctions in performance are not readily seen under NSPS. This view aligns somewhat with focus group findings that some employees do not agree that ratings match performance.
- *Stronger link between retention/separation and performance.* In 2008 employees with low ratings separated from both NSPS and non-NSPS organizations at a similar rate of about 13%. Many NSPS employees worry that NSPS' lower performance ratings will make it difficult for them to transfer or will otherwise negatively affect their career progression.
- *Performance expectations aligned with DoD and organization strategic plans.* Findings from SOFS-C and DCPDS consistently show that managers communicate goals and

priorities. SOFS-C results show increasing disagreement concerning alignment to organizational goals, with focus group findings showing more general agreement that alignment is occurring.

- *System supports employee engagement in a positive manner.* SOFS-C results show that employees are substantially more favorable than unfavorable to senior leaders' policies and practices, and that they have trust and confidence in both their supervisors and in senior leaders. Employee focus group findings indicate that NSPS' wide pay bands are appreciated for the opportunities they provide to the employee.

KPP 2. Agile and Responsive Workforce and Management

- *Renewable, expandable, retractable (size) – mission critical/core support occupations* SOFS-C findings generally show some increase in satisfaction with the performance and quality of employees that have been hired in the past two years, although focus groups of supervisors counter this perspective. All results point to a reluctance to credit NSPS for any improvement in hiring or the performance of new hires to this point. Focus group findings cite hiring for specific pay ranges and specialty positions as particularly difficult under NSPS.
- *Assignable, deployable (shape).* NSPS has flexibilities that are recognized by both employees and supervisors, but SOFS-C results indicate that they generally see NSPS as worse than the GS system for hiring, placement, and promotion. A key issue is that many employees with potential to be supervisors are reluctant to be reassigned to such positions with a greater workload under NSPS and at most a five percent pay increase.

KPP 3. Credible and Trusted System

- *All elements of NSPS design are accessible and understandable (transparency).* Although all organizations established pay pool business rules and a majority published payout and rating results, many employees and some supervisors do not fully understand the pay pool panel process and wish to learn more about it. More employees disagree than agree that the pay pool panels help ensure fair ratings and payouts. SOFS-C and focus group findings disagree concerning whether employees understand what is required to be rated at a different performance level.
- *Management decisions are merit-based, non-discriminatory, and consistent with NSPS regulations.* All NSPS spirals were more favorable than unfavorable in their views that promotions in their work units are based on merit. As well, making fair personnel decisions was cited as the most important supervisor skill under NSPS. All three Spiral 1 populations had slightly higher unfavorable than favorable response rates that NSPS is better/worse than the previous performance management system.
- *Expedient and fair resolution of grievances, performance reconsiderations, classification appeals, adverse action appeals.* While some employees did not request reconsiderations because they did not know how, for others the time period for requesting a reconsideration was an issue, or they were waiting another pay cycle to gain perspective on the distribution of ratings. This lack of understanding appears to be substantiated by pay pool managers and Performance Review Authorities (PRAs) who report a lack of guidance on how to conduct the reconsideration process. In January 2008, 2.3% of the 100,465 NSPS employees who received a performance rating for FY2007 requested a reconsideration; one-third of reconsideration requests were granted. Senior leaders interpret lack of reconsideration requests as evidence that employees are satisfied with the pay pool panel process. The total number of EEO complaints increased from 22 in 2007 to 154 in 2008, but declined as a percentage of those in NSPS. However, sufficient

data are not yet available to provide a meaningful analysis of the impact of NSPS on discrimination complaints.

- *Handle performance deficiencies and misconduct timely and decisively.* Supervisors and managers have difficulty in dealing with poor performers. Many employees observed that marginal performers are seldom given 2 ratings, and senior leaders and supervisors generally agree that there is institutional difficulty in giving 2 ratings. While responses on the SOFS-C were generally positive about steps taken in their work unit to deal with a poor performer, employees were unwilling to credit NSPS with improving such situations. Unfavorable SOFS-C responses concerning NSPS' improving disciplining/correcting poor work performance exceed favorable ones. All spirals expressed general ambivalence concerning whether NSPS is better or worse than their previous system for dealing with conduct and discipline.
- *NSPS employees in aggregate are not disadvantaged by the compensation system.* Rating and payout analyses suggest that payouts are higher for higher-paid employees. The focus groups indicated that employees are concerned about including part of the government-wide pay increase (GPI) in pay pool performance budgets, the effects of bonuses on retirement "high three" calculations, and how they fared relative to GS employees.

KPP 4. Fiscally Sound System

- *System provides for cost discipline.* Some employees in organizations that enriched funding to their NSPS pay pools question whether the higher funding levels can be sustained over the long term. In aggregate, pay pools underspent the funding for salary increases (Element 1 and Element 2) by 3.1 percent and overspent the funding for bonuses (Element 3) by 5.5 percent. The underspending of Element 1 largely reflects non-rated individuals who were not eligible for payouts. The total payouts were lower by 0.2 percent of the funding amount.

KPP 5. Supporting Infrastructure

- *Employees and managers are knowledgeable in pertinent aspects of NSPS as a result of training.* The NSPS workforce seeks additional training on the performance appraisal system, including writing performance objectives and assessments. Employees and supervisors also expressed a desire for better understanding of the pay pool panel process. Supervisors are increasingly confident that they have the tools, training, and information they need to make pay decisions under NSPS.

Additional Topics

- *Amount of time required to perform process.* Supervisors and employees overwhelmingly expressed that all aspects of NSPS were time-intensive in the first year. Focus group findings show concern and uncertainty whether the time and administration requirements of NSPS will be worthwhile.
- *Operation and administration of implementation team.* Focus group findings show that, while implementation teams were instrumental to success, their efforts were confounded by shifting policies during the initial implementation of NSPS.
- *Effects of NSPS.* While focus groups are divided on whether the workplace is more collaborative or competitive under NSPS, SOFS-C results show that more employees feel their co-workers cooperate to get the job done. Employee and supervisor focus groups as well as senior leader interview findings suggest that all groups believe NSPS implementation and acceptance will take time, effort, training, and leadership.

These findings are often inconsistent across data sources. This result is not entirely surprising as the data sources measure different concepts in different ways. The DCPDS data reflect empirical results for all of NSPS. The SOFS-C results are statistical inferences of perceptions from a sample of NSPS employees (as well as non-NSPS civilians). The focus groups are protocol-driven discussions with NSPS employees and supervisors about their experiences and perceptions, and the interviews are with senior managers and executives. Given the stage of NSPS during which these data collection efforts occurred, it is certainly too early to say that NSPS has achieved the KPPs, but it is also unreasonable to say definitively whether NSPS is on or off track. There are signs of progress and other signs of needed change.

ES.5 Recommendations

Many of the study's recommendations address communication. Without effective communication and training, NSPS cannot achieve its goal of being a credible and trusted system. Implementation teams were conscientious in their communication efforts – so much so that some employees reported being overloaded with frequent, lengthy e-mails that they didn't have time to read. Further, NSPS as a new system continues to change, and some policies, such as those governing use of contributing factors, vary in their implementation. Policy changes, tool updates, new employees and supervisors, rotating military supervisors, and lingering questions among those who have experienced NSPS all call for high levels of ongoing training and communication. Key recommendations include:

- More training on the **performance management** system, especially writing SMART objectives, working with supervisors to tailor objectives that apply broadly to groups or tasks, changing objectives to keep them aligned with changing assignments, writing self-assessments, and understanding use of performance indicators and benchmarks. Supervisors also require training on developing objectives and writing assessments that enable them to meet the needs of the pay pool panel and defend their ratings. Training must include hands-on objective writing that is specific to the participant's job. Inventories of SMART objective examples that cover a range of job types and levels have proved helpful. Best practices, such as keeping logs or journals to document accomplishments and results, should be shared.
- High-level training for employees and supervisors that explains the **pay pool process**, including business rules and other checks that ensure process compliance and accountability. This training should extend through the PRA's review and approval of results. It should also include a high-level description of the Pay Pool Analysis Tool (PAT) that allows the PRA to examine the organization's rating and payout results across pay pools and by career group, pay schedule, and pay band. The workforce should also know that the components, as well as the NSPS PEO, conduct analyses of ratings and payouts for protected groups.
- **Easy reference guides, check lists, process flow graphics, time lines, and other learning aids** that employees can keep at hand and refer to quickly.
- **Mock pay pools**, which participants have found valuable, as refreshers for continuing panel members and as training for new members. This training and other panel planning meetings led by the pay pool manager are important for fostering a common understanding and application of the performance indicators and benchmarks, including how expectations should rise with the level of work. This understanding of ratings and performance indicators must be shared with the managers and supervisors whose employees constitute the pay pool, as well as with employees themselves.
- **Improved feedback** for effective performance management. Managers and supervisors need coaching in how to deliver useful feedback, especially during the interim and year-

end reviews, but also in response to successes, failures, or missed opportunities whenever they occur. Further, employees should be encouraged to seek feedback if they need but don't receive it.

- Greater clarity on **career progression and compensation policy** to eliminate confusion for the workforce that has moved from the comfortable, well-understood GS structure to NSPS pay bands. Policies or business rules governing reassignments that merit up to a five percent increase, where control points apply, how performance expectations change as the level of work increases, rounding rules, and salary-bonus splits all merit wide dissemination and discussion. These are issues on which questions of fairness invariably arise if employees sense that there is no policy or that the policy is complied with selectively. Among these, the five percent limit on pay increases for reassignments is perhaps most opposed or misunderstood.

ES.6 Conclusion

The KPPs set high standards for NSPS, but certainly standards that an effective, performance-based personnel system should achieve. NSPS implementation made great progress from its beginning in April 2006 with just over 10,000 employees to the conclusion of Spiral 1 with a total of more than 100,000. Program managers, implementation teams, and trainers across DoD worked with executives, managers, supervisors, and employees to make NSPS real. DoD knows from its decades of experience with performance-based demonstration projects that implementing and adjusting to change take time, especially when the change is of such magnitude as moving many thousand employees from the old but familiar General Schedule to a new pay-for-performance personnel system. Evaluations of DoD demonstration projects have shown that negative initial responses become positive over time as new employees who accept pay for performance join the workforce, those who most resist it leave, processes become more familiar and efficient, and high performers see real rewards. This Spiral 1 evaluation report has examined NSPS after just two performance cycles for Spiral 1.1 and only one cycle for Spirals 1.2 and 1.3. The report describes a beginning and a process, not an arrival.

Even with massive training and communication efforts, the workforce has unanswered questions. Employees and supervisors both want to understand the performance management system better, especially what happens in pay pools at the cycle's critical end. The vast majority are invested in their work and want feedback to help improve their performance. The workforce found the process of writing SMART objectives and assessments new and challenging, and pay pool panels wrestled with performance plans that were not always as specific as required. Together, they made it work, though generally not as smoothly as anyone would have wished. There were changes along the way. Some changes were the result of learning, some the result of Congressional decision making – all were in the spirit of improvement.

The way is paved for the future. Leadership is on board, the training is established, the trainers are trained, and the Readiness Tool documents lessons learned. Sustainment training will update and refresh the original training, improve proficiency, and answer such lingering questions as whether to weight objectives, how pay pool funding compares to GS, and how business rules inform share allocation. The processes that make up the annual cycle will become more familiar. The advantages of working with pay bands – classification, reassignments, career progression – will become more apparent as attachment to the GS structure fades. As the newness continues to wear off, NSPS has the potential to demand less time and effort and become a valuable tool for both supervisors and employees. It's on its way, and future evaluations will document its path.

1. INTRODUCTION

1.1. Background and Purpose

To support America's uniformed combat forces, the Department of Defense (DoD) employs more than 700,000 appropriated fund civilians, including both blue collar and white collar workers. Now faced with a global war on terrorism, the role of DoD's civilian workforce is expanding to include more significant participation in combat support functions that will allow military personnel to focus on war fighting duties. In addition, civilian personnel are key to maintaining institutional knowledge because of frequent rotations of military personnel.

Since the end of the Cold War, the civilian workforce has undergone substantial changes resulting from downsizing, base realignments and closures, and competitive sourcing initiatives. In addition, the laws, rules, regulations, policies, and procedures for hiring, firing, utilizing, and paying these employees have evolved over several decades, resulting in complexity and rigidity in civilian personnel processes.

Based on DoD's success with several demonstration projects over 20 years, Congress passed Public Law 108-136, the Defense Authorization Act for Fiscal Year 2004. Title XI, Subtitle A, section 1101 of this law gives the Secretary of Defense authority to establish a flexible and contemporary system of civilian Human Resources (HR) management for DoD civilians, in coordination with the Director, Office of Personnel Management (OPM), and in collaboration with employee representatives. The National Security Personnel System (NSPS) enables DoD to "manage strategically its civilian workforce based on a total force perspective" (Requirements Document for National Security Personnel System, 25 September 2004, p. 3) and to better meet the national security demands of the 21st century. The overarching mission objective of NSPS is "to place the right civilian employee in the right job with the right skills at the right time at the right cost." That is, "NSPS must be a mission-based system that is linked to DoD goals. The NSPS system must allow rapid adaptation of the civilian workforce composition to meet changes in mission requirements" (Requirements Document for National Security Personnel System, 25 September 2004, p. 3).

DoD's white collar workforce is entering NSPS in segments, or spirals. Spiral 1 was subdivided into three spirals. The first conversion, Spiral 1.1, included more than 10,000 employees and supervisors from organizations in the Army, Navy, Air Force, and two DoD agencies. Their first rating cycle was a six-month period that began on 30 April 2006. This initial rollout did not include organizations with employees covered by bargaining units or employees at foreign locations. Spirals 1.2 and 1.3 began in October 2006 and March 2007, respectively, with NSPS conversions taking place over several months for each. Spiral 1.2 included about 64,000 employees, and Spiral 1.3 totaled almost 34,000 employees. This second NSPS rating and payout cycle was completed in January 2008. Additional spirals converted in FY08 and more are planned in later years.

The purpose of this evaluation report is to ascertain whether NSPS as implemented in Spiral 1 is achieving or is on track to achieve the expectations set forth in its key performance parameters in the NSPS Requirements Document. The secondary purpose is to identify aspects of NSPS and its operation that warrant attention and possible adjustments. This evaluation concentrates on the NSPS human resource management system as it has been operating, with emphasis on performance management, which touches all employees, and to a lesser degree on compensation, classification, and staffing. This report is a response to the NSPS Evaluation Plan issued by the Program Executive Office (PEO) for NSPS on 30 June 2007.

1.2. NSPS Goals and Objectives

In designing NSPS, senior leaders adopted a set of Guiding Principles as a compass to direct efforts throughout all phases of NSPS development. These principles, set forth in the *Requirements Document* (25 September 2004, p. 5), translate and communicate the broad requirements and priorities outlined in the legislation into concise statements that underscore DoD's purpose and intent in creating NSPS.

The NSPS Guiding Principles are:

- Put mission first - support National Security goals and strategic objectives;
- Respect the individual - protect rights guaranteed by law;
- Value talent, performance, leadership and commitment to public service;
- Be flexible, understandable, credible, responsive, and executable;
- Ensure accountability at all levels;
- Balance HR interoperability with unique mission requirements; and
- Be competitive and cost effective.

Senior leadership also approved a series of Key Performance Parameters (KPPs). According to the *Requirements Document* (25 September 2004, p. 5), "a KPP is a capability or characteristic that is so significant that failure to meet a minimum 'threshold' can be cause for that element, concept or system to be reevaluated, or the program to be reassessed or terminated." Each of the KPPs has associated objectives, which further define that parameter and allow it to be measured. Table 1.1 summarizes the Key Performance Parameters.

Table 1.1 – Key Performance Parameters

1. High Performing Workforce and Management	Employees and supervisors are compensated and retained based on their performance and contribution to mission
2. Agile and Responsive Workforce and Management	Workforce can be easily sized, shaped, and deployed to meet changing mission requirements
3. Credible and Trusted System	System assures openness, clarity, accountability and adherence to the public employment principles of merit and fitness
4. Fiscally Sound System	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
5. Supporting Infrastructure	Information Technology support, and training and change management plans are available and funded

KPP 1: High-Performing Workforce and Management

The foundation of NSPS is that employees and supervisors must be compensated and retained based on their performance and contribution to the mission. This reward system must apply not only to individuals, but also to organizations and teams of employees. Work objectives must be clearly defined and should align with DoD and organization strategic plans and mission requirements. The system, while preserving merit principles and veterans' preference entitlements, must be based on simplified personnel rules that support flexibility and adaptability to varying command missions and structures. Most important of all, the system must be constructed so that employees can readily understand how and why performance ratings are assigned. Employees must also receive clear feedback on past performance and guidance on how they can improve their performance and competencies and manage their careers.

The attributes of KPP 1 are:

- System is transparent—clear and understandable to employee and supervisor alike
- Credible system—trusted by employees and supervisors

- Performance and contribution are linked to salary and rewards
- Salary and rewards enable DoD to compete successfully in hiring and retaining employees
- System links to the DoD and Component strategic plans
- System allows for variations without incurring excess cost to support performance management processes
- System provides ongoing feedback
- System is contemporary

KPP 2: Agile and Responsive Workforce and Management

NSPS must enhance the Department's ability to more easily size, shape, and deploy any member of the workforce—whether employee, supervisor, or manager—to meet changing mission and stationing requirements, including those related to Joint Operations. Management actions must adhere to merit principles, veterans' preferences, and employees' rights to organize and bargain collectively.

The attributes of KPP 2 are:

- **Expandable**
 - Workforce additions can be easily made to meet emergent mission requirements
 - Flexibilities exist to hire or expand to meet fluctuating work loads
 - Workforce skills are readily identifiable in order to assign employees to meet emergent mission requirements
- **Retractable**
 - Workforce can be easily right-sized to meet decreased mission requirements
 - System is compatible with competitive sourcing regulations and provides the flexibility to create and compete DoD Most Efficient Organizations (MEO) within the A-76 process
 - System supports management decisions on modifications of employee numbers while sustaining a core group (e.g., Temporary, Term and Permanent Employee mix decisions)
- **Assignable**
 - Employees can be easily assigned/reassigned work in support of ongoing/emergent mission requirements
 - Employees can be moved within a broad pay band vice having to be reassigned or detailed to a specific series and pay grade
 - System is sufficiently adaptable to allow for the need for changing skill sets
- **Deployable**
 - Employees and/or a work unit can be easily geographically moved, either temporarily or permanently, to meet changing mission requirements, including Joint requirements and across DoD Component structures
 - Flexibility exists to provide incentives for employees to move or be deployable
- **Renewable**
 - The system provides for growth and sustainment of competencies (i.e., knowledge, skills, abilities, behaviors) throughout a career
 - New skills and talent can be brought into the organization quickly and impartially
 - Personnel with obsolete skills can be retrained to achieve the proper skill mix needed to meet mission
 - The system supports and facilitates succession planning

- **Reconfigurable**
 - Organizational structures can be easily changed to meet ongoing and emergent mission requirements
- **Diverse**
 - Workforce is representative and multi-skilled with varied backgrounds and experiences
- **Contemporary**
 - System changes and adapts to meet current needs and changing conditions
 - System does not impose unnecessary rules and regulations that restrict otherwise legally permissible management action

KPP 3: Credible and Trusted System

The performance management system within NSPS must include a fair, credible, and transparent performance appraisal system, timetables for review of employee performance, dialogue between employees and supervisors, and an appeals process for equitably and expeditiously resolving workforce concerns. The NSPS processes must be easily accessible and understandable, with clear articulations of each employee's role and responsibilities. Performance expectations and corresponding salary and bonuses must also be equitable and clearly understood. A labor-management relationship must be fostered that effectively addresses employee concerns without compromising DoD mission accomplishment.

The attributes of KPP 3 are:

- System design is accessible, understandable, accountable and merit-based
- System provides for fair and expeditious resolution of issues and concerns
- System includes a performance management system that meets statutory requirements

KPP 4: Fiscally Sound System

NSPS development, implementation, and life cycle maintenance costs must be funded within the DoD top line. Once NSPS is implemented there must be cost discipline such that aggregate increases in civilian payroll at each appropriation level conform to OMB fiscal guidance. NSPS must be cost-neutral so that in the aggregate employees are not disadvantaged. Managers/supervisors must be trained on the impact of their fiscal decisions on DoD mission performance. Management authorities should support managing to budget at the unit level while maintaining the flexibility to offer market sensitive pay. The NSPS system must ensure people are not compensated outside their level of work responsibility, either too high or too low.

The attributes of KPP 4 are:

- Aggregate increases in civilian payroll at the appropriation levels conform to OMB fiscal guidance and statutory requirements
- Funded implementation costs are measured with respect to the DoD top line
- System provides for cost discipline
- System provides flexibility to manage civilian personnel to budget at the unit level

KPP 5: Supporting Infrastructure

NSPS must be supported by a robust infrastructure that facilitates user operational and functional requirements. That infrastructure must include an interoperable information technology (IT) system that is easy to use; accessible to all users with appropriate permissions; and capable of generating the reports, analyses and deliverables necessary for all types of finance, manpower management, HR and other functional requirements and for evaluation of

the NSPS. A second element of the NSPS infrastructure is a pay and performance management information system that provides sufficiently robust data, reports, and transaction processing to support sound, fair compensation decisions. Because NSPS represents significant change in the management of employees, operations and systems embedded throughout DoD, implementation of NSPS requires training in the use of these systems, as well as training in communications, change management and the “soft skills” associated with performance management and pay setting; and in all aspects of NSPS policy, performance management, and operations.

The attributes of KPP 5 are:

- Employees and managers are knowledgeable about NSPS as a result of training
- Supporting infrastructure provides interoperability across all offices and functions
- Data are accessible when personnel possess appropriate permissions

1.3. Major Features of NSPS

NSPS is designed to promote a culture in which the performance and contributions of the DoD civilian workforce are more fully recognized and rewarded. The system offers the civilian workforce broad pay bands with performance-based pay. As the Department moves away from the General Schedule (GS), it will be able to adjust salaries in response to factors including labor market conditions, performance, and changes in duties. NSPS helps attract skilled, talented, and motivated people while also helping retain and encourage improvement in the skills and mission focus of the current workforce. It serves as the foundation for a leaner, more flexible support structure. NSPS includes new provisions for classification, pay/compensation, and performance management systems, as well as new flexibilities for hiring and staffing. These features of NSPS are elaborated in the sections below.

1.3.1. Classification

- A new pay banding system replaces the GS system and provides flexibility to assign or assume work responsively to changing mission requirements, new technologies, new employee competencies, and/or systemic approaches to work
- Positions are grouped in broad career groups; associated pay schedules are based on the nature of the work, career patterns, and competencies; associated pay bands replace GS grades with broad salary ranges for broad levels of work (e.g., entry, full performance, expert)
- Lengthy, detailed job descriptions are no longer needed

1.3.2. Pay/Compensation

- The new pay system is intended to attract, develop, retain, and reward high-performing employees through appropriate compensation
- The system provides the framework for DoD to move towards market-sensitive pay:
 - Market factors are considered when setting pay for new hires and job changes
 - Local market and occupational conditions are considered in rates authorized for pay schedules and local market supplements
- Movement through a pay band is based primarily on performance/contribution, though increased responsibility or job complexity also can be compensated in band
- Annual performance pay increases:
 - Are based on performance/contribution, rather than longevity

- Allow larger percentage increases to be given to outstanding performers
- Are not given to employees performing below the fully acceptable level
- Adjustments to rate ranges are determined by the Secretary; increases associated with rate range adjustments are not given to unacceptable performers
- Pay schedule ranges are not bound by General Schedule levels

1.3.3. *Performance Management*

- The NSPS performance management system is designed to encourage employee engagement on behalf of the organization's mission and goals through output and outcome oriented individual performance objectives and expectations
- Ongoing communication and feedback about performance will occur between the supervisor and employees in setting expectations and in reviewing and assessing performance
- Ratings will reflect meaningful distinctions in employee performance, and there will be no forced rating distribution or quotas
- Conduct on the job (behavior, professional demeanor) is recognized as an aspect of performance
- Intense training in the NSPS performance management system and related skills will be provided to employees, supervisors, managers, and human resource practitioners to ensure understanding of and responsible action under the system
- A pay pool process and a rating reconsideration process will be established to foster fairness and equity

1.3.4. *Hiring/Staffing*

- NSPS will provide flexibilities to augment hiring authorities, provide alternative forms of competition, and streamline examining procedures while respecting the principles of merit and fitness and preserving veterans' preferences
- A direct-hire authority for severe shortage or critical needs will be vested in the Secretary

1.3.5. *Career Groups, Pay Schedules, and Pay Bands*

The white collar workforce is broken out into four career groups based on occupational code: Standard Career Group (about 72 percent of the white collar workforce); Scientific and Engineering Career Group (about 23 percent); Medical Career Group (about 2 percent); and Investigative and Protective Services Career Group (about 3 percent). Each career group is further broken out into three or four pay schedules and each pay schedule to one to four pay bands. Table 1.2 summarizes the job classification architecture. The entries in the cells in the band columns represent the GS pay range or 2008 dollar range for the pay bands.

Table 1.2 – CY 2008 Pay Ranges Relative to General Schedule Pay Tables

Career Group	Pay Schedule		Pay Range (Relative to General Schedule)			
	Description	Code	Band 1	Band 2	Band 3	Band 4
Standard	Professional/Analytical	YA	5-1 to 11-10	9-1 to 13-10	13-5 to 15-10 +5%	
	Technician/Support	YB	1-1 to 6-10	7-1 to 10-10	11-1 to 12-10	
	Supervisor/Manager	YC	7-1 to 11-10	12-1 to 14-10 + 5%	14-1 to 15-10 + 5%	
	Student Educational and Employment	YP	1-1 to 11-10			
Scientific and Engineering	Professional	YD	5-1 to 11-10	9-1 to 13-10	13-5 to 15-10 +5%	
	Technician/Support	YE	1-1 to 6-10	7-1 to 10-10	11-1 to 12-10	12-5 to 13-10
	Supervisor/Manager	YF	7-1 to 11-10	12-1 to 14-10 + 5%	13-5 to 15-10 +5%	
Medical	Physician/Dentist	YG		\$89,269 to \$175,000	\$115,143 to \$225,000	
	Professional	YH	5-1 to 11-10	9-1 to 14-10	13-5 to 15-10 +5%	
	Technician/Support	YI	1-1 to 6-10	7-1 to 10-10	11-1 to 12-10	
	Supervisor/Manager	YJ	7-1 to 11-10	12-1 to 14-10 + 5%	14-1 to 15-10 +5%	\$101,870 to \$200,000
Investigative and Protective Services	Investigative	YK	5-1 to 11-10	9-1 to 13-10	13-5 to 15-10 +5%	
	Fire Protection	YL	1-1 to 6-10	7-1 to 10-10	11-1 to 12-10	12-5 to 14-10
	Police/Security Guard	YM	1-1 to 6-10	7-1 to 10-10		
	Supervisor/Manager	YN	7-1 to 11-10	12-1 to 14-10 + 5%	14-1 to 15-10 +5%	

1.3.6. Link Between Pay and Performance

NSPS uses pay pools to administer the rating and performance payout processes. Typically, pay pools are based on organizational structure and include from 35 to several hundred employees. Individual employees work with their supervisors to develop performance plans that include from one to ten job objectives that are related to the organization's mission and goals. Job objectives are used to communicate major individual, team, or organizational responsibilities or contributions and related outcomes expected of the employee and appropriate for the employee's pay band. Contributing factors are the attributes and behaviors that identify how the critical work established in job objectives is expected to be accomplished.

For each job objective, generally at least one of the following contributing factors is identified:

- Communication
- Cooperation and Teamwork
- Critical Thinking
- Customer Focus
- Leadership
- Resource Management
- Technical Proficiency

Job objectives, contributing factors, and objective weights are established at the beginning of the rating cycle. As the employee works to accomplish the objectives, the supervisor provides feedback throughout the cycle with a mandated feedback session at the mid-point of the cycle. The objectives may be either equally or unequally weighted. Objectives may be changed up to 30 days before the end of the rating cycle. At the end of the rating cycle, the employee provides narrative comments on what they have done and the results they have achieved towards each objective. The supervisor considers this input, adds his or her own comments as

part of the rating process, and uses the NSPS performance indicators to recommend a rating for each objective using this five-point scale:

- 1 Unacceptable
- 2 Fair
- 3 Valued Performer
- 4 Exceeds Expectations
- 5 Role Model

The supervisor then determines the contributing factors' influence on the associated job objective and, considering the standard benchmarks, indicates whether they increase the objective rating by a factor of 1, decrease the rating by a factor of 1, or have no effect, 0. The adjustment cannot increase a rating of 5, reduce a rating of 2, or change a rating of 1. In addition to these rules on the adjustment of individual objective ratings, **a rating of 1 on any objective will result in an overall rating of 1**. If all objective ratings are 2 or higher, then the appropriate average of the adjusted scores (weighted or un-weighted) is computed and rounded to a final score using the rules such as those in Table 1.3.

Table 1.3 – Rules for Computing Rating of Record

Computed Score	Rating of Record
1 on any objective	1
2.00 to 2.50	2
2.51 to 3.50	3
3.51 to 4.50	4
4.51 to 5.00	5

Ratings recommended by a supervisor are reviewed by a higher-level reviewer and by one or more panels of managers to ensure consistency and fairness across the pay pool. A panel may represent a portion of the pay pool such as a branch, a sub-pool, or the entire pay pool. In all cases the pay pool panel reviews recommendations to ensure consistency and fairness.

Table 1.4 shows the link between ratings and payouts. Shares may be paid as salary increases, bonuses, or both. Employees who receive a rating of 1 receive no pay increase. Those receiving a 2 receive the pay band adjustment (also referred to as Rate Range Adjustment), which is based on the cost of labor increase, plus the local market supplement (LMS). Those receiving a 3 or higher get the pay band adjustment plus the LMS and an incentive increase based on the number of shares assigned to the employee. The share value is computed as a percentage and is based on the funding established by the pay pool. This funding includes three components. Element 1 includes the within-grade increases and promotions between the GS system grades that were banded together. Element 2 includes any portion of the federal government-wide cost of labor increase not included in the pay band adjustment. Element 3 includes performance-based bonuses similar to performance awards in the GS system). Share value is overall funding (sum of Elements 1, 2, and 3) divided by the sum of the product of each employee's base pay times the number of shares he or she received. For the Spiral 1.1 payouts in the first cycle, none of the cost of labor increase was dedicated to Element 2; and all pay pools had a value of 0 percent for Element 2 funding. For the second cycle, 40 percent of the cost of labor increase was dedicated to Element 2, and as a consequence, all pay pools had a value of 1.0 percent for Element 2 funding.

Table 1.4 – Relationship of Rating and Payout

Rating (Score)	Rating of Record
1	None
2	Rate Range Adjustment (RRA) + LMS*
3	RRA + 1 or 2 Shares + LMS
4	RRA + 3 or 4 Shares + LMS
5	RRA + 5 or 6 Shares + LMS

* LMS = Local Market Supplement, if applicable

The employee's payout is computed as the number of shares the employee received times the share value times the employee's base pay. This payout can be split into base pay increase and

bonus. The basic pay increase for an employee cannot take them above the top of the pay band and may be subject to control points and pro-ration.

1.4. Evaluation Data Sources

This NSPS report evaluation report analyzes data from several sources. Table 1.5 provides an overview of the data sources used to measure the KPPs and their associated objectives.

1.4.1. Automated Data

Chapter 2 presents analyses based on data from automated sources. The Performance Appraisal Application (PAA), which is integrated into the Defense Civilian Personnel Data System (DCPDS), contains performance appraisal plans and ratings from which data are uploaded to the Compensation Workbench (CWB). The pay pool panel uses the CWB in its process of assigning final ratings, setting the number of shares, allocating payouts between pay increases and bonuses, and ensuring that the total payout for the pay pool does not exceed its funding. Data from the PAA and CWB, supplemented by other personnel data from DCPDS, support the analysis of performance ratings, shares, pay increases, and bonuses.

Extracts from DCPDS also form the basis for an analysis of migration within NSPS, migration to non-NSPS positions, and separation from DoD. Chapter 2 also examines data on NSPS requests for reconsideration and on Equal Employment Opportunity (EEO) complaints from both NSPS and non-NSPS sources.

The Program Executive Office (PEO) for NSPS requested a study of performance plans developed under NSPS. Supervisors use performance plans to document the objectives that guide employee performance during the performance period, rate employee performance relative to these objectives, and justify these ratings. Employees contribute their self-assessments to the performance plans. Chapter 2 also presents the findings from this study.

1.4.2. Site Visits

The study team conducted 58 focus groups and 53 interviews at 12 sites and reviewed documentation relating to their NSPS implementation. Focus groups typically consisted of six to 12 participants; however, select focus groups were conducted with as few as three and as many as 20 participants. Interviews were typically conducted with one to three participants.

At each site, separate sessions were held for the following:

- Employee focus groups
- Supervisor focus groups
- Pay Pool Managers/Pay Pool Panel Members group interviews
- Implementation Team group interview
- Commander/Director interview
- Performance Review Authority (PRA) interview

Interview protocols designed for each group elicited responses about specific aspects of NSPS. At the conclusion of each focus group or interview, the content of each transcript was analyzed to identify salient themes and specific quotations that supported the themes. Themes were identified using the following criteria:

- The prevalence of the concept in the transcript
- The importance of the theme to the overall research question
- Internal homogeneity – does the theme express a unified idea?
- External heterogeneity – is the theme unique from other themes?

Table 1.5 – Key Performance Parameters Measured by Each Data Source

Key Performance Parameter	Existing Data				Site Visits			
	Personnel Data	Performance Plans	Attitude Survey	Documents	Employee	Supervisor	Pay Pool Panel	Implementation Team
High Performing Workforce and Management	X	X	X	X	X	X	X	X
Stronger link between total compensation and performance	x	x			x	x	x	x
Market Sensitive Salary and Wages	x				x	x		
Performance System Provides Ongoing Feedback			x	x	x	x	x	x
Stronger link between retention / separation and performance	x		x		x	x	x	
Performance expectations aligned with Department's and organization's strategic plans, mission requirements		x	x	x	x	x		
System supports employee engagement in a positive manner			x	x	x	x		
Agile and Responsive Workforce and Management	X				X	X	X	
Renewable, expandable, retractable (size) - Mission Critical/Core Support Occupations						x	x	
Assignable, deployable (shape)	x				x	x	x	
Diverse (multifaceted)								
Credible and Trusted System	X		X	X	X	X	X	X
All elements of NSPS design are accessible and understandable (transparency)			x	x	x	x	x	x
Management decisions are merit-based, non-discriminatory, and consistent with NSPS regulations	x		x		x	x	x	x
Expeditious and fair resolution of grievances (negotiated/admin), performance reconsiderations, classification appeals, adverse action appeals				x	x	x	x	x
Handle performance deficiencies and misconduct timely and decisively			x		x	x	x	x
NSPS employees in aggregate are not disadvantaged by the compensation system	x		x		x	x	x	x
Fiscally Sound System	X							X
System provides for cost discipline within the Department top line	x							x
Supporting Infrastructure		X	X		X	X	X	X
Employees and managers are knowledgeable in pertinent aspects of NSPS as a result of training		x	x		x	x	x	x

The analysis of site visit data resulted in the identification of approximately 4,000 individual themes. The study team subsequently reviewed these individual themes to identify a reduced set of approximately 200 non-redundant themes for each group. Finally, the study team reviewed these themes and identified a reduced set of 16 findings that cut across groups. Chapter 3 presents these 16 findings, which are the strongest and most salient findings from across all sites and groups.

1.4.3. Attitude Survey

The NSPS Evaluation Plan identifies the Status of Forces Survey-Civilian (SOFS-C) as the primary source of employee attitudinal data for use in evaluating NSPS. The SOFS-C is a Web-based survey administered by the Defense Manpower Data Center (DMDC) to a sample of DoD civilian employees. It measures opinions on job satisfaction, quality of work life, and performance management. The SOFS-C has included several items on awareness of and attitudes toward NSPS since October 2004. The SOFS-C survey was moved to once per year in 2007. Areas or topics covered by the survey include:

- Background data on the respondent (location, personal demographics, supervisory status, occupational group, conversion spiral, etc.)

- Awareness of the goals or mission of their organization
- Attitudes toward the work, the organization, the leaders, and leaders' practices
- Supervisor views of HR management tools, authority, processes, and quality
- Workforce views related to performance and retention

Chapter 4 presents select results that are relevant to an evaluation of NSPS from the latest SOFS-C administration as well as longitudinal data for those questions where they are available.

1.5. Summary Findings of the Spiral 1 Evaluation

The data sources listed above provide a variety of perspectives on the KPPs. Chapter 5 integrates findings across sources to provide a broad perspective of NSPS Spiral 1 implementation relative to the KPPs and additional themes.

1.6. Appendices

Seven appendices present materials to supplement the evaluation of the NSPS Spiral 1 implementation.

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2. ANALYSIS OF DCPDS/CWB DATA

2.1. Introduction and Method

2.1.1. *Purpose*

This chapter summarizes the results of the second rating and payout cycle for the National Security Personnel System (NSPS) using data from the Performance Appraisal Application (PAA) and the Compensation Workbench (CWB). The PAA is an online application integrated into the Defense Civilian Personnel Data System (DCPDS) that both the supervisor and employee use to propose and set the objectives that are the basis for assessment. Using the PAA, the employee enters his or her accomplishments for the rating cycle as a self-assessment (not mandatory, but strongly encouraged) and the supervisor then completes the written assessment and recommended ratings based on those objectives and the applicable contributing factors. An extract from the PAA is then created for each pay pool and downloaded to the CWB, an offline application developed in Visual Basic for Applications using Microsoft Excel. The CWB assists the Pay Pool Manager and his or her team in the process of assigning final ratings, setting the number of shares and allocating the payout to a combination of base pay increase and bonus. The CWB computes the value of a share and provides tools to ensure that the total payout for the pay pool does not exceed the pay pool funding. Once the Pay Pool Manager certifies the results the CWB produces an output file that is then uploaded back to DCPDS to facilitate the generation of the appropriate pay transactions. This evaluation uses the CWB data that reflect the NSPS pay pool decision process.

Section 2.1 provides an overview of the population being analyzed. Section 2.2 describes performance ratings and payout results from the pay pool process. Section 2.3 covers the equity analysis and further analyzes rating and share assignments. Section 2.4 presents the analysis of performance plans. The final section examines migration to and from NSPS.

2.1.2. *Spiral 1 Population Overview*

The population analyzed during this second NSPS cycle is defined as the group of individuals who were evaluated and had their compensation determined in the second cycle concluding September 30 or October 31, 2007. A total of 108,758 employees were included in the evaluation files produced by the Spiral 1 organizations. Table 2.1 provides pay pool statistics for the population by component. The Army had the largest number of pay pools (402) and also the largest population. The Air Force had the smallest pay pool (only one employee), and the Navy the largest (2,465). Since the evaluation and compensation aspects of NSPS are the major items of interest in this chapter we removed employees from this population who were not eligible for a performance rating or were not eligible for a performance-based salary increase or bonus. Pay pool funding was based on 107,979 employees, of whom 102,770 received a rating and 100,465 were eligible for a payout during the second cycle.

Table 2.1 – Pay Pool Size Statistics

Component	Number of Pay Pools	Total Population	Pay Pool Size Distribution				
			Minimum	Maximum	Mean	Median	Standard Deviation
Army	402	40,476	4	736	100.8	80.5	78.0
Navy	121	20,456	4	2,465	169.1	104.0	253.2
Air Force	369	38,644	1	880	104.8	84.0	96.7
Fourth Estate	82	9,182	15	422	112.0	81.0	82.7
Overall	974	108,758	1	2,465	111.7	84.5	122.5

Table 2.2 provides a slightly different picture of Spiral 1. It displays the total rated population by Pay Schedule and Pay Band. Ninety-five percent of the rated population falls within the Standard (72 percent) and Engineering and Scientific (23 percent) Career Groups. Of the 102,770 employees, only 4,866 were not in one of those two career groups.

Table 2.2 – Distribution by Pay Schedule and Pay Band

Pay Schedule	Pay Band				Total
	Band 1	Band 2	Band 3	Band 4	
YA	2,042	34,272	6,988		43,302
YB	4,581	5,641	165		10,387
YC	1,327	13,626	4,453		19,406
YD	1,102	11,955	3,582		16,639
YE	35	373	1,244	224	1,876
YF	71	3,749	1,776		5,596
YG		164	7		171
YH	12	1,549	24		1,585
YI	214	95	4		313
YJ	100	224	6	17	347
YK	94	588	94		776
YL	12	36	31	9	88
YM	165	47			212
YN	898	430	46		1,374
YP	698				698
Total	11,351	72,749	18,420	250	102,770

Section 2.4 will provide a demographic breakdown of Spiral 1 and compare the results with the GS, GM, GG, and GL employees as of September 30, 2007.

2.2. Performance Assessment

This section provides an overview of performance results from the pay pool rating process and includes discussions of objectives, contributing factors, and rating and share distributions. The charts and tables below are based on the 100,465 employees who were both rated and payout eligible.

2.2.1. Performance Objectives

Supervisors rated their employees on one to ten objectives this past cycle. Table 2.3 shows the number of employees rated on any given number of objectives. Almost 50 percent of employees were rated on the basis of three objectives. Ninety-three percent of all employees were rated on the basis of three to five objectives.

In addition to looking at the number of objectives on which a rating was based

Table 2.3 – Number of Objectives Used for Rating

Number of Objectives Used	Records Using This Number	
	Number of Employees	Percentage
1	576	0.56%
2	4,299	4.18%
3	49,903	48.56%
4	33,312	32.41%
5	10,405	10.12%
6	1,431	1.39%
7	398	0.39%
8	113	0.11%
9	20	0.02%
10	8	0.01%

we also examined the use of weights in computing the actual rating. The use of weights allows the supervisor to increase or decrease the emphasis on any specific objective. The default assumption is that all objectives will be weighted equally in determining the rating. Table 2.4 provides summary statistics on the use of weights.

Since the default assumption is that all objectives will contribute equally to the final rating, a choice to use equal weights is effectively the same as not assigning weights at all. In effect, about one half of employees had extra emphasis on certain objectives by using weights while the other half had equal emphasis on all objectives. Figure 2.1 shows the percentage of objectives that were weighted by component. It also provides a table of the more popular weighting plans and the frequency with which each weighting plan was used. A review of a sampling of the weighting patterns does not indicate a correlation between the final rating and the weighting pattern. The analysis also does not show a correlation between final rating and number of objectives.

Table 2.4 – Use of Weights in Determining Ratings

Weighting of Objectives	Records Using This Number	
	Number of Employees	Percent
Not Weighted	45,927	45.7%
Equal Weights	3,811	3.8%
Unequal Weights	50,727	50.5%
Total	100,465	100.0%

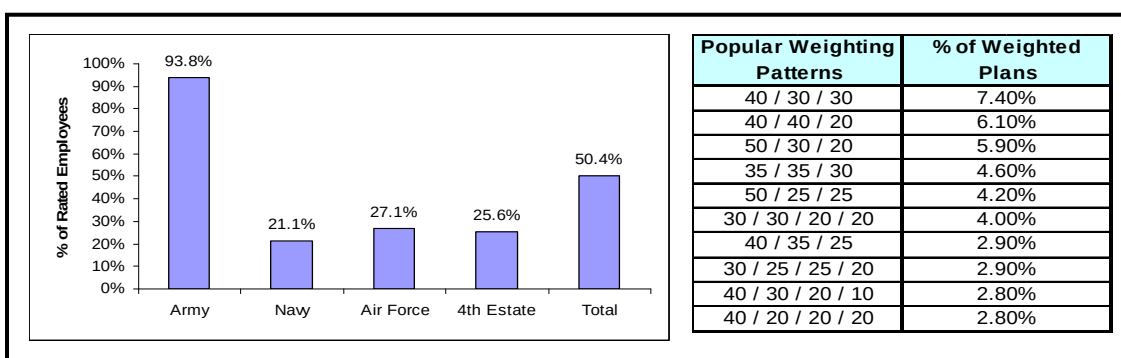


Figure 2.1 – Job Objective Weights by Component

2.2.2. Contributing Factors

The above discussion of the number and weighting of objective ratings leads logically to an analysis of the actual impact of the contributing factors on the final ratings. After individual objectives have been evaluated, the supervisor can elect to increase or decrease a specific objective rating by one based on the contributing factors identified earlier. Figure 2.2 shows the impact of contributing factors on each objective by component. A change in an objective rating based on the impact of contributing factors may or may not change an employee's final rating. Table 2.5 displays the relationship of overall employee ratings both before and after the consideration of all contributing factors. Both sets of scores use the same weights.

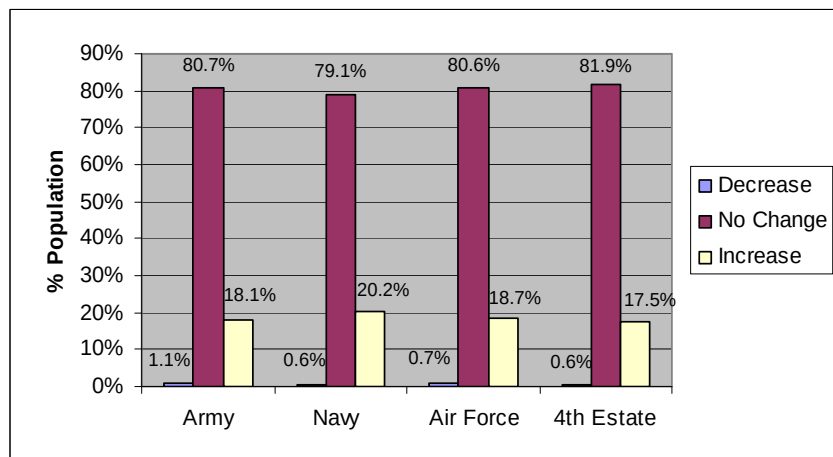


Figure 2.2 – Impact of Contributing Factors on Each Objective

The cells on the diagonal in Table 2.5 (i.e., those shaded in blue) represent ratings that were unaffected by the consideration of contributing factors. The remaining cells with non-zero entries represent instances where the consideration of contributing factors resulted in a change in employee ratings. In general, the consideration of contributing factors resulted in far more increased ratings than decreased ratings (17,581 increases, 388 decreases). Almost 18 percent of ratings were changed as the result of the contributing factors. According to NSPS policy, a rating of “1” cannot be increased by contributing factors and a rating of “2” cannot be lowered. Figure 2.3 presents the same information in graphical form by component instead of rating. The impact is consistent across all components.

Table 2.5 – Impact of Contributing Factors on Employee Ratings

Original Rating	Rating After Consideration of Contributing Factors					
	1	2	3	4	5	Total
1	224	0	0	0	0	224
2	0	1,128	222	0	0	1,350
3	0	237	53,263	14,398	0	67,898
4	0	0	143	25,127	2,961	28,231
5	0	0	0	8	2,754	2,762
Total	224	1,365	53,628	39,533	5,715	100,465

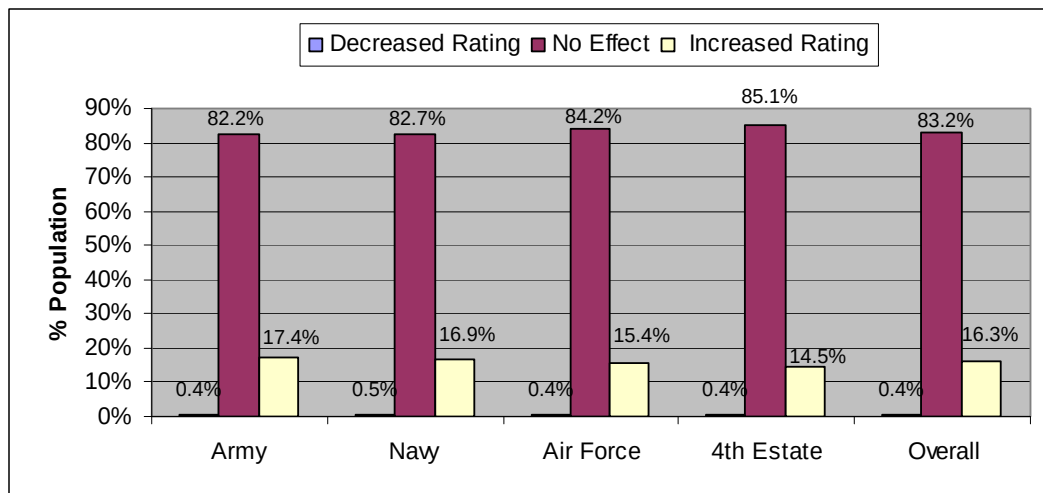


Figure 2.3 – Impact of Contributing Factors on Final Rating by Component

2.2.3. Distribution of Ratings and Shares

The final ratings, as modified by the contributing factors, are reviewed at various levels within the pay pools. The supervisory hierarchy reviews and discusses each rating to ensure that all employees are being rated fairly and consistently within the pay pool. Supervisors who routinely give higher ratings will probably find their recommended ratings lowered unless they have evidence to support that higher ratings are warranted. Once the pay pool panel agrees on the ratings for all pay pool employees, shares are awarded in accordance with Table 1.4. The following series of figures provides a graphical representation of the distribution of both ratings and shares. Figure 2.4 shows the overall distribution of ratings by component. Each bar represents the percentage of employees in that component who received the indicated rating. Each of the components assigned a rating of 3 to more than 57 percent of their respective employees, except for the Fourth Estate, which assigned 54 percent. These percentages correspond with the population counts shown in Table 2.1.

A high percentage of employees in a component receiving a given rating will necessarily mean smaller percentages for other ratings. Figure 2.4 and Table 2.6 show that all components have very similar distributions. Only the Fourth Estate stands out, with three percentage points fewer 3 ratings assigned and just under three percentage points more 5 ratings assigned.

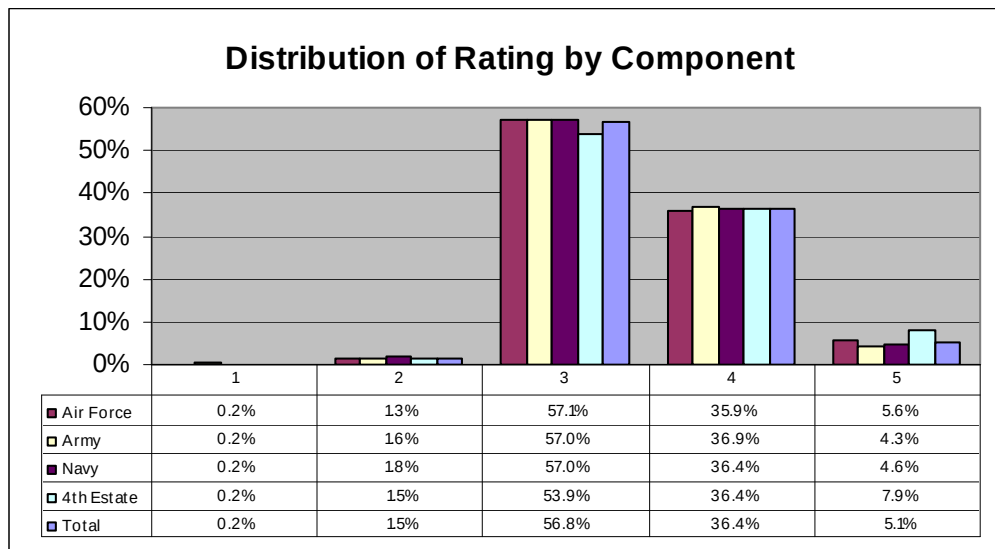


Figure 2.4 – Distribution of Ratings by Component

Table 2.6 – Rated Population Counts by Component

Component	Rating Distribution (counts)					Total
	1	2	3	4	5	
Army	90	583	21,063	13,639	1,575	36,950
Navy	39	342	10,866	6,941	870	19,058
Air Force	76	462	20,510	12,903	1,997	35,948
Fourth Estate	19	129	4,589	3,099	673	8,509
Total	224	1,516	57,028	36,582	5,115	100,465

The pay pools have flexibility regarding the number of shares to award based on an employee's rating. As shown in Table 1.4, the pay pool can assign either of two different numbers of shares to employees with a rating of 3 or higher. Consistent with business rules observed during the site visits, results show that pay pools assigned shares based upon an individual's raw score relative to the range of scores for the rating. Of those individuals with a rating of 3, 98 percent with a raw score in the lower half of the range (2.51 to 3.00) received one share, and 98 percent of those with a raw score in the upper half of the range (3.01 to 3.50) received two shares. Similarly, of those individuals with a rating of 4, 97 percent of those with a raw score in the lower half of the range (3.51 to 4.00) received three shares while 93 percent of those with a raw score in the upper half of the range (4.01 to 4.50) received four shares. Of those individuals with a rating of 5, 97% with a raw score less than 4.75 received five shares, but only 75% of those with a raw score above 4.75 received six shares.

Figure 2.5 provides a display of the distribution of shares by component analogous to the distribution of ratings displayed in Figure 2.4. Since more than 56 percent of the employees in all components received a rating of 3, it follows from Table 1.4 that 56 percent or more of employees would receive either one or two shares. That is, the percentage receiving either one or two shares will be the same as the percentage receiving a rating of 3. For those receiving a rating of 3, all of the components gave two shares to more than half of the group. The most extreme distribution was given by the Fourth Estate, which gave two shares to 79 percent of

the employees with a 3 rating. At the other extreme, the Air Force gave two shares to 67 percent of employees with a 3 rating. For employees with a rating of 4, most of them received three shares rather than four. The Fourth Estate awarded four shares to the most employees (43 percent) with a rating of 4. The Army awarded four shares to the least number of employees (26 percent) with a rating of 4. All of the components awarded five shares to the majority of employees who received a rating of 5. The percentages in Figure 2.5 correspond with the population counts shown in Table 2.7.

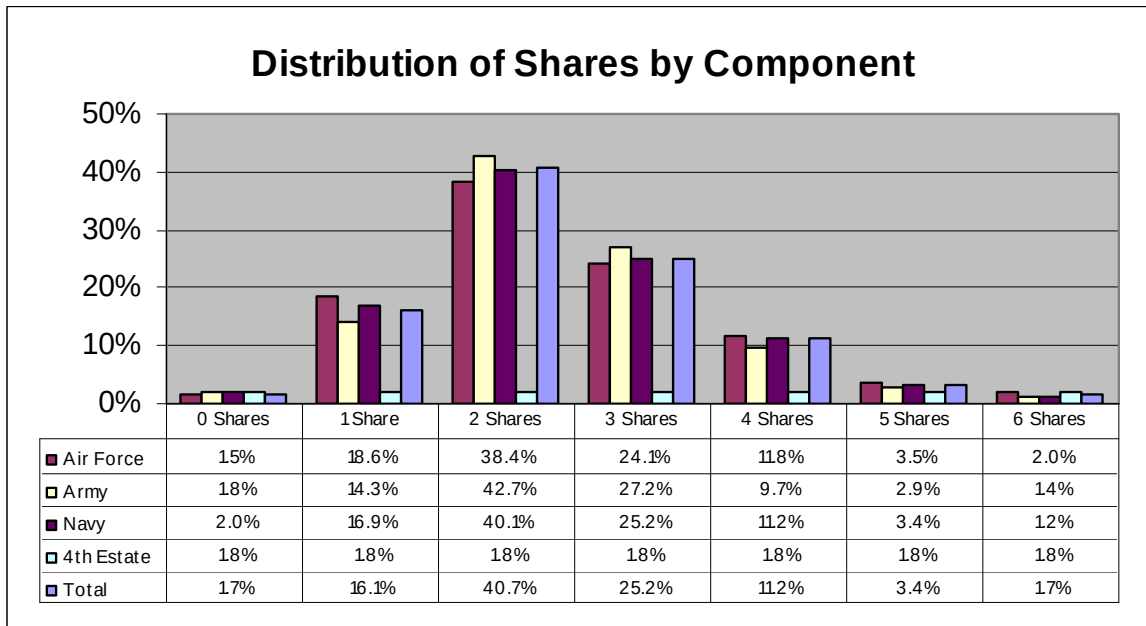


Figure 2.5 – Distribution of Shares by Component

Table 2.7 – Share Counts by Component

Component	Share Distribution (counts)							Total
	0	1	2	3	4	5	6	
Army	637	5,276	15,787	10,056	3,583	1,074	501	36,950
Navy	381	3,215	7,651	4,800	2,141	644	226	19,058
Air Force	538	6,701	13,809	8,655	4,248	1,276	721	35,948
Fourth Estate	148	967	3,622	1,782	1,317	443	230	8,509
Total	1,740	16,159	40,869	25,293	11,289	3,437	1,678	100,465

Awarding a higher or lower number of shares does not mean that an organization is spending more or less money. The total amount of money available for salary increases and bonuses is the sum of Elements 1, 2, and 3. The amount received by a given employee is based on the product of the number of shares and the share value and not solely on the number of shares received. Awarding a larger number of shares will reduce the value of each share. In this way the system is self-correcting and the pay pool controls costs through the choice of funding rates.

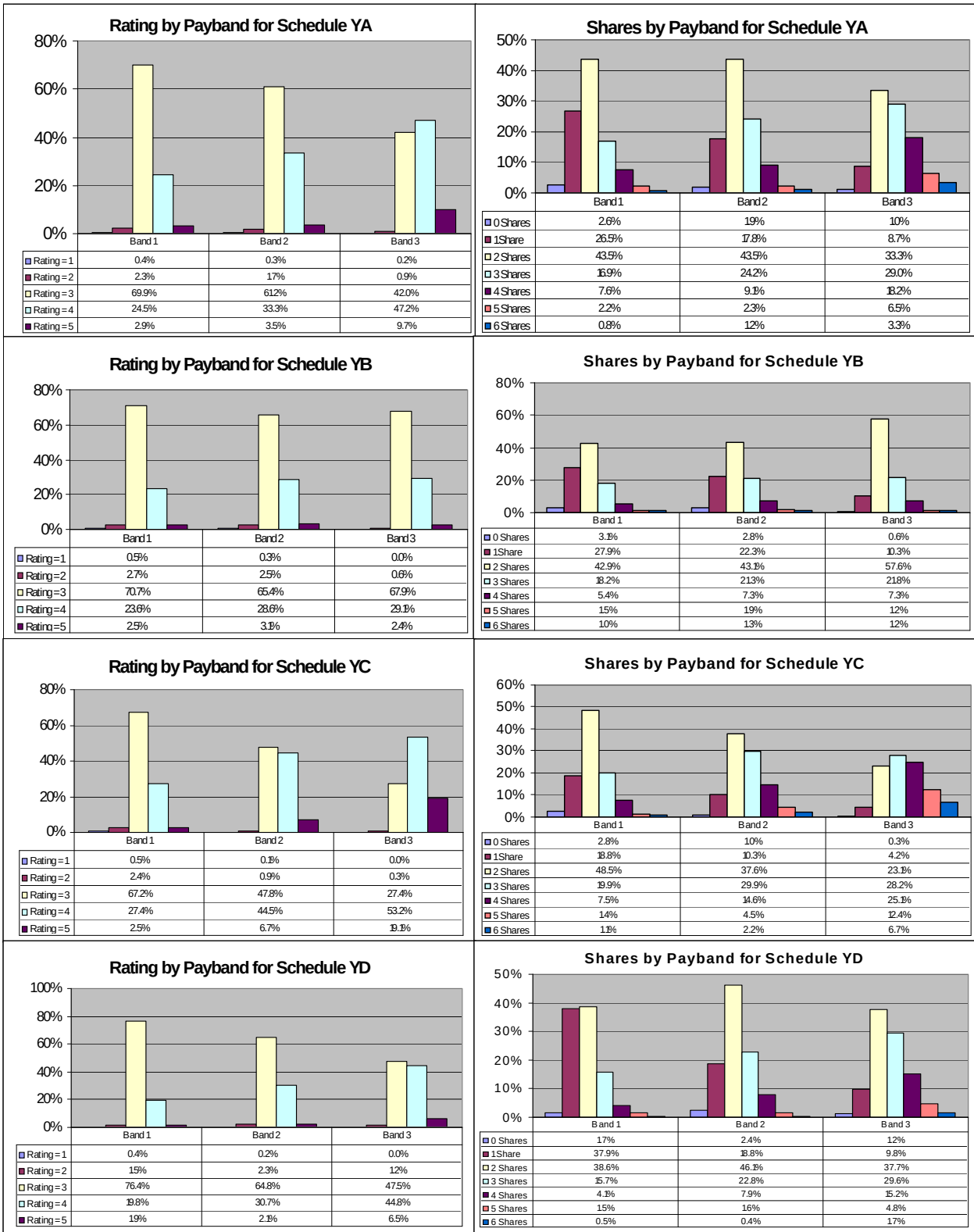
Table 2.8 shows the distribution of the number of shares awarded based on rating. As stated previously, employees who receive a rating of 1 or 2 do not receive any shares. Since 224 employees received a rating of 1 and 1,516 received a rating of 2, a total of 1,740 employees did not receive any shares. Recall that for each rating of 3 through 5 there are two choices for the number of shares awarded (1 or 2 shares for a rating of 3, 3 or 4 shares for a rating of 4, and 5 or 6 shares for a rating of 5). For those receiving a rating of 3, over two-thirds (72 percent)

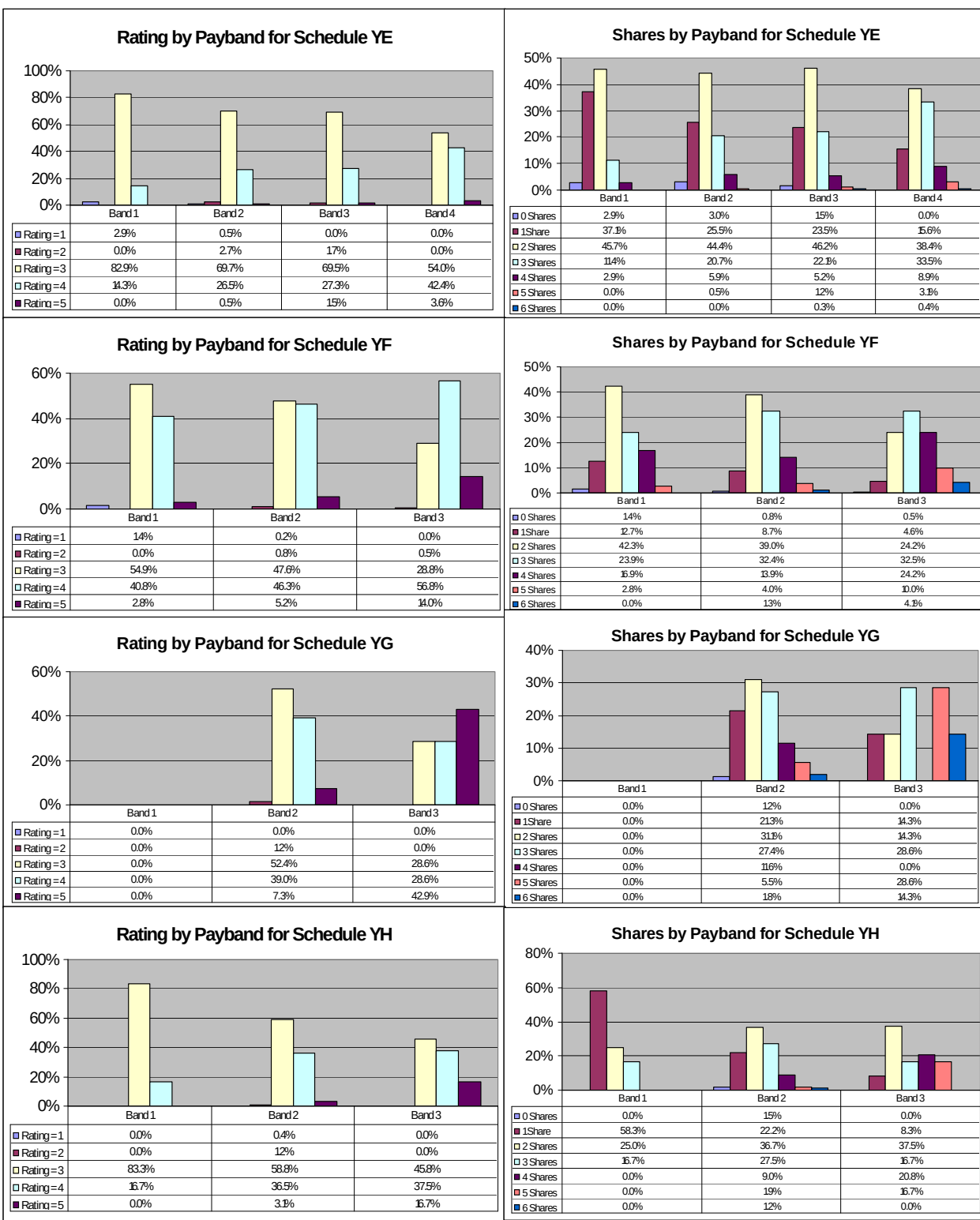
received the higher award of two shares. As the number of shares increased the percentage receiving the higher award declined. For employees with a rating of 4, only a little less than one third (31 percent) received the higher award of four shares. For those employees with the highest rating of 5, about a third (33 percent) received the higher award of six shares.

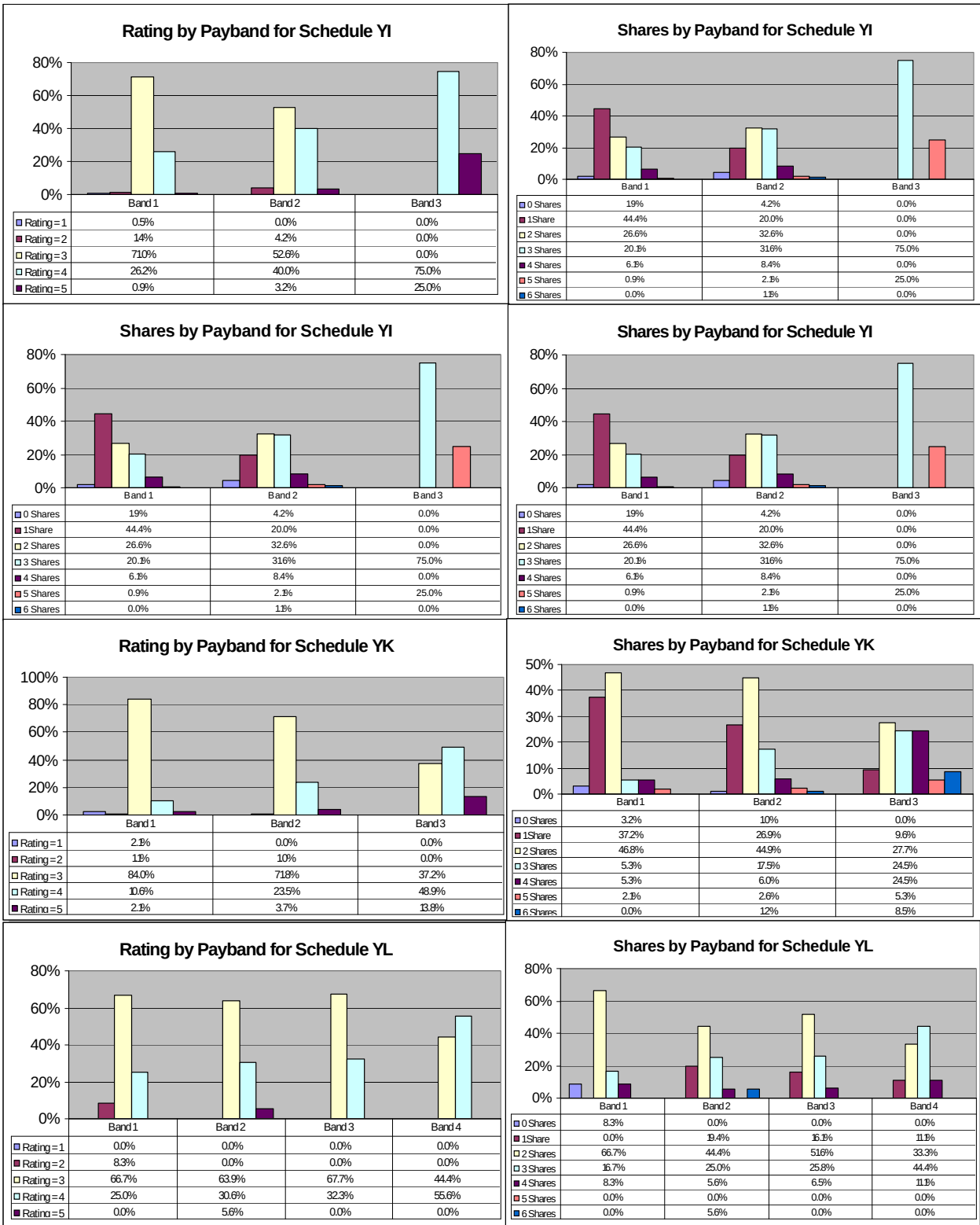
Table 2.8 – Distribution of Shares by Rating

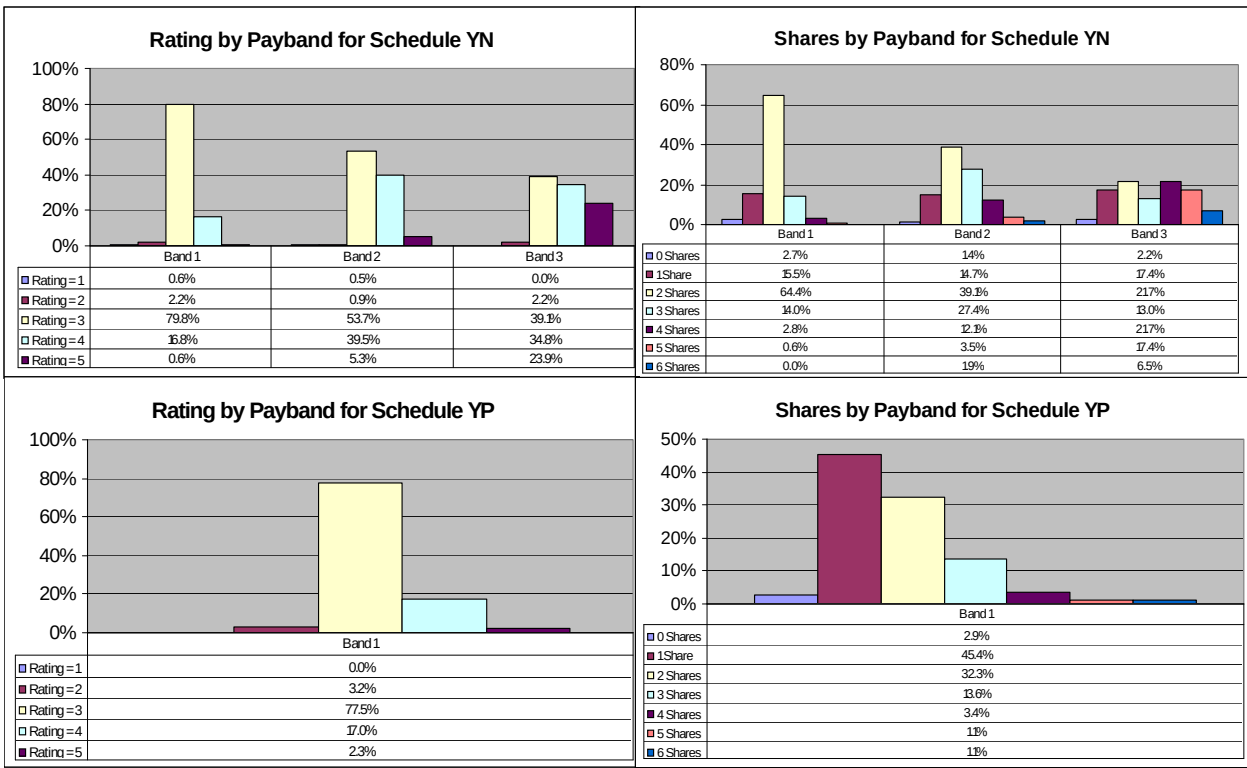
Rating	Number of Shares							Total
	0	1	2	3	4	5	6	
1	224	0	0	0	0	0	0	224
2	1,516	0	0	0	0	0	0	1,516
3	0	16,159	40,869	0	0	0	0	57,028
4	0	0	0	25,293	11,289	0	0	36,582
5	0	0	0	0	0	3,437	1,678	5,115
Total	1,740	16,159	40,869	25,293	11,289	3,437	1,678	100,465

The distribution of both ratings and shares can be displayed across a variety of dimensions. The distribution by pay schedule and pay band will be of particular interest to some readers. In Spiral 1 all fifteen pay schedules were represented. Figure 2.6 is an aggregated graphic with a pair of charts for each of the fifteen pay schedules. Each pair shows the distribution of ratings and shares by pay band for a particular pay schedule, with the ratings distribution on the left side of the page and shares distribution on the right side. Since different pay schedules may have different numbers of pay bands the actual number of pay bands on each set of charts may differ.

Figure 2.6 – Distribution of 2007 Performance Cycle Ratings and Shares by Pay Band for Each Pay Schedule







2.2.4. Compensation (Payout) Determination

Earlier in this chapter we discussed the concept of funding the pay pools. Element 2 funding, which had been zero for the first cycle, was set at one percent for all pay pools for the second cycle. Element 1 and Element 3 funding percentages varied across pay pools. Depending on decisions made by the individual components and organizations, the flexibility that the pay pool has to set these funding percentages differed. For this cycle there were 974 pay pools belonging to the four components. Table 2.9 displays the distribution of Element 1, Element 3, and total funding across the pay pools, grouped by component. We chose to show statistics in this manner rather than show the individual values for all 974 pay pools.

Table 2.9 – Funding Percentage Statistics by Component

Component	Number of Pay Pools	Funding Element	Mean	Mode	Standard Deviation	Minimum	Maximum
Army	402	Element 1	2.51	2.26	0.476	0.00	4.64
		Element 3	2.02	1.50	0.854	0.00	5.69
Navy	121	Element 1	2.19	2.26	0.527	1.10	3.47
		Element 3	1.11	1.00	0.527	0.00	4.00
Air Force	369	Element 1	2.32	2.26	0.171	1.02	2.89
		Element 3	1.47	1.00	0.564	0.50	6.25
Fourth Estate	82	Element 1	2.37	2.26	0.342	0.00	3.00
		Element 3	2.30	2.50	0.828	0.71	4.69
Total	974	Element 1	2.39	2.26	0.402	0.00	4.64
		Element 3	1.72	1.50	0.805	0.00	6.25

The Army and Fourth Estate had one pay pool each with Element 1 funding set to zero. The Army and the Navy had one pay pool each with Element 3 funding set to zero. The most common Element 1 funding level across all components was 2.26 percent. The most common Element 3 funding level was 1.0 percent in the Air Force and Navy, 1.5 percent in the Army, and

2.5 percent in the Fourth Estate. The Navy had the greatest variation among Element 1 funding levels with a standard deviation of 0.527, while the Air Force had the least variation with a standard deviation of 0.171. The Army had the greatest variation among Element 3 funding levels with a standard deviation of 0.854, while the Navy had the smallest variation with a standard deviation of 0.527. An Army pay pool had the highest Element 1 funding level at 4.64 percent, while the Air Force had the highest Element 3 funding level at 6.25 percent.

2.2.5. Share Values

The actual determination of payout amounts is based on the concept of a share value. Share value is calculated by dividing the pay pool fund, expressed in dollars, by the summation of each employee's base salary on the last day of the appraisal period times the number of shares earned by the employee.

$$\text{Share Value} = \text{Pay Pool Fund}(\$) / \sum (\text{base salary}_{\text{employee}} \times \text{shares}_{\text{employee}})$$

Share value is expressed as a percentage of base salary. All employees in a pay pool will have the same share value.

Since the total payout across the pay pool cannot exceed the pay pool funding, then the sum of the Elements 1, 2, and 3 funding must equal the sum of the payouts received by all employees in the pay pool.

An employee's performance payout is calculated by multiplying the employee's base salary at the end of the appraisal period by the number of shares earned by the employee by share value.

$$\text{Employee Performance Payout} = \text{Base Salary} \times \text{Shares} \times \text{Share Value}$$

In effect, the share value adjusts the payouts to ensure that the overall funding is not exceeded. If a pay pool is very generous in awarding ratings and shares, then the share value will decrease to keep the expenditure in line with funding. Conversely, if the pay pool awards fewer shares, then the share value will increase.

Table 2.10 shows how the share values were distributed across the components. The share value serves as the buffer that prevents overspending while maintaining the relative payouts determined by the ratings and share distributions.

Table 2.10 – Share Value Distribution by Component

Component	Number of Pay Pools	Mean	Standard Deviation	Minimum	Maximum
Army	402	2.36	0.579	0.91	6.11
Navy	121	1.84	0.580	0.84	3.81
Air Force	369	2.00	0.410	1.11	3.80
Fourth Estate	82	2.20	0.407	1.37	3.61
Total	974	2.15	0.544	0.84	6.11

2.2.6. Salary Increases and Bonuses

Table 2.11 below provides abbreviated summary statistics concerning payouts. In aggregate, the pay pools paid out 3.1 percent less in salary increases than the combined funded amount from Element 1 and Element 2. Rather than being an indication of intentionally withheld payouts, a major portion of this difference reflects the fact that pay pool funding is based on both rated individuals, eligible for a performance payout, as well as non-rated individuals, not eligible for a performance payout. In addition, NSPS rules allow for Element 1 funds to be used

for bonuses, sometimes a necessity when employees hit the end of their pay range or a control point for their position. This rollover resulted in bonus payouts 5.5 percent greater than Element 3 funding. Total payouts were, in aggregate, two-tenths of one percent lower than the total Element 1, Element 2, and Element 3 funding.

Table 2.11 – Payout Summary Figures

Summary Statistics	
Maximum payout (percent)	23.2%
Maximum payout (value in dollars)	\$27,733
Number not receiving rate range adjustment	243
Value in dollars withheld from rate range adjustments	\$214,768
Number hitting top of band	4,206
Percent of population hitting top of band	4.1%
Element 1 and 2 – Spent	\$236,935,144
– Funded	\$244,446,317
– Percent Spent	96.9%
Element 3 – Spent	\$127,624,047
– Funded	\$120,999,175
– Percent Spent	105.5%
Total Funding – Spent	\$364,559,191
– Funded	\$365,445,492
– Percent Spent	99.8%

Table 2.12 indicates the number and percent of employees receiving salary increases and bonuses.¹ A total of 1,740 employees (about 2 percent of the group) received neither a salary increase nor a bonus. As stated previously, these employees received no shares and thus could not receive a performance-based payout. About 86 percent of the group received both a performance salary increase and a performance bonus. The remaining 12 percent of the employee population was split between those who received a bonus but no salary increase (3 percent) and those who received a salary increase but no bonus (9 percent).

Table 2.12 – Payout Summary Statistics

Number Receiving Payouts				Percent Receiving Payouts			
Salary Increase	Bonus			Salary Increase	Bonus		
	No	Yes	Total		No	Yes	Total
No	1,740	3,474	5,214	No	1.73%	3.46%	5.19%
Yes	9,161	86,090	95,215	Yes	9.12%	85.69%	94.81%
Total	10,901	89,564	100,465	Total	10.85%	89.15%	100.00%

Table 2.13 shows the average payout by rating, and Table 2.14 provides the average payout by base salary. The tables list the average dollar amount and average percentage increase in salary, bonus, and total payout. The percentages listed in these tables are weighted averages based on base salary. While an increase in percentage payout is expected as rating increases, the very pronounced increase in percentage payout as base salary increases reflects a concern that higher paid employees receive higher ratings.

¹ The analysis of ratings and shares was based on the population that received a rating and share allocation. The payout analysis excludes 2,304 employees who, though rating-eligible, were not payout-eligible. We believe the majority of those listed as not payout-eligible were rated in one pay pool and then moved and were funded by another pay pool.

Table 2.13 – Average Payout by Rating

Rating	Salary Increase		Bonus		Payout	
	Dollar value	Percent	Dollar value	Percent	Dollar value	Percent
1	\$0	0%	\$0	0%	\$0	0%
2	\$0	0%	\$0	0%	\$0	0%
3	\$1,583	2.46%	\$848	1.27%	\$2,431	3.73%
4	\$3,263	4.53%	\$1,727	2.28%	\$4,990	6.81%
5	\$5,333	6.66%	\$3,139	3.66%	\$8,472	10.32%
Average	\$2,358	3.39%	\$1,270	1.74%	\$3,628	5.13%

Table 2.14 – Average Payout by Base Salary

Rating	Salary Increase		Bonus		Payout	
	Dollar value	Percent	Dollar value	Percent	Dollar value	Percent
Below 40K	\$977	2.93%	\$504	1.49%	\$1,481	4.42%
40-60K	\$1,714	3.35%	\$749	1.48%	\$2,463	4.83%
60-80K	\$2,456	3.52%	\$1,048	1.50%	\$3,504	5.02%
80-100K	\$2,949	3.33%	\$1,866	2.12%	\$4,815	5.45%
100K+	\$4,164	3.78%	\$3,035	2.70%	\$7,199	6.48%
Average	\$2,358	3.39%	\$1,270	1.74%	\$3,629	5.13%

2.2.7. Net Draw

Because the total sum available for salary increases and bonuses is effectively determined by setting aside a percentage of each individual's base pay, then each individual can be viewed as having that "factor" in the pay pool. An obvious question is, "How much did each individual receive in payouts relative to his or her factor?" To answer this question, we calculated a value called net draw, which is equal to the amount an individual received in payouts minus the amount of the individual's factor in the overall funding. A positive net draw would indicate that an individual received more in payouts than his or her factor. Conversely, a negative net draw results when an individual receives less in payouts than his or her factor. We use net draw to be able to compare groups across pay pools and reduce the impact of different funding levels.

All individuals in a pay pool generally have their salaries included in the funding calculations, but not all employees are necessarily eligible for ratings and payouts. Individuals who have less than 90 days in an NSPS position at the time of the rating cycle are not be eligible for a rating. In those cases the individuals will contribute to the funding of the pay pool but will not be eligible for a performance-based salary increase or bonus. The remaining rated individuals benefit from the additional funding set aside from the non-rated employees in the pay pool.

As non-rated individuals are not included in net draw computations, overall net draw is positive. Thus, individual payouts are a function of both the pay pool funding rate and the number of non-rated individuals in the pay pool. In general, all other things being equal, individuals in pay pools with a higher percentage of non-rated individuals will receive higher payouts.

In defining the payout analysis group, we included only individuals who were eligible for ratings and payouts. Assuming that there were at least some members in each organization whose salaries were included in the funding calculations but were not eligible for payouts, the remaining group would be expected to have an average net draw that is positive. Figure 2.7 shows net draw percentage for each pay schedule. The position of the circles indicates the percent net draw while the area of the circles reflects the relative size of the population in the associated pay schedule. Note that pay schedules YB, YD, YE, YL, YM, YN, and YP all had negative net draw percentages.

In addition to looking at these general statistics for net draw, we looked at the distribution of net draw across a variety of other variables. One analysis grouped employees into five pay ranges based on base pay and then examined the average net draw percentage for each pay range. Figure 2.8 shows a positive relationship between pay and net draw percentage.

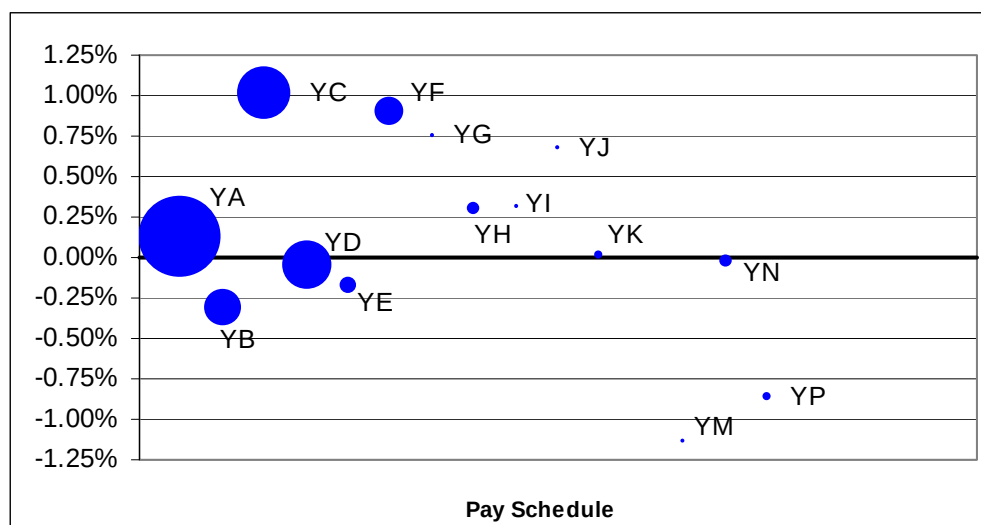


Figure 2.7 – Draw by Pay Schedule

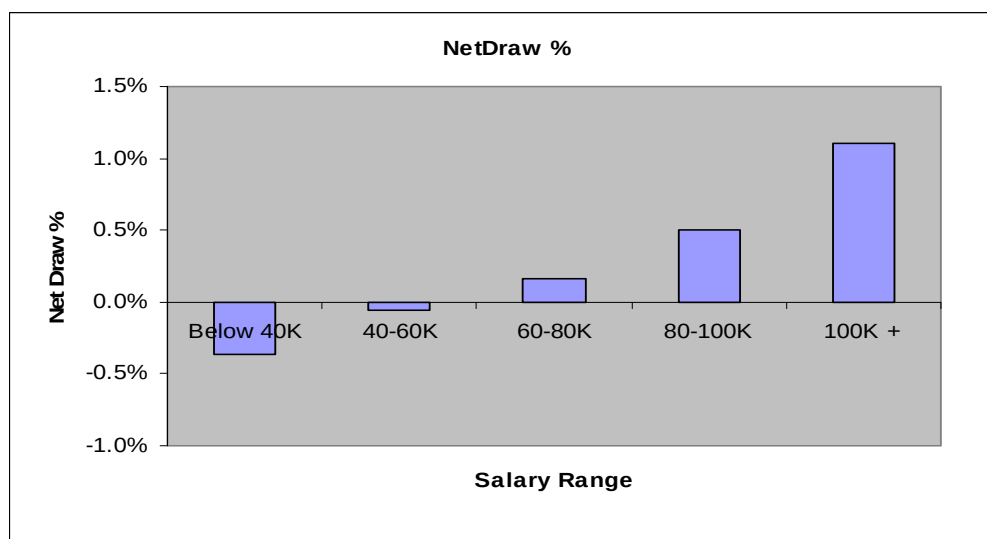


Figure 2.8 – Net Draw Percentage by Salary Range

2.2.8. Distribution of Ratings, Shares, and Payouts by Pay Ranges

In the discussion above there appears to be a relationship between net draw and base pay. We carried this analysis a bit further and looked at two additional relationships. The first relationship we examined was between base pay and the rating received. The second relationship examined whether an individual received the higher or lower possible number of shares. Obviously this reduces the population to those who received a rating of three or higher. We looked at the relationship between the number of shares option and base pay for this subset of the population.

Because rating is a measure of the degree to which employees met their objectives, which reflect the level of work required by their positions, we would expect to see a relatively even distribution of ratings across all pay schedules, pay bands, and salary ranges. Each employee should have the same opportunity to succeed or fail based upon the objectives established. However, Figure 2.9 shows the average rating increases as a function of salary. Those in the highest pay range have an average rating of 3.8 while those in the lowest pay range have an average rating of 3.3. This result is consistent with the chart in Table 2.14 which shows average payout by base salary. The weighted average percent payout of those in the highest salary range is more than two percentage points higher than those in the lowest salary range.²

The second relationship of concern is how the number of shares options were exercised relative to base pay. The data addressing this question are somewhat mixed. Figure 2.10 shows the percentage of employees with a rating of 3 who received two shares (vs. one share) broken out by salary. The percentage receiving the higher share value shows the same pattern as the average rating pattern shown in Figure 2.9, in which the data are broken out by salary range. The percent receiving two shares is almost twenty percentage points higher for those in the highest salary range compared to those in the lowest. The same pattern also exists for those with a rating of 4 as shown in Figure 2.11. Of those in the highest salary range, 44% received 4 shares (vs. 3 shares) compared to only 23 percent of those in the lowest salary range. The pattern is reversed for those with a 5 rating as shown in Figure 2.12.

Section 2.2.2 above looked at the impact of contributing factors on final rating. Figure 2.3 showed the percent of employees who had their final rating increased, decreased, or remained unchanged, by component. Given the empirical correlations between base salary and rating, and base salary and payout reported above, we also looked at how the impact of contributing factors on final rating varies by base pay. Figure 2.13 shows that the percent of employees whose rating was increased as a result of contributing factors increases linearly with base pay. There is almost a ten percentage point difference between those in the lowest salary range (11.7%) and those in the highest salary range (21.0%).

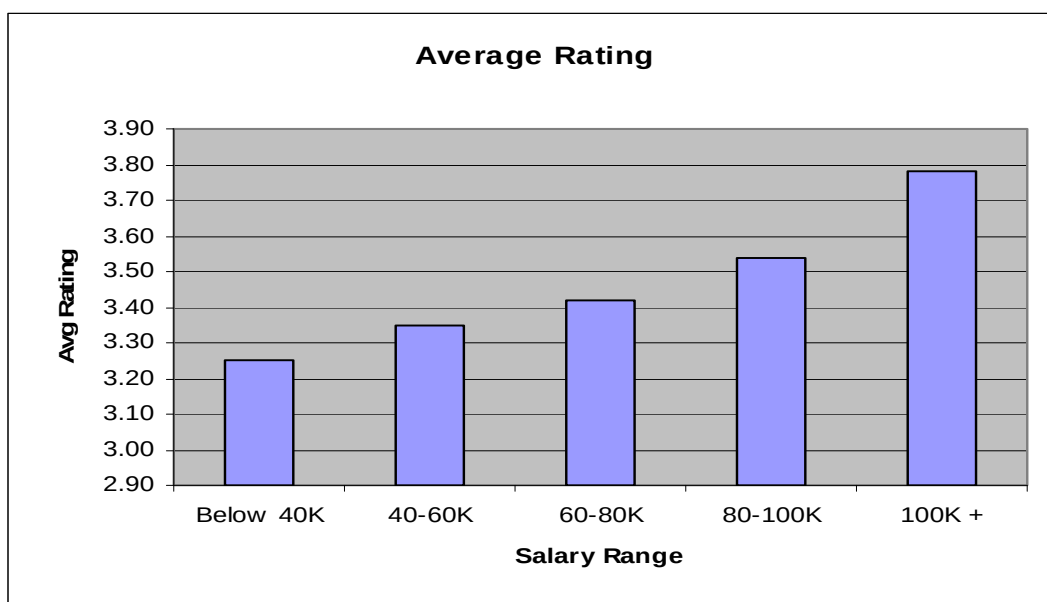


Figure 2.9 – Average Rating by Salary Range

² Weighting is based on base salary

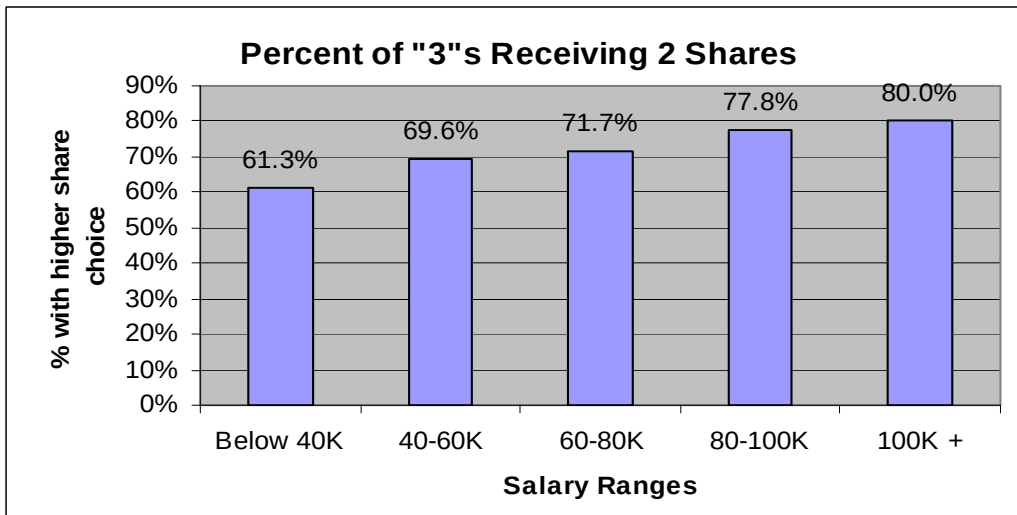


Figure 2.10 – Number of Shares for a Rating of 3 by Salary Range

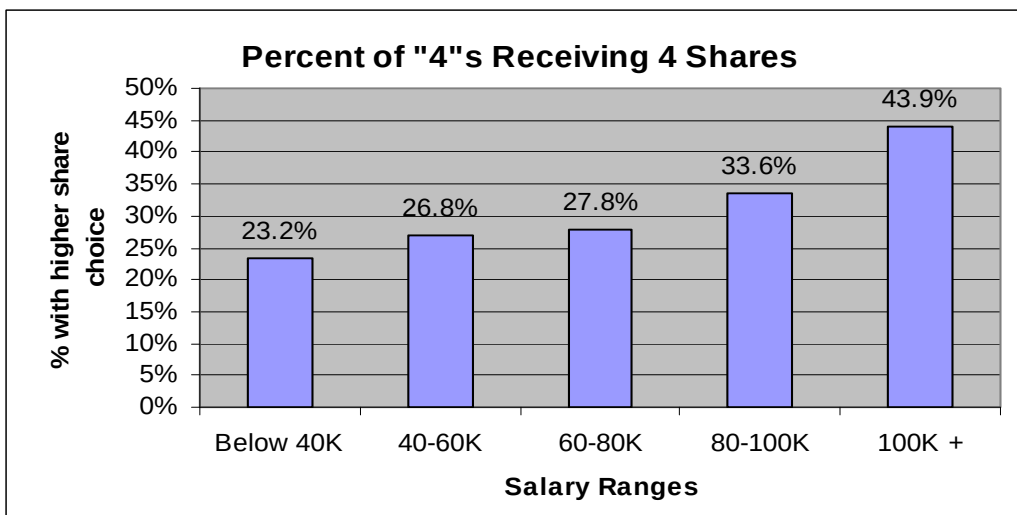


Figure 2.11 – Number of Shares for a Rating of 4 by Salary Range

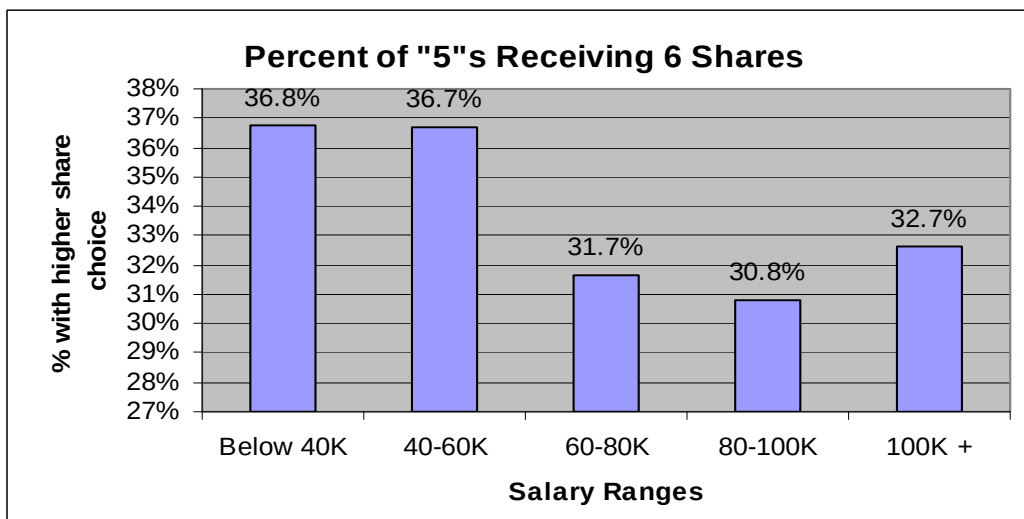


Figure 2.12 – Number of Shares for a Rating of 5 by Salary Range

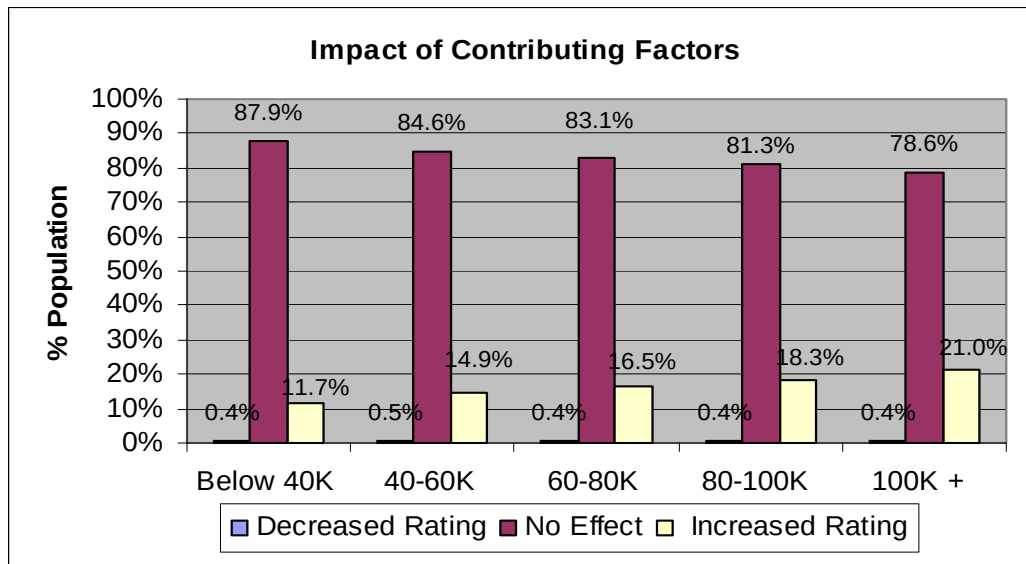


Figure 2.13 – Impact of Contributing Factors on Rating by Salary Range

Thus, the above charts indicate that, in general, the higher the pay:

- The higher the rating
- The higher the proportion getting the higher number of shares for ratings of 3 or 4
- The higher the percent who received an increased rating due to contributing factors
- The higher the payout percentage

The data suggest that organizations with similar results should reflect on whether performance expectations are set appropriately and whether some pay schedule/pay band groups are more likely to meet criteria for ratings above the “valued performer” level. Inappropriate performance expectations can inadvertently shift pay pool dollars from the lower paid employees to the higher paid ones. Higher pay is generally consistent with higher grade, more experience, and a greater contribution to organizational performance. It is not clear whether higher ratings are more likely to be assigned to employees perceived as making larger contributions to the organization. Managers must be trained not to rate the value of the position, but to rate performance in terms of the more demanding objectives associated with these positions.

2.2.9. Payout Split Strategies

Splitting an employee’s performance payout between a salary increase and a bonus can have a significant impact on the employee’s earnings, both for the current cycle and in the future. A salary increase can generally be thought of as “the gift that keeps on giving” because the employee will continue to receive this payment in future years, and it increases base salary, from which future increases are based. A bonus, on the other hand, does not affect future compensation.

In some instances there is really no decision to be made. If an employee is at or near the maximum for his or her pay band, then the portion of the payout that can be given as a salary increase may be severely limited and all or most of the payout may have to be in the form of a bonus. Splits may also be affected by the use of control points to limit salary growth as discussed above. Trying to categorize salary split strategies is difficult to do with any precision.

Although the calculation of a salary split is objective, the interpretation of the strategy behind the salary split is highly subjective. We can only observe the results and then try to see if there

are patterns. Because funding for Elements 1 and 2 generally represents salary increases and Element 3 generally represents bonus funding, we might expect to see payout splits that approach the funding splits. Base pay increases for the pay pool cannot exceed the sum of Element 1 and Element 2 funding.

Other restrictions are 1) a pay pool's total payout is limited only by the total funding and, 2) individual salary increases are limited by the maximum of the pay band or control point. Table 2.15 below shows the average pay pool percentage split between salary payouts and bonuses, both funded and actually allocated, by component.

Table 2.15 – Payout Distribution

Component	Funded*		Allocated	
	Salary	Bonus	Salary	Bonus
Army	63.5%	36.5%	62.8%	37.2%
Navy	74.9%	25.1%	69.2%	30.8%
Air Force	70.3%	29.7%	68.7%	31.3%
Fourth Estate	58.7%	41.3%	56.8%	43.2%
Average	66.9%	33.1%	65.0%	35.0%

**Proportion of Elements 1 and 2 to total pay pool funding = salary split*

2.2.10. Use of Control Points in Limiting Pay

NSPS includes the concept of control points to allow organizations to manage pay progression for similar positions in a pay band. Control points limit pay rates and pay increases and slow movement through a pay band. By establishing a control point below the maximum for a pay band, managers can control the size of potential increases so that pay does not grow too fast or exceed the market value for the job. The CWB software allows pay pools to set control points and then enter either a “Yes” or “No” to allow a control point to be exceeded. The increase will be limited at the control point only if a “No” is entered to this question. During the first cycle there was some indication that not all pay pools fully understood either the intent of the control points or how to use them. One Spiral 1.1 organization used them deliberately to distinguish between jobs of significantly different scope in the same pay band. Control points were used much more extensively in the second cycle. Table 2.16 shows how employees were affected by control points across the components. The table breaks out the number of employees who had a valid control point value in the CWB, the number who hit that control point, and the number who had their salary growth limited by the control point.

Table 2.16 – Control Point Statistics

Component	Payout Eligible Employees	Valid Control Point in CWB (percent of eligible)	Hit Control Point (percent of those with CP)	Stopped at Control Point (percent of those that hit CP)
Army	37,121	6,683 (18%)	1,068 (16%)	840 (79%)
Navy	19,058	4,957 (26%)	1,102 (22%)	814 (74%)
Air Force	35,779	3,266 (9%)	400 (12%)	261 (65%)
Fourth Estate	8,509	2,040 (24%)	298 (15%)	248 (83%)
Total	100,467	16,946 (17%)	2,868 (17%)	2,163 (75%)

Appendix A provides an analysis of payouts related to Extraordinary Pay Increases (EPI), Organizational/ Team Achievement Recognition (OAR), and the use of pro-ration.

2.3. Equity Analysis

This section addresses potential effects of NSPS on subgroups of employees, especially the protected subgroups including females, minorities, individuals 40 years of age and older, and disabled persons. The NSPS pay pool process was established to foster fairness and equity for

all employees. Ratings recommended by a supervisor are reviewed both at a higher level and by a pay pool panel – a group of management officials that ensures rating and payout consistency and fairness across the employees who are members of the pay pool. In larger organizations reviews also may be made at an intermediate, sub-pay pool level in the organization, with the pay pool panel ensuring consistency and fairness across sub-pay pools. Raters, reviewers, and panel members apply standard, NSPS-wide performance indicators and benchmarks when they consider employees' performance assessments. Thus, the review process at the pay pool level is designed to ensure that the standard criteria are applied fairly to the performance of each individual in the pay pool, without regard to status among protected subgroups. In addition, there is a rating reconsideration process for employees who wish to challenge their ratings. Ensuring such consistency of performance ratings within a pay pool is essential for fair performance-based pay within a pay pool.

The operational autonomy of the pay pool fosters equity and consistency within the pay pool and typically keeps rating decisions at a level close to the employees and their work. It complicates analysis of aggregate measurement across the pay pools, however. Each pay pool is unique, with size and composition varying widely. Performance expectations vary due to the diversity of jobs and experience within and across pay pools and the wide range of work demands included in some pay bands. While individual ratings are based on performance compared to individual objectives and performance indicators, challenging jobs are more likely than routine ones to present opportunities for a high rating. Any given pay pool may have a high proportion of high performers or norm its work with relatively fine distinctions at successful rating levels. For these reasons, analyzing rating outcomes across pay pools is challenging, and analyzing differences in subgroup results across pay pools is particularly problematic.

Figure 2-14 below demonstrates the difficulty. The figure depicts a histogram of the 2007 pay pools broken out by the average rating within the pay pool. The wide range of average ratings across pay pools illustrates how the use of average rating as a measure of a subgroup's performance can be misleading. If a subgroup is concentrated in pay pools with lower average ratings, its average rating across all pay pools probably will be lower than the average rating for everyone. Thus, it is possible for members of a subgroup to receive ratings that are the average within their respective pay pools, but the subgroup's aggregate rating could be below the overall average.

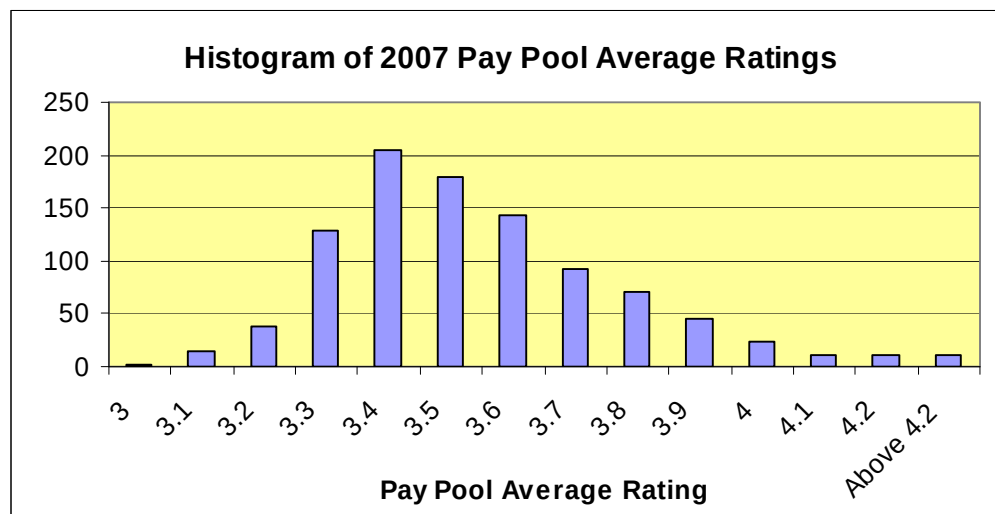


Figure 2.14 – Histogram of Pay Pool Average Ratings

Table 2.17 – Protected Subgroups

Race	Population	Percent
White	72,809	72.5%
Black/African American	14,466	14.4%
Asian	5,704	5.7%
American Indian/Alaska Native	794	0.8%
Native Hawaiian/Pacific Islander	561	0.6%
Multiracial	715	0.7%
Identity Pending	253	0.3%
Unspecified	5,163	5.1%
Total	100,465	100.0%

Gender	Population	Percent
Female	40,749	40.6%
Male	59,716	59.4%
Total	100,465	100.0%

Ethnicity	Population	Percent
Non-Hispanic	94,293	93.9%
Hispanic	5,917	5.9%
Identity Pending	255	0.3%
Total	100,465	100.0%

Targeted Disability	Population	Percent
Disability	553	0.6%
No Disability	99,912	99.4%
Total	100,465	100.0%

Age	Population	Percent
40 and Over	83,249	82.9%
Under 40	17,216	17.1%
Total	100,465	100.0%

Veteran Status	Population	Percent
Veteran	34,200	34.0%
Non-Veteran	66,265	66.0%
Total	100,465	100.0%

Table 2-17 above provides a demographic breakout of the 100,465 NSPS employees that were both rated and payout eligible in 2007. The median rating for each subgroup in the table was 3. Mean ratings for each subgroup across pay pools are not considered appropriate performance measures, as explained above, and are not reported. Instead, the analysis uses linear regression to examine differences for subgroups. Regression provides the opportunity to examine subgroup effects while controlling for other variables that affect ratings. The approach helps avoid potentially incorrect inferences developed from simple two-way comparisons.

2.3.1. Linear Regression Analysis

The specific type of regression used for the analysis is known as “stepwise” regression because variables are added one at a time, in order of decreasing significance. If an included variable drops below the significance threshold (0.05) at any time during the process, it is removed from the regression. The regression terminates when none of the excluded variables meets or surpasses the significance threshold when added to the regression.

Independent variables for the regression are developed from subgroup identities through the use of indicator (0/1) variables. For those categories of subgroups with only two possible values like gender, a single indicator variable is defined for one of the two values. For gender an indicator variable is created for Female (e.g., Female=1), but not for Male. In this case Male is the default value for the subgroup breakout, and membership is implied when Female equals zero. Each category of subgroup has a default subgroup not explicitly identified in the regression. For categories of subgroups with more than two possible values, such as race, an indicator variable is created for each of the subgroups except the largest one, which is the default subgroup. For race, White is the default value, and the estimated regression coefficients for each of the race indicator variables (i.e., Black, Asian, American Indian/Alaskan Native) represent differences relative to the White subgroup. Army was selected as the default component because the resulting regression produced coefficients for the remaining components that all have the same sign, facilitating component comparisons. In the stepwise regression procedure described above, indicator variables representing subgroups, such as race or component, enter the regression as a group and leave as a group.

Additional variables considered in the regression modeling are listed below, where a 'C' designates a continuous variable and 'I' designates an indicator variable:

- Education level – I (Bach., Masters, PhD)
- Component – I (Army, Navy, Air Force, and 4th Estate)
- Years of service – C
- Career Group – (Standard, Scientific & Engineering, Medical, and Investigative/Protective)
- Work Category (Professional, Manager, Technician) - I
- Pay pool funding level - C
- Base pay - C
- Average score of pay pool - C
- Relative position in pay band – C (ranging from 0 to 1, where .5 is halfway through the band)

Table 2-18 reports results for the regression of performance rating on the explanatory individual and pay pool-level variables selected by the stepwise procedure. The overall R^2 is typically used as an indicator of the fit of the regression model to the underlying data. This stepwise regression produced an R^2 of just 15.8%, meaning over 84% of the variance in individual performance ratings could not be explained by the variables listed above. While a low R^2 detracts from the confidence of the results, the estimated coefficients still indicate the underlying relationships between ratings and the explanatory variables and reinforce conclusions reached in earlier sections of this report.

The regression method also calculates the percentage of the R^2 contributed by each explanatory variable. Table 2-18 shows the contributions to R^2 and estimated coefficients for all variables or groups of variables that contribute more than .1% to the R^2 . **The most significant variable by far was average rating in the pay pool, which contributed 9.4% to the R^2 .** Thus, average pay pool rating contributed 60% (9.4/15.8) of the overall R^2 . This result is not surprising given the histogram of average performance ratings shown in Figure 2-14. This variable helps account for the great range in average scores across pay pools and supports the importance of equity analysis at the pay pool level.

The second most significant variable is base salary, which contributes 2.7% to the overall R^2 . This result is also consistent with the positive correlation between rating and base salary documented in Section 2.2.8. Together, the two most significant variables account for over 75% of the R^2 .

The third most significant variable, years of service, has a negative coefficient. This result may appear counter-intuitive because experience in earnings models generally has a positive effect. However, this regression is modeling performance ratings and controls for the effects of other variables in the model. That is, if two individuals have the same salaries and work category but differing years of service, shorter service time may be an indication of superior skills or previous superior performance that has resulted in faster career advancement. This reasoning is one possible explanation for the negative coefficient for years of service.

Both managers (+.154) and technicians (+.109) fared better than the default work category, professional. Females (+.126) fared better than males, while all the service components (especially 4th Estate) showed negative coefficients when compared to the default component, Army. Among the race subgroups coefficients were negative, and the coefficient for Blacks (-.134) was the most negative.

Table 2.18 – Regression Results for Rating

Variable	Contribution to R ²	Coefficient
Intercept		0.028
Pay Pool Average Score	9.4%	0.878
Base pay (increase per 10 K)	2.7%	0.069
Years of Service	1.2%	-0.008
Work Category	1.1%	
Manager		0.154
Technician		0.109
Gender	0.7%	
Female		0.126
Race	0.6%	
Black		-0.134
Asian		-0.084
American Indian/Alaska Native		-0.052
Native Hawaiian/Pacific Islander		-0.067
Multiracial		-0.052
Identity Pending		-0.027
Unspecified		0.019
Component	0.1%	
Navy		-0.025
Air Force		-0.038
Fourth Estate		-0.085
Total	15.8%	

2.3.2. Conclusions

The pay pool process, designed to foster equity and fairness within the pay pool, complicates analysis of performance ratings across pay pools due to differences in work demands, the mix of jobs and experience, and the application of the common performance indicators and benchmarks in a local context. For a system-wide perspective, this analysis used linear regression with pay pool-level and individual demographic variables to explain differences in performance ratings, but only explained 15.8% of the variance.

As a group, the race indicator variables explained only 0.6% of the variance in performance ratings. However, the regression confirmed results obtained earlier in the report: differences in the average ratings of employees' pay pools drive the explanation of individual rating differences, and higher paid individuals tend to receive higher ratings.

2.4. Migration to and from NSPS

The analysis tracked the migration of employees into and out of NSPS positions using of end-of-month DCPDS extract files. The status of employees with an NSPS rating for FY2006 was baselined with information from the January 2007 extract and then compared to information from the January 2008 extract (about a year after receipt of rating). Employees with an NSPS rating for FY2007 were tracked using information from the January 2008 extract with follow-up information from the July 2008 extract (about eight months after receipt of rating). Four categories tracked the migration: 1) Remained in the same NSPS position, 2) Moved to another NSPS position, 3) Moved to a non-NSPS position, or 4) Separated from DoD. Employees were also grouped by performance rating (satisfactory vs. unsatisfactory) to indicate potential differences in migration patterns, especially DoD separations. In addition, the analysis compares migration for NSPS participants to those in DoD who were not in NSPS.

The top of Table 2-19 shows the 2007 migration pattern of those in Spiral 1.1 who received an NSPS rating for 2006. The bottom shows the same information for non-NSPS employees. Comparing the NSPS and non-NSPS cohorts shows the difference in the percent receiving unsatisfactory ratings: 2.9 percent of the NSPS cohort received low ratings of 1 or 2 compared with only .06 percent for the non-NSPS cohort. However, the loss rate for employees with a low rating was much higher for the non-NSPS cohort: 40.7 percent versus 2.9 percent for NSPS. As of January 2007, 23 percent of the total NSPS Spiral 1.1 cohort had moved with 14.5 percent moving to another NSPS position, 2 percent moving to non-NSPS positions, and 6.5 percent leaving DoD.

Table 2.19 – 2007 Migration

NSPS Cohort							
	NSPS Employees	Remained in the Same Unit	Moved to other NSPS Position	Moved to Non-NSPS Position	Separated from DoD	Loss Rate	Percent with Low Rating
Low rating	297	183	54	10	50	16.8%	2.9%
3 or above	9,909	7,671	1,429	191	618	6.2%	
Total	10,206	7,854	1,483	201	668	6.5%	
Non-NSPS Cohort							
Non-NSPS Employees	Remained in the Same Unit	Moved to NSPS Position	Moved to Non-NSPS Position	Separated from DoD	Loss Rate	Percent with Low Rating	Non-NSPS Employees
Low rating	150	77	8	4	61	40.7%	0.06%
3 or above	256,995	188,483	37,274	12,152	19,086	7.4%	
Total	257,145	188,560	37,282	12,156	19,147	7.4%	

Table 2-20 displays similar migration data for the much larger 2007 NSPS cohort that includes all of Spiral 1. The percent of NSPS employees with a low rating dropped from 2.9 percent in 2006 to 1.7 percent in 2007. The NSPS and non-NSPS loss rates for employees with low ratings were also similar: 13.2 percent for NSPS and 12.6 percent for non-NSPS. Both NSPS and non-NSPS employees had the same overall loss rates of 3.4 percent, which represent declines of 3.1 and 4.0 percentage points, respectively. In summary, as of July 2008, 8.6% of the NSPS Spiral 1 workforce had moved, with 3.7 percent moving to other NSPS positions, 1.6 percent moving to non-NSPS positions, and 3.4 percent separating from DoD.

Table 2.20 – 2008 Migration

NSPS Cohort							
	NSPS Employees	Remained in the Same Unit	Moved to other NSPS Position	Moved to Non-NSPS Position	Separated from DoD	Loss Rate	Percent with Low Rating
Low rating	1,644	1,342	29	56	217	13.2%	1.7%
3 or above	96,738	88,568	3,565	1,498	3,107	3.2%	
Total	98,382	89,910	3,594	1,554	3,324	3.4%	
Non-NSPS Cohort							
	Non-NSPS Employees	Remained in the Same Unit	Moved to NSPS Position	Moved to Non-NSPS Position	Separated from DoD	Loss Rate	Percent with Low Rating
Low rating	562	421	64	6	71	12.6%	0.24%
3 or above	237,289	190,720	31,228	7,220	8,121	3.4%	
Total	237,851	191,141	31,292	7,226	8,192	3.4%	

2.5. Rating Reconsideration and EEO Complaint Results

2.5.1. Rating Reconsiderations

Of the 100,465 NSPS employees who received a performance rating for FY2007, 2.3 percent requested a reconsideration of rating. Table 2-21 shows the results for each component. Overall, a third of the reconsideration requests were granted. The Fourth Estate had the highest reconsideration approval rate (45.5 percent) while the Air Force had the lowest (28.0 percent)

Table 2.21 – Rating Reconsiderations/ January 2008 Results

Component	Total Requested	Granted	Percent Granted
Army	810	282	34.8%
DON	319	124	38.9%
Air Force	973	272	28.0%
Fourth Estate	200	91	45.5%
Total	2,302	769	33.4%

2.5.2. EEO Complaints

Figure 2-15 shows the number of DoD complaints of discrimination received by the Investigations and Resolution Division (IRD) of the Civilian Personnel Management Service for the last three fiscal years. The NSPS/Non-NSPS breakout reflects the classification of the originating organization when the complaint was filed. Thus, some of the complaints shown as Non-NSPS in FY2007 and FY2008 are from employees who have since converted to NSPS positions. In FY2007, IRD received 22 NSPS complaints, less than 1 percent of the total, and in FY2008, 154 complaints, 5.5 percent of the total.

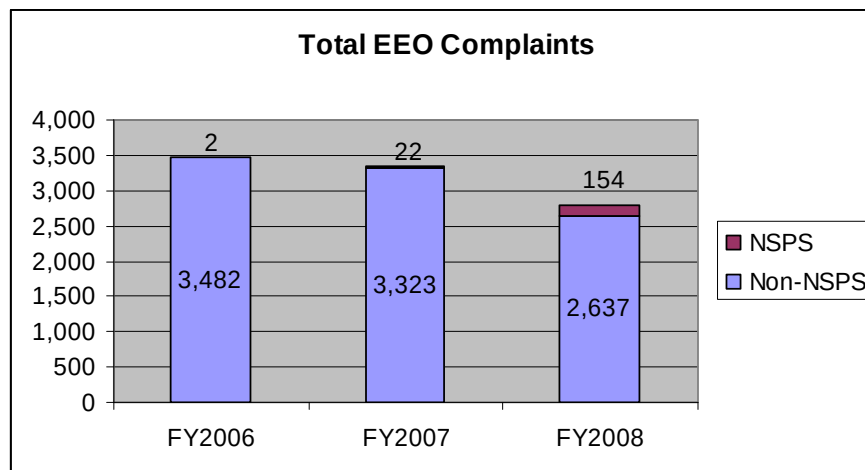
**Figure 2.15 – DoD EEO Complaints**

Figure 2.16 compares the composition of NSPS and Non-NSPS complaints by basis. Despite the smaller NSPS sample size, the NSPS and Non-NSPS distributions by basis are similar. From this perspective, there is no indication that NSPS is causing the mix of complaints by the eight basis categories to be very different from the overall mix.

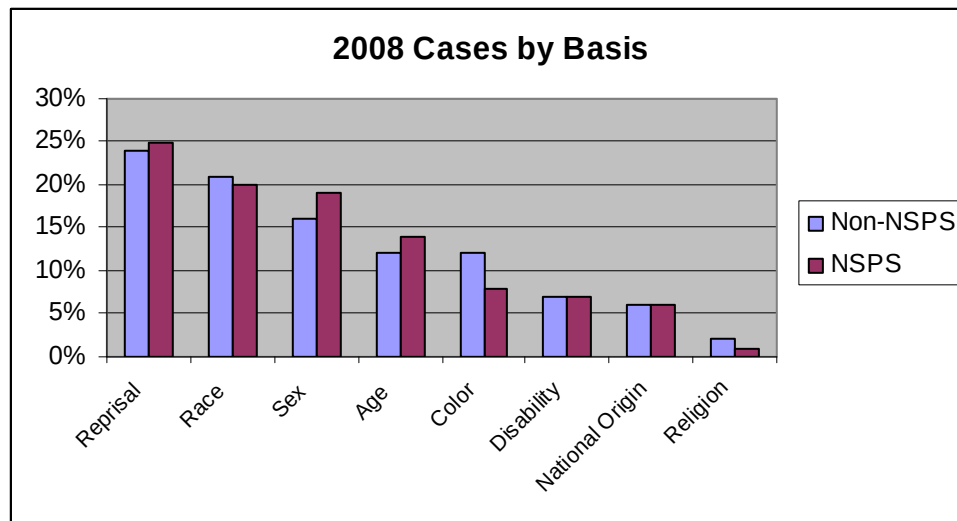


Figure 2.16 - NSPS and Non-NSPS Complaints by Basis

The next section discusses the analysis of employee performance plans.

2.6. Analysis of Employee Performance Plans

An important element of the National Security Personnel System is the employee performance plan. Supervisors use performance plans to:

- Document the objectives that guide employee performance throughout the performance period
- Provide ratings of employee performance relative to these objectives
- Provide justifications of these ratings

Employees have the opportunity to contribute to the performance plans by providing a self-assessment in which they explain how they perceive they performed relative to their objectives. The information provided by supervisors and employees on the performance plans is then used in the pay pool panel process to determine final performance ratings and share allocations.

Given the significance of the information provided in the performance plans, the NSPS PEO requested an evaluation of the performance plans developed under NSPS to determine the extent to which the performance plans are effectively prepared and meet the needs of NSPS. The specific research questions that guided this evaluation were:

- To what extent did the objectives adhere to the “SMART” framework (i.e., specific, measurable, aligned, realistic, and timed)?
- To what extent did the objectives reflect appropriate difficulty levels and meaningful outcomes for the band level and job series of the employee?
- To what extent were the objectives similar within organizations and components for the same job series?
- To what extent did the objectives increase in difficulty for higher bands?
- To what extent was the information provided in the performance plans adequate?

This section describes the methodology used to evaluate the performance plans, the results of the evaluation, and conclusions of the study.

2.6.1. Evaluation Methodology

This section describes the procedures for choosing the sample of performance plans used in this evaluation and the procedures used to evaluate these performance plans.

Sample

The study evaluates 240 performance plans. The requirements for the composition of the sample of performance plans included a range of job series, pay schedules, pay bands, and organizations within each of the four DoD components. The specific job series requested are ones with which the analysis team has past experience so that they could knowledgeably evaluate job-specific information on the performance plans. NSPS performance plans were chosen to meet the sample requirements. The characteristics of the final sample of performance plans are presented in Table 2.22.

Table 2.22 – Performance Plan Sample Characteristics

Characteristics		n (percent)
Component	Army	64 (27%)
	Navy	60 (25%)
	Air Force	76 (32%)
	Fourth Estate	40 (17%)
Job Series	201: Human Resources Management	24 (10%)
	301: Miscellaneous Administration & Program	1 (0.4%)
	303: General Support	15 (6%)
	304: Information Receptionist	1 (0.4%)
	318: Secretary	1 (0.4%)
	343: Management and Program Analyst	23 (10%)
	511: Auditing	24 (10%)
	560: Budget Analysis	24 (10%)
	802: Engineering Technician	24 (10%)
	810: Civil Engineering	24 (10%)
	830: Mechanical Engineering	24 (10%)
	1102: Contracting	32 (13%)
	1702: Education and Training Technician	23 (10%)
Pay Schedule and Band	YA1	31 (13%)
	YA2	50 (21%)
	YA3	8 (3%)
	YB1	20 (8%)
	YB2	20 (8%)
	YC2	22 (9%)
	YC3	17 (7%)
	YD1	8 (3%)
	YD2	14 (6%)
	YD3	14 (6%)
	YE2	5 (2%)
	YE3	11 (5%)
	YE4	8 (3%)
	YF2	6 (3%)
	YF3	6 (3%)

Evaluation Procedure

The performance plan evaluation team developed a set of evaluation criteria to serve as a foundation for the evaluation and to address the study's primary research questions. Appendix B contains the criteria used to evaluate the performance plans.

After the evaluation criteria were developed, a team of industrial/organizational psychologists was trained as assessors to use the criteria to evaluate each performance plan. After each assessor independently evaluated the same subset of performance plans using the evaluation criteria, they compared individual ratings, discussing areas of discrepancy to derive a final rating for each performance plan. They repeated this process with another subset of performance plans to ensure that each assessor interpreted and applied the criteria in a similar manner. Once a high level of agreement on ratings was attained, the remaining performance plans were divided so that the same assessor evaluated all performance plans within a job series. This approach was necessary because some of the evaluation criteria required the analysis to compare objectives across bands within a job series.

The lead assessor evaluated a random set of each of the remaining performance plans for quality control to ensure that the team assessors remained calibrated throughout the task and did not inadvertently change their interpretations of the evaluation criteria. The lead assessor periodically discussed any issues that arose with the team, jointly deciding process solutions. These steps ensured that the assessor team applied the criteria consistently throughout the evaluation process.

2.6.2. Results

The 240 performance plans yielded a total of 893 objectives, resulting in a mean of 3.7 objectives per performance plan. This section presents the results of the evaluation according to the topics of the primary research questions.

SMART Objectives

Each objective was evaluated on the extent to which it met each element of the SMART framework (i.e., specific, measurable, aligned, realistic, and timed). These elements are further explained below.

- **Specific:** Objectives should describe specific outcomes or results to be achieved.
- **Measurable:** Objectives should be measurable and include a method or procedure to observe, verify, assess, or record the result.
- **Aligned:** Objectives should be aligned with higher-level organizational goals to ensure that employee performance contributes to the achievement of organizational success.
- **Realistic:** Objectives should be challenging, but they also should be realistic and attainable by the employee. Employees must have control over any objective that is created.
- **Timed:** Objectives should include a timeframe for completion, such as deadlines, cycles, or schedules.

The results of the evaluation of the objectives against the SMART framework are presented in Table 2.23.

These results indicate that:

- Fifty-eight percent of the objectives were highly specific, including very specific and observable actions, behaviors, or achievements that clearly identified key results and outcomes. In contrast, 27% included moderately specific and observable actions,

behaviors, or achievements that were somewhat vague or broad, and 14% were written in generic terms with no specific or observable actions, behaviors, or achievements.

Table 2.23 – Elements of SMART Framework

SMART Element	Frequency of rating n (percent)			
Specific	Not Available 2 (0.2%)	Not Specific 130 (14%)	Moderately Specific 242 (27%)	Highly Specific 519 (58%)
Measurable	Not Available 4 (0.5%)	Not Measurable 223 (25%)	Moderately Measurable 259 (29%)	Highly Measurable 407 (46%)
Aligned	Not Available 5 (0.6%)	Not Aligned 5 (0.6%)	Moderately Aligned 33 (4%)	Strongly Aligned 850 (95%)
Realistic	Not Available 5 (0.6%)	Not Realistic 1 (0.1%)	Somewhat Realistic 6 (0.7%)	Very Realistic 881 (99%)
Timed	Not Available 2 (0.2%)	Did Not Include Timeframe 425 (48%)	Included Timeframe 466 (52%)	---- ----
n = 893 objectives.				

- Less than half (46%) of the objectives were highly measurable, including an exact and precise method or procedure for assessing or verifying the quality of the objective. Twenty-nine percent were moderately measurable, including an approximate, vague, or imprecise method or procedure for assessing or verifying the quality of the objective. One quarter (25%) of the objectives did not include a method or procedure for assessing or verifying the quality of the objective.
- The majority (95%) of the objectives were strongly aligned to higher level goals, demonstrating a very clear, direct, and strong linkage to the organizational mission or relevant strategic goals.
- The majority (99%) of objectives were very realistic and attainable.
- Approximately half (52%) of the objectives included a timeframe for completion and approximately half (48%) did not include a timeframe.

Appropriateness of Objectives for the Band Level and Job Series

Adhering to the SMART framework is necessary, but not sufficient, for effective objectives. Objectives should be written at the appropriate difficulty for the band level of the employee and should reflect meaningful outcomes for the employee's job series. Objectives should not focus on relatively trivial requirements of the job. The results of the evaluation of the difficulty level and meaningfulness of the objectives are presented in Table 2.24.

Table 2.24 – Appropriateness of Objectives

	Frequency of Rating n (percent)			
Difficulty Level	Not Available 5 (0.6%)	Too Low 51 (6%)	Appropriate 836 (94%)	Too High 1 (0.1%)
Meaningfulness	Not Available 5 (0.6%)	Not Meaningful Outcome 12 (1%)	Moderately Meaningful Outcome 187 (21%)	Very Meaningful Outcome 689 (77%)
n = 893 objectives.				

These results indicate that:

- The majority (94%) of objectives were written at an appropriate level of difficulty for the band level.

- Approximately 77% of the objectives reflected a very meaningful outcome that was relevant, key, and significant to the job series. Less than a quarter (21%) of the objectives were moderately meaningful, and only 1% of the objectives reflected outcomes that were irrelevant or insignificant to the tasks of the job.

Similarity of Objectives

In addition to evaluating the performance plans on an individual level, the analysis evaluated sets of objectives for employees in the same job series and band level on the similarity of the objectives. This approach was important to identify the extent to which employees in similar roles were being evaluated on similar objectives.

The sets of performance plans spanned a range of job series, band levels, pay schedules, organizations, and components. The number of performance plans within each set ranged from 3 to 15 plans. The results of this evaluation are presented in Table 2.25.

Table 2.25 – Similarity of Objectives

Frequency of Rating n (percent)			
Within Organizations¹	Not Similar 0 (0%)	Somewhat Similar 9 (43%)	Very Similar 12 (57%)
Within Components²	Not Similar 3 (9%)	Somewhat Similar 11 (32%)	Very Similar 20 (59%)
¹ n = 21 sets of performance plans.			
² n = 34 sets of performance plans			

These results indicate that:

- For over half of the within-organization and within-component sets (57% and 59%, respectively), the performance plans were very similar to each other, with over 75% of the performance plans within these sets containing objectives that reflected similar outcomes or key results.
- For 43% of the within-organization sets and approximately one third (32%) of the within-component sets, the performance plans were somewhat similar to each other, with 40% to 75% of the performance plans within these sets containing objectives that reflected similar outcomes or key results.
- For 9% of the within-component sets, the performance plans were not similar to each other, with less than 40% of the performance plans within these sets containing objectives that reflected similar outcomes or key results. None of the within-organization sets were evaluated as “not similar.”

Progression of Objective Difficulty

The analysis evaluated sets of objectives for employees in the same job series on the extent to which the objectives progressed in difficulty from lower bands to higher bands. This process was important to determine whether the difficulty of an objective for any given employee within the same job series was at the appropriate level relative to others in different bands throughout the same job series.

As for evaluation of the similarity of objectives discussed above, the progression of difficulty level was assessed within organizations and within components. The sets of performance plans spanned a range of job series, band levels, pay schedules, organizations, and components. The number of performance plans within each set ranged from 3 to 15 plans. The results of this evaluation are presented in Table 2.26.

Table 2.26 – Progression of Objective Difficulty

Frequency of Rating n (percent)			
Within Organization ¹	Did Not Increase in Difficulty 0 (0%)	Increased in Difficulty to a Moderate Extent 2 (9%)	Increased in Difficulty to a Great Extent 21 (91%)
Within Component ²	Did Not Increase in Difficulty 0 (0%)	Increased in Difficulty to a Moderate Extent 1 (8%)	Increased in Difficulty to a Great Extent 12 (92%)
¹ n = 23 sets of performance plans. ² n = 13 sets of performance plans			

These results indicate that:

- For the majority of the within-organization and within-component sets (91% and 92%, respectively), the performance plans increased in difficulty to a great extent, with at least 75% of the performance plans at each band level being more difficult than the majority of the performance plans at the lower band level.
- For less than 10% of the within-organization and within-component sets (9% and 8%, respectively), the performance plans increased in difficulty to a moderate extent, with at least 50% of the performance plans at each band level being more difficult than the majority of the performance plans at the lower band level.
- None of the sets failed to progress in difficulty to at least a moderate extent from lower to higher bands.

Adequacy of Performance Descriptions

The information that employees and supervisors provide on the performance plans is the foundation for important decisions on performance ratings and share allocations. As such, it was important to assess the adequacy of the information provided to ensure that the information meets the needs of supervisors and pay pool panels in making these decisions.

The analysis evaluated two sections of the performance plans to assess the adequacy of the performance descriptions: the self-assessments written by the employees to describe their performance, and the narratives provided by the supervisors to justify the ratings they provided. Self-assessments were evaluated on the extent to which employees provided adequate descriptions of the results they achieved and how they accomplished each objective. The supervisor narratives were evaluated on the extent to which they provided adequate justifications for the ratings they provided and for any adjustments made to account for contributing factors. These results are presented in Table 2.27.

Table 2.27 – Adequacy of Information in Performance Plans

Frequency of Rating n (%)				
Self Assessments ¹	Not Available 9 (4%)	Inadequate 15 (6%)	Adequate 56 (23%)	Very Extensive 160 (67%)
Rating Narrative ¹	Not Available 1 (0.4%)	Inadequate 42 (18%)	Adequate 59 (25%)	Very Extensive 138 (58%)
Contributing Factor Adjustment ²	---	Inadequate 40 (26%)	Adequate 71 (46%)	Very Extensive 42 (27%)
¹ n = 240 performance plans. ² n = 153 performance plans.				

These results indicate that:

- Approximately two-thirds (67%) of employees provided very extensive descriptions of their performance relative to the performance objectives. Twenty-three percent provided adequate descriptions and only 6% provided inadequate descriptions of their performance.

- Over half (58%) of the supervisors provided very extensive justifications for the performance ratings they provided to employees. One quarter (25%) of the supervisors provided adequate justifications and 18% of the supervisors provided inadequate justifications of the performance ratings.
- Approximately 64% of the performance plans used contributing factors and 36% did not. Of the plans that used contributing factors, 71% identified contributing factors for more than half of the objectives and 29% identified contributing factors for half or fewer of the objectives. Approximately one quarter (27%) of the supervisors provided very extensive justifications to support their decisions regarding whether to adjust the performance ratings due to the contributing factors. Slightly less than half (46%) provided adequate justifications and approximately one quarter (26%) provided inadequate justifications.

2.6.3. Conclusions

In summary, the purpose of this study was to conduct an evaluation of employee performance plans developed under NSPS. As such, the analysis evaluated 240 performance plans representing a range of job series, pay schedules, band levels, and organizations within the four components to address the following questions:

- ***To what extent did the objectives adhere to the “SMART” framework*** (i.e., specific, measurable, aligned, realistic, and timed)? Over 90% of the objectives were strongly aligned and very realistic. However, much fewer were highly specific, highly measurable, and included a timeframe for completion. This represents an opportunity for improvement within NSPS organizations.
- ***To what extent did the objectives reflect appropriate difficulty levels and meaningful outcomes for the employee?*** Most of the objectives were written at an appropriate level of difficulty for the band level and reflected a very meaningful outcome that was relevant, key, and significant to the job series.
- ***To what extent were the objectives similar within organizations and components for the same job series?*** This question was addressed by evaluating sets of performance plans, with each set including performance plans for employees in the same job series and band level. Over half of the within-organization and within-component sets of performance plans were very similar to each other. Very few of the within-component sets of performance plans were evaluated as “not similar” and none of the within-organization sets of performance plans were evaluated as “not similar.”
- ***To what extent did the objectives progress in difficulty for higher bands?*** This question was addressed by evaluating sets of performance plans, with each set including performance plans for employees in the same job series but in different band levels. Over 90% of objectives in the within-organization and within-component sets increased to a great extent in difficulty from lower bands to higher bands. None of the sets failed to progress in difficulty, at least to a moderate extent.
- ***To what extent was the information provided in the performance plans adequate?*** The majority of employees provided very extensive descriptions of their performance relative to the performance objectives. Over half of the supervisors provided very extensive justifications for the overall performance ratings they provided to employees. In contrast, only about one quarter of the supervisors provided very extensive justifications to support their decisions regarding whether to adjust the performance ratings due to the contributing factors. This represents another opportunity for improvement within NSPS. Supervisors need to describe how the employee’s performance related to the contributing factor(s) associated with a given objective.

3. ANALYSIS OF DATA COLLECTED DURING SITE VISITS

3.1. Introduction

As part of the evaluation, members of the study team conducted 12 site visits, consisting of 58 focus groups with 635 employees and supervisors and 53 interviews with Commanders and Directors, Performance Review Authorities, members of pay pool panels (in both panel and senior manager roles), and implementation teams. The purpose of the site visits was to collect information regarding perspectives on whether NSPS is on track to meet its goals, and to identify aspects of NSPS and its operation that warrant attention and possible adjustments. This chapter provides a detailed discussion of the major themes identified from the interviews and focus groups, as well as a review of the documentation collected from each site regarding NSPS implementation and operation. The study team identified 16 themes that reflect the broadest areas of input from across all site visit groups. To arrive at these themes, the study team first reviewed the transcripts from all 111 focus groups and interviews, thereby identifying approximately 4,000 points, or themes, made by the participants. Next, the study team eliminated redundancies, reducing the set to 211 themes. Finally, the study team conducted additional analyses to identify the strongest, most consistent findings across all focus groups and interviews. These 16 themes are the major findings from the site visits. Appendix C provides additional detail on the methodology used to conduct these analyses.

The 16 themes are presented by KPP, with the following structure:

- An overview of the theme, including detailed perspectives
- Quotations from the focus group and interview transcripts with additional detail for the sub-components of each major theme

3.2. Information on the Sites

Table 3.1 indicates locations for the 12 site visits and the number of focus groups and interviews by location and cohort.

Table 3.1 – Number of Focus Groups and Interviews by Location and Cohort

Location	Cohort						
	Employee	Supervisor	Pay Pool Panel	Imp. Team	Commander/Director	PRA	Total
CHRA North Central CPOC	2	1	1	2	1	0	7
Tripler Army Medical Center	3	2	1	1	0	1	8
Army Engineering District, Jacksonville	3	2	2	1	1	1	10
HQ USMC	3	2	2	1	1	1	10
PACFLT	2	1	3	1	1		8
SPAWAR SYSCEN	5	2	2	1	1	1	12
Scott AFB	3	2	3	1	0	1	10
Offutt AFB	3	2	2	2	1	0	10
Wright-Patterson AFB	3	3	2	1	0	1	10
Defense Security Cooperation Agency	3	1	1	1	2	2	10
Missile Defense Agency	3	1	2	1	0	0	7
DoD IG	4	2	2	1	0	0	9
Total	37	21	23	14	8	8	111

3.3. Abstract of Findings

The 16 themes are identified below with a summary of findings for each.

3.3.1. Themes Related to KPP 1: High-Performing Workforce and Management

Theme 1. Link Between Performance and Pay Is Moderated by Several Factors

There were varied assessments about the link between performance and pay under NSPS. Themes include perceptions of an emphasis on 3 ratings, the inclusion of some marginal performers and solid performers in the same rating level, the importance of job visibility and supervisor writing skills to high ratings, and the effects of share allocations and salary/bonus splits on payouts.

Theme 2. Employees' Negative Perception of a 3 Rating

NSPS' five-point rating scale with "3-valued performer" as a solid level of performance is difficult for many in the workforce to accept and has led to reports of lower morale. Further, some employees are concerned about the impact of a rating of 3 on their career opportunities. A majority stated they cannot articulate what they must do to exceed a 3 rating.

Theme 3. Effects on Recruitment and Retention

Employees view the ability to move more quickly through a pay band as a benefit of NSPS. Other advantages include the ability to negotiate salaries for new hires and more flexibility in recruiting and retaining employees with higher-level expertise. Challenges to recruitment and retention include the five percent limit on salary increases for reassignments, pay band caps, perceived pay inequities between current employees and new hires, competing GS opportunities, a perception of receiving smaller increases than comparable GS employees, a lack of understanding of how to advance in a pay-banded system, declining morale and job satisfaction, and a perception that supervisors' inability to justify ratings leads to lower payouts. While the hiring process is reported to be difficult and time-consuming, it is not reported to be more difficult than under previous systems. However, NSPS's broad pay bands have made it more difficult to hire for specific pay ranges and specific specialty positions (e.g., IT professionals). Another pay-related challenge includes organizational tailoring within broad pay bands (e.g., use of "pay lanes") for NSPS vacancy announcement salaries. Senior leaders and supervisors generally believe that neither the quality of applicants nor employee performance has changed; it may be too early to see any effects.

Theme 4. Confusion about Advancement within and between Pay Bands

Many in the workforce are uncertain about how to advance within a pay-banded system. While some employees appreciate wide pay bands for the opportunities they offer, and some supervisors expressed appreciation for the increased flexibility in making assignments, still other employees lack information on how to progress. Many employees seeking career advancement are confused about how to reconcile GS job descriptions with NSPS' broad pay bands.

Theme 5. Payout Amounts Were Generally Viewed Favorably, but the Government-Wide Pay Increase, Effects on Retirement, and GS-Equivalence Are Issues

The workforce generally appreciated the value of their payouts despite some dissatisfaction with performance ratings. However, employees at all levels expressed concerns about having a portion of the government-wide pay increase at risk, the effects of bonuses on retirement "High Three" calculations, and the value of payouts relative to GS.

Theme 6. Mixed Value of Interim Reviews and Self-Assessments

There were varied views on the performance evaluation process. While some supervisors and employees appreciated that NSPS has resulted in more regular and formal performance feedback, others indicated that the interim reviews did not always provide specific suggestions for improvement and were not always an indication of the year-end performance rating. Some employees viewed self-assessments as an opportunity to showcase contributions to their organization's mission, while others viewed them primarily as a challenging writing assignment.

Theme 7. Five Percent Cap on Reassignment Pay Increases Impacts Incentive to Assume Supervisory Positions

The five percent pay increase limit for reassignments is said to discourage eligible employees from assuming supervisory positions with their perceived higher workloads under NSPS. Eligible employees indicate reluctance to assume a supervisory position for a pay raise that is not perceived to be consistent with the additional NSPS workload. Supervisors cited similar concerns and noted examples of supervisors who left or are considering leaving their organizations because of the workload.

*3.3.2. Themes Related to KPP 3: Credible and Trusted System***Theme 8. Pay Pool Panel Processes Lack Transparency**

While many organizations had good communication with the workforce, uneven understanding of pay pool panel procedures and incomplete information on organization-wide ratings and payouts hindered acceptance of NSPS as a credible and trusted system.

Theme 9. Differences Across Pay Pools Affect Perceptions of Fairness

An issue related to pay pool panel transparency is perceived differences in processes and results across pay pools, raising concerns about unfair advantage and reward. Performance Review Authorities are concerned with ensuring the pay pool panel system is fair, transparent, and equitable, and they were generally satisfied with the processes and outcomes.

Theme 10. Employees and Senior Managers Differ in their Interpretations of the Number of Reconsiderations

There is mixed understanding and utilization of the reconsideration process. Many employees took a "wait-and-see" attitude about NSPS before pursuing reconsideration. Some stated that the time limit for a reconsideration elapsed before they received organization-wide information on ratings and payouts -- information that would give perspective to their individual ratings and help them assess whether to request reconsideration. Other employees simply did not understand how to request a reconsideration. Senior leaders interpreted the low number of reconsideration requests to indicate employee satisfaction with ratings and payouts. However, they also acknowledged a lack of guidance as a drawback to a well-conducted reconsideration process.

*3.3.3. Themes Related to KPP 5: Supporting Infrastructure***Theme 11. Difficulty in Writing Performance Objectives and Assessing Performance**

Supervisors and employees reported difficulty writing SMART performance objectives. Confusion about using contributing factors and weighting was primarily attributed to a lack of guidance. Organizations with more experience under NSPS, however, tended to report less trouble with writing objectives.

Theme 12. Workforce Praises the Mock Pay Pool but Identifies Training Weaknesses

Leadership and the workforce received different levels of NSPS training, with differing levels of effectiveness. The lag time between training and the actual use of skills was sometimes

problematic, and performance objective training was often cited as ineffective. Supervisors consistently praised mock pay pools as helpful. Some “soft skill” instruction and contractor-supported training proved unevenly effective.

3.3.4. Additional Themes

Theme 13. Changing Policies and Communications Processes Made It Difficult To Understand NSPS

Shifting policies resulting from NSPS startup and the 2007 change to Element 2 complicated implementation. Frequent NSPS-related e-mails from implementation teams to the workforce led to information overload in some organizations and frustrated a comprehensive understanding. Among some employees, there is awareness that NSPS is still taking root and that it will require time, effort, training, and leadership to fully reach its promised potential and for managers to become fluent in its application. However, other employees and managers were pessimistic that NSPS could succeed.

Theme 14. Perceptions of IT Support Tools

Most employees and supervisors found the PAA difficult and time-intensive to use. Their reasons included frequent inability to access the tool; a non-user friendly interface, including cumbersome, non-intuitive navigation; confusing screen layouts; loss of data; CAC card usage restriction; lack of remote connectivity capability; and access limited to either the employee or the supervisor at any one time. A lack of hands-on training and outdated or difficult-to-use user guides further complicated PAA usage. Other IT support tools, such as the Readiness Tool and the Compensation Workbench, were more specialized and served smaller groups of users. These tools were generally reviewed favorably.

Theme 15. NSPS Performance Management System Demands Significant Organizational Resources

The time and administration requirements of the NSPS performance management system are key concerns of leadership and the workforce. These requirements are further complicated by a wartime operations tempo, staff shortages and transitions, and other non-NSPS job demands. Many questioned whether NSPS warrants the current investment of time and manpower for performance planning, reviews, assessments, panels, and documentation, or whether time requirements are sustainable for the long term. Time demands were also increased by the workforce’s difficulty in using the PAA. Senior officials said it was too soon to tell whether there are offsetting benefits to the increase in required time.

Theme 16. Expected Long-Term Effects

There are diverse perspectives on the outlook for NSPS. A lack of clarity for career progression, uncertain pay raises, the option to move to non-NSPS organizations, supervisors’ perceived shortcomings, and a more competitive workplace climate are predicted to impact negatively upon retention and job satisfaction. Some cite competing pay systems, ops tempo, and a change of administration as challenges to the success of NSPS. Others offered that additional guidance, leadership, and training would help NSPS realize its full effectiveness. Senior leaders were cautiously optimistic that NSPS can eliminate poor performers and generally wished to pursue NSPS to maturity, but also indicated that it is too early to evaluate the effects of NSPS on individual and organizational performance.

3.4. Contextual Information

During the site visits, participants discussed several factors that were not directly part of NSPS but were believed to have an influence on NSPS implementation and success. These contextual factors include:

- GS as a competing system
- The NDAA pay pool funding change
- High operations tempo (wartime ops tempo)
- Personnel center backlogs
- Residual GS requirements
- Military supervisors
- Supervisor capabilities

These contextual issues are explained in detail below.

3.4.1. GS as a Competing System

The continued existence of the General Schedule (GS) in DoD is seen as complicating acceptance of NSPS. Employees expressed concerns related to differences in career opportunities and pay that result from having parallel systems.

3.4.2. The NDAA Pay Pool Funding Change

The 2008 National Defense Authorization Act (NDAA) changed Element 2 pay pool funding after many organizations had distributed their first cycle payout results. This change confused many employees, raising concerns about the credibility of NSPS.

3.4.3. High Operations Tempo (Wartime Ops Tempo)

Senior leaders, supervisors, and employees cited the current high operations tempo as a significant challenge during peak periods of NSPS administration, such as at deadlines for performance appraisals and during pay pool panel meetings. For example, pay pool panel members noted that they – as senior leadership – may be diverted from critical mission tasks to sit on panels, sometimes for weeks at a time. Supervisors indicated that it was challenging to balance time-sensitive mission demands with the time-sensitive demands to write employee performance appraisals and defend them before the pay pool panel.

3.4.4. Personnel Center Backlogs

Personnel action backlogs at a component personnel center were seen to adversely impact NSPS hiring and reassignment flexibilities. Some staff reported that it took up to eight months for a reassignment within an NSPS organization at affected sites.

3.4.5. Residual GS Requirements

Some organizations retain command-directed GS requirements that complicate NSPS processes and confuse perceptions of NSPS as a flexible system. In Air Force organizations, NSPS employees who seek advancement are required to submit, in addition to the NSPS rating of record, the GS form for promotion with the supervisor's assessment on the GS 9x9 scale. This GS form is then used by hiring officials to make a selection. Another organization reportedly requires panel selection boards to make in-house reassignments rather than rely on NSPS flexibility allowing supervisors to select and make reassignments. Retaining GS concepts such as these potentially serves to reduce NSPS flexibilities.

3.4.6. Military Supervisors

Military supervisors, who rotate frequently and may be new to an organization, rate both NPSP and GS employees. If they rotate in the middle of a rating cycle, they may lack knowledge of employee performance. Military supervisors may also lack training on NSPS, including understanding of the importance of the performance plans.

3.4.7. Supervisor Capabilities

NSPS places a significant amount of responsibility upon supervisors to mentor, coach, and advise employees. Some employees believe that their supervisors' lack of writing skills may harm their ratings, payouts, and careers.

The following section describes these themes in greater detail.

3.5. Themes and Findings

3.5.1. Themes Related to KPP 1: High-Performing Workforce and Management

This KPP relates to issues concerning:

- Relationship between performance, performance ratings, and performance payouts
- Effects of NSPS' flexibilities in recruitment and retention
- Extent to which useful performance feedback is provided
- Alignment of individual and organizational goals
- Extent to which NSPS supports employee engagement

Theme 1. Link Between Performance and Pay Is Moderated by Several Factors

Link between Performance and Pay

There was a mixed assessment of the link between performance and pay under NSPS. Some employees believed they saw some level of pay-for-performance, while other employees were uncertain because marginal performers were not rated as such and high performers were not recognized and rewarded as they felt they should have been. Other employees expressed the opinion that NSPS is not pay-for-performance, citing the following as reasons: a perceived forced distribution on ratings; reliance on the quality of supervisor write-ups versus actual employee accomplishments; perceived inconsistent willingness of supervisors to defend their recommended ratings; the quality of the employee-supervisor working relationship; budget constraints; pay pool rounding rules; and supervisors' reluctance to accurately rate marginal performers.

"The 2008 NDAA changes to the NSPS will weaken what DoD envisions for this system. The loss of the workforce shaping feature has left us in a split environment of rewarding employees based on performance, and retaining based on longevity. It sends the wrong message."

Implementation Team Member

"When I first came onboard under GS, the rating was either acceptable or unacceptable. I preferred to be rated based on performance..... NSPS is great because it separates the good from the bad and highlights valued performers. For me, it has given me the motivation to say that this is my chance to show that I am not just 'acceptable.'"

"Everything revolves around pay, but DoD really wanted to improve performance. This is lost. It hasn't improved performance." [Agreement; heads nod.]

Employees

Focus on Rating Level 3

Some employees cited that training and leadership had emphasized that the majority of employees would be rated 3. They claimed that this allowed supervisors to assign a

preponderance of 3 ratings, without working to determine whose performance may have been superior.

“Our belief is that the system wants to put everyone at the center of mass, and only the glowing will stand out.”

Supervisor

Differentiating High and Marginal Performers

Some employees, supervisors, and commanders cited the reluctance to give a 2 rating to marginal performers. Other supervisors worried that higher performers who were still rated 3 were not better rewarded.

“I hoped NSPS would give those not performing well (the motivation to) perform better, but that’s not happening either. They may not see the increase, but nothing bad happens to them, either.”

Employee

“What would be the consequences of giving non-contributors a 2? Institutionally we’re not used to doing that.”

“Top performers are being adequately compensated. It is fuzzier in the middle. There needs to be a better way to make distinctions in middle performers.”

Supervisors

“More people probably should have gotten 2s.”

Pay Pool Panel Member

“(T)here is potential for higher performers to be better rewarded. It is very difficult for lower performers to be compensated well.”

“We have not used level 2 ratings to the extent that we should use it. We’re not emotionally there yet.”

Commanders

Importance of Job Visibility

Some employees were under the impression that more mission-central or higher-level jobs are more likely to receive true pay-for-performance than those jobs not central to the mission or with less responsibility. Supervisors were concerned that more routine or less mission central jobs may not get the higher ratings merited by employees’ outstanding performance.

“There’s an institutional bias or preference to certain functions. Once you’re in a certain area, you’re branded. We were told that really high payouts were skewed to more ‘central’ functions. How does a system reward people who are deserving and doesn’t penalize other people who are doing well in ‘less central’ functions?”

Employee

“You have to show how they were able to show their technical expertise outside the organization, so we have to use terms like [Major Command], DoD. If I can show we are going above and beyond (I will get higher ratings), but how do you do that at the child care center or the fitness center? But that’s as important because they allow us to do our work.”

Supervisor

Importance of Writing Skill

Many employees and supervisors asserted that the quality of writing is a key factor in determining the extent of pay for performance. Some managers observed that writing quality was a significant contributor to how the ratings were substantiated and recommended improvement across the board in the quality of assessments.

“The whole thing is so writing skill based, that you are going to be unable to train people to write to this level... it limits a whole group of people whose supervisors can’t write well.”

"If you can write well, you can make a clock puncher look like a water walker."

Employee

"They kept saying in the training 'finally, a system where you get paid for your performance'... it's not that at all... it's how well you write."

Supervisor

"When NSPS was first marketed, people said, 'Oh, it depends on how good a writer your supervisor is.'"

We said 'no,' but then found that all you had in the Mock (pay pool) was the written word, so it was sort of true. We communicated to employees that while it is not a writing exercise, that is all we have, so it is important. We ALL have to get better at writing performance statements."

"The eloquence of the writing is important. You need to focus reader into what you want to see. The big thing is the 'so what' – what did that contribute, what did it advance; what was the impact? It's not just what you did. There is a perception that this is a writing competition, but that is wrong. That said, it is also not entirely objective."

Pay Pool Panel Members

"I think the ability to write is the issue here.... If supervisors could not express the performance articulately, you could easily have a true 5 who's a 3 because the rules of engagement make that person a 3.... I just don't think that's fair ... could be 2 or 3 shares; that's a big impact on their life."

Implementation Team Member

Budget and Policy Seen as Constraints on Pay-Performance Link

Some organizations have established business rules stating that a 2 rating is an acceptable level of performance instead of a 3. Employees fear that this policy could have an effect outside the organization on rating perceptions and internally on pay increases. Some supervisors asserted that assigning whole shares reduces the relationship between performance and pay by providing identical outcomes to individuals with different ratings. Implementation teams' concerns addressed payouts based on a percentage of salary, which rewarded more senior employees and disadvantaged more junior employees. They argued that this strategy is at odds with pay for performance because it tends to reward longevity (i.e., those who have been around longer tend to be higher in the pay band and therefore get bigger raises, even though more junior employees who are lower in the pay band might have performed better).

"Payouts are driven by the Agency's budget and there are a lot differences in the size of the budgets."

Employee

Theme 2. Employees' Negative Perception of a 3 Rating

The Meaning of a 3 Rating and How To Exceed It

Employees and supervisors exhibited a strong reluctance to accept "valued performer" – or 3 – as a good rating. Many stated they cannot articulate what they must do to exceed a 3 rating, and that they have difficulty in relating performance indicators to writing their objectives and self-assessments. Pay pool panel members generally agreed that some supervisors do not know how to use performance indicators in writing employee assessments. Employees also perceived that lower-responsibility jobs will not be able to exceed a 3 rating. Employees generally agreed that performance improvement guidance is not clear in NSPS.

"It would be nice if they published some sort of analysis. Here are (the organization's) 3s, here's the 4s, and the 5s. What qualities separated these? What were they looking for?"

Employee

"Tell us what a 5 looks like so we can gauge. There was nothing like this in training."

Supervisor

"The pay pool panel administrator would contact the rater with questions saying that the assessment does not support the recommended ratings and that they have an opportunity to rectify the ratings."

This happened for 70% to 80% of ratings. Supervisors did not understand what it took to get a 4 or 5. They would write things like 'employee is an excellent performer, customers love her, or very smart technically,' which does not get you a 5."

Pay Pool Panel Member

Impact of a 3 Rating on Career

A number of employees expressed concern about negative perception by non-NSPS organizations of NSPS 3 ratings and potential impact on inter-system transfers (NSPS to GS/APS) or transfers to other NSPS commands that may have different rating standards. Pay pool panel members noted supervisors' concerns about 3 ratings' reception in other organizations.

"A lot of us had a problem with the fact that '3' was outstanding. The 3.0 or the C is average. How is 3 outstanding on a scale of 1-5? '4' or '5' is outstanding. If you move on, how are they going to look at that scale?"

Employee

"Some supervisors can't get past the fact that level 3 is a 'valued performer' and are concerned about how a 3 will be looked at if they move to a non-NSPS organization."

Pay Pool Panel Member

Potential for Gamesmanship

Some employees were said to be gaming the system to get higher ratings. Gaming techniques included writing performance objectives below the expected level of work to show the employee exceeded them or taking on additional duties for recognition of extra work at the cost of neglecting primary tasks. Gamesmanship at the workforce level may indicate an incomplete understanding of the use of performance indicators to rate objectives. If undetected, gamesmanship poses an obstacle to fairness and system effectiveness.

"I put minimal stuff in my actual objective so that I could put extra things in my self-assessment to make it look like I did more than the objective. That's what the instructor told us to do."

Employee

"There is concern about the impact of being honest in the system. If people are honest, we will stay with 3s and the employees will get less money. They are in competition for jobs with other bases (that) may not be honest in their ratings. If this happens, people will lose faith."

Pay Pool Panel Member

Impact of a "Valued Performer" Rating on Employee Morale

Some employees voiced the opinion that ratings, as a measure of worth, were more important than money. A few other employees, notably long-term civil servants, indicated a rating does not serve as a motivator for future professional performance but that inherent work ethic does. The overall impact of a 3 rating, cited by many in the workforce, is a decrease in morale and a threat to their self-esteem and identity as professionals and previous high-mark performers.

"In the old system, almost all people received the maximum rating. In the new system, most people receive a 3. Only a few people get 1 or 2. This really creates a self-esteem issue. The 'valued employee' wording for a 3 is nice, but let's be honest, this is still a bump down." [Many agree.]

"When I got a 3, I was put into the same class of employees who don't care or who take leave all the time – the people who call in sick once a week. I was a valued employee under GS and I knew when I was getting my step increase. But, everyone is a valued employee now."

"Giving someone a 3 means you're doing your job. My work ethic motivates me to work. A 3 is a generic that only determines how much money you get.... I don't mind the numbers."

Employees

"How do I tell employees that get 8s and 9s (under the GS system) that a 3 is as good?"

Supervisor

"The differences in the rating numbers (e.g., 3, 4, 5) mean a lot to some people. People feel like a 3 is a 'C.' It's hard for them to understand a 3 is a valued employee that is doing what is expected."

PRA

"I will look at 4s and 5s differently than before and will stress this to leadership. To get a 5, you must be a change agent. Working long hours is not enough to get a 5."

Commander

Theme 3. Effects on Recruitment and Retention

Use of NSPS Flexibilities

There were mixed assessments of the impact of NSPS on recruitment, hiring, and retention. Organizational policy is seen to sometimes allow as well as to sometimes limit NSPS flexibilities. Some employees appreciated the flexibility and ability to grow and increase salary within a pay band system. Some supervisors asserted that NSPS is not meeting hiring flexibility expectations because of a limited number of pay bands and the superimposition of GS-based "pay lanes" upon NSPS pay bands; others expressed appreciation for the increased flexibility in making assignments. A few supervisors were concerned that less-qualified personnel may use broad pay bands to seek supervisory positions as a means to advance and that this could impact negatively upon the organization. Pay pool panel members and managers identified the ability to negotiate starting salaries as a positive aspect. PRAs saw money as a motivator for better performance. A few employees opined that supervisors' unfamiliarity with pay-setting, a new concept under NSPS, hinders in-system recruiting as potential outside hires negotiate higher starting salaries that were not available to current employees. Some directors worried about the impact of negotiable pay on their budget.

"If someone is a valued employee, you don't have to wait to give that person a raise. This is a positive for employees who really deserve more money."

"We have had a lot of jobs declined because we cannot set the pay correctly under NSPS."

"Jobs are never advertised. Hidden promotions. (There's) no opportunity to compete, (and) hires from outside could get higher increases."

Employees

"We've had to shuffle people around. Under NSPS it's been so much easier – it's been great. A negative, however, is that there are a limited number of pay bands. A lot of my people are at the top of their band and there is no where else for them to go. They can get bonus but they are limited in what they can get in salary."

"We have dealt with it when we try to hire, but we have been locally directed to have pay lanes which mirror GS. So there is no flexibility to advertise jobs using the broad bands."

Supervisors

"If the department is going to hold each organization accountable for executing its budget, then why the limitation of 5%? In some cases, we become non-competitive with external organizations when we are limited. To recruit good talent, sometimes you have to make an offer that exceeds the cap. So NSPS organizations are at a significant disadvantage when compared to GS organizations in recruiting and retaining high-quality positions."

Pay Pool Panel Member

"We did not use control points. (Our organization) didn't feel as though we were far enough along to consider control points. They didn't want to use them in the first year. We did not use EPI or OAR either. We wanted to make the most out of the pay pool process in the first year and wanted to make sure we had consistency across the pay pools. We were early on in the process and wanted to minimize the variability. We also didn't use weighting for the same reasons. We kept things the same for this year as well."

PRA

Recruiting the Highly Qualified

Pay Pool Panel members and managers identified recruiting supervisors, pay band caps, hiring delays due to pay negotiations, and tailoring vacancy announcements within broad pay bands or for specialties as challenges to recruiting. Some employees believed NSPS flexibilities benefit outside hires more than current employees because outside hires have the ability to negotiate higher starting salaries. Employees pointed out that they cannot search for positions at specific pay/experience level as they did under the GS system. PRAs cited NSPS allows more flexibility in recruiting and retaining employees with higher-level expertise.

"It's more beneficial for someone off the street. Managers can set their pay. If you're taking a reassignment, you have taken on more responsibilities for less or the same pay because they don't have to give you the 5%."

Employee

"I've seen people turn down, won't go into NSPS, because they won't get paid for more responsibility."

Supervisor

"Some make the connection that if I take on higher level duties it will give me more opportunities (for reassignment). But for some that 5% is not worth it. Supervision under NSPS is not for the weak."

Pay Pool Panel Member

"One of the things of NSPS is to allow us to be more competitive, recruit and retain our higher-skilled employees. It's been a huge challenge. That's a positive of NSPS, getting away from the 186K cap. We had the opportunity to compensate to what is being offered (elsewhere). This has helped with recruiting and retention."

"Having more than one system on the base also makes pay setting difficult. You need some consistency across the board in how you do this."

PRAs

Effects on Retention

Employees cited the following as issues and challenges to retention: lack of clarity for progression; the 5% limit on salary increases for reassignments with more demands; declining morale and job satisfaction; a perception of making less money than GS employees; lack of supervisor knowledge and skills to properly ensure good ratings for the employee; and new component policies encouraging employees to move frequently to positions in new organizations or to a supervisor position in a lower pay band. Supervisors and employees saw turnover among first-line supervisors occurring because of the increased workload under NSPS. Pay Pool Panel members and managers identified retaining supervisors, perceived pay inequities between current and new employees, top-of-pay-band pay caps, tailoring vacancy announcements within broad pay bands, and ratings inflation as challenges to retention. PRAs and Pay Pool Panels saw "system shopping" between NSPS and GS to gain salary as an issue in retention.

Pay Pool Panel/Senior Manager Perspectives on Recruiting, Hiring, and Retention

Positives

- (1) The ability to negotiate starting salaries
- (2) That new hires can start at a level commensurate with their experience (vs. default of starting at the bottom)

Challenges

- (1) Recruiting and retaining supervisors
- (2) Perceived pay inequities between current and new employees
- (3) Time delays due to pay negotiations
- (4) Tailoring vacancy announcements within broad pay bands

"One of the issues we have is that we still need to manage the payroll. An additional burden is that you have people in pay bands, but you only have so much money. The organization must look out for the individual, but you can't promote more than you have money."

Employee

"There are a number of senior people who have retired because of NSPS. They did so right before we converted because there is too much work load in NSPS and a larger administrative burden."

Supervisor

"Part of retention is related to keeping ratings inflation down. The more shares there are, the lower the value of each share. Need to keep ratings in check so that people who do well get a really good pay raise. Really important to keep ratings inflation down."

"(I) have a concern about system shopping. As it stands now, if you go from GS to NSPS you get 3-5%. If you get out and go back to GS, you go in at a comparable level (the increase) and then may want to go back to NSPS. You can shop around until you get pay increases."

Pay Pool Panel Members

"In the past, working supervisors did more work than supervise, and now they have to supervise more. In the old system we never asked them to do this."

"In exit interviews, some supervisors say they are leaving because they don't want to spend time on NSPS."

Implementation Team Members

Effects of Conversion

The conversion from the GS system to pay bands placed many supervisors in Pay Band 2 while, in some cases, placing their technical employees in Pay Band 3. Many employees found this structure confusing and dissatisfying. Some employees complained that distinctions of seniority were lost with the inclusion of senior GS grades into supervisory Pay Band 2.

"A lot of the technical folks had bitterness about pay banding because they were 13s and really experts and they were not recognized as experts. They were lumped in with Journeymen."

Employee

"I had a YC2, wanted to encourage him to sign up for Air War College. But only GS-14s/15s were allowed on the website. So he was denied. So translation is needed. It is going to be real confusing."

Supervisor

"Broad bands make it so it's worth more to get out of the supervisor pay band and get into the technical band. We hear a lot of supervisors want to get out to the technical band because [supervision] is not worth their time and effort."

Implementation Team Member

Theme 4. Confusion about Advancement within and between Pay Bands

Advancement within an NSPS Pay Band

As expected so recently after a major change, many employees indicate residual connection to the previous system, evidenced by continued references to GS terms such as grades and promotions instead of the NSPS concepts of advancement and pay-for-performance increases. With the new pay bands versus the familiar grades and steps, many employees did not understand how they would advance within NSPS. While some employees recognized a greater mobility and opportunity to grow, others were confused about what happens upon reaching the top of the pay band. A significant number of employees were confused about their billet and position expectations after the conversion into the large Pay Band 2. A number of employees cited a lack of guidance explaining advancement in NSPS or cited the five percent pay increase limit as a discouraging factor in seeking a reassignment. Pay pool panel

"The one aspect that benefitted me was the pay band itself. Combining GS 14 and 15 into a pay band allowed me to take my current job without taking a grade cut. Pay band 3 allowed me to move without changing my designator. Pay bands allow movement between and among jobs without considering time in grade and those types of factors."

"For me it's the opposite ... I can stay where I am and move up without changing jobs."

—Employees, discussing the positive career advancement aspects of pay bands

members cited the increased supervisory duties under NSPS. This group also noted it was difficult to determine which changes in job duties merit a reassignment within a band. While some employees asserted that taking on new duties no longer makes one eligible for “promotion,” others mark “advancement” by being labeled as “team leaders.” A few employees purported that career progression does not exist in NSPS. Some implementation team members noted a tendency to retain GS concepts as overlay for NSPS concepts and stressed the need to move away from those concepts. In a system that requires specific description of accomplishments, a small number of employees working classified projects said it was impossible to provide detail about what they did to meet their objectives and, therefore, affects their opportunity for performance-based pay increases.

“Seems like there is a lot of ability to grow, maybe faster than you can under GS. It rewards the hard chargers, which is good. But I don’t know what to expect when you get to the top of the band.”

“What does YA-2 mean? Are they a (GS-) 7 or (GS-) 13? Bands are too broad to define what that person is supposed to accomplish.”

Employees

“It now de-motivates people by putting us in this big pay band. Where’s the motivation for me to get to the 13 level that was there before? Those people also are in the same pay band and have a ceiling.”

Supervisor

“There aren’t promotion opportunities for people in (a) very wide pay band (Band 2). This has been discouraging to people on the end of that. Moving jobs will get you through pay bands much faster than annual salary increase. I have concerns about this.”

Pay Pool Panel Member

“The YA2 band is a very large band.... Everyone who goes into that band thinks they will eventually be a 13. But the level of work in the band will never allow for that. This band needs to be made smaller.”

Implementation Team Member

Intra- and Inter-System Transfers

A majority of employees called for one personnel compensation system for all of DoD. Many employees were confused about how to reconcile NSPS pay bands with GS grades during the job application process as they seek career advancement.

“What happens if I want to go to another agency? Are they going to know what YA-2 means?”

Employee

Theme 5. Payout Amounts Were Generally Liked, but Inclusion of the Government-Wide Pay Increase, Effects on Retirement, and GS-Equivalence Are Issues

Satisfaction with Rating and Payout

Many employees were not satisfied with their ratings but were generally satisfied with their payouts. Supervisors agreed, stating many employees were content with their payouts, but that they contested rounding rules. Some employees found pay to be the most important aspect of pay pool panel decisions, and others thought rating and recognition were most important.

“Money wise I did well, but I got a 3.”

“It was close to how I would have rated myself. But in comparison to the rest of my pay pool, my rating was incredibly low.”

“The difference in pay. I’m making \$6,000 less than before.”

“I saw improvement in pay as an average rated employee. If you got 2 or 3 shares, you would do better than what you would have gotten under GS system.”

Employees

"The feedback I got from people is that they could live with the rating, but it was the payout. A 2.51 was rounded to a level 3 and got the same payout as a 3.00. We need better differentiation."

Supervisor

"I have never heard of payouts as large as we had."

Pay Pool Panel Members

Satisfaction with Payout Policy

Some employees and supervisors were surprised that part of the government-wide pay increase was included in the pay pool budget. A number of employees were concerned about the effects of variable salary/bonus payouts on their "retirement high 3" as bonus does not count towards retirement pay. There were varying views about pay caps at the tops of bands, with some pleased with payout possibilities and some not. Some employees saw rounding rule policies as disadvantageous with a negative effect on pay. A few employees were happy with their payouts, but expressed worry about future payouts not matching up. A few employees who were facing retirement expressed dissatisfaction with the bonus policy that requires working until after January 1 to receive the bonus. Employees and supervisors perceived pay differences between NSPS and GS, with some asserting GS has overall better pay.

"Pay is capped under NSPS, but in the GS system you can still continue to accrue retirement. This is a big system inequity. Also, if you get your payout as a bonus and not as a salary, it does not count towards your retirement. This puts you at a major disadvantage."

"I'm at the top of the pay band, and I'll be better off because I can get rewards whereas before I was capped out."

"Apparently you have to be working in January or February to receive the cash award for the previous year. That affects when you can retire, which seems unfair because it (the performance bonus) is for past performance. You should get it whether you are here or not."

"We are told that the beauty of NSPS is that you can blow through the pay cap, but you can't because (the organization) has imposed its own control points."

Employees

"Why are we penalized and not getting cost of living?"

Supervisor

Theme 6. Mixed Value of Interim Reviews and Self-Assessments

Interim Reviews

Many employees held unfavorable opinions of the interim review process. A primary reason for this was the supervisor's inability to offer concrete and specific measures of improvement. A second major reason was the difference between the supervisor's interim review assessment and the pay pool panel's final rating of record. Some employees reported that interim reviews seldom allowed for career path discussions. Supervisors generally saw interim reviews as valuable as they were more formal than under the previous system, but were concerned about giving positive feedback because it might have set an expectation for the final rating.

"I asked how I could improve and no one could tell me." [Many agree]

"Six months before, 'you were doing a great job.' Why didn't you tell me there was a problem?"

Employees

"It is worthless. I talk to my boss every day about what she wants, so I constantly get feedback. Unless I'm getting feedback from the panel at the interim, it's worthless."

Supervisor

"The appraisal process is the most important thing NSPS has given us. It has improved communication and effectiveness. It has forced communication."
Commander

Self-Assessments

There were mixed responses on the value of the self-assessment. Some employees expressed appreciation for it as a means of showing the supervisors their work progress/scope and as a way to become more involved in one's contribution to the mission. Other employees did not see the value of the self-assessment, stating that it does not reflect one's true job and that the self-assessment is only for the pay pool panel as a means to determine rating and payout. Some employees expressed the belief that the supervisor was responsible for documenting employee contributions, not the employee. Some commanders believed the appraisal process is NSPS' most valuable tool. Supervisors generally agreed that the self-assessments are valuable.

"It takes a lot of time to do the self-assessment. I am not sure what role it played in determining my rating and payout."

"I thought it was great.... Sometimes my supervisor wants the end product and doesn't see how I did it, so the assessment provides that."

"They sucked! I wrote up my accomplishments to reflect what I did on my job. It was like writing a great work of fiction. My direct supervisor knows what I do."

"Whether I agree with objective or not, having involvement with appraisals and provide feedback helped me relate, identify important parts of my job, can I know what I need to give to the customer. It forced you to answer those questions and figure them out, within the boundaries of those objectives. That's on the positive side."

Employees

"First go-around, people had trouble articulating accomplishments. It was useful for me as a supervisor to see where people were having trouble."

Supervisor

Theme 7. Five Percent Cap on Reassignment Pay Impacts Incentive To Assume Supervisory Positions

Employees across all sites declared that there is little incentive to assume a supervisory position for the five percent pay increase limit on reassignment with a disproportional increase in workload. Employees also indicated that the workload under NSPS was too great for them to consider taking on a supervisory role. Employees predicted that current supervisors will seek non-supervisory positions for the same pay without the additional responsibility, or will seek non-supervisory positions as technical employees in the next higher pay band. Supervisors cited similar concerns and noted examples of supervisors who left, or are considering leaving, their organizations because of the workload.

"I'm less likely to want to be a team leader. There is a huge difference in responsibilities, but you only get a 5% increase, and this isn't even guaranteed."
Employee

"The big responsibility jump is at GS-13 to GS-14 supervisor. Used to be a big deal. It's now a 'management reassignment.' Why do that when I'm within same pay band? And constrained salary?"

"We have no ability to compensate employees who are moving from journeymen to leadership in any way that is comparable to what they were making two years ago. I personally think this is an outrage. These are key positions. Being able to attract leadership is critical. Not every position should be filled from outside; sometimes internal employees are in the best position to fill these positions."

Supervisors

3.5.2. Themes Related to KPP 3: Credible and Trusted System

This KPP addresses issues related to the:

- Transparency of the system
- Fairness of decisions and the processes used to make them
- Resolution of grievances
- Handling of performance deficiencies
- Compensation that ensures that, in the aggregate, employees are not disadvantaged compared to the GS system

Theme 8. Pay Pool Panel Processes Lack Transparency

Transparency of Pay Pool Panel Deliberations

A lack of transparency of pay pool panel procedures and a lack of feedback from supervisors and the pay pool panel on payout results hindered acceptance of NSPS as a credible and trusted system. A significant number of employees, citing inconsistencies in pay pool procedures, were concerned about unfair advantage and reward. The lack of transparency and understanding has instilled some sense of mistrust and doubt among many employees. While many organizations had good communications to the workforce, many employees at other locations were unaware of, partially aware of, or misinformed about pay pool panel processes such as salary/bonus split decisions and share determination. Some supervisors reported that neither they nor their employees understood how the pay pool panel process works or why it was used, while supervisors who had sat on a pay pool panel or employees and supervisors who had been briefed by a pay pool panel member were better informed. Employees by and large wanted to know how their direct supervisors rated their work and were not satisfied by either the lack of explanation or the prohibition placed upon supervisors to not share their recommended ratings. Some supervisors and employees saw supervisors' authority diluted by the pay pool panel process while many employees did not understand how supervisors and pay pool panels interacted. Supervisors reported that the amount of interaction between the supervisors and the pay pool panels varied. In some cases the supervisors had very little input beyond their written assessment and received very little feedback from the panel. In other cases, supervisors were able to meet with the panel members. Pay Pool Panels and PRAs understood the frustration of supervisors whom the pay pool panel were told to reduce their recommended ratings but cited that some supervisors had difficulty substantiating their write-ups.

Issues: Transparency of Pay Pool Processes

- (1) Receiving little or no information about pay pool, pay pool processes or who is on the panel
- (2) Perception of a quota system or forced distribution to ensure that ratings are mostly 3s
- (3) Perception of ratings and payouts based on the quality of write-ups and not on actual achievements, penalizing employees with lower quality write-ups
- (4) Perception that non-mission-central jobs and low-visibility jobs were likely to receive to lower ratings
- (5) Belief that the pay pool compared the individual performance assessments to other employee assessments, rather than to established performance indicators and benchmarks
- (6) Lack of information about process, consistency, and fairness of salary/bonus split decision processes
- (7) Uninformed or uncertain about how employees' cases were made before the pay pool panel
- (8) Uncertainty about the supervisor's role with the pay pool panel
- (9) Concern that the supervisor be able and willing to make employees' cases fairly before the pay pool panel

"It is unclear how the payout decisions are made – how do they decide what percentage goes to salary and what percentage go to bonuses? This is very important. There are long-term impacts for these decisions." [Much agreement]

"I think the outline of how they proceeded was put out, but how they decided who got how many shares is a mystery."

"I'm measured against what people in other departments did."

"(The) panel is not stupid, but it's hard for them to know all the details of all the jobs they must represent."

Employees

"As a supervisor, to me it was a black box."

"In the pay pool panel, when we go up, we have the impression we're competing with doctors, engineers. We have the impression the base will say, 'We don't want to lose this doctor, so let's give him more money.' The biggest thing I saw, we're using the system that would be used by a for-profit organization. We're not. The mission is the profit for our organization. I'm still fighting that. How do I do that and still do the mission?"

Supervisors

"I don't think employees have a good grasp of what goes on in the pay pool panel. There is a lot of thought that goes in to each rating. Employees don't have full appreciation of what goes into each rating."

"A key positive was that communications were very good on business rules. They came out and briefed business rules. Everyone had opportunity to ask questions."

Pay Pool Panel Members

Beliefs about Rating Determination Process

Employees formed their own perceptions about pay pool panel processes, which included underlying themes of writing quality, forced rating distribution, job importance and visibility, lack of supervisor influence in the pay pool process, and representativeness and qualifications of pay pool panel members. Ultimately, **employees** were concerned about the impact of what they believe may be uninformed decisions on career and pay. Pay pool panels reported that using the standard performance indicators and benchmarks led to ratings that fell into a bell curve.

"There needs to be some feedback system in place so that people don't think they were just being fit into the bell curve. There is a real credibility issue here."

Employee

"We were told everyone will be a 3. That's wrong. They've already got a preconceived curve. Now all your people are not going to fall in the middle; you will get a distribution. The pay pool panel doesn't know what you do, only based on what is written. And that's wrong."

"I think the pool is under some pressure to get to 3s. I'm sure you heard that these guys were always 9s (getting the maximum rating under the old system), now they're 3s. There's got to be more marketing that this is a huge transformation going on; I talked to a pay pool panel member about what I need to do to get (a) better (rating for my employee); he said if the guy's doing great he starts at a three ... there's a gravitation to three."

Supervisors

"We were able to be fair and equitable. We were not trying to meet a bell curve, but as we went along, it became apparent. There was a shared expectation going in that most employees should be a 3."

Pay Pool Panel Member

"One of our rules was to leave your personal knowledge out of it... that makes it subjective, because it's writing skill based."

Implementation Team Member

Varying Amounts of Rating and Payout Feedback

Employees cited varying levels of feedback and explanations of ratings from supervisors and pay pool panels. Pay pool panels varied in providing information to the workforce about ratings: some organizations' senior leadership presented "road shows" with full Q&A sessions, while other organizations provided no feedback at all.

"We never hear anything or get any information. 'It's done' is all we get. This leads to lots of rumors and ideas about what is being done behind the curtain."

—Employee, on Pay Pool Panel Results Feedback

"We put a lot of effort in this. But our boss was not allowed to tell us why our rating was changed.

They weren't told why. They weren't allowed to tell us. The word transparency has taken us in the opposite direction."

"When we got our payout, we received nothing from the panel. We did not get told why. No feedback. Feedback about how well you're doing, but not about precisely what you did or how to do better."

Employees

"We did not send out individual pay pool results to employees (mock or live). To be honest we just didn't think about doing this. I am not sure what the impact would be. People may look to job hop if we did."

PRA

Theme 9. Differences across Pay Pools Affect Perceptions of Fairness

A significant number of employees across all sites, citing perceived inconsistencies in pay pool outcomes, were concerned about unfair advantage and rewards. Pay pool panels, meanwhile, describe the actions they took to ensure as consistent a process as possible. The discussion below outlines respective perspectives.

Employee Perceptions

Employee concerns about perceived inconsistencies in pay pool panel outcomes centered around: (1) policies and procedures, including rounding rules, (2) different share values, and (3) inconsistent ratings and payout distributions across organizational pay pools. Additionally, some employees stated that local command and pay pool policies constrained accurate ratings that benefited some but not others.

"All organizations are doing it differently. Different criteria for the payout process and the input and who has the say on what. We should all do it the same."

"It was a surprise to see that so many people came out with 5s, because we thought you really had to walk on water to get a 5."

Employees

Supervisor Experiences

Supervisors exhibited a greater understanding of the pay pool panel process. Some supervisors had the opportunity to sit a sub-pay pool panel. These describe some difficulties they encountered and unanticipated outcomes as a result of pay pool panel deliberations. These outcomes center on the difficulty with rewarding high-performing individuals.

"I was on a supervisor pay pool and we only looked at the high and low ratings. There was a possibility that some of the 3s should have been 4s compared to the rest of the pay pool. No check and balance."

"This is the first time that I did not feel good about the results of the pay pool panel process. I felt like I did a good job of reviewing the packets that came to me. The top performer was dropped down ... when it goes to this entity (the pay pool panel) that doesn't know the job that's what you see. The star performers didn't get what I thought they should."

"It is easier for some positions to get higher ratings than others, especially HR Assistants. Journeymen were hardest to rate because expectations were very high for this level; (they) didn't always do exactly what was stated in the performance plans. Expectations may have been a little too high for these levels."
Supervisors

Pay Pool Panel Procedures and Activities

Pay pool panel members identified development of business rules and procedures to ensure consistency across pay pools as priorities. Pay pool panel members across all sites and organizations explained that pay pool business rules were developed based on higher-level guidance, were adapted from those used by other organizations, or were changed as a result of the mock pay pool process. Several organizations changed their process as lessons learned emerged.

Performance review authorities were concerned with the pay pool panel system's being fair, transparent, and equitable. PRAs cited having a standardized process, publishing business rules early on, engaging in constant consultation and collaboration, and having the right people on the pay pool panel as methods they used to facilitate a fair and equitable process. PRAs were satisfied with the pay pool panel process, indicating that it was fair and equitable, controlled for rating inflation, and resulted in on-time payouts.

Pay Pool Panel Members' Perceptions of the Pay Pool Process

Positives

- (1) Each panel had flexibility to manage the process
- (2) The pay pool panel was accessible to supervisors
- (3) Panels strived to work out any inconsistencies

Neutrals

- (1) Panel members gained an increased understanding of the process over time

Negatives

- (1) The panels did not meet expectations for time required in first cycle in spite of planning
- (2) Too many back and forths in the review process; not everyone involved in the process knew what to do

"I was pay pool manager for four pay pools. Most of the discussions centered on what goes beyond level 3 – quantity, quality, timeliness – goes beyond what is expected. This is a judgment call."

Pay Pool Panel Member

"Another big interest was ensuring that the system was fair and transparent. People are okay being a 3 as long as they know it is consistent across the board. One pay pool should not have all 5s and be getting a larger portion of the pay. People need to feel comfortable with their ratings."

"The pay pool process is fair. There are enough checks and balances. We went with the sub-pay pool process in the branches. This caused some friction because decisions were overruled. We need to put the onus on the supervisor to get the ratings right."

Commanders

"During the mock pay pools, pay pool managers felt the weight of NSPS was on them. In the long run, I felt the work was justified by the pay pool process. Giving a lot of time to this was the right thing to do because the outcome was that employees felt they were equitably treated. We treated it like a promotion board where every record was thoroughly discussed."

PRA

Pay Pool Panel Difficulties

With procedures in place in most pay pool panels, a number of pay pool panels during their early pay pools still found difficulty with: (1) maintaining consistency in the review process, (2) comparing objectives from different organizations or jobs, and (3) insufficient narratives.

"There was continued frustration. We have a good crop of civil service. Since we have a good crop, raters wanted their employees to fare well and were passionate about taking care of their people. The ones that wanted to talk were frustrated that their employees had not garnered what they had submitted them for. They felt bad that they didn't carry the day for their employee."

There was lots of interest in help to write better objectives."

Pay Pool Panel Member

Supervisor-Pay Pool Panel Relationship

An indirect contributor to perceptions of inconsistent and possibly unfair ratings by the pay pool panel deals with the knowledge employees have about the interaction the supervisor has with the pay pool panel. For a substantial number of employees, the supervisor has been the key role player in their annual evaluations. During these early days of NSPS, many employees did not understand the role their supervisor played during the pay pool panel review process, assuming it was nominal or, worse, non-existent beyond submitting a recommended rating. In many cases, this led to employee perceptions of unfairness in the rating process. Additionally, the supervisor, under policy restriction to not discuss if there were pay pool panel changes to the rating, seem hesitant to provide any explanation of rating to the employee at all. The pay pool panel, during its deliberations, found varying degrees of engagement from supervisors in responding to their requests for substantiation of recommended rating. Most supervisors indicated they knew that benchmarks and performance indicators were the criteria by which ratings were determined; however, some supervisors felt that feedback from the pay pool panel was not illuminating. Lastly, a number of supervisors were resentful of the pay pool panel process. They indicated they felt they had lost their authority over their employees as they had to justify ratings to a body of assessors, as well as accept this body's final judgment by signing their own name to the changes made.

"How much input does our supervisor have during the process to justify the original rating? Given different pieces of paper that have nothing to do with each other ... it's all very unclear."

"The panel is only looking at what is on our paper. They need to speak to our supervisors."

"The personality issue ... my boss doesn't like to hear 'no' so he gives me a bad evaluation even though I'm doing my job. How do I know that the board gets to hear my side?"

Employees

"I feel like I lost a lot of credibility because I told employees what they could do to get a higher rating [during the interim review] and then they didn't."

"I got clear guidance from the pay pool on what the problem with my ratings was and I was able to fix it in one try."

"Under NSPS, I lost my ability to actually rate my people – the board (pay pool panel) overrides my input."

"We provide the final feedback (to the employees) about what you got but I don't know why (they receive the ratings that they do). That's the difficult part – we don't know the basis of the ratings. They (the pay pool panel) don't need to tell us their concerns with specific individuals, but (they should tell us) their concerns overall."

Supervisors

"(The Pay Pool Panel) would call the raters to get more information. Some people blew it off and didn't take the time to fight for their employees. Others wanted to know how to change the write-up to support the rating.... A third and very vocal group was hostile."

"I understand the frustration of signing something that wasn't your assessment. It is easy to say that they should have developed better objectives or write-ups. But in some cases, there were some superstar write-ups, but they did not garner their recommendation. Raters could understand that there was a system, that they may not fare with their original input, and that they will not get the compensation they hoped. They could not accept that they had to sign a piece of paper that was not their assessment of the individual."

Pay Pool Panel Members

Theme 10. Employees and Senior Managers Differ in their Interpretations of the Low Number of Reconsideration Requests

Employees and supervisors had mixed knowledge of the reconsideration process and mixed responses about the feasibility and effectiveness of the reconsideration process. Employees' knowledge and utilization of the reconsideration process varied across organizations and sites. Some supervisors agreed that employees did not understand the reconsideration process. A number of employees indicated awareness of a process but did not investigate it. A minority of employees feared retribution if they sought reconsideration. A small minority of employees indicated the lack of personal interface caused them to drop their reconsideration request. Some employees saw a conflict of interest because, in their understanding, the pay pool manager was the reconsideration authority; they saw no purpose in seeking reconsideration in this circumstance. Employees across several sites noted an inopportune timing of the limited reconsideration window, which fell during the winter holidays and before publication of results that provided perspective on their scores. Senior leaders interpreted the lack of questions about ratings and payouts to indicate employee satisfaction. Employees reported that town halls or formal presentations were ineffective venues for answering their questions.

"We got an email when everyone was on Christmas holiday saying you have a week to challenge the rating. This was also done before they gave a summary of results. The timing just didn't make sense."

"We were told we had 10 days. That was made very clear for us."

"One of my supervisors suggested I appeal. I just felt it was too soon to even try that issue. It's a brand new system. I didn't feel it was the right time."

Employees

"The thing that surprised me the most was that I expected a lot of reconsiderations. We did not get that. I was amazed."

"(The low reconsideration numbers) mean people felt as though they were treated fairly."

PRAs

Effectiveness of Reconsideration Process

Some pay pool panel members thought the reconsideration process was effective, but others were dissatisfied (e.g., lack of policy/guidance, lack of independent fact-finding, not enough time to conduct). PRAs judged the success of the appraisals and payouts by the small number of reconsiderations. Some PRAs cited a lack of guidance about how to implement the reconsideration process.

"We winged this (reconsiderations) on the fly. We didn't have prescribed best practices on how to handle reconsiderations. As the pay pool manager, I was the judge, jury, and executioner; I didn't have a support system. I had the job of the rating official, pay pool manager, and HR. We need to think about how to get independence in the process."

"I think it (the reconsideration process) worked fine. One lesson learned was that I processed the first one manually. After that, I met with every individual to talk about their case.... I met with some of them twice. I tried to keep it open and let them plead their case. Now we have more time. Before we had only 48 hours. To be fair to the employee, we can go back and get input from necessary people. I think people were getting a lot of opportunities to plead their case."

Pay Pool Panel Members

"We had no guidance on how to handle reconsiderations for either the pay pool or the PRA. We would like more guidance on this."

PRA

3.5.3. Themes Related to KPP 5: Supporting Infrastructure

This KPP relates to issues concerning:

- Whether employees and managers are knowledgeable about NSPS as a result of training
- Whether the supporting infrastructure provides common functionality

Theme 11. Difficulty in Writing Performance Objectives and Assessing Performance

Difficulty Writing SMART Objectives

A prominent concern and frustration among employees, supervisors, pay pool panel members and implementation team members was the difficulty of writing measurable performance objectives. Employees were equally frustrated by the difficulty in exceeding measurable and non-measurable performance objectives.

"You make your objectives broad to cover anything that could come up, but that causes problems when it gets to the pay pool because then they are not specific enough, and it's hard to measure progress."

"There are a lot of constraints when it comes to meeting your objectives. Some things happen once a year and there really is no way to 'exceed.' You either do it or you don't."

Employees

"(NSPS would be) very easy if you supervise an employee who makes widgets. In our job, 99% of what we do involves federal laws. So when 100% compliance is minimum, our biggest challenge is convincing people who don't work with us every day that we're meeting them (our objectives)."

"Need to have guidelines for what it takes to exceed expectations before appraisals are due."

Supervisors

"If I am at a low level doing a routine task, I can write an objective. But at a high level, like most of the people (in our organization), it's a very tough process because there is no end or measurable result and/or product."

"One problem is that we got a lot of write-ups with language simply from the performance indicators with no evidence to support the rating. I'm worried about this for the next year. People are learning that they can just spit back this language. They need to justify the ratings."

Pay Pool Panels

"Writing SMART objectives was the biggest challenge (that) yielded lots of reconsiderations."

"People were inventing stuff to measure just so that they could have a (measurable) objective. They weren't necessarily important things, but they were measurable."

Implementation Team Members

Addressing Entire Scope of Responsibilities, Emergent Tasks, and Additional Duties

Many employees were uncertain about how to address emergent and non-mission-central tasks, additional duties, or the full scope of their primary responsibilities with a limited number of performance objectives. Supervisors struggled with how specific or broad objectives must be, a point agreed upon by pay pool panel members. PRAs agreed that a dynamic environment makes writing objectives challenging, but that specificity is desired. Pay pool panel members were concerned about objectives that are appropriate to the employee's position in the pay band, and they cited issues regarding failure to substantiate rating recommendations in the assessments. Employees across all sites shared significant frustration over job outcomes that are beyond their control, but for which they are held accountable in rating. Employees had mixed views on the feasibility and practicability of aligning performance objectives to organizational strategic goals.

"Hold me accountable for what I can control."

—Employee, on performance objectives

"It doesn't cover everything that you need to do in your job because so much is emergent. Things come up that you have to do and you can't just not do them because they are not part of your objectives."

"Real life interferes with meeting the objectives. I should be accountable if it (meeting an objective) is under my control, but not if it is not (There's) too much emphasis on proving (that you met your objectives) that we are drowning under rules. Hold me accountable for what I can control."
Employees

"When we had work plans, they had objectives, or things we wanted them (employees) to do. The contributing factors are supposed to do that. We're rating them on performance objectives, but I think we're missing a large part of what the employee does outside the objective.... That's missing in NSPS."

Employee 1: "How do I write taskings against my objectives? Four months on special duty doesn't apply to my objectives. [It] has nothing to do to support the warfighter. I don't feel that I can say no to a senior ranking official when I get tasked like this. That will kill me."

Employee 2: "But your objectives can change."

Employee 1: "Can I write, 'I planned a retirement dinner for my SES'? The pay pool panel will laugh."

—Employees, discussing emergent tasks and performance objectives

"I have people doing very different jobs. How do I compare them on the same objectives? So I make them really general to cover the work, but that does not convey to them what I expect and want them to do."

"My boss (a military supervisor) changes every year in June or July. You don't get to know who your boss is or what their expectations are."
Supervisors

"Raters are not used to having to do so much work. NSPS requires you to have to really think about setting goals for individual employees. There really is a strategy and a science of how you write objectives."
Pay Pool Panel Member

"Our organization is a dynamic and rapidly changing organization. This makes it very difficult to set objectives."

"We are rating one individual, but if your program is not doing well, it will come out in the ratings of the individuals."
PRAs

Addressing Achievements Unrelated to Objectives

A significant number of employees had difficulty understanding how achievements, such as awards or education, that are valuable but not tied to objectives would factor into their performance ratings. Employees at all sites were uncertain about the "appropriate" number of objectives.

"I was selected as civilian of the year, but I was told I was a 3. I got opposite signals."
Employee

Performance Near the End of the Rating Period

A number of employees and supervisors raised the concern that performance objectives achieved within 90 days of the end of the rating period were not being considered by the pay pool panel as part of one's achievements during the rating cycle. A small number of employees shared that they had no knowledge that they could change their objectives during the rating period, and thereby get credit for changing priorities. As well, a small number of employees confessed that they had not fully capitalized on their ability to change job objectives as needed.

"It's self discipline on our part because you can change your objectives. But then you have to decide if it's (changing your objectives) really worth the time."

"We could not change our objectives during the year last year."

Employees

Choosing the Number of Objectives and Using Mandatory Objectives

Employees reported that organizations provided much, some, or sometimes no guidance before and after the first payout on the "appropriate" number of performance objectives. Both **employees** and **supervisors** raised issue about mandatory objectives, but supervisors were especially vocal, citing that these component-, command- or organization-directed objectives were not written to SMART standards and as such were difficult, if not impossible, to exceed.

"There was confusion about how many objectives to include."

"I was given three objectives and had no say in them at all."

Employees

"The supervisor (objective) is very hard to measure. It's hard to excel as a supervisor. Almost anything you do is expected of you. It's a 3."

Supervisor

Aligning Performance Objectives to Strategic Goals

Supervisors and some employees generally liked the idea of aligning performance objectives to strategic goals.

"You tie your tasks back to your strategic plan. That's good. A year ago maybe five% were aware; now, a lot more people are (aware of it)."

"Structurally, going through discipline and effort, there's more of an effort to correlate. Conceptually, there's more of a correlation; here's the objectives, here's the strategy. There's structure there. But the reality of it..."

Employees

Use of Contributing Factors

Employees asserted that guidance on contributing factors is non-existent, changing, or not followed, or that they did not know which specific contributing factors to use to enhance their performance plan. Some employees reported they confused contributing factors with the performance objective itself. Some supervisors expressed liking contributing factors, but also added that they do not know how to document them independently of the performance objectives.

Issues with Contributing Factors

- (1) Difficulty understanding which and how many to use with performance objectives
- (2) Difficulty understanding the criteria for +/- 1
- (3) Lack of or unclear guidance on the use of contributing factors during the first cycle
- (4) Changing guidance in the second cycle

"First they told us no more than 3, then they said use only 1, and then they said to never use the technical (contributing) factor."

Some employees were told that they have to meet all contributing factors, and that's not fair because it's harder to meet the objective.

Employees

"I got six opinions across the (service component) about how to use contributing factors. Why not just be a 4? Even our pay pool panel, with the same training, had disagreement on how to use them."

Supervisor

"Contributing factors were very hard. You were better off giving someone a higher rating versus giving a plus 1. They were hard to justify."

Pay Pool Panel Member

"I like the concept (of contributing factors) — that it is a way to capture over and above what they do on the job. Also, we did use it negatively.... We like the concept, but are struggling with how to do it properly."

Pay Pool Panel Member

Weighting Objectives

Organizations generally did not use weights or used them inconsistently. Some supervisors used weighting to minimize potential negative impact of non-measurable mandatory objectives. Some members of implementation teams saw weighting as a way to bring a more well-rounded focus on the mission as well as primary job tasks.

"I want the flexibility to weight, like, if one of my objectives is really important, it should count for more."

"You get 40% for the objectives you have, and only 40% (weighting) can be the top amount. If more than 40% is spent doing your job, then you have to have all these other things. [Many nods and yeses] The weighting is what's detrimental. What if 60% of your job is your job (one objective)? You can only get so much blood out of a stone." [Much agreement]

Employees

Employee 1: We worked with the supervisor. We also had weights on the objectives and could challenge them.

Employee 2: We also had them (in our department).

Employee 3: Others were not given that choice.

—Employees, discussing the use of weighting in their departments

"The mandatory objectives are not SMART. That's why we weight at 10%."

Supervisor

"Weighting of job objectives... supervisors and managers have tried to game the system with these weights, so weights are now looked down upon. The same can be said for contributing factors."

"(I) learned a big lesson on weighting of objectives. Max weight of any objective is 40%; minimum is 10%. Have one primary objective for everyone.... It's a great leveler. It gets everyone focused on what they need to be doing to support the mission."

Implementation Team Members

Theme 12. Workforce Praises the Mock Pay Pool but Identifies Training Weaknesses

Mock Pay Pool

Pay pool panel members and supervisors who participated in pay pools praised the mock pay pool as valuable for teaching lessons about performance objectives and interim assessments. Some PRAs stated they focused their mock feedback on the processes, rather than providing feedback to employees. Employees and supervisors noted that the mock is valuable only if feedback is provided.

"The mock pay pool, we got no feedback about what our numbers would have been. And we went through the whole process of doing it. No feedback at all."

Employee

"I'm still looking for training on (writing) job objectives. If we'd gotten interim feedback from the mock pay pool, that would have gone a long way."

Supervisor

"After mock pay pools, we let people come and ask questions. It was good for showing the transparency of the system and good for us, too, to help us articulate our process and improve our deliberations."

"In (director name), we worked with the supervisors to do a better job with their writing and showed them where they weren't on track with their objectives."

Pay Pool Panel Members

"Mock pay pools were great. Probably biggest debate was whether to force a bell curve. We really needed to ensure the value of the share was sustained; otherwise, it hurts all employees."

Pay Pool Panel Member

"When we did the mock, we looked across pay pools and showed the pay pools their results compared to the other pay pools. If one organization was giving more 5s, their share values were lower. We showed them the data and this helped them to understand the implications and how it hurts their people. We could show them that if we had done things differently, their employees would have done better monetarily."

PRA

Performance Plan

Employees, supervisors, and implementation teams criticized the examples in performance objective training as being too "production oriented" and not relevant to their job types. Supervisors held mixed views on "soft skill" training. Implementation teams suggested that employees and supervisors be trained on pay pool processes to increase understanding.

"They tried to give us a few examples, but it was hard to interpret them into our own fields. Not just us, but hard for our supervisors, too."

Employee

"Employees will tell you that training doesn't prepare them for how to write up performance. They do everything from repeating job descriptions, which does nothing, to trying to pick one event that depicts work ethic."

"Training was decent on writing SMART objectives. Training was lacking on the pay pool process and the implication of decisions you make on points and shares. It wasn't until the end with the CWB that I started to get an appreciation of the ramifications of decisions. Some form of training would have been helpful on this."

Supervisors

"Need better training on objectives. The nature of our work does not allow for hard objectives, and you depend on others to get your job done. We need more training on this. The iSuccess tool is still limiting."

Implementation Team Members

Supervisor and Trainer Effectiveness

Employees cited varying degrees of supervisor knowledge and involvement in training, assisting, and coaching employees. Employees generally acknowledged that supervisors who had previous experience in NSPS or in a demo project were very helpful for writing performance plans.

"I wrote my objectives and submitted them to supervisor. He looked at them, we discussed them, and he provided feedback....I don't have a problem with the objectives because I had input on them."

"(There's) more rapport with supervisors. Now they have to pay attention to what I'm doing."

"Early on, we were being trained by contractors who didn't know our own terminology. We've seen steady improvements since then."

Employees

"When I did my employee, (he asked) what will it take to do a 4 or 5? I couldn't answer. I felt I failed as a supervisor. What will it take? I don't know."

Supervisor

Training Weaknesses

Supervisors and employees identified inconsistent trainer quality as a problem. In some instances, trainers taught approaches to writing performance objectives that were inconsistent with their organization's approach. The workforce identified the Performance Appraisal

Application as an area where more hands-on training would be beneficial. Another area with strong demand for training was writing performance objectives.

"I didn't feel like there were connections between what I got in training and what I was told in directorate."

"I had an idea based on the class that I went to. But then the town hall meeting led me to understand that what I learned in training was not accurate. But that was a good thing. For example, in class they told us that we would be compared to everyone. But in the town hall, they said you were compared to your objectives."

"You came in to MyBiz (PAA) and (I) was helpless as it relates to my specific organization. There were no samples of objectives, but we needed these. We also need examples of how to write appraisals and self assessments."

"(We received training on) pay pool and how percentage is divided up. A person came in to explain it to us. When he broke it down and where percentage goes and why, it makes it a lot better and doesn't seem so bad. I think it would be better if everybody really saw how the formula works and how they figure out the percentages (what is going to salary and bonus)."

"We've always been taught that 5 was the highest, but then I heard that some people were given 6 shares. If a 6 is possible, I want a 6—not a 5. I'll work towards anything; you just need to tell me what I'm working towards. I thought that if you got a rating of 5, you could only get 5 shares."
Employees

"One of the things we need training on is rewriting performance objectives. For supervisors below me. We as an organization do not do well; we do PDs (Position Descriptions) and we don't assess on PDs."
Supervisor

"The training artificially set high expectations. We were told that if we wrote objectives in the SMART format, everyone could be a role model. That's just not true. Role model is an exceptional case."
Pay Pool Panel Member

"Every supervisor and employee needs pay pool training because it gives perspectives on how important the supervisor's write up and self-assessment are."

Implementation Team Members *"The support from contractors can be confusing because they convey different messages about doing certain things (e.g., how to write objectives)."*
Commanders

Supplemental Training

A majority of organizations initiated informal training or networked with organizations already in NSPS for guidance, especially in writing performance objectives. Some organizations supplemented NSPS training with soft skill training.

"We had an off site with all people and talked about what a good objective was and what an objective shouldn't be. But this was only one division/group."

"I belong to a small admin group. We got together and we formed a set of common objectives that each of us was able to take back and tailor to our individual jobs. This was very helpful for us."
Employees

"One class that was supposed to prepare us for NSPS (basic soft skills). It was just propaganda designed to get us through anger and resignation phases."
Supervisor

"We communicated with supervisors throughout the year. What helped a little bit was that as things come up, we would make a connection to NSPS – 'how would this be covered by NSPS?' We have a lot of NSPS training going on this year to discuss whether an example is something that is going beyond or what we would expect. We took pieces of what we do and talked about how the work ties back to

NSPS – ‘where is the threshold between what you’re getting paid to do versus something that would carry weight in the evaluation?’”

Pay Pool Panel Member

“When we first started, we realized there would be a significant training requirement. When employees said ‘oh, there is all this training,’ I would say how much training did you have on the GS system? Probably not much. Since we were changing cultures, we needed training, so we developed an integrated training plan involving all the components.”

Implementation Team Member

Lag Time and Training Effectiveness

The time lag between training and application reduced employees’ ability to retain information and apply lessons learned.

“We were being shuffled to training over and over six to 12 months before conversion. The early training classes (NSPS 101, writing objectives) really didn’t mean anything to me. It wasn’t until we got really close to converting is when my supervisor said this is how we’re going to do it and my organization started to develop ground rules. What really plugged

me in was my organization saying what to expect right before conversion. I would have like to have been informed as early as possible – not just one-two months before. I probably learned more from the organization than the training. I felt that the organization did a very good job as far as informing the employees and telling us what to expect.”

“I did NSPS 101 and the training on writing objectives and self-assessments. When I was in the training, it was good. I felt confident with it. When it came down to implementing those things, that’s when it all fell apart.”

—Employee, on training

“They tried to tell us what to expect, but it keeps changing (e.g., retroactive changes). That’s frustrating. I think everything is okay, but then they change it. It was pretty good regarding supervisors sharing information with us, but it is frustrating when everything changes and they (the supervisors) don’t even know.”

Employees

“We did it (training) before the issuances were finalized, so there was a lot of ‘I don’t know.’... Those doing the training couldn’t answer half of the questions... (it seemed like we were) doing change management for change management’s sake. Not really going to change the culture. That combined with the change itself created more angst.”

Implementation Team Member

“The training came out in pieces. We need an encyclopedia of all the required training moving forward. We need automated and refresher modules. Anything that we can do online is great.”

Commander

3.5.4. Additional Themes

Participants had three categories of additional comments. These themes generally span KPPs:

- The amount of time required by NSPS
- The automated tools
- Overall effects of NSPS

Theme 13. Changing Policies and Communications Processes Reduced NSPS Understanding

There were mixed views on the effectiveness of NSPS communications before and during implementation and during the rating and payout period.

Impact of Shifting Policies

An issue across virtually all sites and groups was the NDAA change to payout policy enacted after initial spiral payout decisions. Leadership and the workforce were united in stating that this policy shift caused confusion and reduced trust in NSPS. Supervisors and employees stated

they were both overwhelmed and frustrated by the volume of information regarding NSPS, particularly emails during the initial implementation and other key periods.

“NSPS could be a great system after a couple of years, but the rest of us are suffering in the mean time when the rules are being figured out.”

Employee

“One of the problems with training was that training was happening as policy was being generated. When meaty questions (arose) like how pay pool works, the answer was, ‘We haven’t figured that out yet.’ The answers came after training.”

Supervisor

“The change to the Element 1-Element 2 split is one of the worst things they could have done in terms of getting buy-in.... I basically look at it now like everything is at the will of the DoD and we won’t be consulted.”

“Initial flexibility has been eroded by the NDAA decision about Element 2 payout.”

Pay Pool Panel Members

“We did it (training) before the issuances were finalized, so there was a lot of ‘I don’t know’... Those doing the training couldn’t answer half of the questions... (It seemed like we were) doing change management for change management’s sake. Not really going to change the culture. That, combined with the change itself, created more angst.”

Implementation Team Member

“One concern for the future is the last-minute decision on the GPI. This could happen every year. How can we set a target share value with an unknown budget? We would like a mechanism for setting the target.”

PRA

Information Flow

Information flow was thorough and continuous at virtually every site, with some exceptions for final payout information. Implementation teams were instrumental in disseminating basic and updated information to employees and leadership. PRAs supported full information flow to the workforce. Commanders generally worked to anticipate issues for employees and to keep senior staff informed. Nearly all employees stated that information flow during and after implementation was overwhelming.

“It (information about changes to NSPS policy and procedure) was there. But sometimes there’s an information overload. Pinpoint what you need for us to know.”

“Leadership did all they could to try and communicate.” [Many agree.]

“We’re pretty low informed. Supervisors will eventually come around, but they’re still old-school supervisors who won’t adjust. Once new people come in, it will be a good thing.”

Employees

“We shared the business rules with the workforce where we could. We received guidance and business rules from the Executive Steering Committee. We built on consensus and published everything, including statistics at the end of the payouts. We briefed generals and the SES community on the results of the payouts and how the different bands were affected. There was focus on, ‘Are we taking care of YA-1s and junior YA-2s?’ This was of particular concern.”

Commander

Communications To Ensure Understanding

Most organizations used town hall meetings to brief the workforce on the implementation process and on rating and payout results. Town halls were somewhat effective in disseminating information, but were not mandatory and left some people poorly informed. Road shows with

senior leadership conducting question-and-answer sessions were effective in ensuring understanding of rating and payout information and reducing any morale issues. The various modes by which information was provided did not necessarily ensure workforce understanding.

“The briefing showed results, but it didn’t provide any explanation to help you understand.”

“They really did a lot to try and get the message out – it’s a completely new system that is hard to explain.”

Employees

“One of the things we used initially was written communication. There were also town halls in each of the pay pools. As we matured, we did brown bags and had NSPS updates via e-mails. We had a website. Things were too fluid so we posted everything on the website. We posted business rules. We had a link where employees could ask questions and sometimes they would get a personal call. We had a message for senior leaders and training for them. Any time any leader wanted to meet or had an issue, we would meet with them or form a cross-functional team.”

“Communication is important – the fact that we gave employees as much information as we had. In some cases it was frustrating when we didn’t have the info to give because it was still evolving. We won’t have that problem in the future.”

Implementation Team Members

“Even with all of that communication (emails, town halls, blogs), there was a discord between the information they were given and what they understood.”

Commander

Theme 14. Perceptions of IT Support Tools

The Performance Appraisal Application (PAA), used to support performance management processes, experienced many technical problems during the first and second cycles, impacting supervisors’ and employees’ ability to prepare required performance plans, interim reviews, and self-assessments. Many employees and supervisors cited frequent inability to access the tool; an interface that was not user friendly, including cumbersome, non-intuitive navigation; poor layout of screens; loss of data; lack of remote connectivity because of the CAC card restriction; and one-person-at-a-time access. The PAA’s technical difficulties persisted throughout the second version’s release, prompting some organizations to avoid full use of the PAA and instead using paper-based approaches. Site visit findings indicated that PAA use was further complicated by a lack of hands-on training and outdated, or difficult-to-use, user guides.

Other NSPS automated tools include the Readiness Tool and the Compensation Workbench (CWB). The CWB supports pay pool panel deliberation processes. The Readiness Tool assists the organizational leadership, implementation teams, and HR points of contact in preparing for implementation, sharing information, and monitoring readiness. The field used both the Readiness Tool and the CWB with few issues. Appendix G provides additional information on other NSPS automation.

The bulk of site visit comments referenced the PAA. MyBiz is an interface to the PAA. Some quotations below refer to “MyBiz” as employees often used these terms interchangeably.

Training

“No direct training on the PAA given. No manual on MyBiz (PAA) was offered.”

“The training provided (by) the PAA User Guide (177 pages) is not accurate. It doesn’t match the application. We did get some other guidance from the personnel office this time around.”

Effects on Implementation

“The PAA. It was un-user friendly. It didn’t destroy implementation, but it wasn’t good when trying to get it out and folks (were) trying to do performance (plans).”

“About 80% of the complaints I hear (are) to fix MyBiz (PAA). Make the IT tools more user-friendly. A lot of people lose the forest through the trees in MyBiz (PAA).”

Effects on Mission

“My folks spend up to two days to get their interims in the system.”

“System is frantic. You are constantly chasing things. Don’t have time to do your real job because you are having to chase down the system.”

“There were lots of questions about PAA and how to use it.... We had two people on phones almost full time answering questions.”

“I spend more time helping people with the system than actually rating them.”

“... (W)e are doing interim reviews right now, and they are releasing upgrades (to the software – making it CAC card enabled). Somebody is not thinking.”

Tool Capacity and Accommodation

“Once I have the objectives in the system, I can’t tweak them – only the rater can change. But raters don’t have time to change all the objectives for everyone.”

“Another problem was that the system would go to sleep.... Learned the hard way that we need to write the objectives in Word and then cut and paste into the PAA.”

“If you have one misstep, it sets you back 3-5 steps.”

“HLRs (Higher Level Reviewer) cannot see at a glance (in PAA) the status of all the performance plans they are supposed to review, so they can’t see who is in compliance and who isn’t.”

“The technical aspects drove me nuts. You are sending things back and forth and sometimes it gets lost in the system.”

Theme 15. NSPS Performance Management System Demands Significant Organizational Resources**Time and Administrative Burden**

The time and administrative burden for NSPS implementation and administration was the first issue raised by virtually all sites. A majority of employees and supervisors and many pay pool panel and implementation team members strongly felt that NSPS is extremely labor intensive. The time demand was complicated by staff shortages, travel, supervisors’ non-supervisory job demands, military supervisor rotations, and ops tempo. Others offered that time spent on NSPS requirements took away from productivity and the mission and impinged upon personal time. Some supervisors and employees cited an increased workload for HR professionals, especially in hiring within a broad pay-banded system. Some pay pool panel members thought that the time requirements may be unsustainable long-term.

“It is an extreme distraction to supervisors who are also action officers. The reality is that we don’t have enough people to handle the mission and have dedicated supervisors to NSPS. My heart breaks for leaders when I see them have to spend weeks to deal with pay pools.”
—Employee, on time and administrative demands of NSPS

“In the GS system, my involvement in appraisal was about an hour per year. My shop is undermanned now. Now, I have to put in 40-50 hours per year on (my) appraisal and my boss is putting in 40-60 hours per year on me. And because of NSPS, I can’t meet my objectives.”

“Under NSPS, you have a minimum of 13 pages. That is a metric on how time-consuming this is for everybody involved. One of the challenges is how to master that and keep up with the high ops tempo in headquarters.”

"I had meetings ... where I needed senior leadership representation, but they couldn't go because they were on call for the pay pool panel. That resulted in (senior leaders) not being (available), which affects (the success of) mission."

Employees

"I've spent more overtime on NSPS than any other project. My worry is finding time to really focus on NSPS."

"We've got to find a way to not let the process become the end. We have more important jobs to do."

"The hiring process is very burdensome. You get a list of 200 employees ... and the supervisor has to wade through that. There's no screening anymore."

Supervisors

"Deployments force people (substitutes) into the pay pool (panel) – not fair to that person and not fair to employees. They are brand new and they don't know them. Ops tempo of a typical base and the rotation of the military leadership. It sets up for a perfect storm."

"It takes a lot of personal time. I spent two weeks with the sub-pay pool. This is undoable in the long term. It needs to be more efficient. We are going through each appraisal line by line and analyzing it."

Pay Pool Panel Members

"Pay for performance requires you to spend time with employees, and there are not enough hours in a day."

"Had to pull people off their primary jobs to do NSPS, and we did not get any additional resources. We did not plan on this."

Implementation Team Members

"I acknowledge that it takes time. I don't know if that time's a bad thing. Pay pool training, mock training ... as we become more comfortable I hope it drops a little."

Commander

"NSPS was bigger than I or anyone thought. And everyone's plates are so full right now. The ops tempo is high. This broke the camel's back for some folks."

PRA

Return on Investment

Employees and supervisors expressed doubt about a positive return on investment for the time and energy needed to meet NSPS requirements. With the preponderance of ratings around 3, employees and supervisors questioned the time, effort, and impact on mission as leadership and the workforce work to fulfill performance plans, interim reviews, self-assessments and pay pool panel requirements. Commanders generally withheld judgment about the return on investment but many want more time to let NSPS settle in and prove its worth.

"Are we meeting/keeping pace with the GS schedule? Probably. But there is so much more work here, I am not sure it's worth it."

"As a taxpayer I'm appalled about the amount of time and effort going into it if it's (NSPS) going away. Plus the massive stacks of paper for the pay pool panel. Is there a cost benefit analysis (being done) for having our leaders tied up for weeks not available to us?"

Employees

"(The process) takes 10 times more time, without getting the results. The most common feedback from employees is that everyone is spending so much time on it (the performance management process) but not getting the returns they were expecting."

"There were one to two people who got a 5 and almost everybody got a 3. That's a lot of work for everyone to be average."

—Employee, on return on investment in NSPS in his organization

"It takes a whole lot of time to do assessments. I have second-level supervisor responsibilities with 37 people. It took me two weeks, and I don't know if the results were appreciably better."

Supervisors

"The time spent is probably way out of balance with the payback. The few that are getting 5s are getting a big chunk. We need to get better at that."

Pay Pool Panel Member

"It is extremely labor intensive at all levels...in an environment where you have a lot of deployments and PCSs, it creates a lot of turmoil in the process...just maintaining the hierarchy intact is a huge workload for the personnel folks."

Implementation Team Member

"The payback will be worth it if NSPS will be allowed to continue. Some form of NSPS has to stay. Don't give us the GS system back."

"I am optimistic for NSPS here. I think this will help. We are not there yet, but I think we will be. It will help to address poor performers. But we have also lost some high performers. We also have problems getting good supervisors with the 5%."

Commanders

Theme 16. Expected Long-Term Effects and Outcomes

The expected effects and outcomes for NSPS vary. These are grouped by general categories in the section below.

Predictors of Organizational Success and Climate

Some employees predicted that lack of clarity for career progression in NSPS, pay raise uncertainty, the option to move to non-NSPS organizations, some supervisors' lacking writing skills, and a new and more competitive workplace climate could negatively impact retention and job satisfaction, thereby hurting the organization. Commanders and PRAs generally wished to pursue NSPS to maturity, yet they also recognized the disincentive for employees to assume supervisory positions, the cost of turnover by good performers, and possible ratings creep as threats to NSPS.

"I don't know how I'll fare in future under NSPS. About recruiting in NSPS, NSPS said it will be easier. My colleagues say it's harder. When people see the range, with no steps, they negotiate for high end."

"NSPS will be hindered in the future by Ops Tempo and a limited size workforce."

"If we're all under one umbrella, it will work well."

Employees

"I am optimistic for NSPS here. I think this will help. We are not there yet, but I think we will be. It will help to address poor performers. But we have also lost some high performers. We also have problems getting good supervisors with the 5%."

"The payback will be worth it if NSPS will be allowed to continue. Some form of NSPS has to stay. Don't give us the GS system back."

Commanders

Outlook for NSPS Acceptance by the Workforce

Some employees stated that NSPS has not yet realized its full effectiveness, but that additional guidance, leadership, and improved understanding would help. A number of employees predicted that time will smooth the way for acceptance of NSPS, while other employees noted that NSPS' success depends on meeting conditions, such as one personnel system for all DoD and sufficient training and understanding. Other employees cited competing pay systems, ops tempo, a change of administration, and bargaining unit court battles as challenges to the success of NSPS. A few employees argued that NSPS would not change anything. Some

supervisors purported that the workforce would give NSPS a chance if they could better understand the rationale for decisions made. Pay pool panel members were generally supportive of NSPS, but some were unsure of its effect to date. Some PRAs believe that workforce trust has been recaptured following NSPS implementation. Other PRAs saw NSPS as a means to remain focused on mission.

"If there's commitment from SecDef on down, take this report ... from other places, that captures the frustrations and views at our level, and doing something about it, making it right, transparency and pay per performance. It's going through growing pains, and no one likes change. But if it goes the way it is and nothing is done were going to have problems."

Employee

"I think people want this to work. They're not ready to form picket lines. They want to understand it. If their questions are (not) constructive, it's just that everyone's nervous about the impact of decisions made on what we don't understand."

Supervisor

Leadership, Managing Performance, and NSPS

Some employees offered that leadership effectiveness and not NSPS is the real solution to addressing marginal performers. Some pay pool panel members were cautiously optimistic that NSPS can eliminate low performers if used properly. Commanders and PRAs identified the results of a pay-for-performance system to be a more-focused workforce and a mechanism to refocus marginal performers.

"I think NSPS will be a good thing in the end because eventually when people start utilizing it the way we're trained, the people who deserve a 2 will get a 2."

"NSPS is not the fix for poor leadership. Leaders still have to do the 'dirty work.' Supervisors are still responsible for dealing with poor performers."

Employees

"It's very difficult to say that you really performed better as a result of NSPS. We are still trying to figure it out."

"I'm a proponent of NSPS. Done correctly, it is getting us the right behavior."

Pay Pool Panel Members

Sustainment

Two areas from the sustainment perspective includes financial and evaluation processes. A number of employees questioned NSPS' capability for long-term financial sustainment. Senior leadership cautions against ratings inflation over time.

"When is the bank going to get broken? It seems like there is an inordinate amount of money being paid out. It can't sustain itself, can it? People come to expect these raises going forward, and I'm not sure we can afford it."

"I believe that the integrity and validity of the current 5-point rating system will be hard to sustain. There will be a natural tendency for rating creep to the 5 point level and detract from the pay for performance concept."

PRAs

Outlook and Predictions

There are diverse perspectives on the outlook for NSPS. A lack of clarity for career progression, uncertain pay raises, the option to move to non-NSPS organizations, supervisors' perceived shortcomings, and a more competitive workplace climate are predicted to impact negatively upon retention and job satisfaction. Some cite competing pay systems, ops tempo, and a change of administration as challenges to the success of NSPS. Others offered that additional guidance, leadership, and training would help NSPS realize its full effectiveness. Senior leaders

were cautiously optimistic that NSPS can eliminate poor performers and generally wished to pursue NSPS to maturity, but also indicated that it is too early to evaluate the effects of NSPS on individual and organizational performance.

The concern about perceived disincentives for progression, such as the five percent reassignment pay increase limit, is significant for both employees and managers. With cautious optimism, leaders predicted that NSPS will cultivate a more focused workforce and will help eliminate marginal performers.

“It might take time. Right now it’s hurting the organization because of the morale. Will take several years and good leadership.”

“I don’t think NSPS will change the climate.... I initially thought it would be a good way to bring in good talent like the private sector does, but it’s not different from any rating system.”

“It’s too early to tell on how it will affect me personally. Most people are resistant to change. There will be kinks. I’m going to wait and see. The concept is good. [Nods]”
Employees

“It will help employees prioritize. We have a shrinking workforce with an increased workload, so this is very important.”

“I believe that NSPS will make the organization better in the future. We got over the lack of trust with the workforce. I hope we don’t go back to the old system.”
PRAs

3.6. Site Document Analysis

The visited sites provided organizational NSPS-related documents to the visit teams prior to and during the visits. The documents received or referenced on web sites are not necessarily a comprehensive indication of all the NSPS documentation these organizations prepared, nor do we know how all of the documentation was used. Analysis of documentation indicates which topic areas were most frequently available for information and use by management and the workforce.

The majority of documents provided were pay pool-related. All visited organizations had pay-setting policies and procedures with share and payout distribution rules. Virtually all had pay pool panel business rules that also applied, where relevant, to sub-pay pool panels. Most listed guidance for publication of the organizational rating and payout results. The roles of the PRA, pay pool manager, and pay pool members were the next most available documents, followed closely by reconsideration policy, milestones and timelines, the identification of organizational pay pools, and end-of-cycle guidance. The least frequently observed documents were the identity of pay pool panel members and discretionary pay rules (EPI and OAR). Other documents found only at selected sites included the rating and payout feedback briefs to the workforce; a PAA step-by-step guide for preparing the performance plan, interim review, self-assessment and final assessment; and a guide to preparing for the performance management cycle.

3.7. Lessons Learned: Implementation Teams and Pay Pool Panels

Lessons learned were provided by organization implementation teams and pay pool panels, both consisting primarily of senior leadership. Views ranged from the tactical to the strategic.

3.7.1. Implementation Teams

Timing

Start the implementation preparation process early – the required time will be longer than anticipated.

Training

Prepare the implementation team, human resources staff, and pay pool panel members with advance training. Provide in-house Personnel Office training and team trainers on PAA, NSPS, and job objective-writing course with at least two classes per week. Ensure active attention to filling all available training seats. Tailor a standard set of job objectives for various work fields/functional areas using SME teams.

“The training was useful in that it trained us in the things we were going to be doing ... performance management, pay pool.... The problem was the gaps; we needed separate training on setting up the implementation team.”

Implementation Team Member

Structure, Staffing, and Processes

Implementation team composition should include human resources, representatives from the Office of the Comptroller and of the General Counsel, a strategic planner, and a statistician. Ensure that one person is dedicated to system testing and the conversion process. Ensure a dedicated, full-time Transition Manager with decision-making authority to head implementation efforts. Consider establishing an Executive Steering Committee to make implementation decisions. During conversion ensure 1) better definition in the classification process, 2) standardized position descriptions, and 3) clear guidance on bringing employees into NSPS from other systems. Assemble ad hoc specialty teams as needed. Have implementation team liaisons at the unit level.

“I would recommend that the transition manager is a decision maker, not just an HR person. You need senior leadership to push this forward.”

Implementation Team Member

Support

Enlist senior leadership’s continuous and visible support and include a focus on military supervisors to support NSPS. Learn from earlier spirals or demonstration projects how to best transition. Establish a full-time PAA help desk or PAA technical team to assist users. Budget sufficiently for training and materials. Do not do a reorganization during the transition to NSPS.

Policy Development

Publish a compensation philosophy early; start conservatively with pay setting and pay pool policies. Consider installation-wide focus groups to canvass concerns and questions.

“The Technical Director wanted to make sure that the well-defined organizational strategy was not lost in the transition; that’s why we got so much support. In our sister organization it was run much more from the HR side.... The problem with that is that they lost opportunities to use the change into NSPS as an opportunity to exercise strategic intent, like rewarding supervisors ... control points and if you complete this training you’ll get more money.”

Implementation Team Member

Communication

Communicate to employees and supervisors often, with consistent and pertinent information, to ensure effective understanding and buy-in. Publish all information – especially Implementing Issuances, implementation regulations, PAA links, and milestone plans. Use a variety of methods and media: town halls; one-on-one sessions; Commander's Calls;

information dissemination through the steering committee; intranet or Share Point web site with local command, higher command, and DoD documents, links, and video; weekly newsletters; published leadership update notes; emails; and an NSPS library. Scan and send anything not received in soft copy. Ensure supervisors are aware of NSPS's advantages of advancement potential and flexibilities.

“Communication to set expectations is key – especially as we get new employees and people and different roles.”

Pay Pool Panel Member

“Communicate to the employees. While I had some town halls and sent out some emails, a lot of that (communication) was done at the management level. We need to communicate more.”

Implementation Team Member

Conversion Issues

Difficulties occurring during the conversion process included: 1) pay anomalies, especially with Pay Band YA2, and pay compression; 2) expectations of GS employees related to pay and step increases; 3) defining who is a supervisor after eliminating “leads” upon conversion to NSPS; 4) transitioning the financial systems for working capital fund organizations; and 5) converting employees into the new system.

“We needed more money to cover training, create materials, etc. [Much agreement], and money is scarce.”

Implementation Team Member

3.7.2. Pay Pool Panels

Training

Hold a mock pay pool panel during implementation and for sustainment training of new pay pool panel members. Make the pay pool panel manager a senior civilian. Roles important to the success of the pay pool panel process include 1) pay pool administrator, 2) advisors, 3) executive leadership, and 4) implementation team.

“I was not satisfied not having a civilian as a pay pool manager. I would change that. It worked at that time, but now I would consider that. I think that’s the right answer.”

PRA

Structure, Staffing, and Processes

Factors to consider in composing pay pools and sub-pay pools include 1) size of the organization, 2) organizational structure, 3) budget, 4) functional roles/occupational structure, 5) mixture of civilian and military pay pool panel members.

“Headquarters is going to publish broad guidance on establishing a compensation philosophy. We went headlong into this thing without any of that. This is a lesson learned. We now have visibility on salary growth. This wasn’t clearly defined at first.”

Commander

Support

Involve senior leadership early on in providing guidance to the pay pool panel.

“You need to have someone at a high level in your organization take on the lead role. When the policy comes from them, the guidance is not questioned. It eliminates the second guessing.”

Commander

3.7.3. Summary of Lessons Learned

There are three essential areas that require attention in preparing for NSPS implementation: training; establishing the appropriate structure, staffing, and processes for implementation teams and pay pool panels; and establishing internal support through senior leadership endorsement, as well as technical support for NSPS automated processes. Additional key processes included effective communication up and down the chain of command; defining team processes; initiating required actions in a timely manner; planning for adequate budget; and avoiding other large-scale organizational activities, such as reorganizations, during NSPS implementation.

4. ANALYSIS OF SOFS-C DATA

4.1. Introduction and Method

4.1.1. *Purpose*

This chapter summarizes the results of the February 2008 Status of Forces Survey-Civilian (SOFS-C). The purpose of SOFS-C is to assess the attitudinal posture of the DoD appropriated fund civilian workforce. It considers DoD human capital matters, NSPS, and other topics of special interest. The Defense Manpower Data Center (DMDC) administers it yearly.

4.1.2. *Rationale for Use in This NSPS Report*

The NSPS Evaluation Plan identifies the SOFS-C as one of the primary sources of attitudinal data for use in evaluating NSPS

- Most KPPs link to several evaluation metrics
- Data sources for many of the evaluation metrics are survey responses
- Analyzing these responses over time helps track workforce attitudes toward NSPS implementation

4.1.3. *SOFS-C Section and Methodology*

This chapter presents SOFS-C results broken into five sections that are applicable to NSPS evaluation. They are Satisfaction with Job/Workplace/Coworkers; Satisfaction with Leadership/Supervisors/Policies; Satisfaction with Performance Management; Satisfaction with Career Progression; and Attitudes toward NSPS.

The SOFS-C uses stratified random sampling across the DoD appropriated fund civilian workforce. It presents demographic reporting, including total workforce with component breakout, total workforce with NSPS spiral/non-spiral breakout, and by general type of job. It also presents consolidated reporting for participants in NSPS pay bands, as well as by spiral.

4.1.4. *SOFS-C Data Reviewed in This Report*

Data from the February 2008 survey are used wherever possible. As of the publication of this report February 2008 data for some questions in the “Attitudes toward NSPS” section were not available. Where noted, May 2007 survey data were used in lieu of February 2008 data.

Survey Date	October 2004, April 2005, November 2005	May 2006	November 2006	Spring 2007	Spring 2008
Notes	◆ Baseline for pre-conversion DoD	◆ Baseline for Spiral 1.1 ◆ Conducted- April-June 2006 ◆ Spiral 1.1 converted 11,000 on 30 April 2006	◆ Baseline for Spiral 1.2 ◆ Conducted- November-December 2006 ◆ First 15,000 converted 01 October - 12 November 2006 ◆ Remaining 50,000 converted 10 December 2006 -18 February 2007	◆ Baseline for Spiral 1.3 ◆ Conducted May-June 2007, after first Spiral 1.1 payout ◆ 34,000 converted 04 March - 29 April 2007	◆ Baseline for Spirals 2.1, 2.2 ◆ Survey closed in March, after first Spiral 1.2/1.3 payout and second Spiral 1.1 payout ◆ Converted 71,000 in Spiral 2, 15 October 2007 - 13 April 2008

4.1.5. Graphical Representation of Results and Analysis Methodology

The analysis examines the frequencies of “favorable response rates”; specifically, the analysis seeks to determine whether favorable response rates for certain subgroups of the population are different from the overall favorable response rate, and how overall and subgroup responses change over time.

“Favorable response rate” is defined as follows: For each survey item, as appropriate, the analysis collapsed the “positive” and “strongly positive” responses to a given survey item into one “favorable” category. The “negative” and “strongly negative” responses were collapsed into a single “unfavorable” category, leaving a “neutral” category in between.

Most of the following pages show one or more sets of two graphs each. The graphs on the left show the “favorable” responses to a given survey item, both total DoD (NSPS and non-NSPS) and by NSPS spiral. The graphs on the right show the negative responses to that same item. In most cases, the scales are the same within each set of graphs to allow easy comparison of favorable and unfavorable results. However, to improve readability, some pairs of figures are shown with different scales for the responses. These are noted in each case.

Summary comments are located at the beginning of each section. In addition, some comments appear under a set of graphs to point out themes that emerge from the analysis.

4.2. Satisfaction with Job, Work, the Workplace, and Coworkers

Figures 4.1 and 4.2: Considering everything, how satisfied are you with your job?

Figures 4.3 and 4.4: Agree/Disagree: I like the kind of work I do.

Figures 4.5 and 4.6: Agree/Disagree: My work gives me a feeling of personal accomplishment.

Figures 4.7 and 4.8: Agree/Disagree: The work I do is important.

Figures 4.9 and 4.10: Agree/Disagree: I know how my work relates to the Agency’s goals and priorities.

Figures 4.11 and 4.12: Agree/Disagree: The people I work with cooperate to get the job done.

Figures 4.13 and 4.14: Agree/Disagree: My work unit is able to recruit people with the right skills.

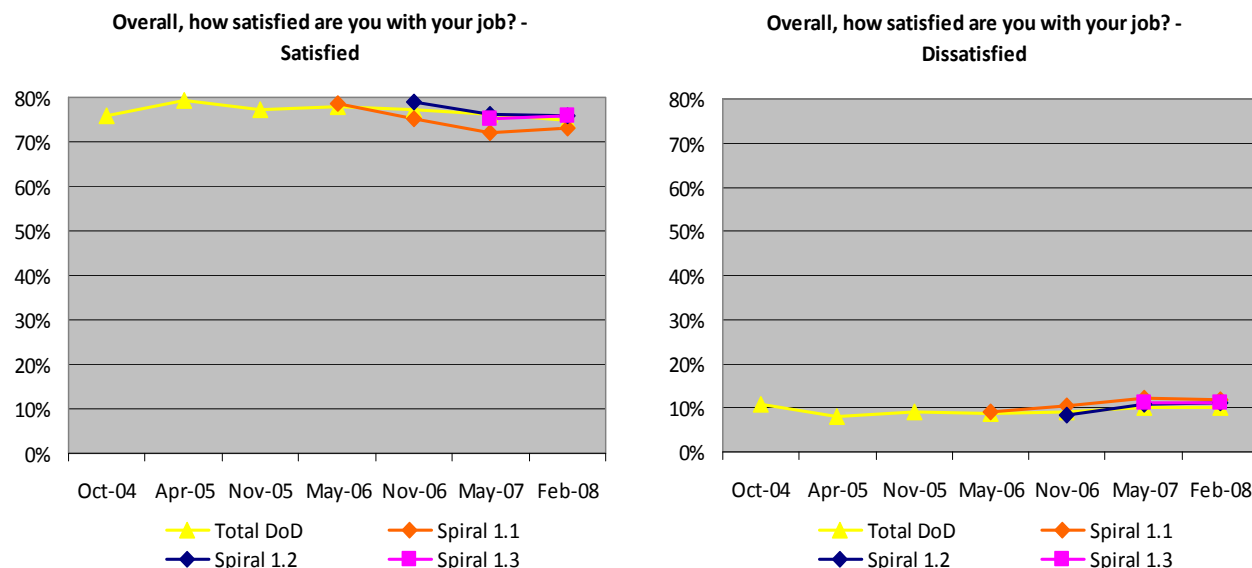
Figures 4.15 and 4.16: Agree/Disagree: Employees have a feeling of personal empowerment with respect to work processes.

Summary:

Spirals 1.1 and 1.2 track very closely with the overall DoD population on most of the job and work satisfaction measures (Figures 4.1 through 4.10). While Spiral 1.1 frequently debuted at a higher level of “favorable response” than the overall DoD population and then dropped to a level slightly below that of the overall DoD population, favorable response rates for Spiral 1.1 in these areas remain high, and close to that of the overall DoD population. Overall, there has been very little change in favorable or unfavorable responses to these job and work satisfaction items for both the DoD population and the NSPS spirals.

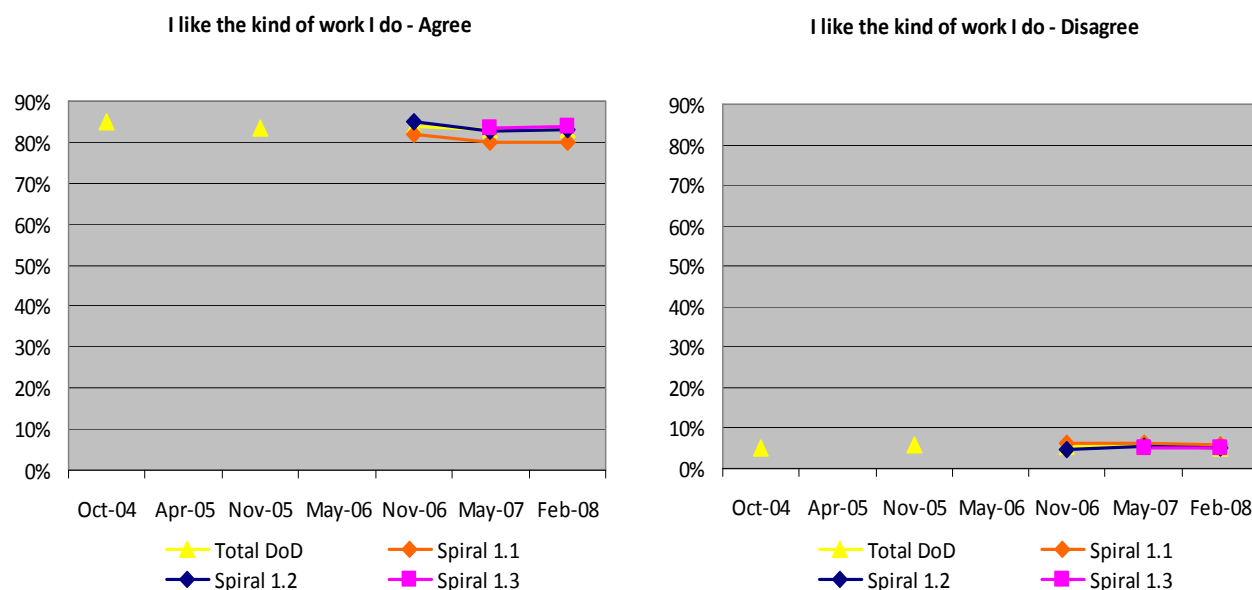
All NSPS spirals track closely with the overall DoD population on measures concerning coworkers and workplace environment as well. All NSPS spirals have remained at a higher level of favorable response than the overall DoD population on “the people I work with cooperate to get the job done” (Figure 4.11). While all NSPS spirals remain at a higher level of favorable response than the overall DoD population on “my work unit is able to recruit people with the

right skills” (Figure 4.13), there is also a somewhat high level of unfavorable response among all groups to this item, at around 25%. There is also a somewhat high level of unfavorable responses to “employees have a feeling of personal empowerment” (Figure 4.16) at around 25% for all groups, but again, there has been little volatility over time with either the favorable or the unfavorable responses to these items.



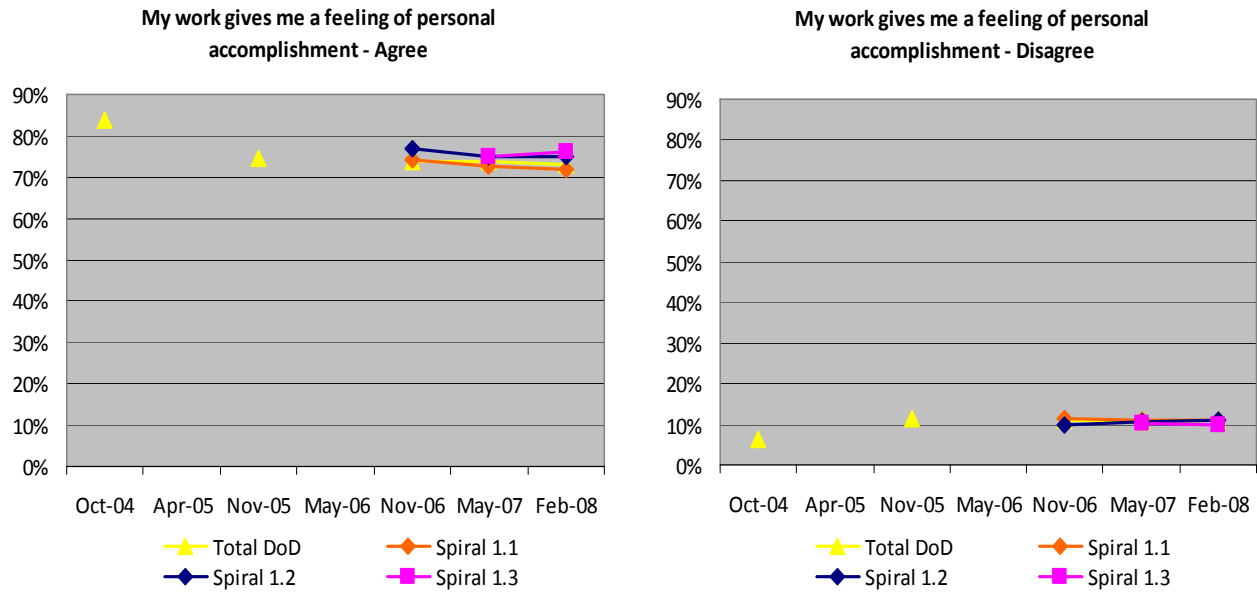
Figures 4.1 and 4.2 – Overall Job Satisfaction

Overall job satisfaction is high among all groups. While Spiral 1.1 dropped below the overall DoD population in favorable response since May 2006, it rose slightly in February 2008.

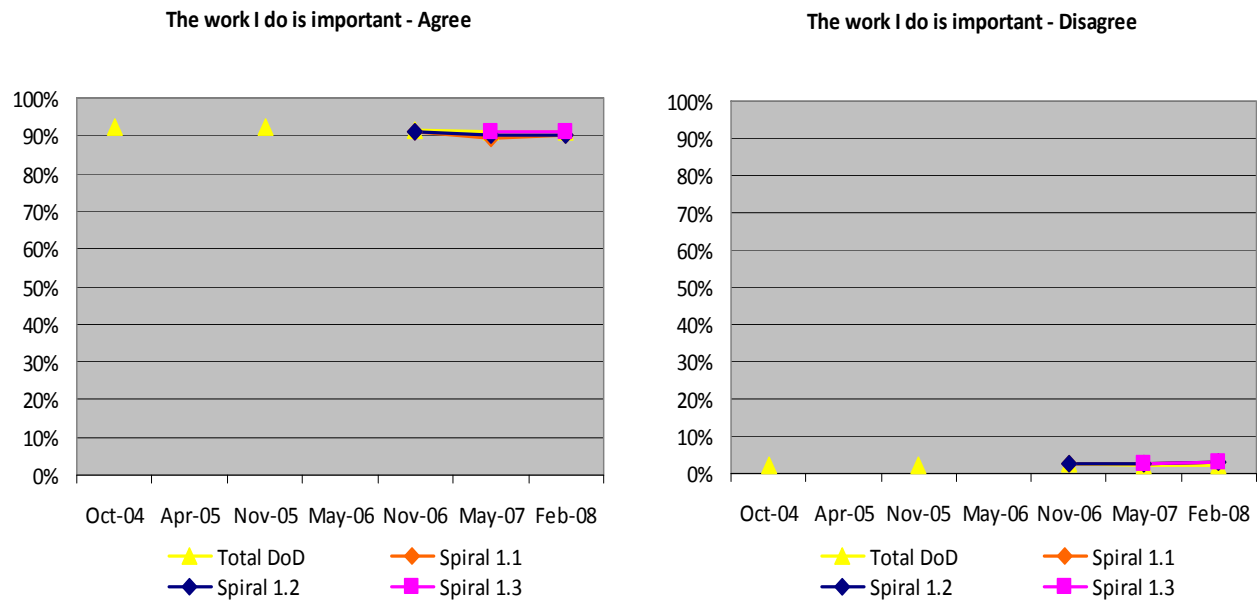


Figures 4.3 and 4.4 – Work Satisfaction

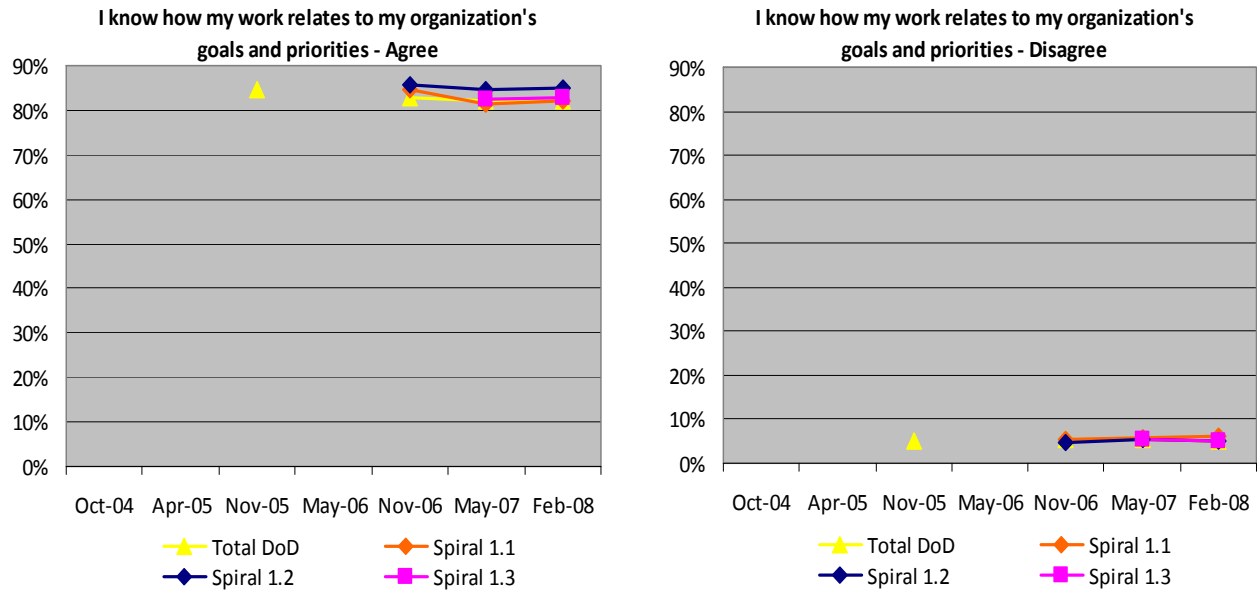
NSPS spirals track closely with the overall DoD population.

**Figures 4.5 and 4.6 – Feeling of Accomplishment**

NSPS spirals track closely with the overall DoD population.

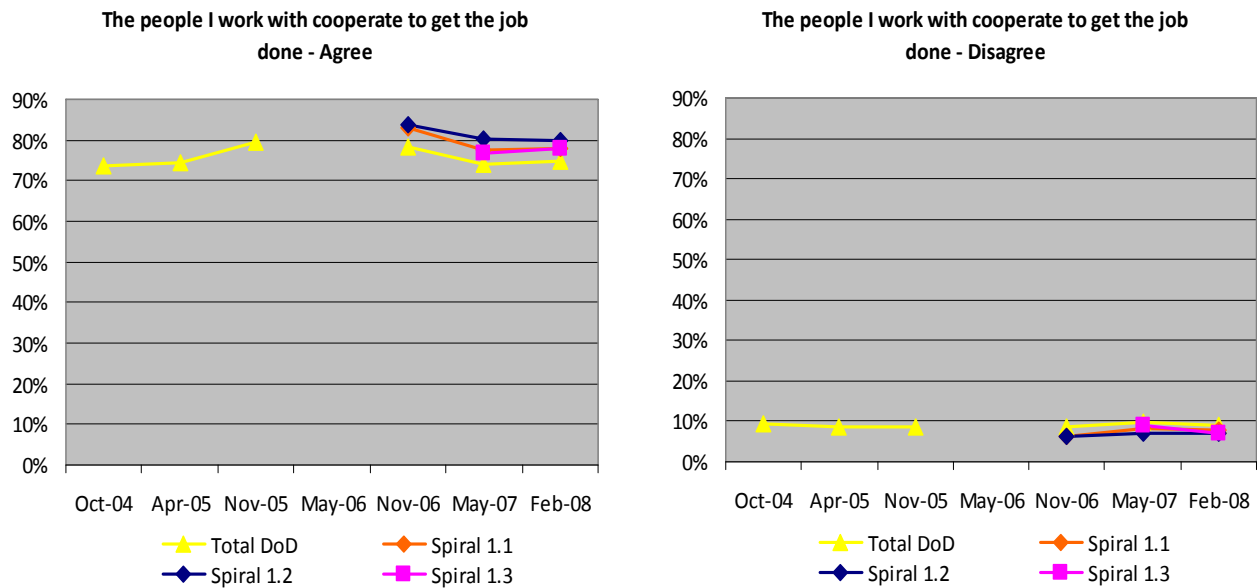
**Figures 4.7 and 4.8 – Work Importance**

NSPS spirals track closely with the overall DoD population.



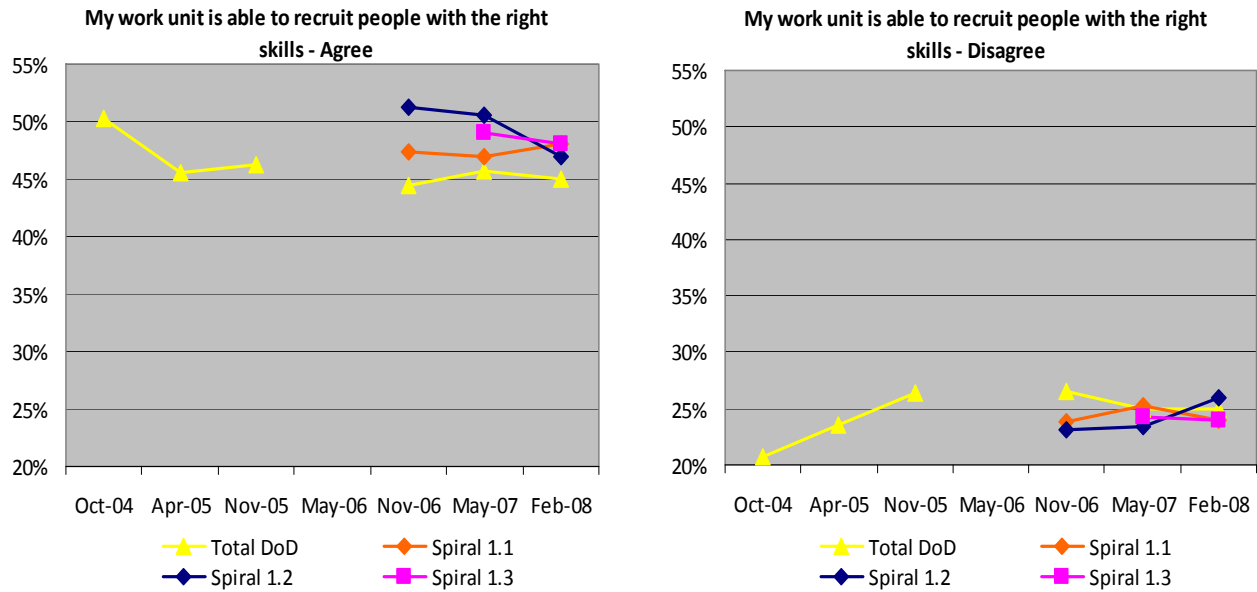
Figures 4.9 and 4.10 – Relation to Agency's Goals

Spiral 1.2 remains at a higher level of favorable response compared to the overall DoD population.



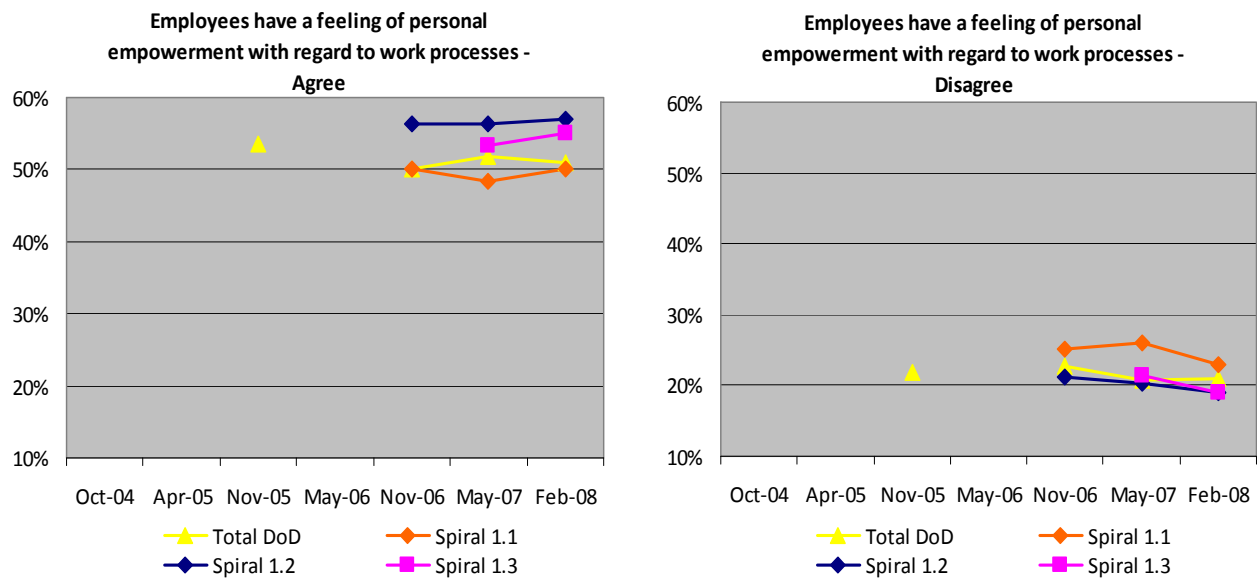
Figures 4.11 and 4.12 – People Cooperate

NSPS spirals track more favorably than the overall DoD population on cooperation to get the job done.



Figures 4.13 and 4.14 – Recruiting People

While all NSPS spirals remain at a higher level of favorable response than the overall DoD population, there is also a somewhat high level of unfavorable response.



Figures 4.15 and 4.16 – Personal Empowerment

Spiral 1.2 has consistently tracked more favorably on this item than the overall DoD population.

4.3. Satisfaction with Leadership, Supervisors, and Policies

Figures 4.17 and 4.18: How satisfied are you with the policies and practices of your senior leaders?

Figures 4.19 and 4.20: How satisfied are you with the information you receive from management on what's going on in your organization?

Figures 4.21 and 4.22 Agree/Disagree: Managers communicate the goals and priorities of the organization.

Figures 4.23 and 4.24: Agree/Disagree: Managers review and evaluate the organization's progress toward meeting its goals and objectives.

Figures 4.25 and 4.26: Agree/Disagree: In my organization, leaders generate high levels of motivation and commitment in the workforce.

Figures 4.27 and 4.28: Overall, how good a job do you feel is being done by your immediate supervisor/team leader?

Figures 4.29 and 4.30: Agree/Disagree: I have a high level of respect for my organization's senior leaders.

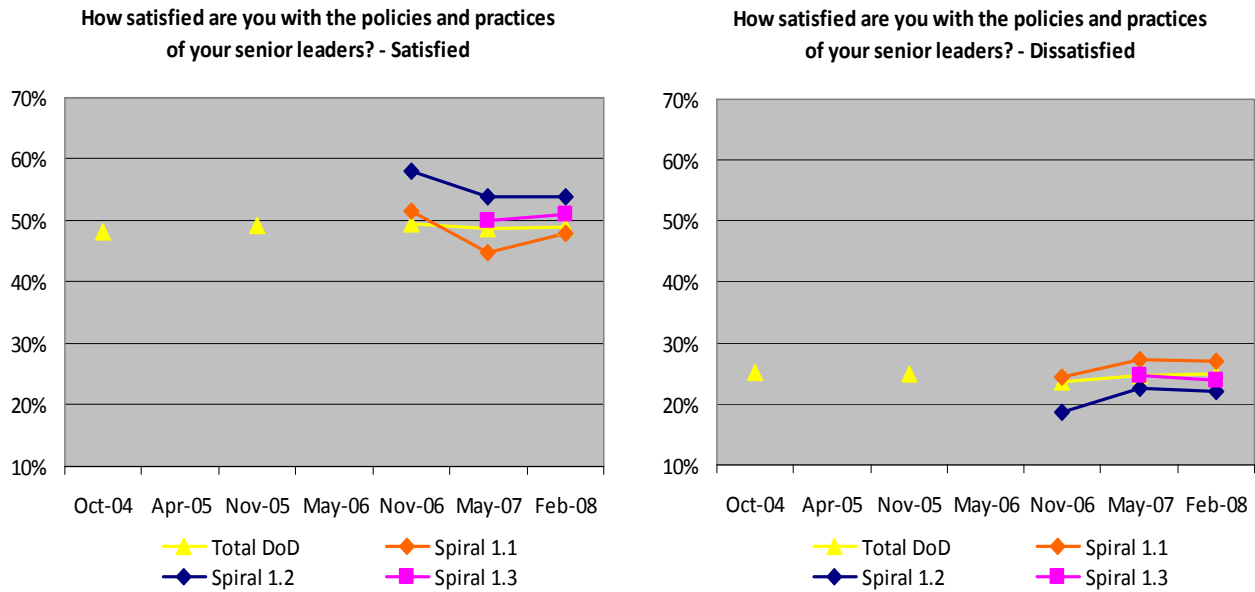
Figures 4.31 and 4.32: Agree/Disagree: I have trust and confidence in my supervisor.

Figures 4.33 and 4.34: Agree/Disagree: Discussions with my supervisor/team leader about my performance are worthwhile.

Summary:

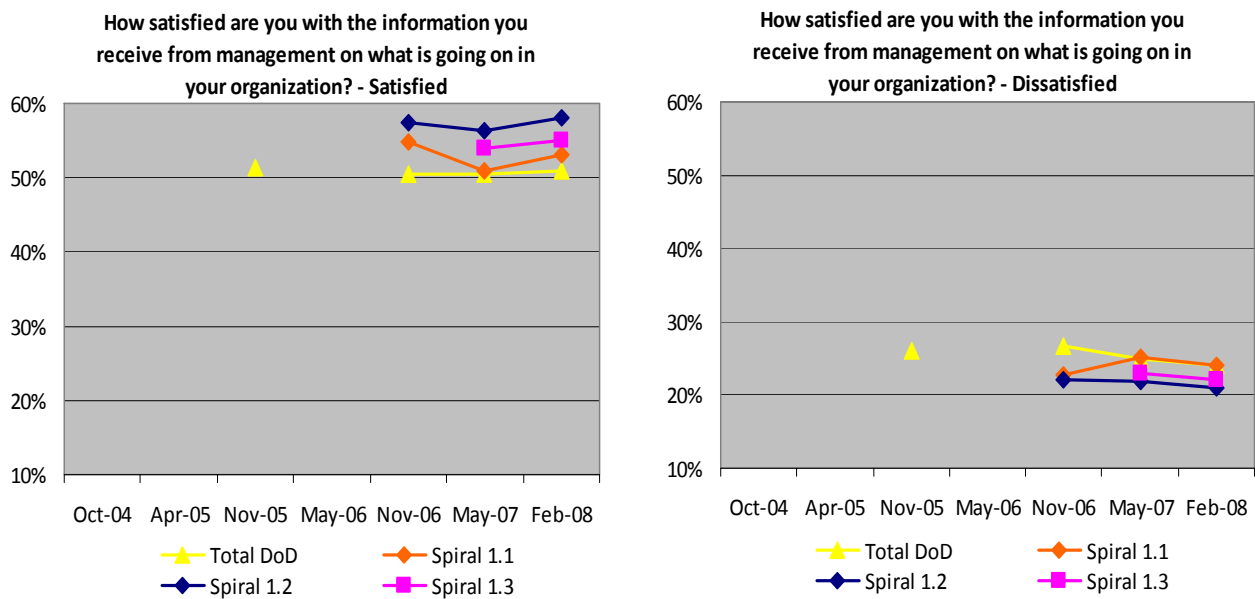
All NSPS groups track closely (within a few percentage points) to the overall DoD population on satisfaction with leadership, supervisors, and policies. All NSPS groups have more favorable responses to "managers communicate organizational goals" and "managers review organizational progress" than the overall DoD population, although there has been little movement in attitudes over time (Figures 4.21 through 4.24). Most NSPS groups have more favorable and less unfavorable responses to "leaders generate high levels of motivation" (Figures 4.25 and 4.26). However, all groups had somewhat high levels of unfavorable responses to this item, at around 30%.

Most NSPS groups track closely to the overall DoD population on "having a high level of respect for my organization's senior leaders" (Figures 4.29 and 4.30), although Spiral 1.2 tracks slightly above the overall DoD population in favorable responses for this item. Figures 4.31 through 4.34 show that all NSPS groups track very closely with, if slightly more favorably than, the overall DoD population on having "trust and confidence in my supervisor" and believing that "discussions with my supervisor about my performance are worthwhile."



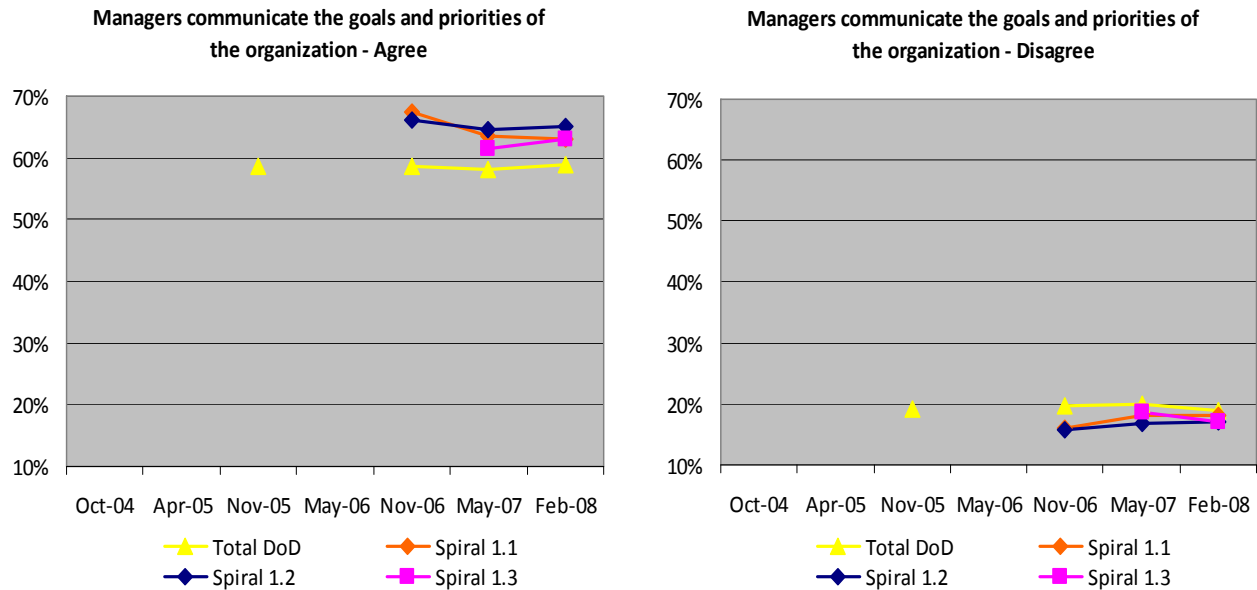
Figures 4.17 and 4.18 – Leaders’ Policies and Practices

NSPS spirals track closely with the overall DoD population.



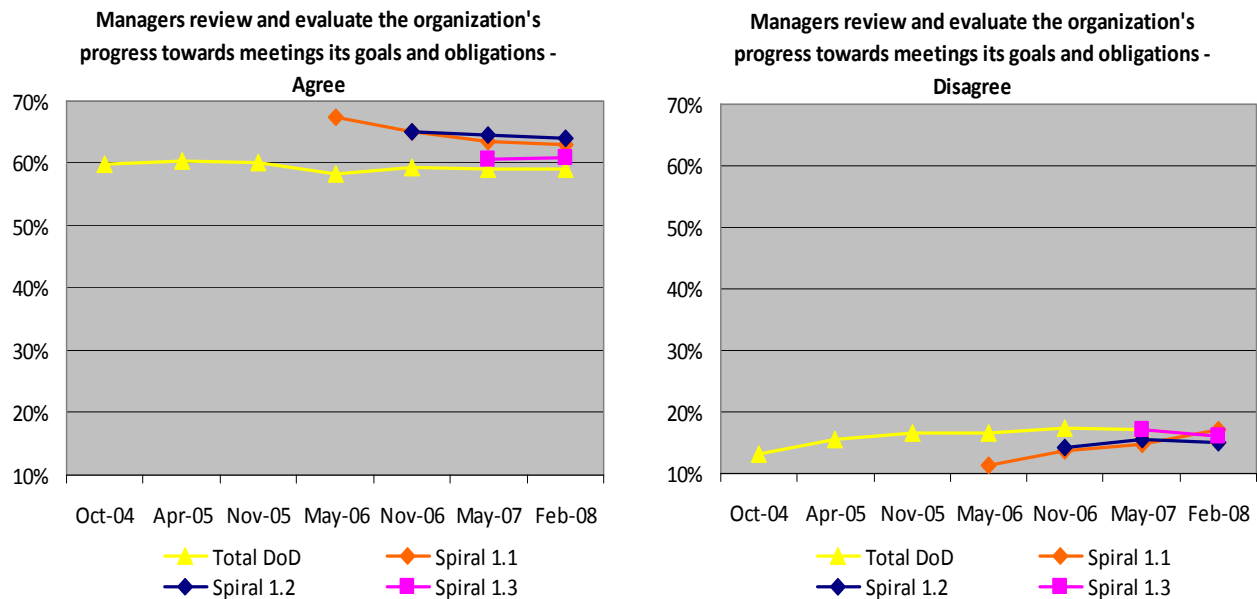
Figures 4.19 and 4.20 – Management Information

Spiral 1.2 has consistently tracked more favorably on this item than the overall DoD population.



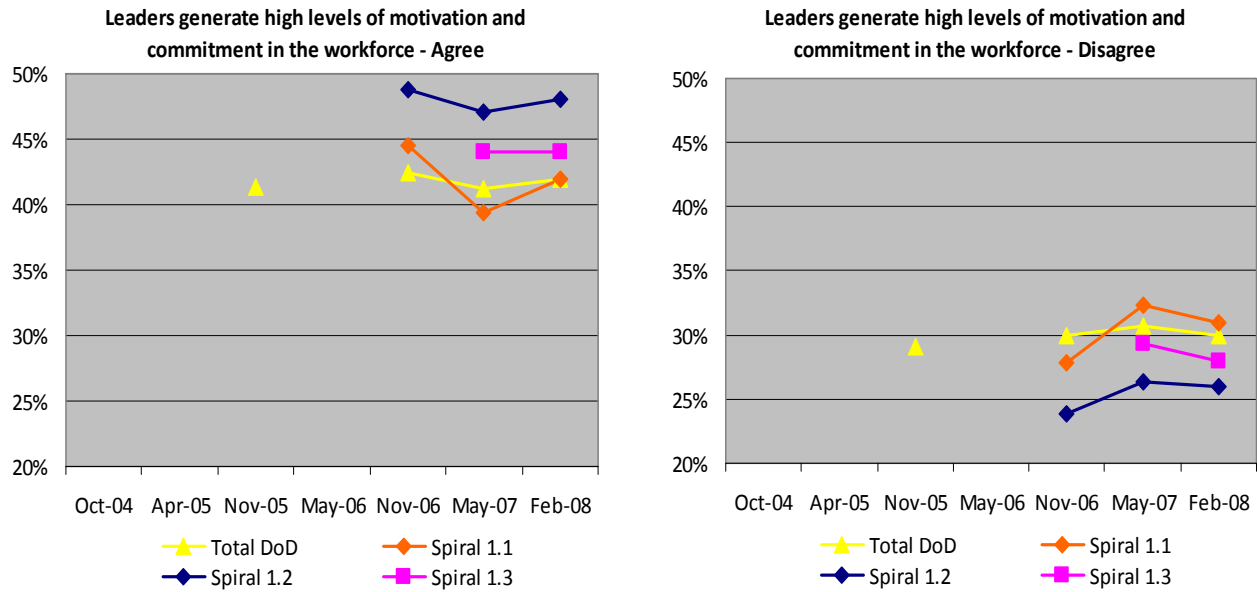
Figures 4.21 and 4.22 – Goals/Priorities Communicated

All NSPS spirals are slightly more favorable than the overall DoD population.

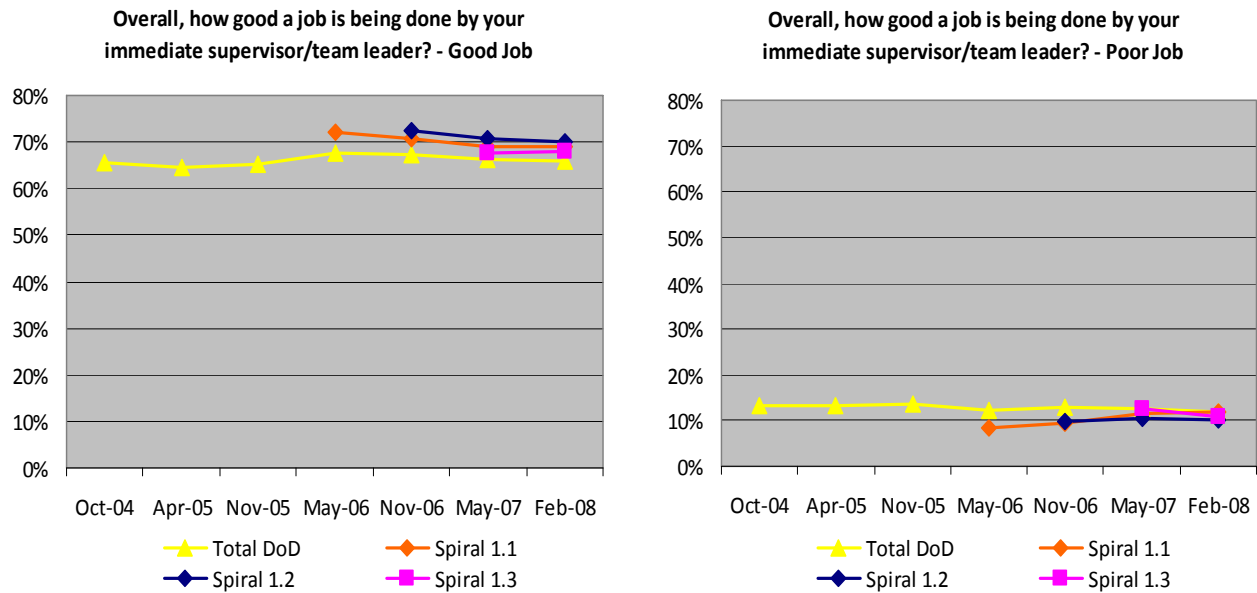


Figures 4.23 and 4.24 – Organization's Progress

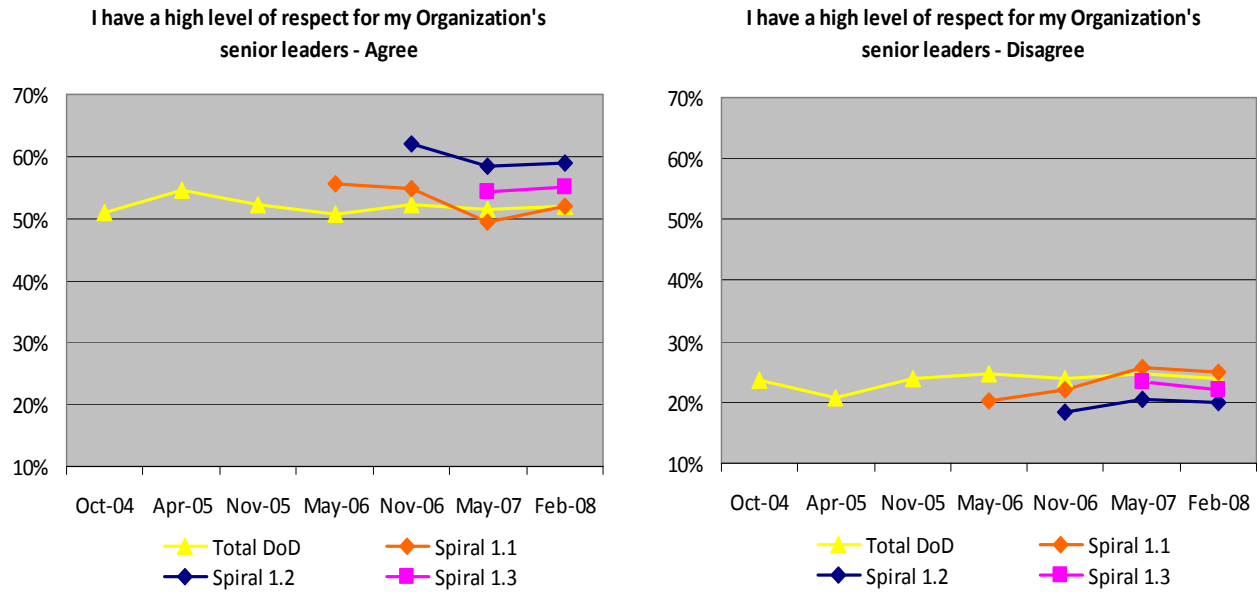
NSPS groups have had slightly more favorable responses to this item than the overall DoD population over time.

**Figures 4.25 and 4.26 – Leaders Motivate**

Spiral 1.2 has had significantly higher favorable responses and lower unfavorable responses to this item than the overall DoD population.

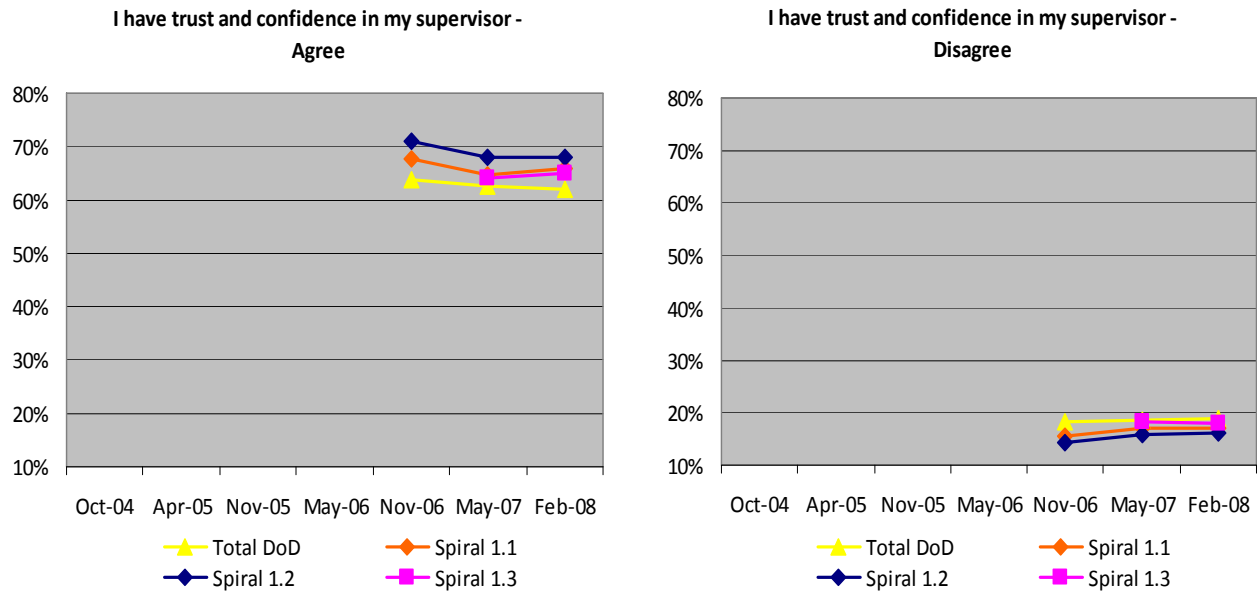
**Figures 4.27 and 4.28 – Supervisor's Effectiveness**

NSPS spirals track closely with the overall DoD population.



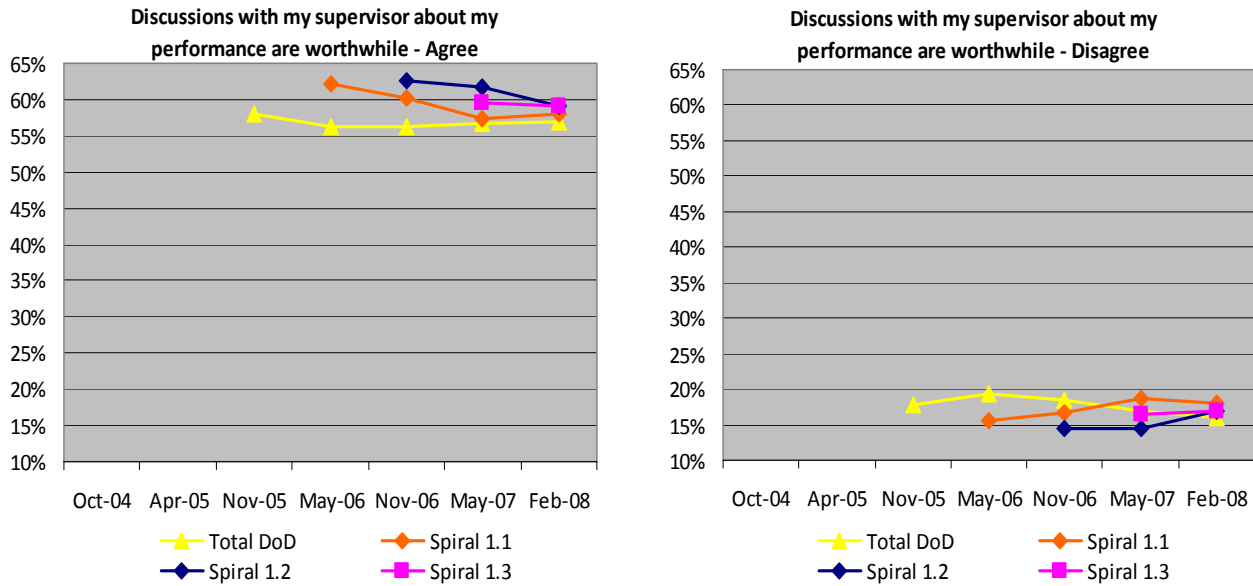
Figures 4.29 and 4.30 – Respect for Senior Leaders

Spiral 1.2 has had significantly higher favorable responses to this item than the overall DoD population.



Figures 4.31 and 4.32 – Trust in Supervisor

NSPS groups track slightly higher than the overall DoD population on this item.



Figures 4.33 and 4.34 – Performance Discussions

Spiral 1.1's favorable response rate fell from May 2006 to May 2007, but rose slightly in February 2008.

4.4. Satisfaction with Performance Management

Figures 4.35 and 4.36: How satisfied are you with the recognition you receive for doing a good job?

Figures 4.37 and 4.38: Agree/Disagree: Creativity and innovation are rewarded.

Figures 4.39 and 4.40 Agree/Disagree: Differences in performance are recognized in a meaningful way.

Figures 4.41 and 4.42: Agree/Disagree: In my work unit, steps are taken to deal with a poor performer who cannot or will not improve.

Figures 4.43 and 4.44: Agree/Disagree: My performance appraisal is a fair reflection of my performance.

Figures 4.45 and 4.46: Agree/Disagree: In my most recent performance appraisal, I understood what I had to do to be rated at different performance levels.

Figures 4.47 and 4.48: Agree/Disagree: Pay raises depend on how well employees perform their jobs.

Figures 4.49 and 4.50: Considering everything, how satisfied are you with your pay?

Summary:

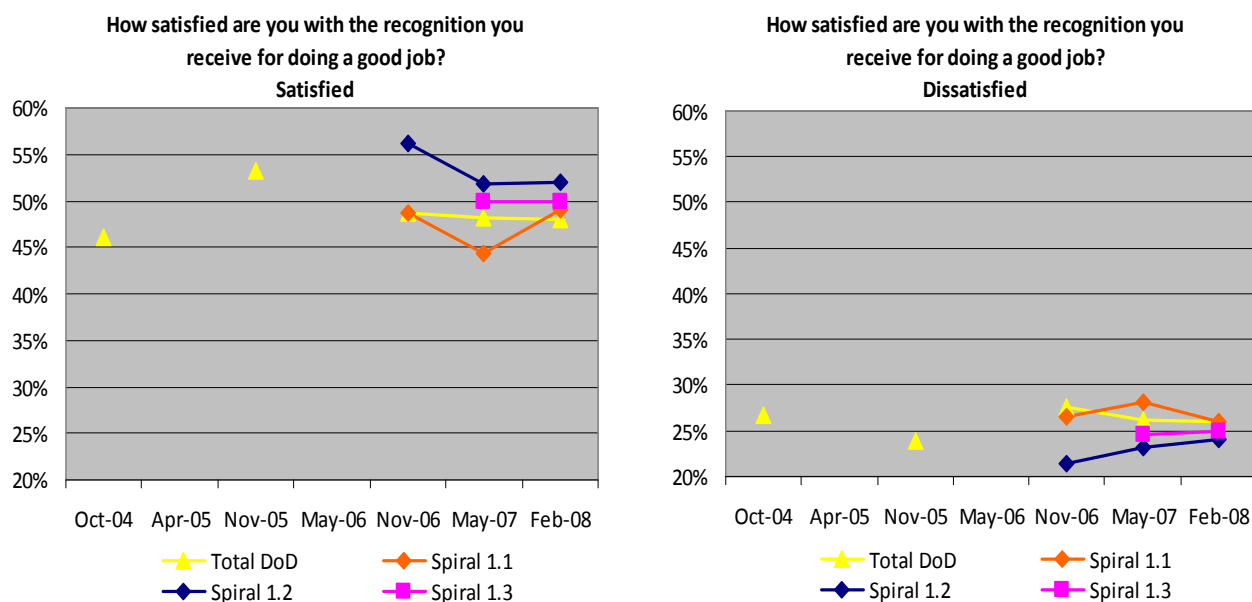
As of February 2008, all NSPS groups were slightly more satisfied with the recognition they receive for doing a good job than the overall DoD population (Figures 4.35 and 4.36). All NSPS groups also had slightly more favorable responses to "Creativity and innovation are rewarded" (Figures 4.37 and 4.38).

Spiral 1.1 showed an uptick in February 2008 in its favorable responses to "differences in performance are recognized in a meaningful way" (Figures 4.39 and 4.40), and all other NSPS groups were more favorable than the overall DoD population. However, all groups had almost as many unfavorable responses as they did favorable responses to this item. Similarly, all NSPS

groups were less unfavorable than the overall DoD population on “dealing with poor performers” (Figures 4.41 and 4.42) but all groups had more unfavorable than favorable responses to this item.

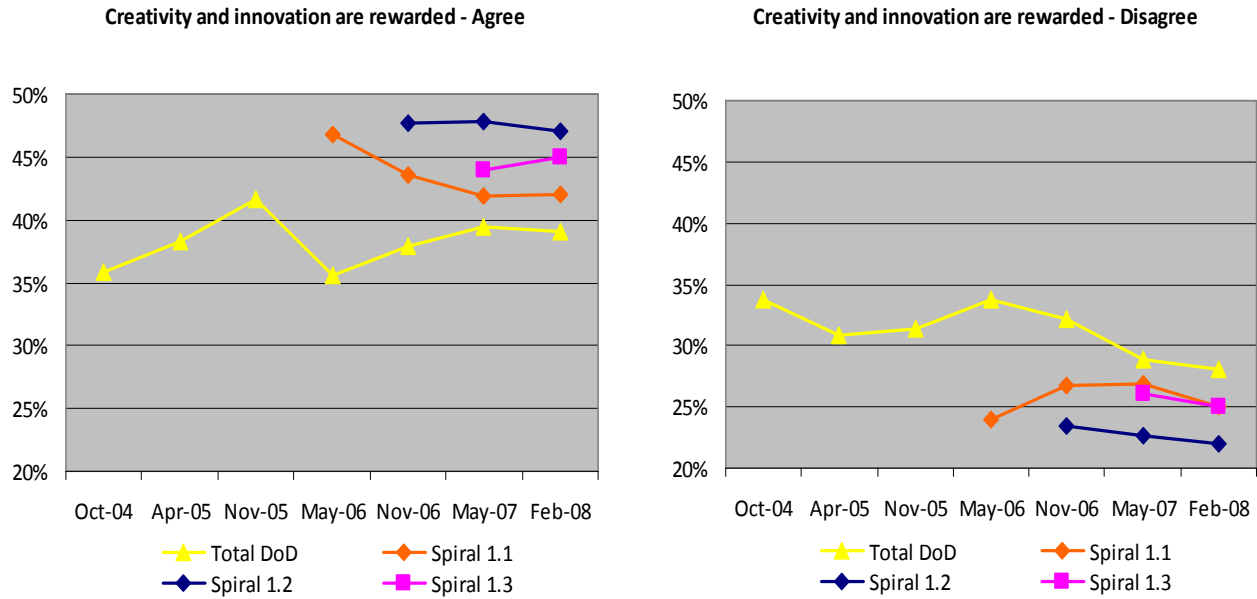
Spirals 1.1, 1.2, and 1.3 have shown a decline over time compared to the overall DoD population in favorable responses regarding performance appraisals (Figures 4.43 and 4.45), although Spiral 1.1 has shown a slight uptick in favorable responses to these items after the close of its second cycle in NSPS.

All NSPS spirals agree much more strongly than the rest of the DoD population that their pay raises depend on job performance (Figure 4.47), while levels of satisfaction and dissatisfaction with pay are similar for those within and outside of NSPS (Figures 4.49 and 4.50).



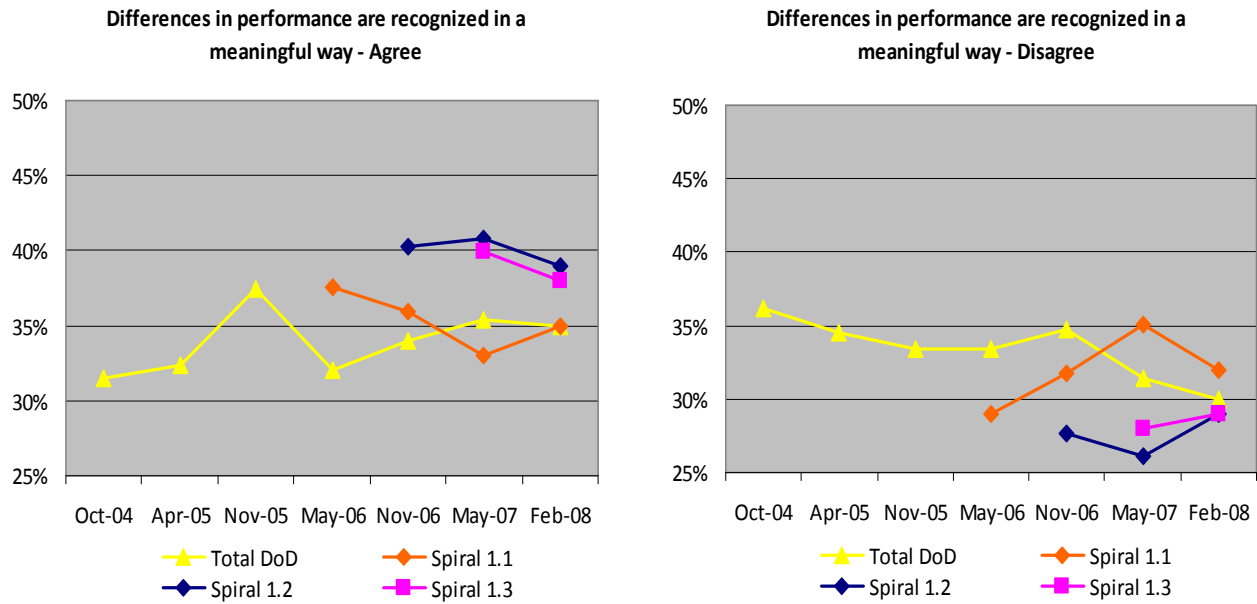
Figures 4.35 and 4.36 – Recognition for Performance

Spiral 1.1’s satisfaction rose in February 2008 after their second payout, after dropping in May 2007.



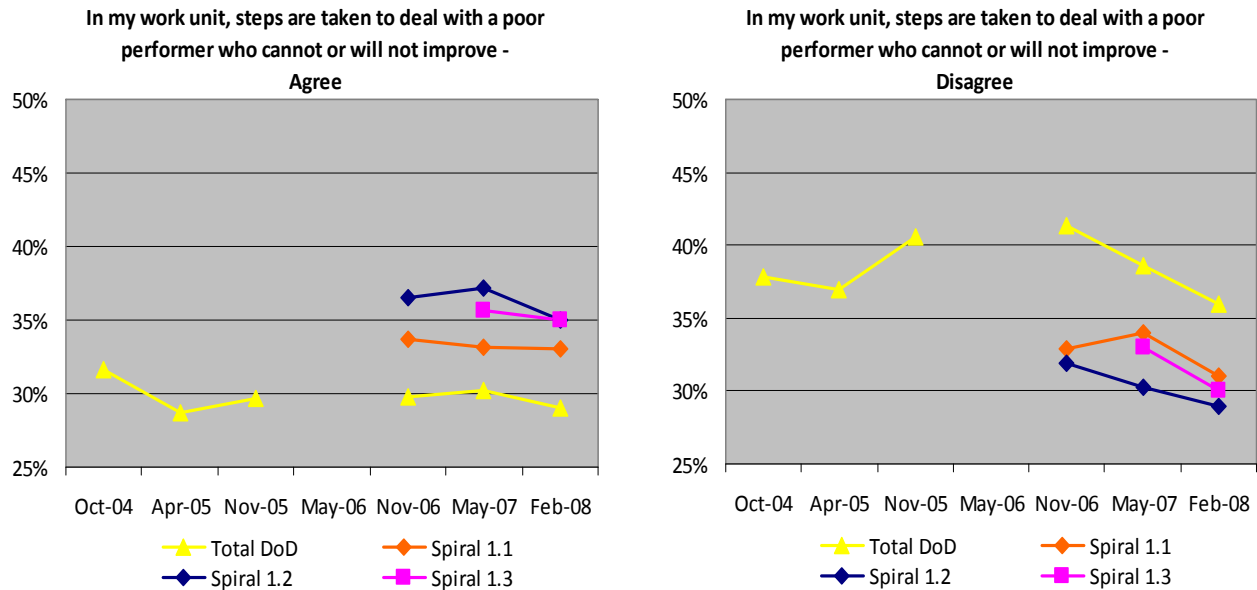
Figures 4.37 and 4.38 – Creativity and Innovation are Rewarded

All NSPS groups have higher favorable response rates and lower unfavorable response rates than the overall DoD population.



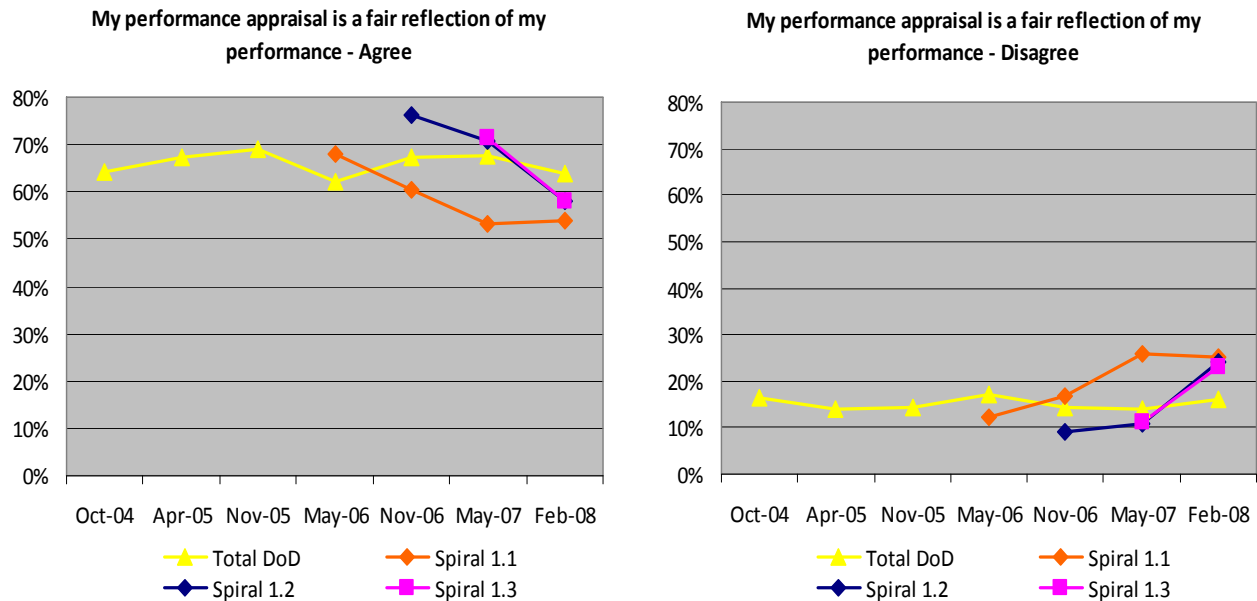
Figures 4.39 and 4.40 – Performance Differences

Spiral 1.1's responses to this item improved in February 2008, after their second rating cycle and performance payout.



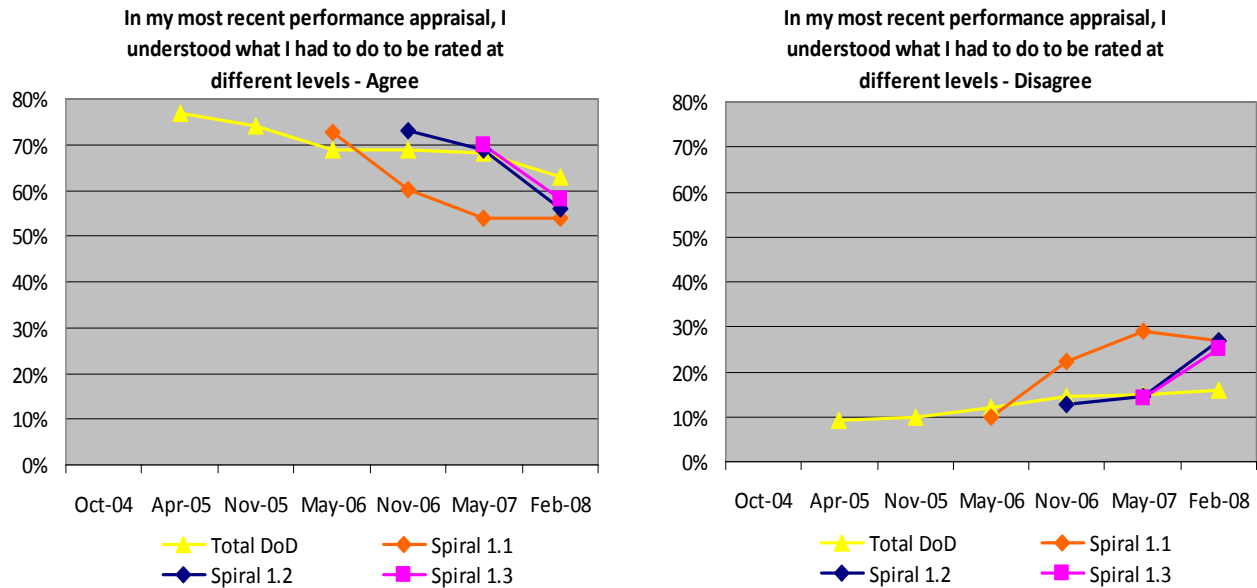
Figures 4.41 and 4.42 – Poor Performers

NSPS groups have higher favorable response rates than unfavorable response rates to this item, while the overall DoD population does not.



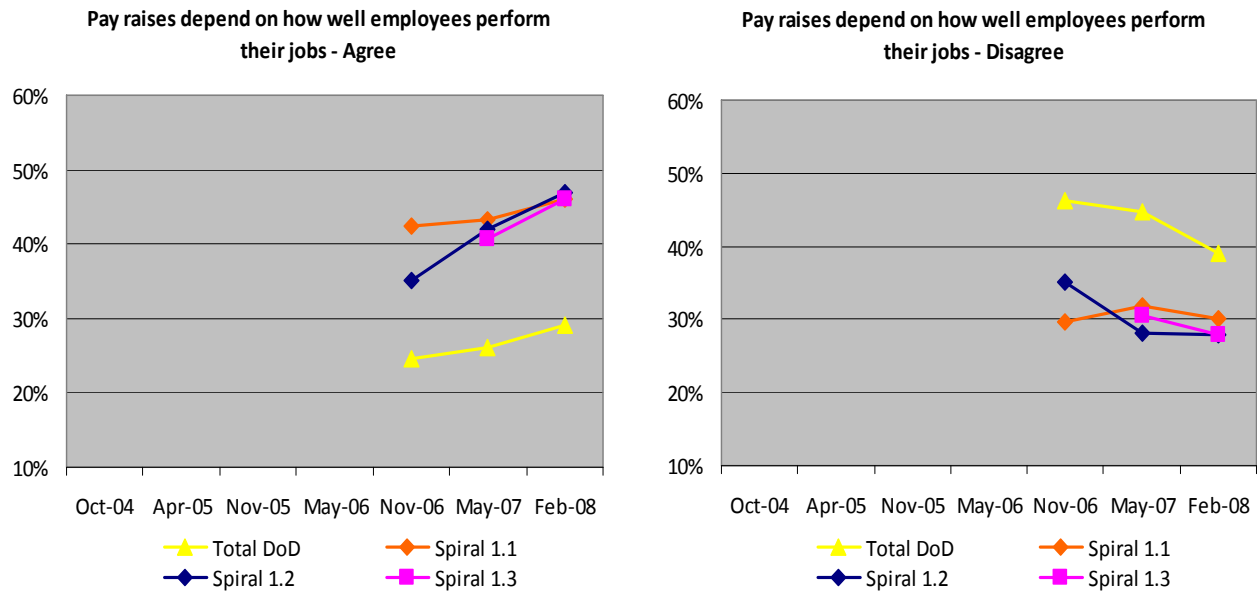
Figures 4.43 and 4.44 – Fair Appraisal

All NSPS spirals declined on this measure through their first payouts under NSPS. However, Spiral 1.1 became slightly more favorable in February 2008 after its second payout.



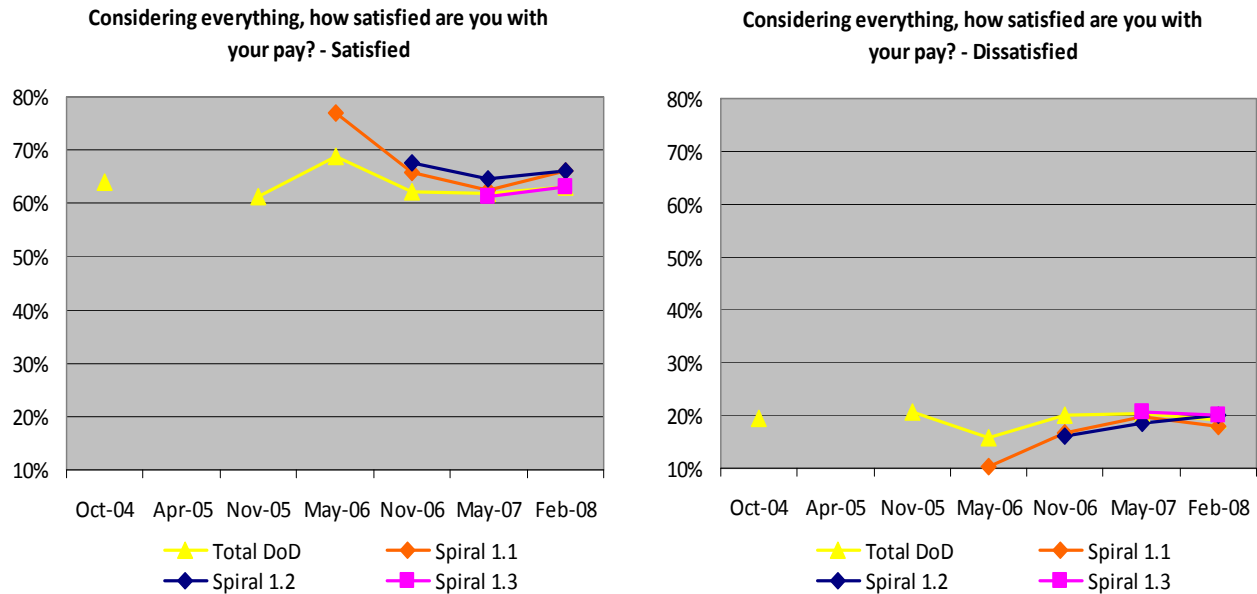
Figures 4.45 and 4.46 – Understood Different Levels

All NSPS spirals declined on this measure through their first payouts under NSPS. However, Spiral 1.1 became slightly more favorable in February 2008 after its second payout.



Figures 4.47 and 4.48 – Pay Raise and Performance

NSPS Spirals 1.1, 1.2, and 1.3 are substantially more favorable on this item than the overall DoD population. All groups have increased in favorable responses since November 2006.



Figures 4.49 and 4.50 – Pay Satisfaction

Despite the sharp initial decline for Spiral 1.1, all NSPS groups track consistently with the overall DoD population on pay satisfaction.

4.5. Satisfaction with Career Progression Opportunities

Figures 4.51 and 4.52: Agree/Disagree: I am given a real opportunity to improve my skills in my organization.

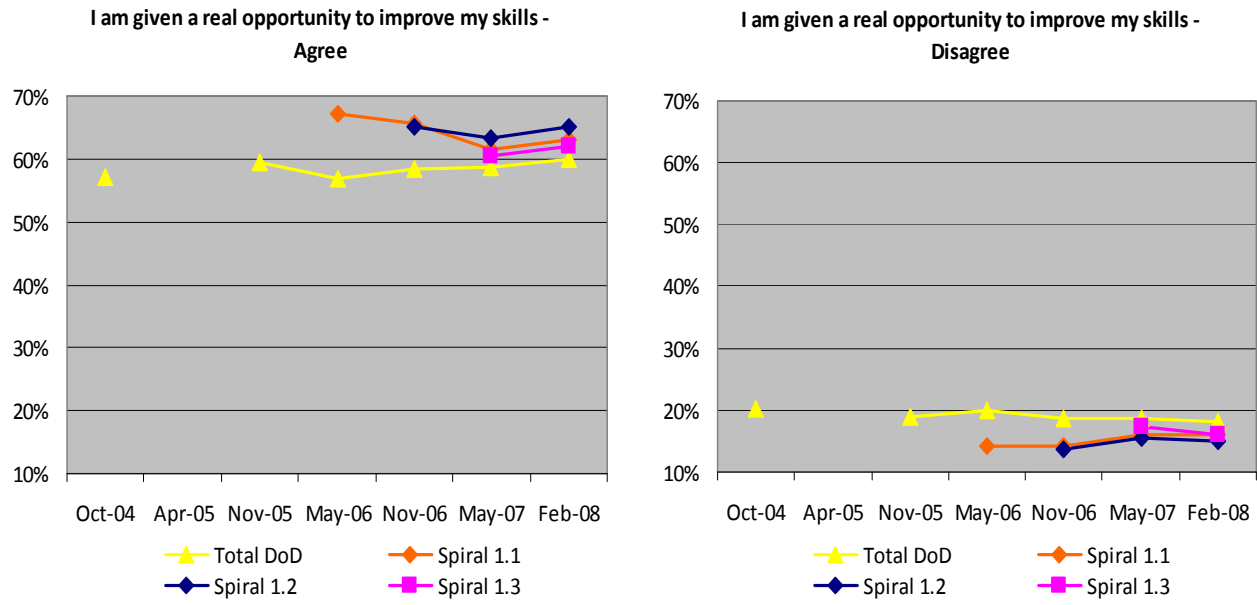
Figures 4.53 and 4.54: How satisfied are you with your opportunities to get a better job in your organization?

Figures 4.55 and 4.56 Agree/Disagree: Promotions in my work unit are based on merit.

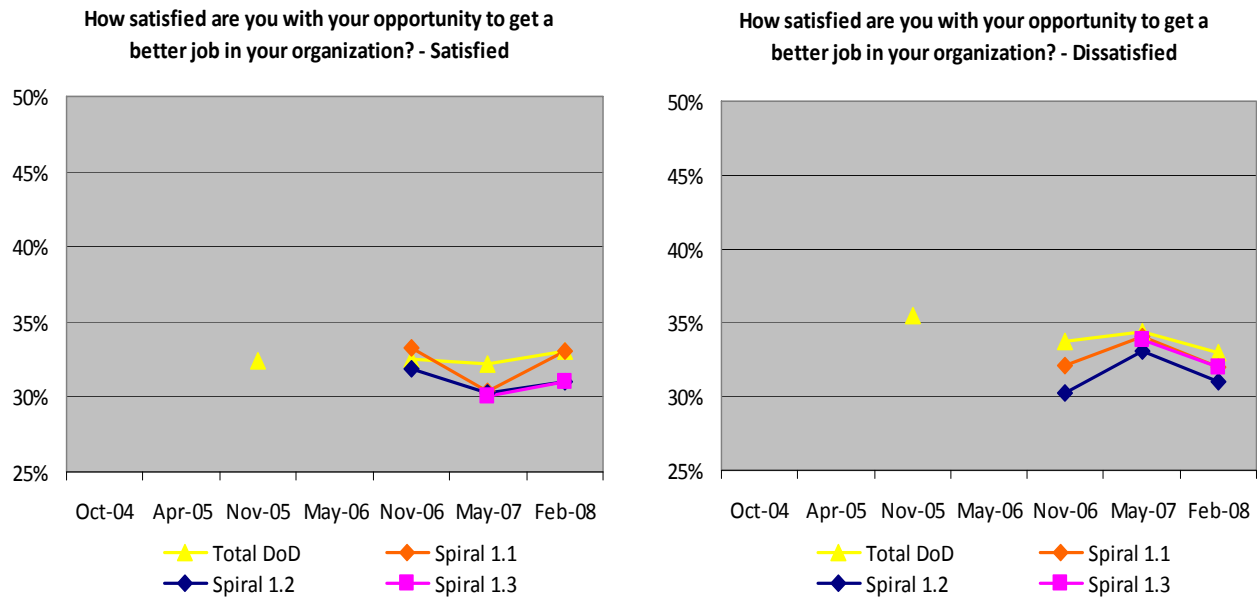
Summary:

There is very little difference between NSPS spirals and the overall DoD population on their responses to “being given a real opportunity to improve my skills” and “satisfaction with opportunities to get a better job in my organization” (Figures 4.51 through 4.54). All groups have approximately equal favorable and unfavorable responses to “satisfaction to get a better job in my organization.”

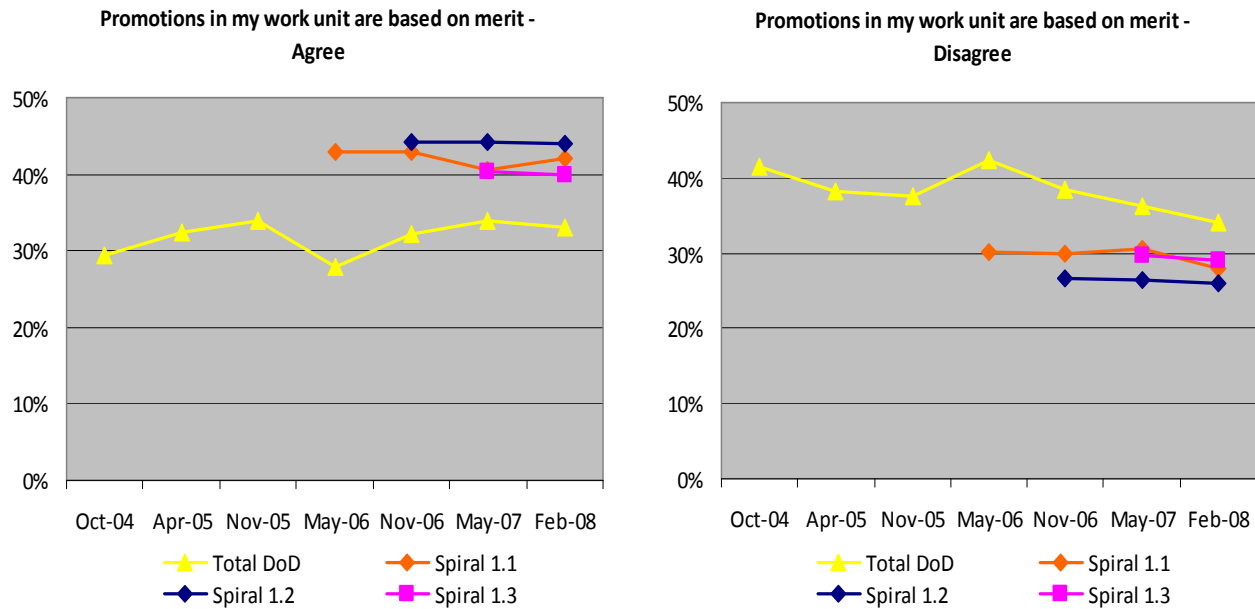
Figures 4.55 and 4.56 show all NSPS groups with more favorable and less unfavorable responses to “promotions in my work unit are based on merit.” Spiral 1.2’s favorable response in February 2008 was approximately 44% compared to the overall DoD favorable response of approximately 34%.

**Figures 4.51 and 4.52 – Skills Improvement**

Spiral 1.1's favorable response rate increased slightly in February 2008 after falling between May 2006 and May 2007.

**Figures 4.53 and 4.54 – Opportunity for Better Job**

All groups have approximately equal favorable and unfavorable response rates to this item.



Figures 4.55 and 4.56 – Merit-Based Promotions

NSPS groups are significantly more favorable on this measure than the overall DoD population.

4.6. Attitudes about NSPS

Figures 4.57 through 4.59: Agree/Disagree: NSPS will improve/has improved hiring new employees.

Figures 4.60 through 4.62: Agree/Disagree: NSPS will improve/has improved disciplining/correcting poor work performance.

Figures 4.63 through 4.65: Agree/Disagree: NSPS will improve/has improved rewarding good work performance.

Figures 4.66 through 4.68: Agree/Disagree: NSPS will improve/has improved linking pay to performance.

Figures 4.69 through 4.71: Agree/Disagree: NSPS will improve/has improved classification of jobs by series and pay grade/pay band.

Figures 4.72 through 4.74: Agree/Disagree: NSPS will improve/has improved communication between supervisors and employees.

Figures 4.75 through 4.77: Agree/Disagree: NSPS will improve/has improved ensuring individual performance supports organizational mission effectiveness.

Figure 4.78: For employees in your organization, how does NSPS compare to your previous personnel system for... [includes only “better/much better” responses].

Figures 4.79 through 4.80: NSPS is better/worse than the previous system for Hiring, Placement, and Promotion.

Figures 4.81 and 4.82: NSPS is better/worse than the previous system for Pay Levels.

Figures 4.83 and 4.84: NSPS is better/worse than the previous system for Performance Management.

Figures 4.85 and 4.86: NSPS is better/worse than the previous system for Labor/Management Relations.

Figures 4.87 and 4.88: NSPS is better/worse than the previous system for Recognition and Rewards.

Figures 4.89 and 4.90: NSPS is better/worse than the previous system for Workforce Shaping.

Figures 4.91 and 4.92: NSPS is better/worse than the previous system for Conduct and Discipline.

Figures 4.93 through 4.95 (May 2007): - Better/Worse: Compared to the previous personnel system, NSPS is...

Figure 4.96: Agree/Disagree [Supervisors of NSPS employees]: The time it takes to develop good performance plans, discuss and assess performance, and give feedback is worthwhile.

Figure 4.97: Agree/Disagree [Supervisors of NSPS employees]: My employees' performance plans included stretch requirements as well as ones that could more easily be achieved.

Figure 4.98: Agree/Disagree: The use of Contributing Factors to appraise my performance affects my approach to accomplishing my job objectives.

Figure 4.99: Agree/Disagree: The five-level NSPS performance rating system provides meaningful performance differentiation among employees.

Figure 4.100: Agree/Disagree: The Pay Pool Panel helps ensure that the performance rating and payout process is equitable in my organization.

Figure 4.101: How useful was the information provided about rating outcomes in your Pay Pool?

Figure 4.102: Agree/Disagree [Supervisors of NSPS employees]: I effectively answered subordinates' questions about NSPS performance rating, shares, and payout distribution.

Figure 4.103: Agree/Disagree [Supervisors of NSPS employees]: The rating assessment input I provided for my employee(s) was effective in supporting the rating I recommended.

Figure 4.104: Agree/Disagree [Supervisors of NSPS employees]: As implemented, pay for performance at my organization was a fair reflection of my ratees' performance.

Figures 4.105 through 4.107: Agree/Disagree [Supervisors of NSPS employees]: I have the tools, training, and information I need to make pay decisions under NSPS.

Figure 4.108: How useful was the NSPS training you received on... [Includes only "useful/very useful responses"].

Figure 4.109: [Employees not under NSPS]: Which of the following is the most important NSPS training you would like to see provided?

Figure 4.110: [Employees already under NSPS]: Which of the following is the most important additional NSPS training you would like to see provided?

Figure 4.111: [Employees not under NSPS]: Which of the following is the most important supervisor skill under NSPS?

Figure 4.112: [Employees already under NSPS]: Which of the following is the most important supervisor skill under NSPS?

Figures 4.113 through 4.115: Overall, what type of effect do you think NSPS will have on personnel practices in the DoD?

Summary:

Spiral 1.1 employees' favorable response rates increased in February 2008 for all of the "NSPS has improved" items except for "ensuring individual performance supports mission effectiveness" (Figures 4.76). The favorable response rates for Spiral 1.3 increased on all of these items except for "hiring of new employees" (Figures 4.58). However, the unfavorable response rates for Spirals 1.2 and 1.3 also increased on all of the "NSPS has improved" items (Figures 4.59, 4.62, 4.65, 4.68, 4.71, 4.74, 4.77). Spiral 1.1's unfavorable response rates decreased on five out of the seven "NSPS has improved" items (Figures 4.62, 4.65, 4.68, 4.71, 4.74), and in February 2008 the favorable response rates of Spirals 1.1 and 1.2 were higher than the unfavorable response rates for "ensuring individual performance supports mission effectiveness" and "improving communication between supervisors and employees" (Figures 4.73, 4.74, 4.76, and 4.77).

There was a slight increase between May 2007 and February 2008 in the portion of respondents who indicated that NSPS was better than their previous personnel system for pay levels, performance management, and recognition and rewards. While the portion of Spiral 1.1 employees who believed that NSPS was worse than the previous system declined in February 2008, all Spiral 1 populations continued to have employees who believed NSPS was worse than the previous system than those who believed NSPS was better.

There was consistently more agreement than disagreement among spirals that writing NSPS performance plans and conducting feedback sessions with employees under NSPS is worthwhile (Figures 4.96). Spiral 1 supervisors also consistently agreed more than disagreed that their employees' performance plans included both "stretch" and "more easily attainable" job objectives (Figures 4.97).

Spiral 1 employees' views of the NSPS performance management system were somewhat mixed. Slightly more Spiral 1 employees agreed than disagreed that the use of contributing factors affected their approach to accomplishing their job objectives (Figures 4.98). However, less than 30% agreed that the five-level ratings system in NSPS meaningfully distinguishes levels of performance, compared to about 40% who disagreed (Figures 4.99). Less than 30% agreed that the Pay Pool Panel helps ensure equitable ratings and payouts, while about 40% disagreed (Figures 4.100). However, over 40% of Spiral 1 employees said that the information provided about ratings outcomes was useful, compared with about 25% who said this information was not useful (Figures 4.101).

Spiral 1.1 supervisors appeared to be the most confident of the Spiral 1 supervisors in their abilities to effectively answer their subordinates' questions regarding NSPS (Figures 4.102). Similarly, Spiral 1.1 supervisors, who had been through two ratings cycles as of February 2008, were the most confident that their ratings assessment input supported their recommended performance ratings (Figures 4.103). Supervisors in Spiral 1.1 were much more likely than those in Spiral 1.2 or 1.3 to agree that pay for performance was a fair reflection of their employees' performance (Figures 4.104). However, a higher portion of Spiral 1.1 supervisors than Spiral 1.2 and 1.3 supervisors disagreed with this item.

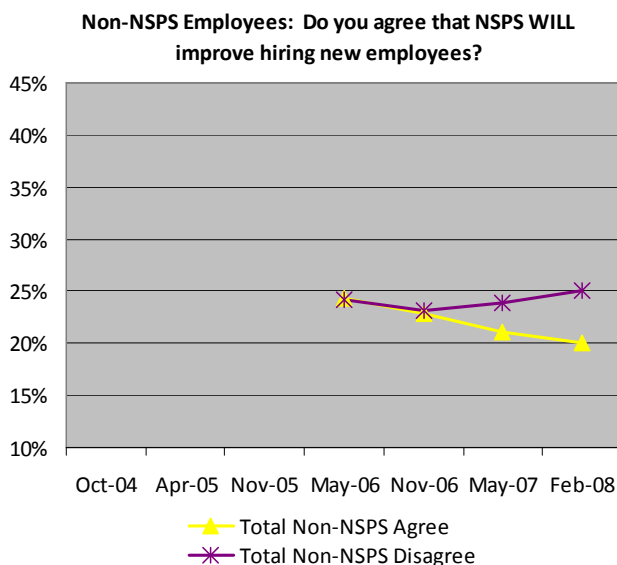
All Spiral 1 supervisors had higher favorable responses than Spiral 2 supervisors to "I have the tools, training, and information I need to make pay decisions under NSPS" (Figures 4.105 through 4.107). Spiral 1.2 supervisors showed the largest increase in favorable responses between 2007 and 2008.

Generally, all spirals have positive and stable responses regarding the usefulness of NSPS training courses (Figures 4.108). Employees – both under and not under NSPS – would most like to see more training on the Performance Appraisal System (Figures 4.109 and 4.110). Employees already under NSPS appear to be more concerned with learning more about the Pay Pool Panel Process than employees not yet under NSPS.

Employees – both under and not under NSPS – believe that “communicating performance expectations and making fair personnel decisions” are the two most important supervisor skills under NSPS (Figures 4.111 and 4.112). Employees already under NSPS appear to be less concerned with supervisors “making fair personnel decisions” (compared to those not under NSPS) and more concerned with supervisors “communicating performance expectations.”

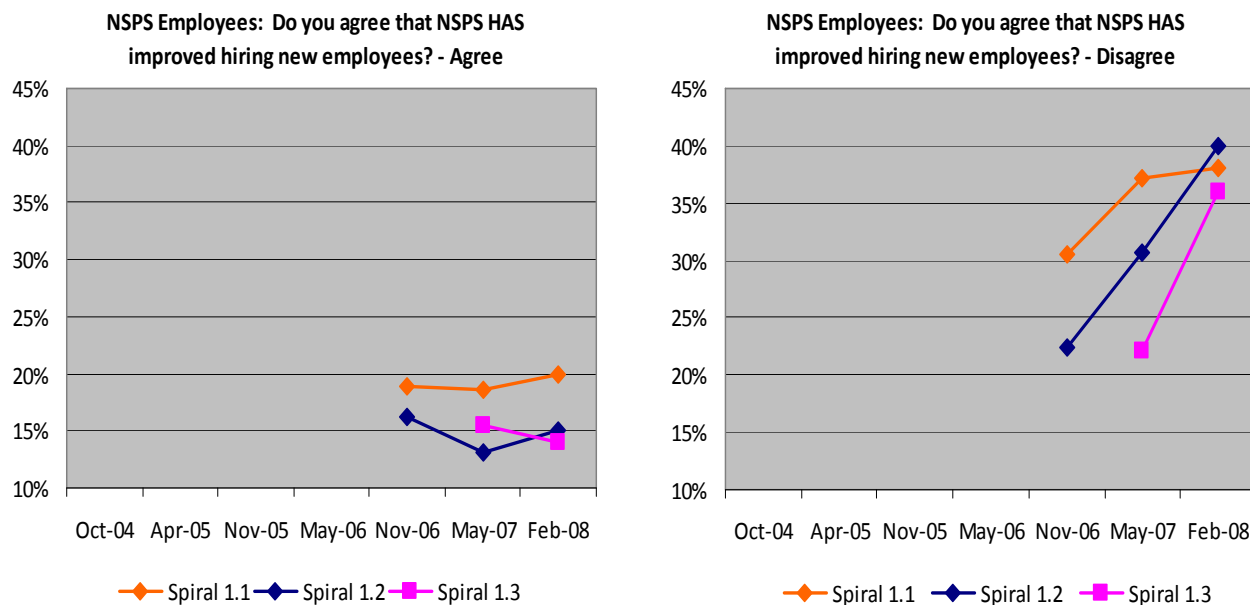
Respondents who either are under NSPS or supervise NSPS personnel have more defined views of NSPS’ effects – both positive and negative – on the DoD (Figures 4.113 through 4.115). Opinions on NSPS’ overall impact grew decidedly more negative in Spiral 1.1 from May 2006 to November 2006 but then leveled off in May 2007.

4.6.1. Potential vs. Already-Observed Effects of NSPS



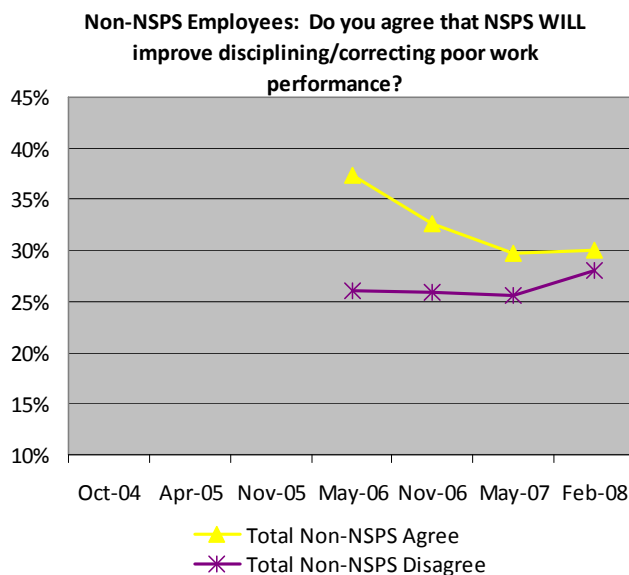
Figures 4.57– NSPS Will Improve Hiring

Non-NSPS employees continued to disagree more than agree that NSPS will improve hiring.



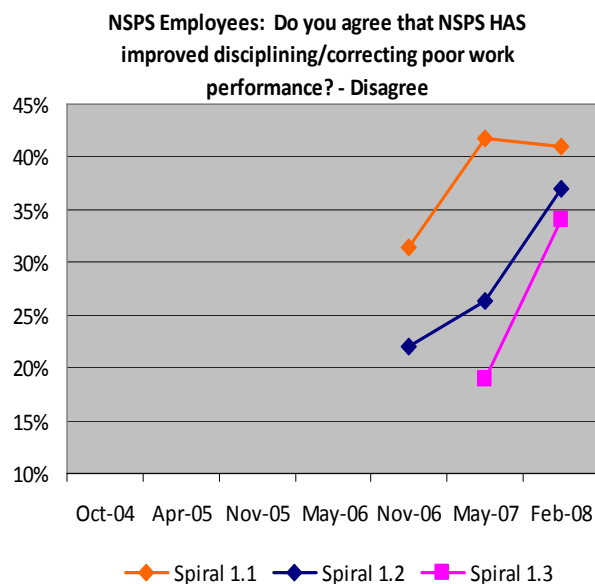
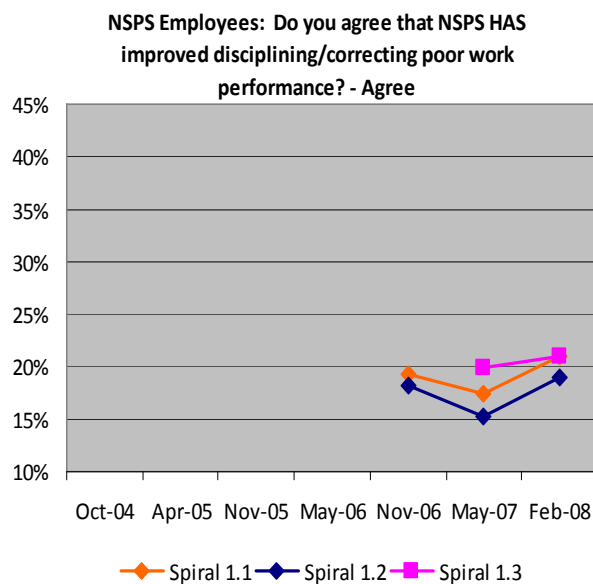
Figures 4.58 and 4.59 – NSPS Has Improved Hiring

Unfavorable response rates remained higher than favorable response rates for all three Spiral 1 populations in February 2008. Spiral 1.1's unfavorable response rate rose from May 2007 to February 2008, but by much less than it did between May 2006 and May 2007.



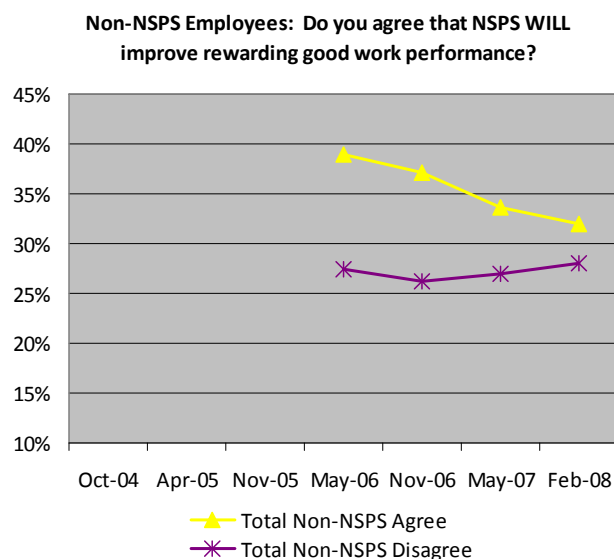
Figures 4.60 – NSPS Will Improve Correcting Poor Performers

Among non-NSPS employees there was a slight increase in unfavorable responses in February 2008 and leveling off from a steady decline in favorable responses from May 2006 to May 2007. Non-NSPS employees' favorable response rate was still slightly higher than their unfavorable response rate in February 2008.



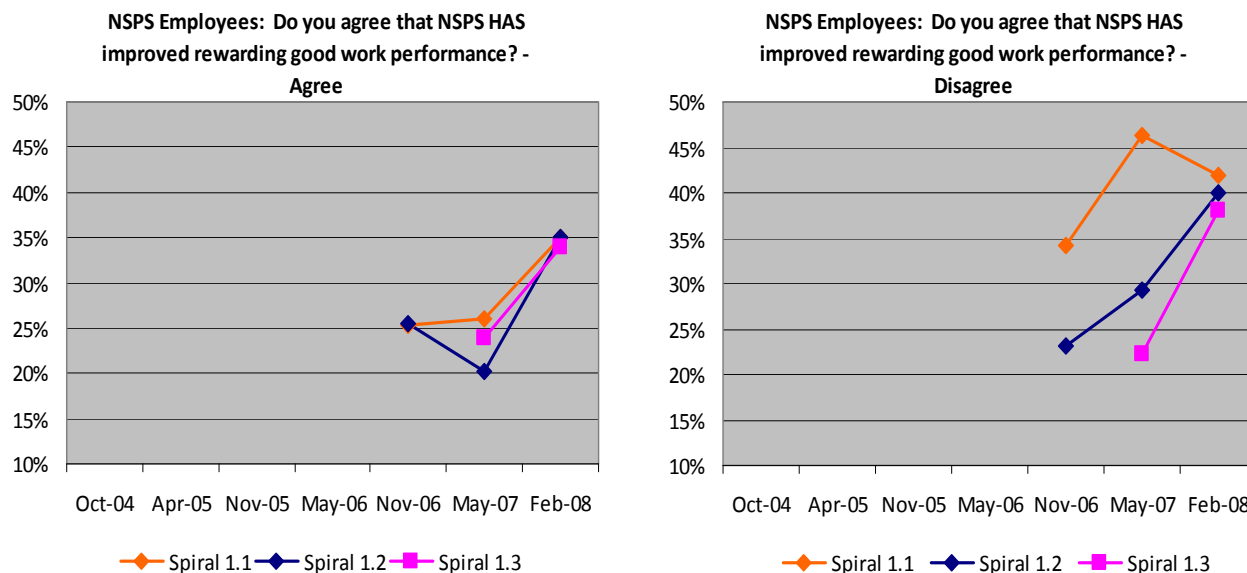
Figures 4.61 and 4.62 – NSPS Has Improved Correcting Poor Performers

Favorable response rates increased slightly from May 2007 to February 2008. Spiral 1.1's unfavorable response rate declined slightly between May 2007 and February 2008, while the unfavorable response rates for Spirals 1.2 and 1.3 increased substantially.



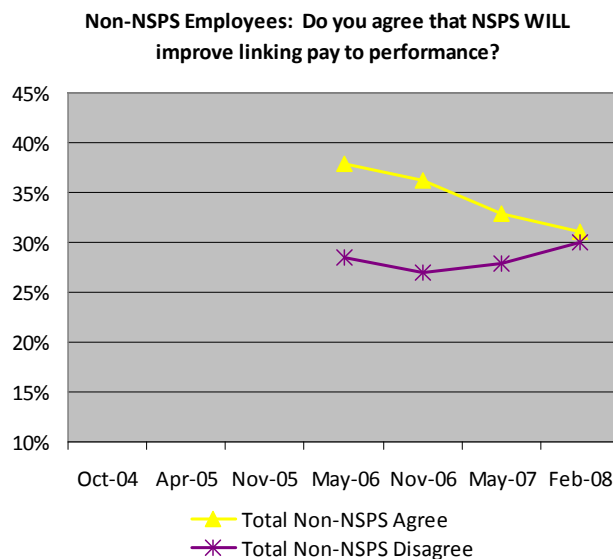
Figures 4.63– NSPS Will Improve Rewarding Good Performance

Non-NSPS employees have steadily become less positive in their answers that NSPS will reward good work performance, although the favorable response rate is still higher than the unfavorable response rate. The unfavorable response rate has increased slightly from November 2006 to February 2008.



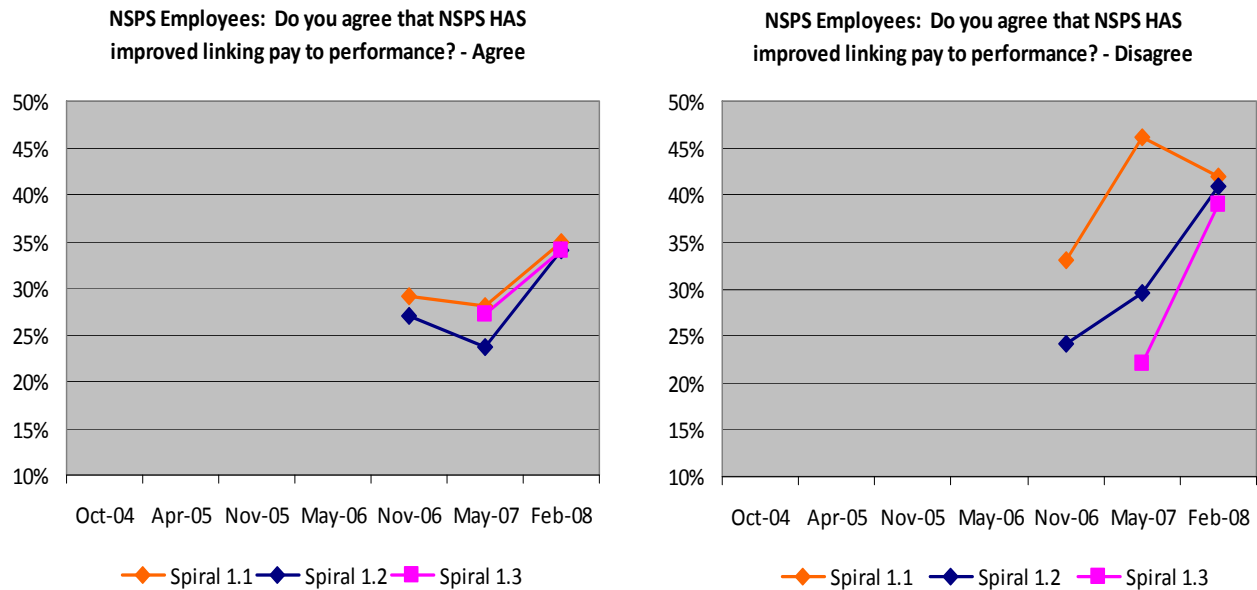
Figures 4.64 and 4.65 – NSPS Has Improved Rewarding Good Performance

All NSPS Spiral 1 populations became more favorable that NSPS has improved rewarding good performance in February 2008, after the second performance payout for Spiral 1.1 and the first for Spirals 1.2 and 1.3. Unfavorable responses for Spiral 1.1 declined in February 2008, although they rose substantially for Spirals 1.2 and 1.3. Unfavorable responses are higher than favorable responses for all three groups.



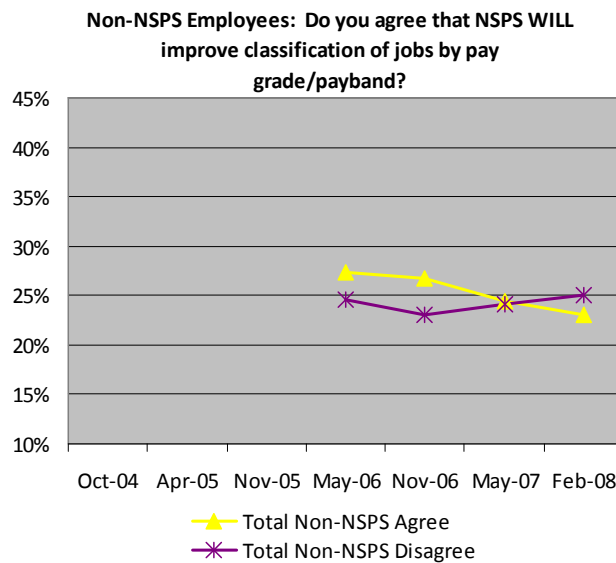
Figures 4.66– NSPS Will Improve Linking Pay to Performance

Non-NSPS employees have steadily become less positive in their answers that NSPS will improve linking pay to performance with their favorable responses approximately even with their non-favorable responses in February 2008.



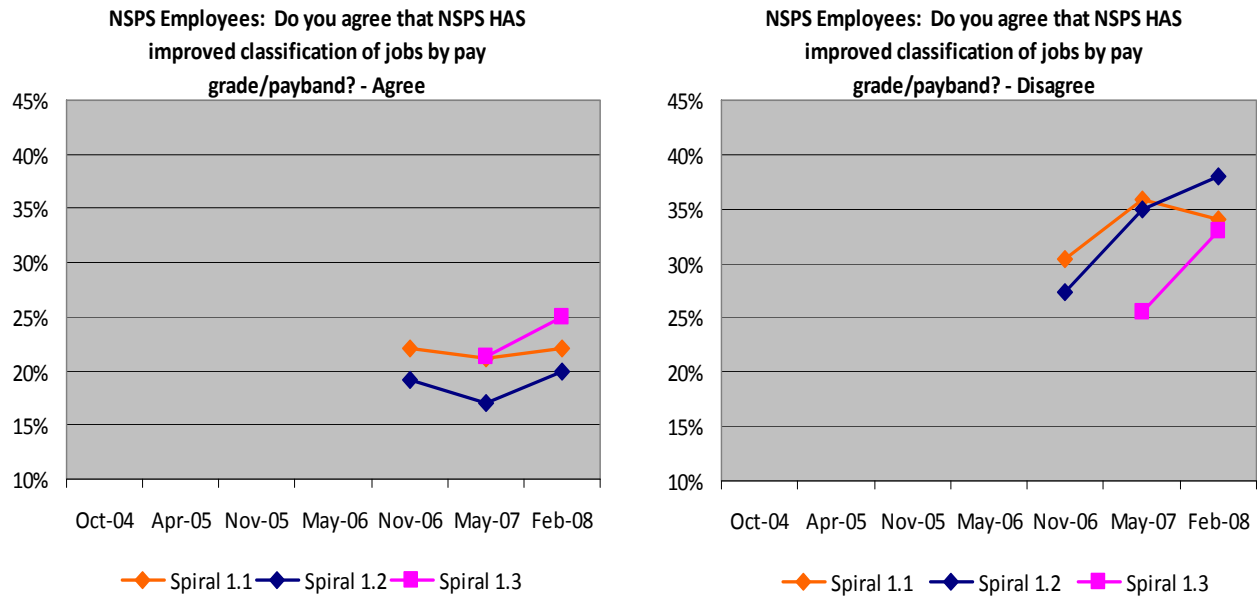
Figures 4.67 and 4.68 – NSPS Has Improved Linking Pay to Performance

All three Spiral 1 populations increased their favorable response rates to “NSPS has improved linking pay to performance” in February 2008, after the first performance payouts for Spirals 1.2 and 1.3. Spiral 1.1’s unfavorable response rate also declined after its second payout, while the unfavorable response rates for Spirals 1.2 and 1.3 increased significantly.



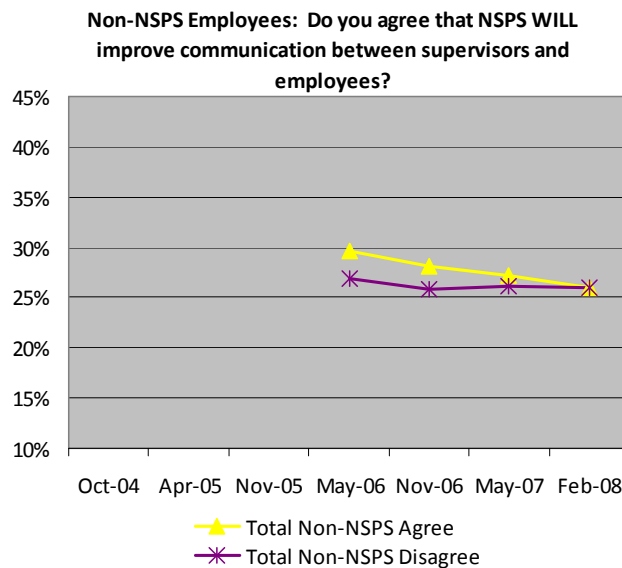
Figures 4.69– NSPS Will Improve Classification of Jobs

Non-NSPS employees’ favorable responses that NSPS will improve classification of jobs by pay grade/pay band have steadily declined. The non-NSPS employee population disagreed slightly more than it agreed that NSPS would improve classification of jobs.



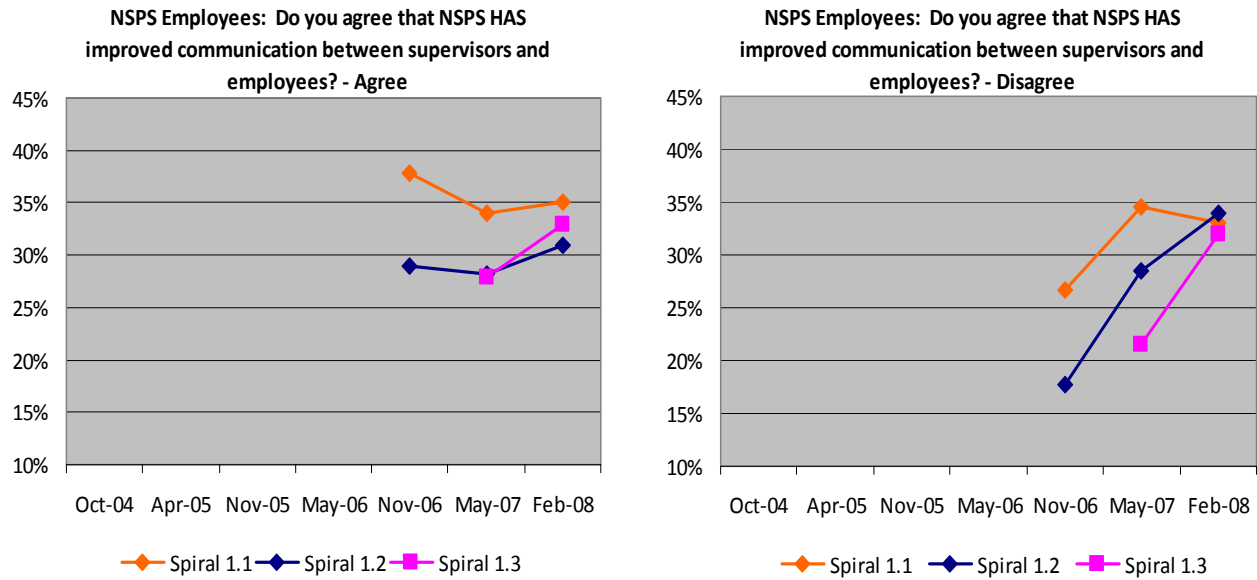
Figures 4.70 and 4.71 – NSPS Has Improved Classification of Jobs

Spiral 1.1's unfavorable response rate declined slightly in February 2008, although the unfavorable response rates for all of Spiral 1 were still higher than their respective favorable response rates.



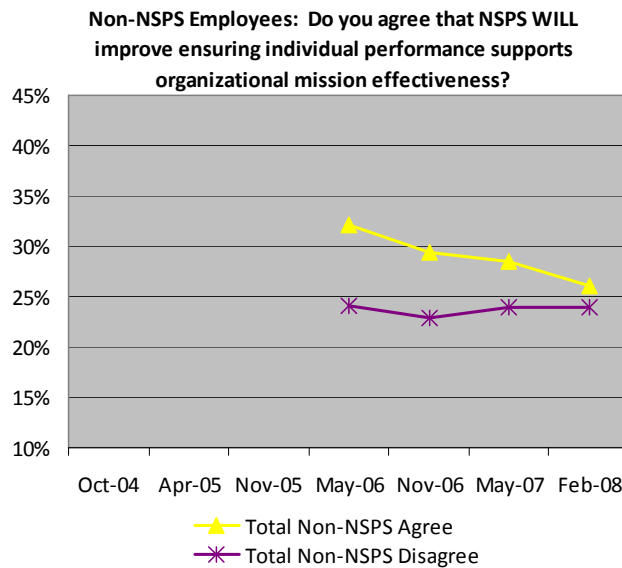
Figures 4.72– NSPS Will Improve Communication

The non-NSPS employees' favorable response rate was approximately equal to their unfavorable response rate on this question.



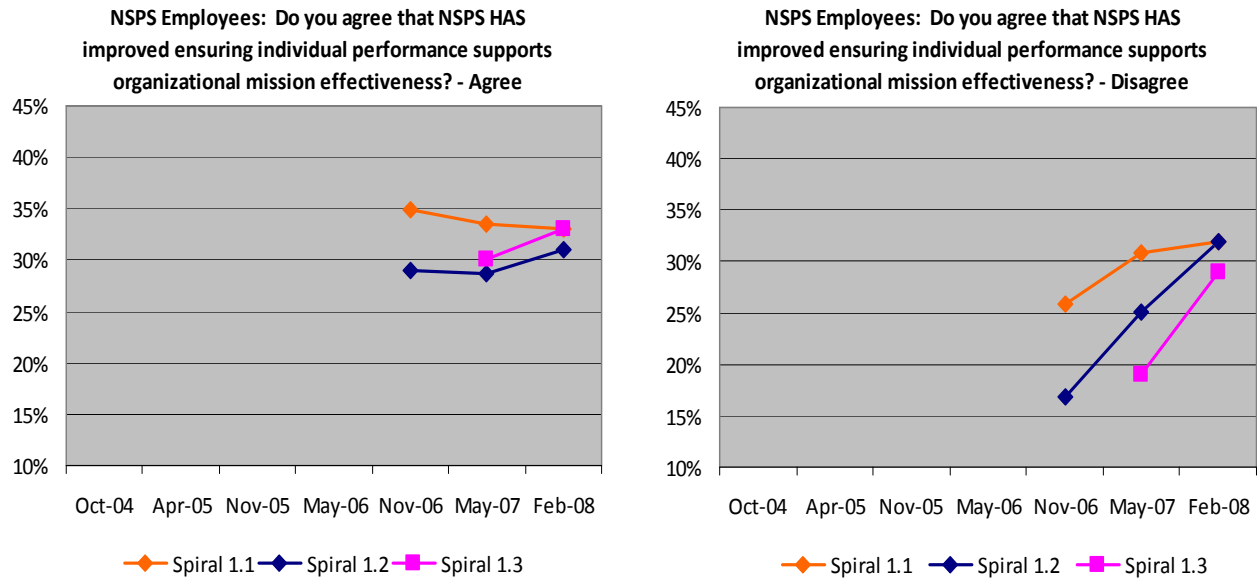
Figures 4.73 and 4.74 – NSPS Has Improved Communication

Spiral 1.1's favorable response rate was slightly higher than its unfavorable response rate in February 2008. The unfavorable response rates for Spirals 1.2 and 1.3 increased significantly between May 2007 and February 2008.



Figures 4.75– NSPS Will Improve Linking Performance to Mission

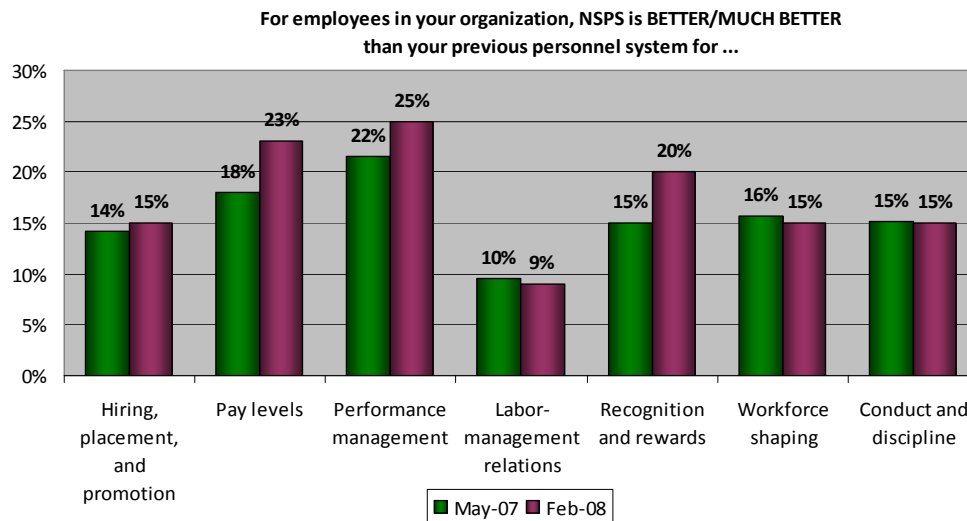
A slightly higher portion of the non-NSPS employee population agreed that NSPS will improve this measure in February 2008.



Figures 4.76 and 4.77 – NSPS Has Improved Linking Performance to Mission

Spirals 1.1 and 1.3 still had a slightly higher portion of respondents agree than disagree with this item in February 2008. Spiral 1.2's unfavorable response rate increased significantly from May 2007 and was greater than its favorable response rate in February 2008.

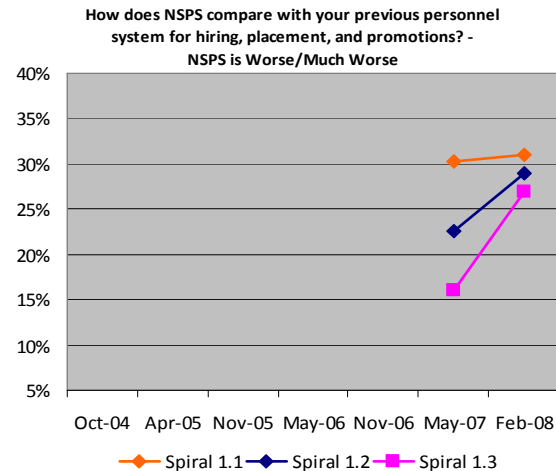
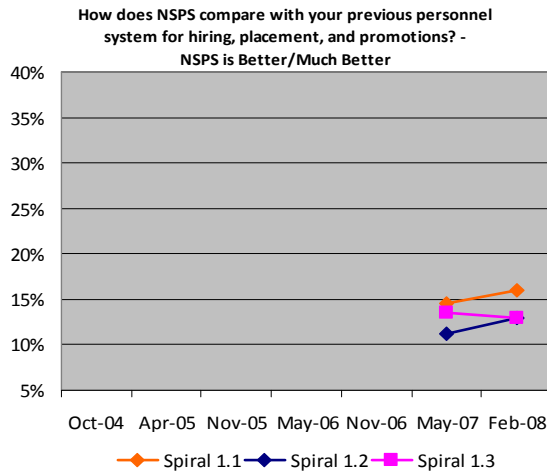
4.6.2. Comparisons of NSPS to the Previous Personnel System³



Figures 4.78– NSPS Is Better than Previous System - 1

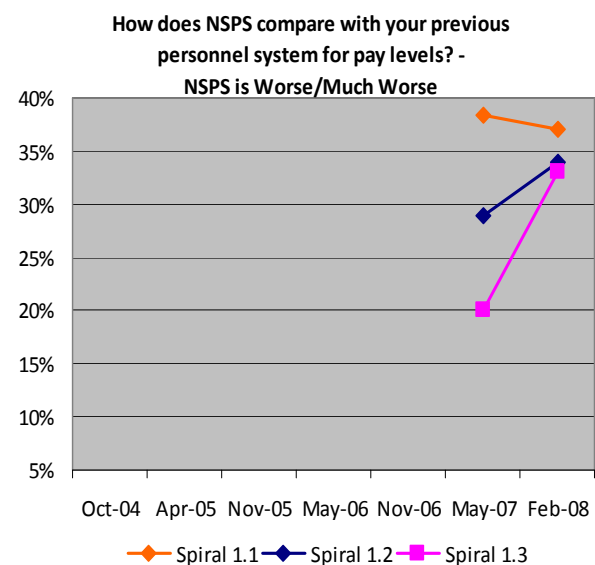
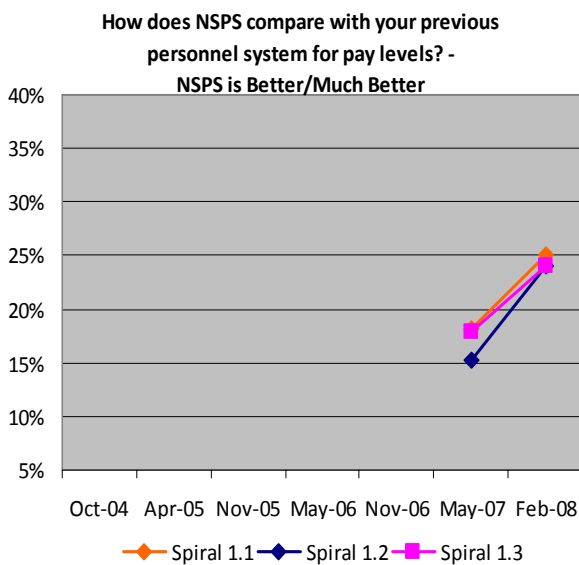
There were increases between May 2007 and February 2008 in the portion of respondents who indicated that NSPS was better than their previous personnel system for pay levels and recognition and rewards.

³ This series of questions was asked for the first time in May 2007. It is directed to respondents who identify themselves as either already under NSPS or responsible for supervising employees under NSPS as of the date of the survey.



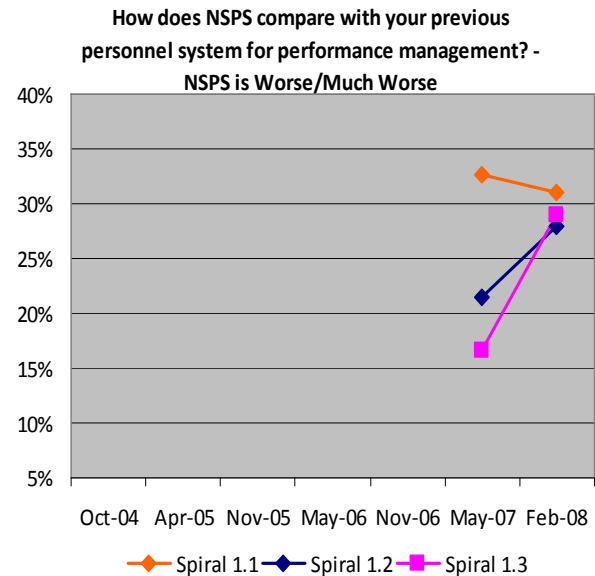
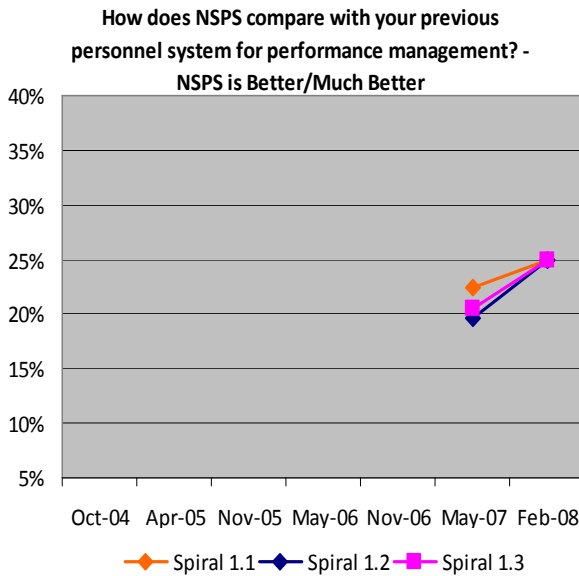
Figures 4.79 and 4.80 – NSPS Is Better/Worse for Hiring, Placement, and Promotion

Spiral 1.1's unfavorable response rate concerning the relative effects of NSPS on hiring, placement, and promotion was consistent between May 2007 and February 2008, although the unfavorable response rates for Spirals 1.2 and 1.3 increased significantly during this period.



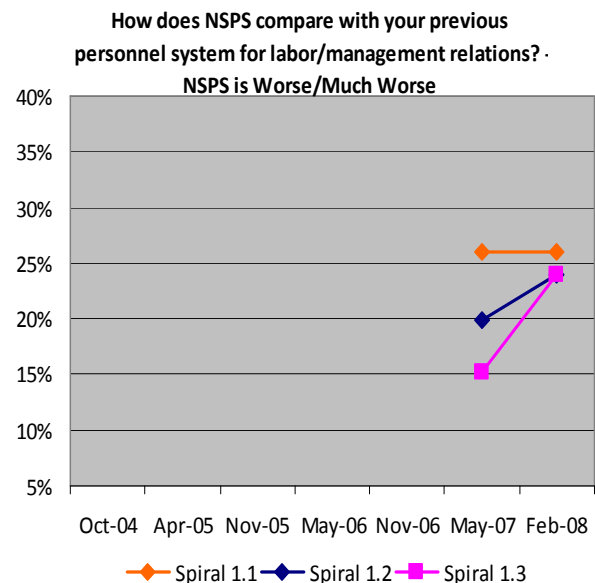
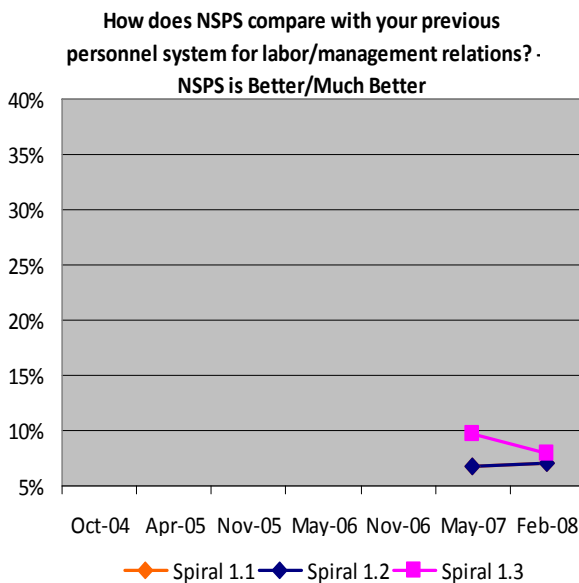
Figures 4.81 and 4.82 – NSPS Is Better/Worse for Pay Levels

Both favorable and unfavorable response rates for Spirals 1.2 and 1.3 rose between May 2007 and February 2008 concerning the relative effect of NSPS on pay levels. Spiral 1.1's favorable response rate also rose while its unfavorable response rate declined slightly, although it is still much higher than the favorable response rate.



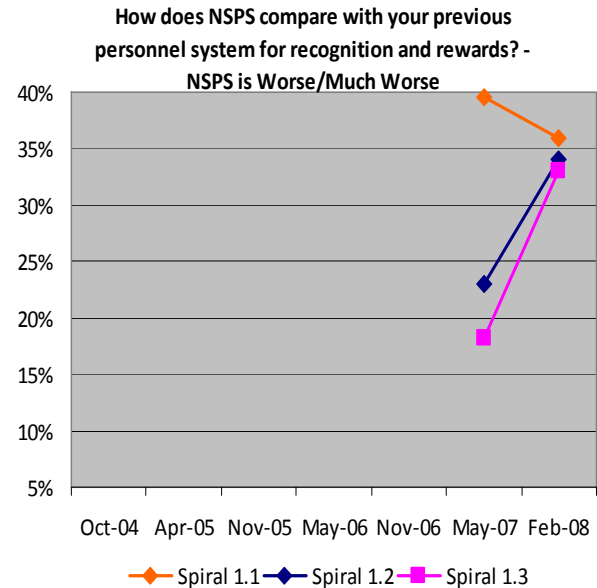
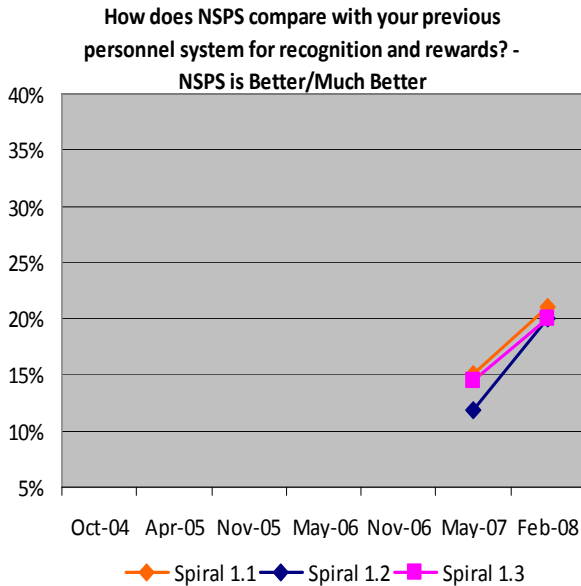
Figures 4.83 and 4.84 – NSPS Is Better/Worse for Performance Management

On the relative effect of NSPS on performance management, the favorable response rates of all three Spiral 1 populations increased between May 2007 and February 2008. Spiral 1.1's unfavorable response rate declined slightly while the unfavorable response rates for Spirals 1.2 and 1.3 increased significantly.



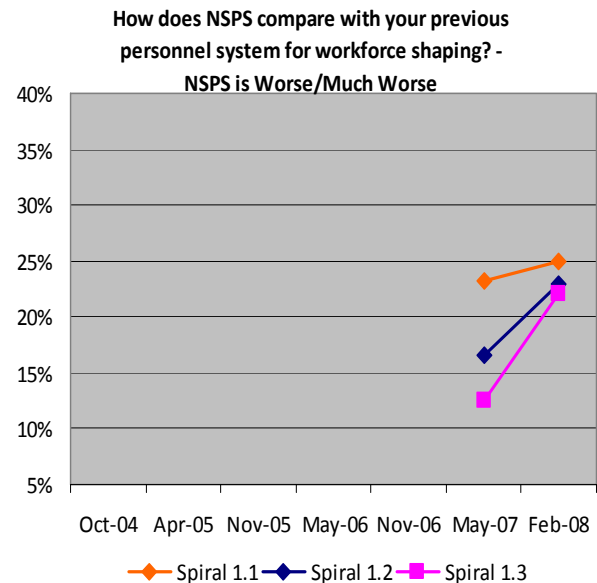
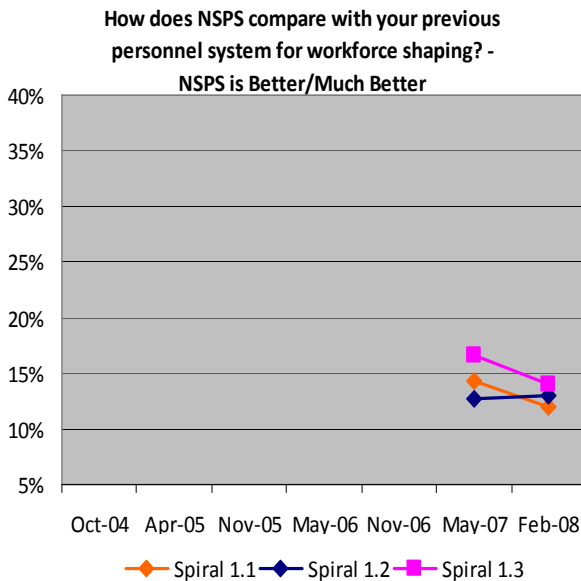
Figures 4.85 and 4.86 – NSPS Is Better/Worse for Labor-Management Relations

All three Spiral 1 populations maintained very low favorable response rates in February 2008 concerning the relative effect of NSPS on labor-management relations. Spiral 1.1's unfavorable response rate was constant between May 2007 and February 2008.



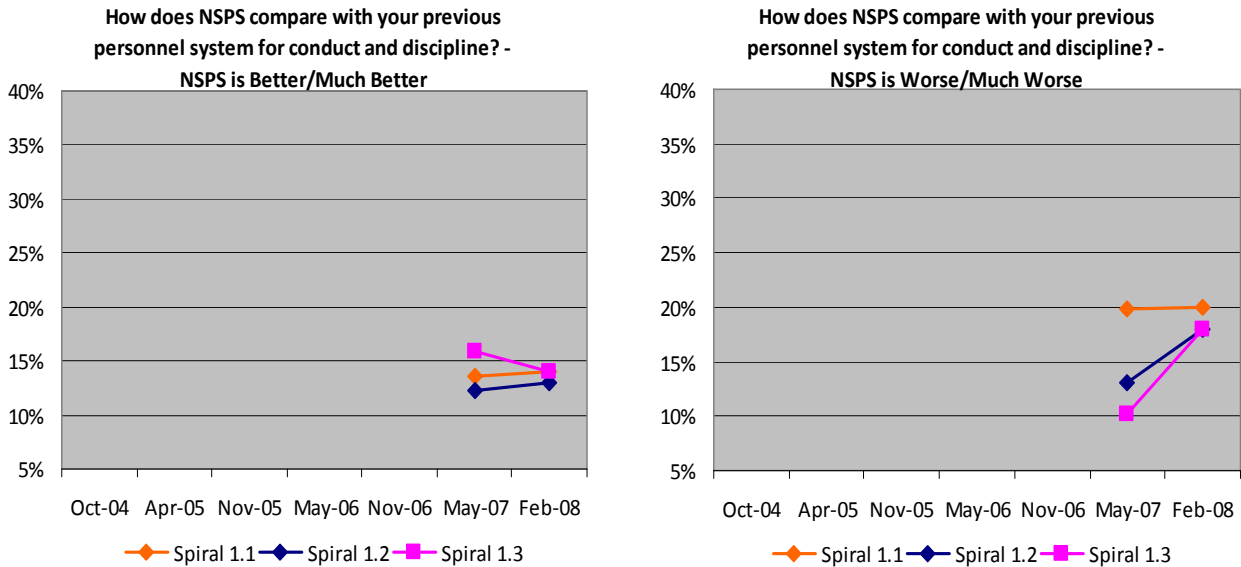
Figures 4.87 and 4.88 – NSPS Is Better/Worse for Recognition and Rewards

Both favorable and unfavorable response rates concerning NSPS' relative effect on recognition and rewards rose in February 2008, with the exception of the decline in Spiral 1.1's unfavorable response rate.



Figures 4.89 and 4.90 – NSPS Is Better/Worse for Workforce Shaping

Spiral 1.1's favorable and unfavorable response rates on workforce shaping were roughly consistent between May 2007 and February 2008, while Spiral 1.2 and 1.3's unfavorable response rates increased significantly.



Figures 4.91 and 4.92 – NSPS Is Better/Worse for Conduct and Discipline

Spiral 1.1's favorable and unfavorable response rates on conduct and discipline were roughly consistent between May 2007 and February 2008, while Spiral 1.2's and 1.3's unfavorable response rates increased significantly.

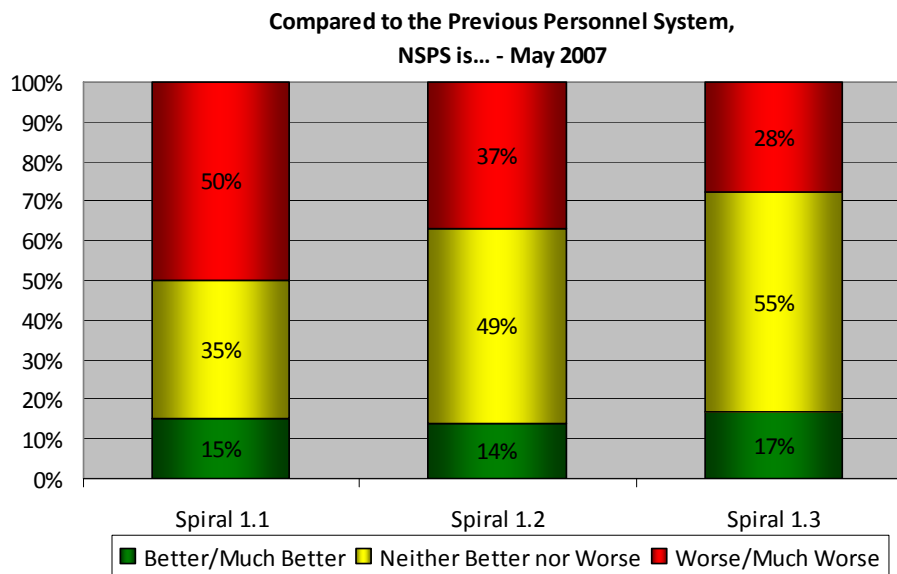
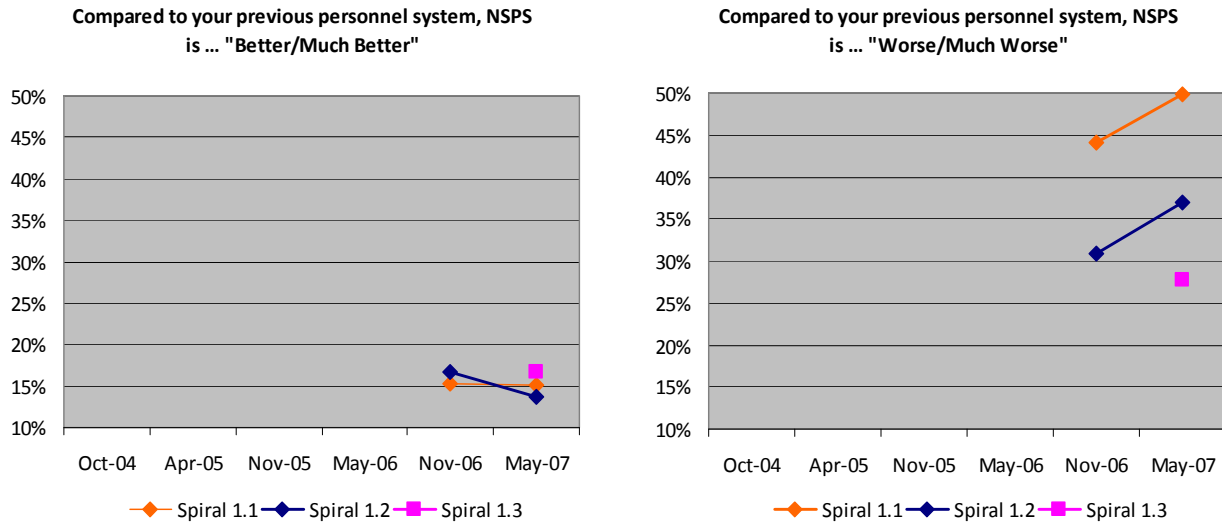


Figure 4.93– NSPS Is Better than Previous System - 2



Figures 4.94 and 4.95 – How NSPS Compares to Your Previous System

A small portion of respondents believes that NSPS is better than their previous personnel system overall. Attitudes became less neutral and more negative for Spirals 1.1 and 1.2 between November 2006 and May 2007.

4.6.3. NSPS Performance Plans and the Pay Pool Process⁴

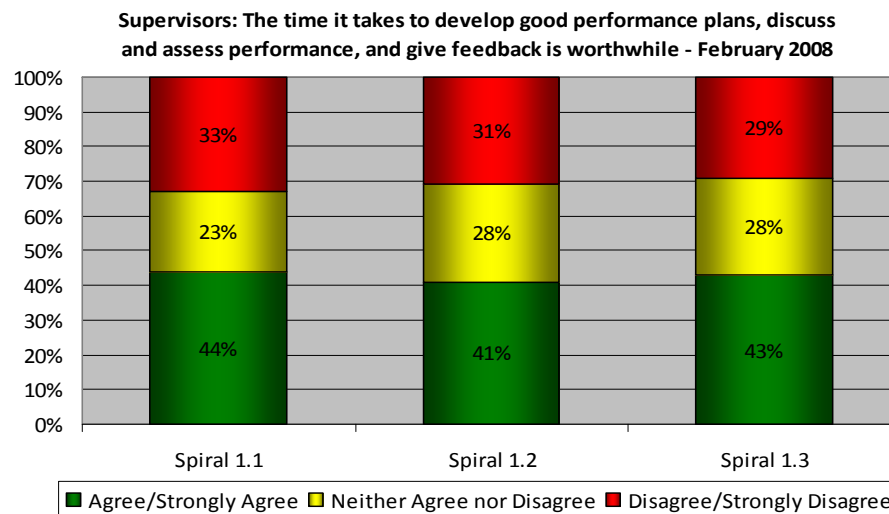


Figure 4.96 – Time Is Worthwhile

There is consistent agreement among Spiral 1 supervisors that writing NSPS performance plans and conducting feedback sessions with employees under NSPS is worthwhile.

⁴ These two items were asked for the first time in February 2008. They were directed to supervisors who were under NSPS or supervised NSPS employees as of February 2008.

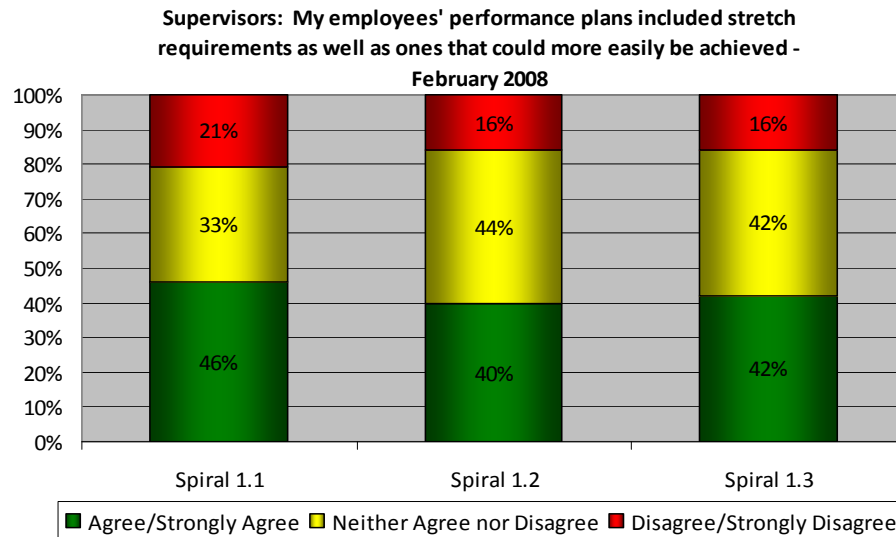


Figure 4.97– Assessment of Performance Plans

There is relatively consistent agreement among Spiral 1 supervisors that NSPS employees' performance plans include both "stretch" and "easier to achieve" objectives.

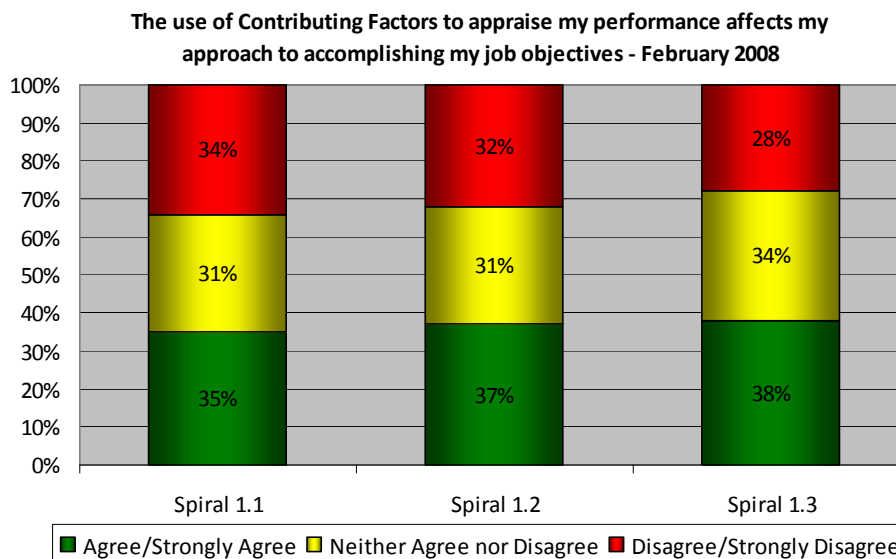


Figure 4.98– Effects of Contributing Factors on Performance

More employees in Spiral 1 agree than disagree that the use of contributing factors in their performance plans influences the way in which they attempt to accomplish their job objectives.

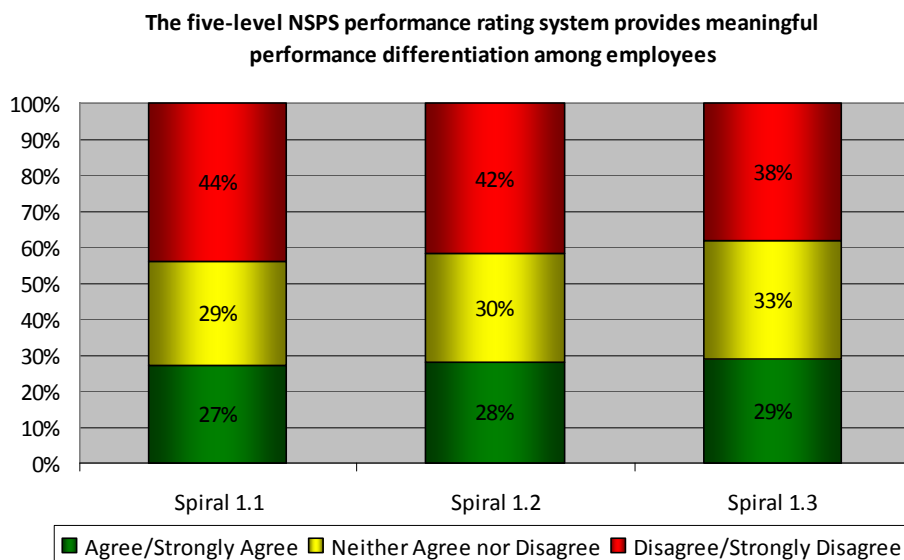


Figure 4.99– Meaningful Differentiation in Performance

A relatively low portion of NSPS employees agrees that NSPS allows for meaningful distinction in levels of performance.

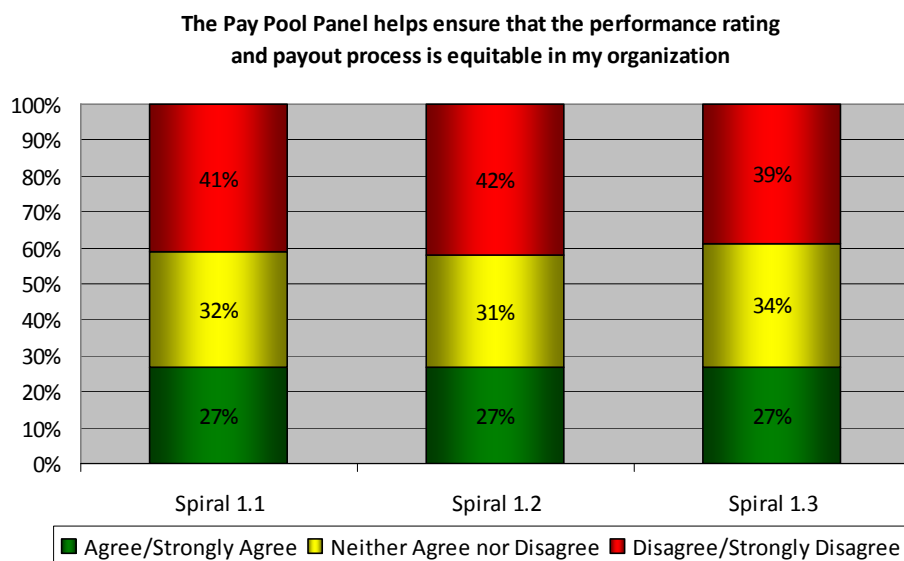


Figure 4.100– Efficacy of the Pay Pool Panel Process

More employees in Spiral 1 disagree than agree that the pay pool panel helps ensure equitable ratings and performance payouts.

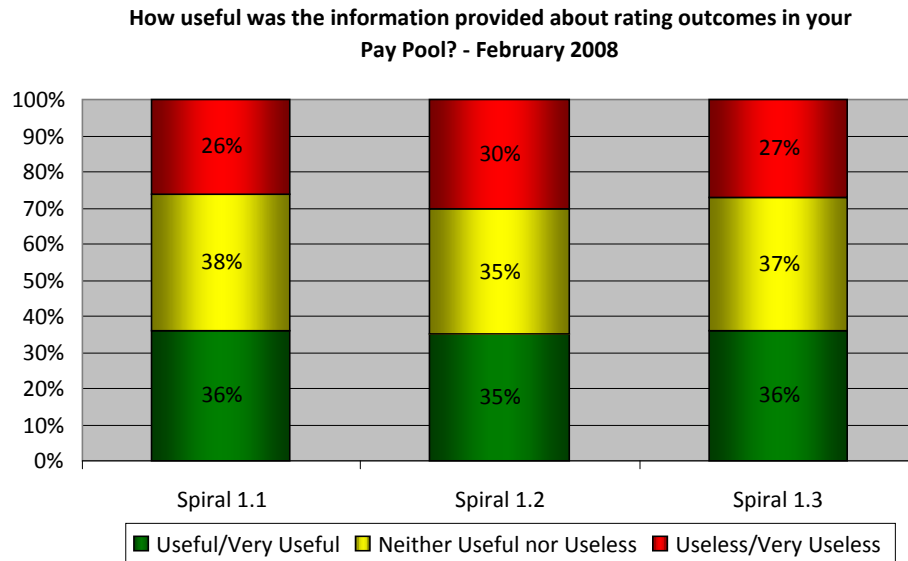


Figure 4.101– Usefulness of Pay Pool Information

More than one-third of NSPS employees believed that information on ratings outcomes from the pay pool was useful, while 26%-30% thought it was not useful.

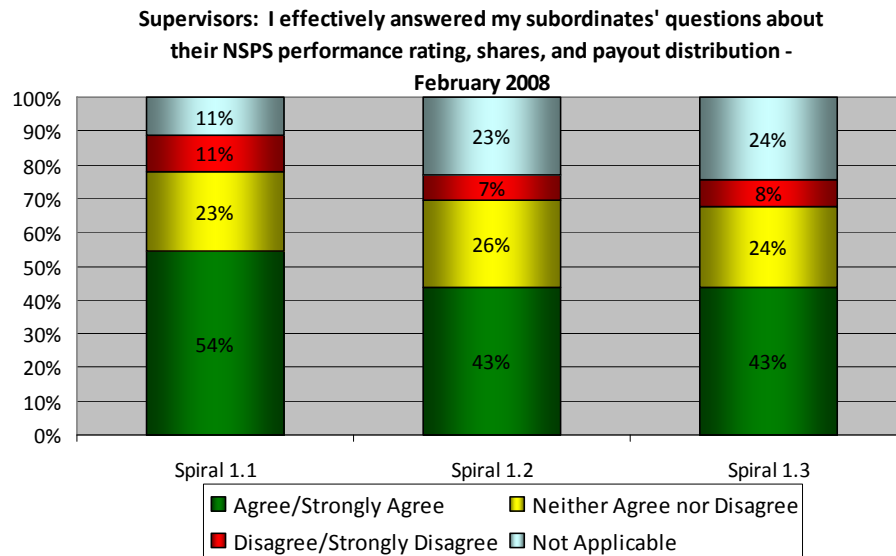


Figure 4.102 – I Effectively Answered Questions

Supervisors in Spiral 1.1 were more confident than those in Spirals 1.2 or 1.3 in their abilities to answer employees' questions concerning NSPS.

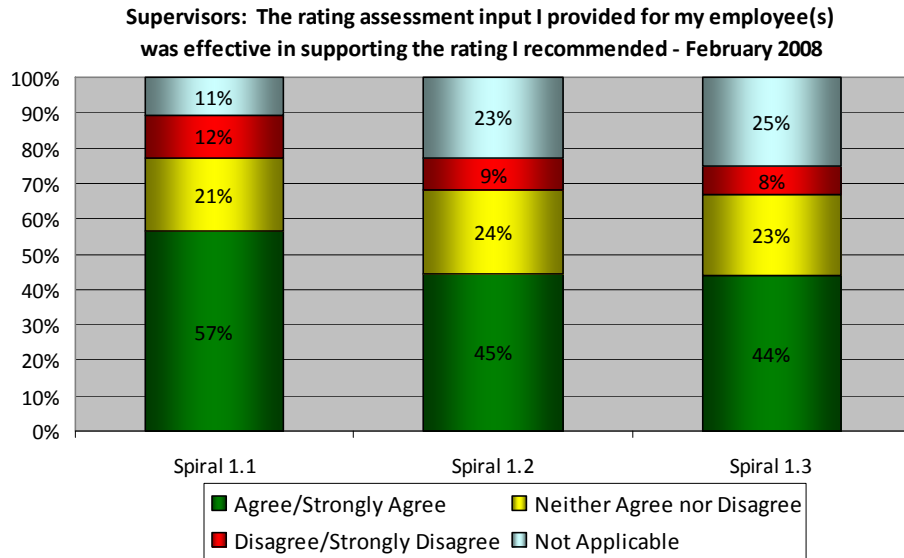


Figure 4.103– I Effectively Supported Ratings Recommendations

Supervisors in Spiral 1 were more confident than those in Spirals 1.2 or 1.3 in their abilities to fully support their ratings recommendations.

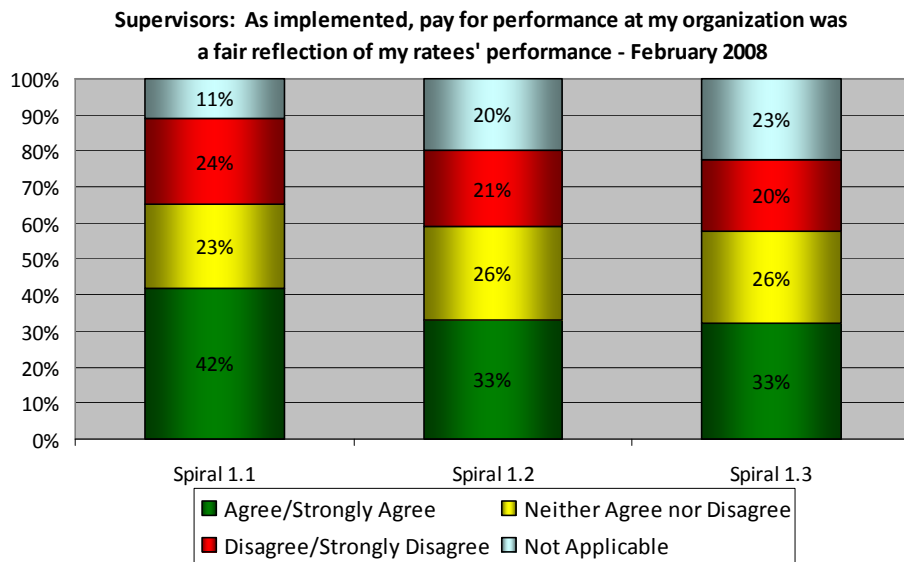


Figure 4.104– Pay for Performance Was Fair to My Employees

Supervisors in Spiral 1.1 were much more likely than those in Spirals 1.2 or 1.3 to agree that pay for performance was a fair reflection of their employees' performance.

4.6.4. NSPS Communications and Training

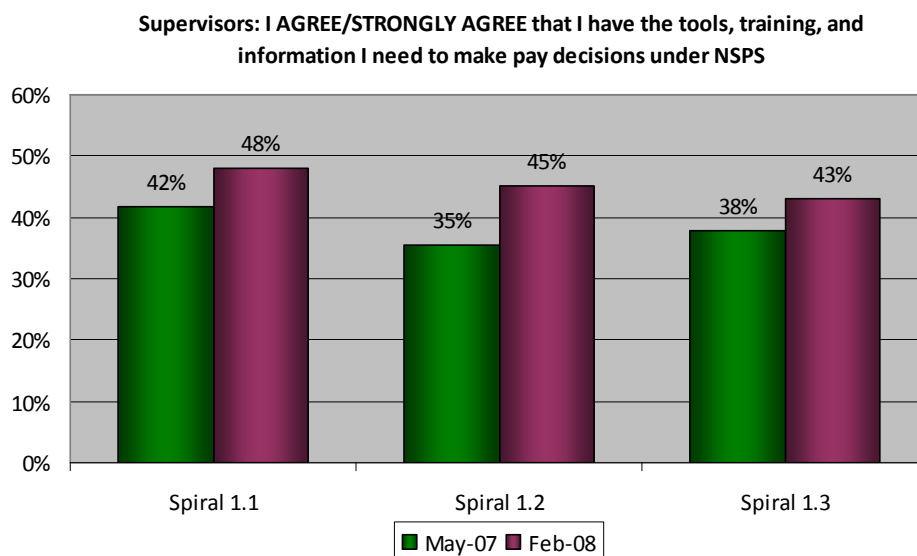
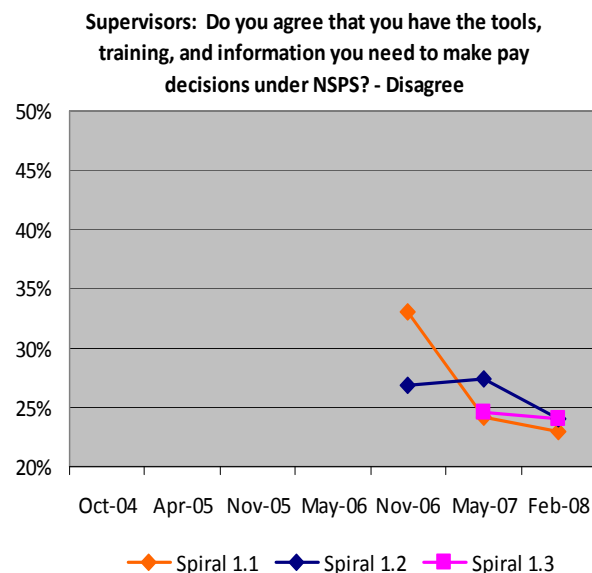
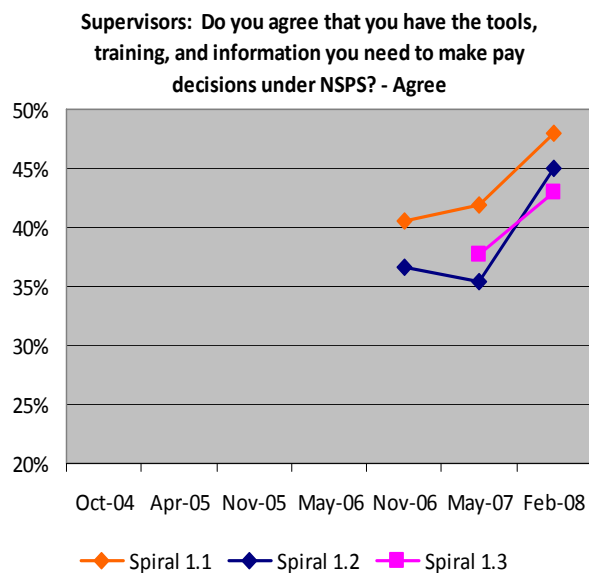
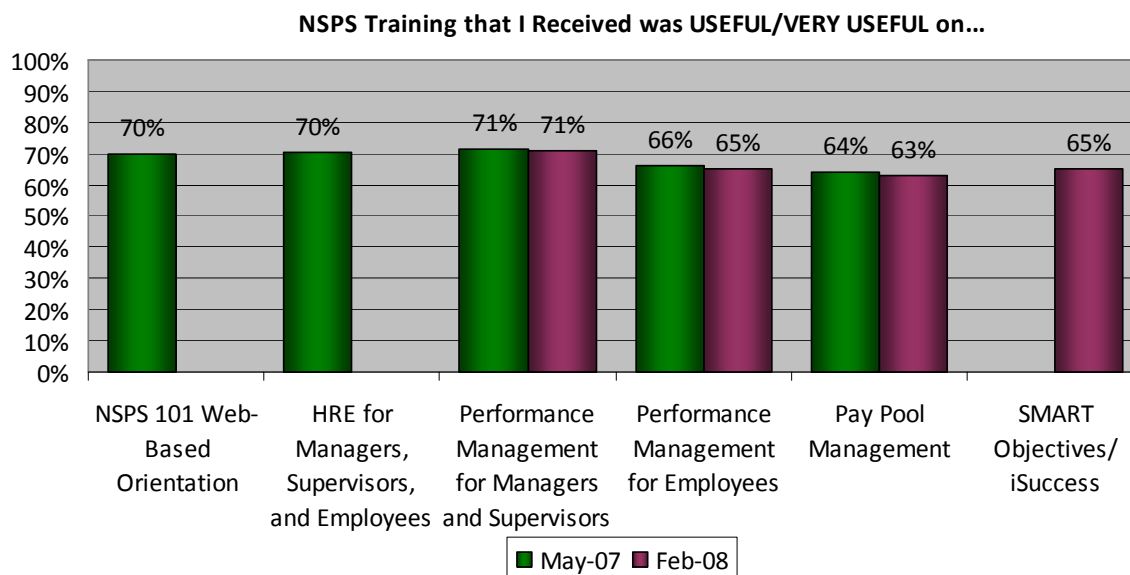


Figure 4.105– I Can Make Pay Decisions

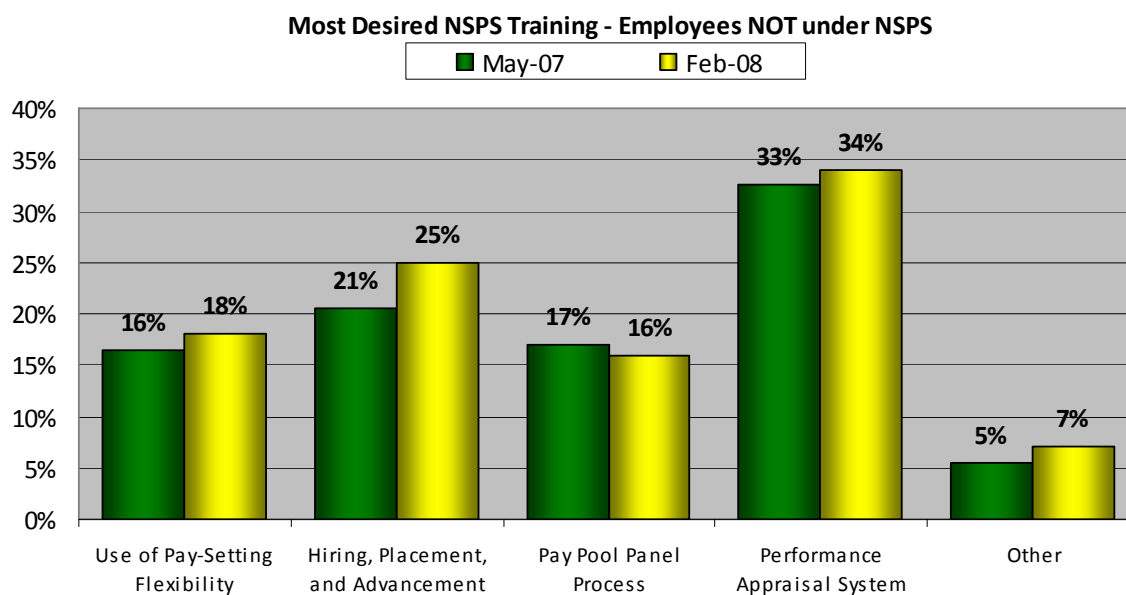


Figures 4.106 and 4.107 – Can You Make Pay Decisions

Supervisors in all NSPS spirals are generally more positive than negative about their abilities to make pay decisions under NSPS.

NSPS Communications and Training (continued⁵)**Figure 4.108– NSPS Training Was Useful**

Generally, there are positive, stable responses regarding the usefulness of NSPS training courses.

**Figure 4.109– Most Desired Training – 1**

⁵ This set of questions on the usefulness of NSPS training was asked of respondents who indicated that they had received training on the given subjects.

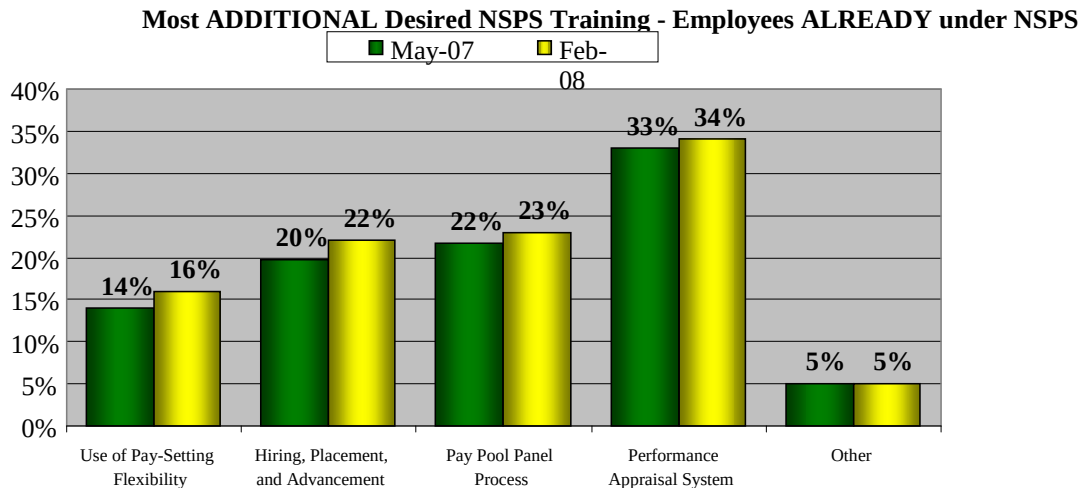


Figure 4.110– Most Desired Training - 2

Employees in both groups (NSPS and non-NSPS) would most like to see more training on the Performance Appraisal System. Employees already under NSPS appear to be more concerned with learning more about the pay pool panel process than employees not yet under NSPS.

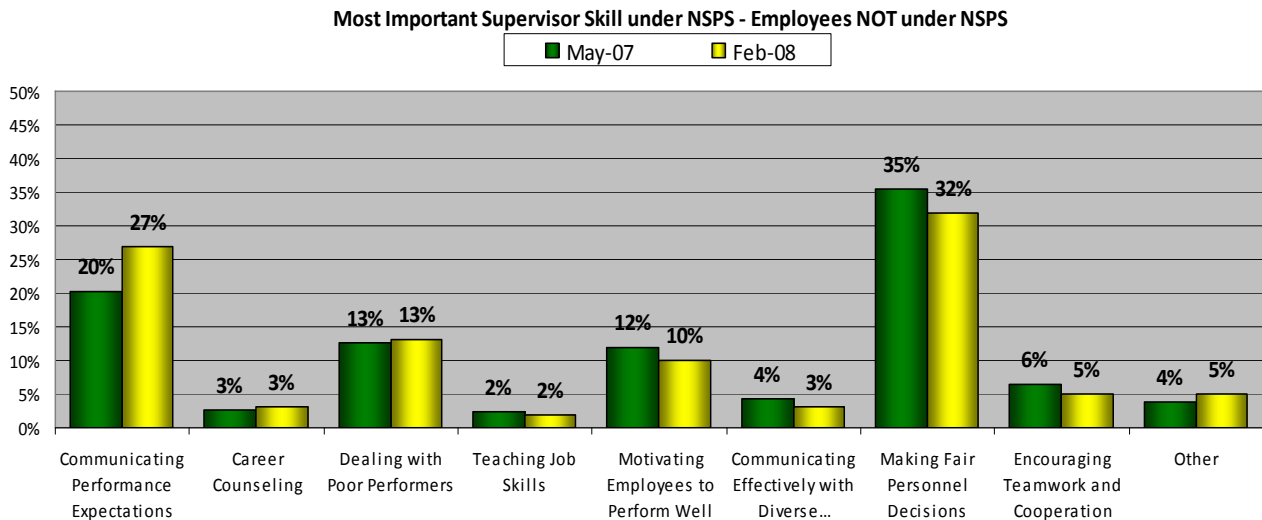


Figure 4.111– Most Important Skill - 1

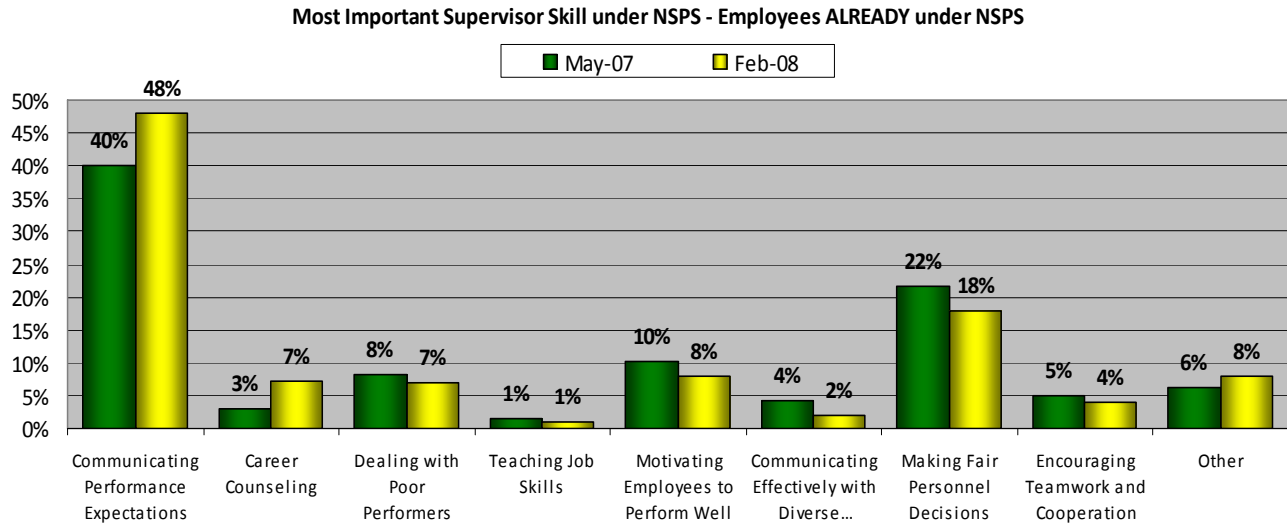


Figure 4.112– Most Important Skill - 2

Employees in both groups (NSPS and non-NSPS) believe that communicating performance expectations and making fair personnel decisions are the two most important supervisor skills under NSPS. Employees already under NSPS appear to be less concerned with supervisors making fair personnel decisions and more concerned with supervisors communicating performance expectations.

4.6.5. Overall Impact of NSPS

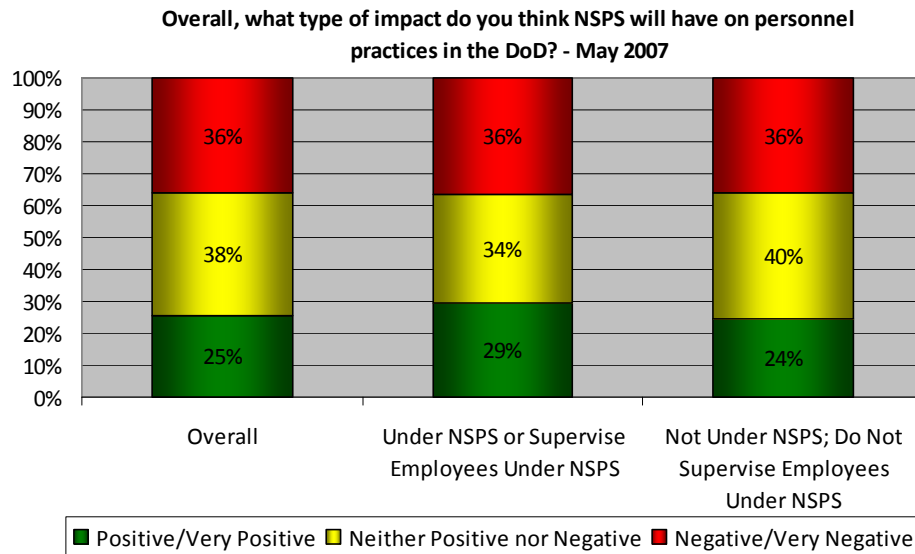
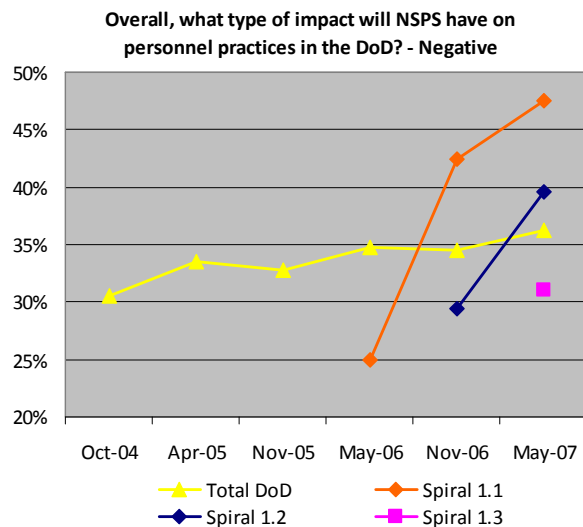
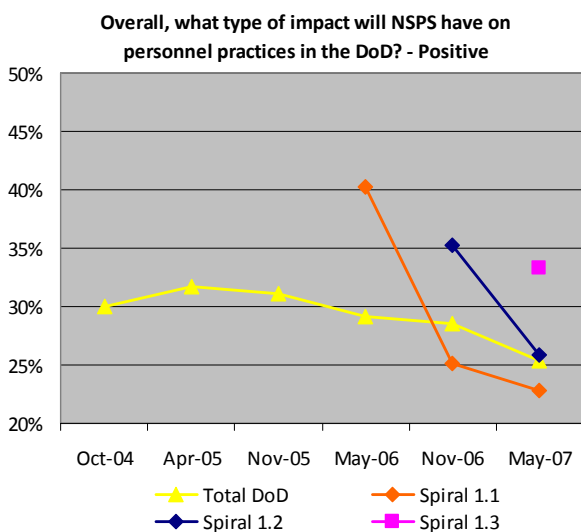


Figure 4.113– Overall Impact of NSPS



Figures 4.114 and 4.115 – What Impact Will NSPS Have

Respondents who have some first-hand experience with NSPS (either under NSPS or supervise NSPS personnel) have more defined views of NSPS' effects—both positive and negative—on the DoD. Opinions on NSPS' overall impact grew decidedly more negative in Spiral 1.1 from May 2006 to November 2006, but in May 2007 Spiral 1.1's favorable response level slowed its decrease as its unfavorable response rate continued to increase.

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5. INTEGRATED FINDINGS

Chapter 5 integrates the study's findings across data sources. For each KPP component, we examine findings from analyses of DCPDS personnel data (Chapter 2), focus groups and interviews conducted on 12 site visits (Chapter 3), and responses to SOFS-C survey questions (Chapter 4). A summary integrates the relevant findings for each KPP component.

5.1. KPP 1: High Performing Workforce and Management

5.1.1. *Stronger Link between Total Compensation and Performance*

DCPDS

- Analyses show a positive link between performance ratings, pay increases, and bonuses. The analyses also show that performance ratings rise with pay band.

SOFS-C

- **NSPS is better/worse than the previous system for Pay Levels.** There was a slight increase between May 2007 and February 2008 in the portion of respondents who indicated that NSPS was better than their previous personnel system for Pay Levels, even as unfavorable response levels were higher than favorable levels.
- **NSPS is better/worse than the previous system for Recognition and Rewards.** All spirals show strongly higher unfavorable than favorable response levels that NSPS is better/worse for recognition and rewards from May 2007 to February 2008, while all spirals increased strongly in favorable responses over this period.
- **NSPS has improved rewarding good work performance (Agree/Disagree).** Unfavorable responses are still higher than favorable responses for all three spirals that NSPS has rewarded good work performance, but all spirals show a sharp increase in favorable responses from May 2007 to February 2008.
- **NSPS has improved linking pay to performance (Agree/Disagree).** All Spiral 1 populations increased their favorable response rates to "NSPS has improved linking pay to performance" in February 2008. All three spirals have higher unfavorable response rates than favorable to this item. Even though Spiral 1.1's unfavorable response rate declined after its second payout, the unfavorable response rates for Spirals 1.2 and 1.3 increased significantly.
- **Pay raises depend on how well employees perform their jobs (Agree/Disagree).** All NSPS Spirals are substantially more favorable and less unfavorable than the non-NSPS population that their pay raises depend on job performance. Both NSPS and non-NSPS groups have increased in favorable responses since November 2006.

Focus Groups and Interviews

- Not all employees see a clear link between performance and pay under NSPS. Some employees and supervisors believe that the pay pools were instructed to give primarily ratings of 3, resulting in placing some marginal performers and solid performers in the same rating level so that they receive similar compensation.

Summary:

Findings from employee focus groups and senior leader interviews generally agree with SOFS-C survey results showing employees more unsure than sure that NSPS has resulted in improvements relative to GS, such as strengthening the link between pay and performance, rewarding good work performance, improving pay levels, and recognizing and rewarding

performance. Analyses of DCPDS data show a clear link between performance ratings and payouts.

5.1.2. Market-Sensitive Salary and Wages

SOFS-C

- **Considering everything, how satisfied are you with your pay?** All NSPS groups showed favorable response levels far above unfavorable levels.

Focus Groups and Interviews

- Many employees believe that salaries are more market-sensitive for new hires, allowing organizations to recruit employees with high-level expertise more effectively. However, because salaries are not market-sensitive for existing employees, some perceive inequity.

Summary:

While current employees are generally satisfied with their pay under NSPS, some perceive inequities relative to new hires who can negotiate higher starting salaries.

5.1.3. Performance System Provides Ongoing Feedback

SOFS-C

- **[Supervisors of NSPS employees]: The time it takes to develop good performance plans, discuss and assess performance, and give feedback is worthwhile (Agree/Disagree).** All NSPS groups showed higher agreement than disagreement that the time it takes to develop good performance plans, discuss and assess performance, and give feedback is worthwhile. As of February 2008 there is consistently higher agreement than disagreement across spiral groups that discussions with one's supervisors about performance are worthwhile.
- **Discussions with my supervisor/team leader about my performance are worthwhile (Agree/Disagree).** As of February 2008 there is consistently higher agreement than disagreement across spiral groups that writing NSPS performance plans and conducting feedback sessions with employees under NSPS are worthwhile.
- **The five-level NSPS performance rating system provides meaningful performance differentiation among employees (Agree/Disagree).** A relatively low portion of NSPS employees agrees that NSPS allows for meaningful distinction in levels of performance.
- **[Supervisors of NSPS employees]: My employees' performance plans included stretch requirements as well as ones that could more easily be achieved (Agree/Disagree).** There is relatively consistent agreement among Spiral 1 supervisors that NSPS employees' performance plans include both "stretch" and "easier to achieve" objectives.
- **The use of Contributing Factors to appraise my performance affects my approach to accomplishing my job objectives (Agree/Disagree).** Slightly more Spiral 1 employees agree than disagree that the use of contributing factors in their performance plans influences the way in which they attempt to accomplish their job objectives.
- **NSPS has improved communication between supervisors and employees (Agree/Disagree).** All spirals' favorable and unfavorable responses are fairly equal in agreeing that NSPS has improved communication between supervisors and employees.
- **[Employees under NSPS]: Which of the following is the most important supervisor skill under NSPS?** In February 2008 nearly half of surveyed NSPS employees, more than in 2007, were most concerned with supervisors' communicating performance expectations effectively.

- **How satisfied are you with the recognition you receive for doing a good job?** As of February 2008, all NSPS spirals were far more satisfied with the recognition they receive for doing a good job than unsatisfied.

Focus Groups and Interviews

- There were varied views on the performance evaluation process. While some supervisors and employees appreciated that NSPS has resulted in more regular and formal performance feedback, others indicated that the interim reviews did not always provide concrete and specific suggestions for improvement and were not always an indication of the year-end performance rating. Some employees viewed self-assessments as an opportunity to showcase contributions to their organization's mission, while others viewed them primarily as a challenging writing assignment.

Summary:

Findings from employee focus groups generally agree with SOFS-C results that regular and formal feedback and the time required to develop performance plans are worthwhile, although SOFS-C results show no strong indication that NSPS has improved communications between supervisors and employees. While SOFS-C results show employees are satisfied with their performance recognition, they also indicate that meaningful distinctions in performance are not readily seen under NSPS. This view aligns somewhat with focus group findings that some employees do not agree that ratings match performance.

5.1.4. Stronger Link between Retention/Separation and Performance

Focus Groups and Interviews

- Many employees, and not just those who received a rating of 2, are concerned about the impact of NSPS on their careers and their opportunity for progression. Employees and supervisors exhibited a strong reluctance to accept "valued performer"—or 3—as a good rating. A majority stated they cannot articulate what they must do to exceed a 3 rating. A number of employees expressed concern that non-NSPS organizations have negative perceptions of NSPS 3 ratings, with potential impact on inter-system transfers (NSPS to GS/APS) or transfers to other NSPS commands with perhaps different rating standards. There are also a number of employees who lack a clear understanding of career progression under NSPS.

DCPDS

- In 2007 2.9% of those in NSPS received low ratings of 1 or 2 compared with .06% of non-NSPS. The 2007 NSPS and non-NSPS loss rates for employees with low ratings differed greatly: 16.8% for NSPS and 40.7% for non-NSPS. The overall NSPS loss rate in 2007 was 6.5%.
- In July 2008 1.7% of those in NSPS received low ratings of 1 or 2 compared with .24% of non-NSPS. The 2008 NSPS and non-NSPS loss rates for employees were similar, with NSPS at 13.2% and non-NSPS at 12.6%. The overall NSPS loss rate in 2008 was 3.4%.

Summary:

DCPDS analyses show that fewer than 3% of all ratings in 2007 and 2008 were 1 or 2, though these rates were many times higher than for non-NSPS systems. Focus group employees were concerned about the impact of a 3 rating upon their careers and opportunities.

5.1.5. *Performance Expectations Aligned with DoD and Organization Strategic Plans, Mission Requirements*

SOFS-C

- **I know how my work relates to the Agency's goals and priorities (Agree/Disagree).** All Spiral 1 groups show favorable responses far exceeding unfavorable responses on "I know how my work relates to the Agency's goals and priorities" in February 2008.
- **Managers communicate the goals and priorities of the organization (Agree/Disagree).** Spiral 1 groups show favorable levels exceeding unfavorable levels, with little movement in attitudes over time, that managers communicate the goals and priorities of the organization.
- **NSPS has improved ensuring individual performance supports organizational mission effectiveness (Agree/Disagree).** Large increases in unfavorable responses since November 2006 have made favorable and unfavorable response rates nearly equal for all spirals in 2008. The proportions of the population who agree (about 32%), disagree (about 30%), and are indifferent (about 38%) are similar.

DCPDS

- Over 90 percent of sampled employee performance objectives were strongly aligned and very realistic.

Focus Groups and Interviews

- The workforce generally agreed that performance plans have helped improve the alignment of performance objectives with organizational strategic goals.

Summary:

Findings from SOFS-C and DCPDS consistently show that managers communicate goals and priorities. SOFS-C results show increasing disagreement concerning alignment to organizational goals, with focus group findings showing more general agreement that alignment is occurring.

5.1.6. *System Supports Employee Engagement in a Positive Manner (Employee Engagement Is Defined as: Overall Satisfaction with Job and Supervisor, Respect For Senior Leaders, and Intent To Leave DoD)*

SOFS-C

- **I have trust and confidence in my supervisor (Agree/Disagree).** All NSPS spirals' favorable responses far exceed unfavorable responses on having "trust and confidence in my supervisor," as of February 2008.
- **How satisfied are you with the recognition you receive for doing a good job?** In February 2008, all NSPS spirals' favorable response levels exceeded unfavorable levels on being satisfied with the recognition they receive for doing a good job.
- **I am given a real opportunity to improve my skills in my organization (Agree/Disagree) and How satisfied are you with your opportunities to get a better job in your organization?** All spirals more strongly agree than disagree in response to "being given a real opportunity to improve my skills." There are, however, nearly equal favorable and unfavorable response rates concerning satisfaction with the opportunity to get a better job in the organization.
- **I have a high level of respect for my organization's senior leaders (Agree/Disagree) and Overall, how good a job do you feel is being done by your immediate supervisor/team leader?** All NSPS spirals have a far higher agreement than disagreement about having a

high level of respect for organization's senior leaders as well as for the performance of their immediate supervisor/team leader.

- **How satisfied are you with the policies and practices of your senior leaders?** All NSPS spirals have a far higher agreement than disagreement about satisfaction with leadership's policies and practices.

Focus Groups and Interviews

- Some employees appreciated wide pay band flexibilities for the opportunities they offer.

Summary:

SOFS-C results show that employees are substantially more favorable than unfavorable to senior leaders' policies and practices, and that they have trust and confidence in both their supervisors and in senior leaders. Employee focus group findings indicate that NSPS's wide pay bands are appreciated for the opportunities they provide to the employee.

5.2. KPP 2: Agile and Responsive Workforce and Management

5.2.1. Renewable, Expandable, Retractable (Size) - Mission Critical/Core Support Occupations

SOFS-C

- **My work unit is able to recruit people with the right skills (Agree/Disagree).** Favorable responses continue to exceed unfavorable responses that one's work unit is able to recruit people with the right skills.
- **NSPS has improved hiring new employees (Agree/Disagree).** Unfavorable response rates have increased sharply in the last two years and are higher than favorable response rates that NSPS has improved hiring new employees for all three Spiral 1 populations in February 2008.
- **How would you rate the performance of employees hired at your organization over the past two years? and (Supervisors) How would you rate the quality of applicants for this position (for which you have personally hired in the past two years)?** Over half of respondents said that the performance of employees hired at their organization in the past two years has been about average, but many more said the performance was above average than said it was below average. Half of supervisors said that the quality of applicants has been better than usual.

Focus Groups and Interviews

- While the hiring process is difficult and time-consuming, it is not reported to be more difficult than under previous systems. However, NSPS's broad pay bands have made it more difficult to hire for specific pay ranges and specific specialty positions (e.g., IT professionals).
- Senior leaders and supervisors generally believe that neither the quality of applicants nor employee performance has changed; it may be too early to see any effects.

Summary:

SOFS-C findings generally show some increase in satisfaction with the performance and quality of employees that have been hired in the past two years, although focus groups of supervisors counter this perspective. All results point to a reluctance to credit NSPS for any improvement in hiring or the performance of new hires to this point. Focus group findings cite hiring for specific pay ranges and specialty positions as particularly difficult under NSPS.

5.2.2. Assignable, Deployable (Shape)

SOFS-C

- **NSPS is better/worse than the previous system for Hiring, Placement, and Promotion.** All spirals are significantly higher in their unfavorable views that NSPS is worse/much worse for hiring, placement, and promotion, with most spirals showing sharp declines in believing it is better in this area, for May 2007 and February 2008. There was a slight increase in favorable levels that NSPS is better in this area among two spirals in February 2008.
- **NSPS is better/worse than the previous system for workforce shaping.** Spiral 1.1's favorable and unfavorable response rates were generally unchanged between May 2007 and February 2008, while Spiral 1.2's and 1.3's unfavorable response rates increased significantly. All three spirals had higher unfavorable views than favorable.

Focus Groups and Interviews

- The five percent pay increase limit for reassignments discourages eligible employees from assuming supervisory positions with their higher workloads. Employees predict that current supervisors will seek non-supervisory positions for the same pay without the additional responsibility, or will seek non-supervisory positions in the next higher pay band. Supervisors cited similar concerns and noted examples of supervisors who left, or are considering leaving their organizations because of the workload.
- Some employees appreciated wide pay band flexibilities for the opportunities they offer, while others found broad pay bands complicated hiring and assignment processes.
- Some supervisors asserted that NSPS is not meeting hiring flexibility expectations because of a limited number of pay bands or the superimposition of GS-based "pay lanes" upon NSPS pay bands. Other supervisors expressed appreciation for the increased flexibility in making assignments.

Summary:

SOFS-C results show that employees believe NSPS is not better than the previous system for hiring, placement, and promotion. These SOFS-C results are partially supported by supervisor focus group findings which cite "pay lanes" practices and the five percent reassignment pay increase limit as limiting hiring flexibilities. However, unfavorable SOFS-C results are partially refuted as some supervisors appreciate the increased flexibility for reassignment.

5.3. KPP 3: Credible and Trusted System

5.3.1. *All Elements of NSPS Design Are Accessible and Understandable (Transparency)*

SOFS-C

- **The pay pool panel helps ensure that the performance rating and payout process is equitable in my organization (Agree/Disagree).** More employees in Spiral 1 disagree than agree that the pay pool panel process helps ensure equitable ratings and performance payouts.
- **How useful was the information provided about rating outcomes in your pay pool?** A slight majority of all Spiral 1 employees found information about rating outcomes neither useful nor useless in February 2008.
- **In my most recent performance appraisal, I understood what I had to do to be rated at different performance levels (Agree/Disagree).** All Spirals' unfavorable response levels increased strongly between after their first NSPS performance cycle ended, but favorable response levels remained well above unfavorable levels. Spiral 1.1's unfavorable

response levels decreased after their second performance cycle ended (reflected in the February 2008 survey).

- **[Employees already under NSPS]: Which of the following is the most important additional NSPS training you would like to see provided?** Employees already under NSPS are still concerned with learning more about the pay pool panel process.

Focus Groups and Interviews

- Many organizations had good communication with the workforce, all published pay pool panel business rules, and a majority published rating and payout results. However, employees were unevenly aware of pay pool panel processes and were not satisfied by the lack of feedback or explanation of rating and payout results.
- An issue related to pay pool panel transparency is perceived differences in processes and results across pay pools, raising concerns about unfair advantage and reward. PRAs are concerned with ensuring that pay pool panels are fair, transparent, and equitable, and were generally satisfied with the processes and outcomes.

Summary:

Findings from employee focus groups identify pay pool transparency as an issue, supported by SOFS-C results showing that employees would like more training on pay pool panel processes. Though focus group findings show that all organizations published business rules and PRAs were generally satisfied with pay pool panel processes and outcomes, SOFS-C results show that employees do not see that the pay pool panel process ensures equitable ratings and performance payouts, citing differences in processes and results across pay pools. SOFS-C and focus group findings disagree concerning whether employees understand what is required to be rated at a different performance level.

5.3.2. Management Decisions Are Merit-Based, Non-Discriminatory, and Consistent With NSPS Regulations

SOFS-C

- **Promotions in my work unit are based on merit (Agree/Disagree).** All NSPS spirals had more favorable and less unfavorable responses that promotions in their work units are based on merit.
- **[Employees already under NSPS]: Which of the following is the most important supervisor skill under NSPS?** Making fair personnel decisions” was the second greatest concern to employees already under NSPS, after communicating performance expectations.
- **NSPS is better/worse than the previous system for Performance Management.** There were slightly higher unfavorable response rates by all three Spiral 1 populations that NSPS is better for performance management than their previous personnel system, with large increases in unfavorable responses and slight increases in favorable responses between May 2007 and February 2008.

Summary:

SOFS-C results show employees generally believe that promotions in their organization are merit-based. However, SOFS-C results on NSPS performance management show employees’ views were more unfavorable than favorable, with recent sharp increases in unfavorable views, that NSPS is better than their previous system for performance management. Also, SOFS-C results showed that NSPS employees are concerned about supervisors making fair personnel decisions.

5.3.3. *Expeditious and Fair Resolution of Grievances, Performance Reconsiderations, Classification Appeals, Adverse Action Appeals*

DCPDS

- Of the 100,465 NSPS employees who received a performance rating for FY2007, 2.3% requested a reconsideration of rating in January 2008. Overall, a third of the reconsideration requests were granted.
- In FY2007 22 NSPS EEO complaints were received, and 154 in FY2008. A comparison of 2008 complaints showed that the distributions by basis match closely for NSPS and non-NSPS, despite the smaller NSPS number of complaints. From this perspective, there is no indication that NSPS is affecting how complaints are distributed across the eight basis categories

Focus Groups and Interviews

- There was mixed knowledge about and utilization of the reconsideration process. Many took a “wait and see” attitude about NSPS before pursuing reconsiderations. Some employees believed that the time limit for reconsideration elapsed before employees received pay pool- or organization-wide feedback on ratings and payouts. Other employees simply did not understand how to request a reconsideration. Senior leaders interpreted the low reconsideration requests to indicate employee satisfaction with ratings and payouts, but also acknowledged a lack of guidance regarding the reconsideration process as a drawback to a well-conducted process.

Summary:

Rating and payout analysis results show a 2.3% reconsideration request rate for the January 2008 payout results, and interview findings indicate senior leaders consider this low rate to suggest workforce satisfaction with ratings. However, employee focus group findings show that many in the workforce decided not to request a reconsideration, preferring to wait for greater clarity on NSPS processes, practices, and outcomes.

5.3.4. *Handle Performance Deficiencies and Misconduct Timely and Decisively*

SOFS-C

- **In my work unit, steps are taken to deal with a poor performer who cannot or will not improve (Agree/Disagree).** All NSPS spirals had more favorable than unfavorable responses that **steps are taken in their work units to deal with a poor performer who cannot or will not improve, with unfavorable responses declining between May 2008 and February 2008.**
- **NSPS has improved disciplining/correcting poor work performance (Agree/Disagree).** With the exception of Spiral 1.1, unfavorable response rates increased substantially, and all spirals remain at higher levels of unfavorable than favorable responses that NSPS has improved disciplining/correcting poor work performance.
- **NSPS is better/worse than the previous system for conduct and discipline.** All spirals were mostly ambivalent that NSPS is better or worse than the previous system for conduct and discipline, with relatively small levels of both favorable and unfavorable responses. Unfavorable response rates, however, increased strongly between May 2007 and February 2008.

Focus Groups and Interviews

- Senior leaders (e.g., Commanders, Directors, and PRAs) reported that NSPS is resulting in a more focused workforce and allows increased ability to address poor performance.

They were also cautiously optimistic that NSPS can eliminate poor performers, if properly instituted.

Summary:

Supervisors and managers have difficulty in dealing with poor performers. Many employees observed that marginal performers are seldom given 2 ratings, and senior leaders and supervisors generally agree that there is institutional difficulty in giving 2 ratings.. While responses on the SOFS-C were generally positive about steps taken in their work unit to deal with a poor performer, employees were unwilling to credit NSPS with improving such situations. Unfavorable SOFS-C responses concerning NSPS' improving disciplining/correcting poor work performance exceed favorable ones. All spirals expressed general ambivalence concerning whether NSPS is better or worse than their previous system for dealing with conduct and discipline.

5.3.5. NSPS Employees in Aggregate Are Not Disadvantaged by the Compensation System

DCPDS

- Rating and payout data indicate higher payouts for higher-paid employees. Data supporting this statement show that the higher the base pay: 1) the higher the rating, 2) the higher the proportion getting the higher number of shares for ratings of 3 or 4, 3) the higher the percent who received an increased rating due to contributing factors, and 4) the higher the payout percentage.

Focus Groups and Interviews

- The workforce generally appreciated the value of their payouts despite some dissatisfaction with their performance ratings. However, employees at all levels expressed concerns about the inclusion of part of GPI in pay pool performance budgets, the effects of bonuses on retirement "high three" calculations, and how they fared relative to GS employees.

Summary:

Rating and payout analyses suggest that payouts are relatively higher for higher-paid employees. The focus groups indicated that employees are concerned about including part of the GPI in pay pool performance budgets, the effects of bonuses on retirement "high three" calculations, and how they fared relative to GS employees.

5.4. KPP 4: Fiscally Sound System

System Provides for Cost Discipline

DCPDS

- In aggregate, the pay pools paid out 3.1% less in salary increases than the combined funded amounts from Element 1 and Element 2. The difference largely reflects non-rated individuals who were not eligible for payouts. Bonus payout exceeded Element 3 by 5.5%. The total payouts were less than two-tenths of one percent lower than the funding amount.

Focus Groups and Interviews

- Some employees in organizations that enriched funding to their NSPS pay pools questioned sustainability over the long term.

Summary:

Some employees in organizations that enriched funding to their NSPS pay pools question whether the higher funding levels can be sustained over the long term. In aggregate, pay pools under spent the funding for salary increases (Element 1 and Element 2) by 3.1 percent and overspent the funding for bonuses (Element 3) by 5.5 percent. The under spending of Element 1 largely reflects non-rated individuals who were not eligible for payouts. The total payouts were lower by two-tenths of one percent of the funding amount.

5.5. KPP 5: Supporting Infrastructure*Employees and Managers Are Knowledgeable in Pertinent Aspects of NSPS as a Result of Training***SOFS-C**

- **How useful was the NSPS training you received on... (Useful/Very useful).** Generally, all spirals have positive and stable responses regarding the usefulness of NSPS training courses. Employees would most like to see more training on the performance appraisal system.
- **[Employees already under NSPS]: Which of the following is the most important additional NSPS training you would like to see provided?** NSPS employees wish to learn more about the performance appraisal system and pay pool panel process.
- **[Supervisors of NSPS employees]: I effectively answered subordinates' questions about NSPS performance rating, shares, and payout distribution (Agree/Disagree).** As of February 2008, supervisors in Spiral 1 were strongly confident in their abilities to answer employees' questions concerning NSPS.
- **[Supervisors of NSPS employees]: The rating assessment input I provided for my employee(s) was effective in supporting the rating I recommended (Agree/Disagree).** Supervisors were very confident in their abilities to fully support their ratings recommendations.
- **[Supervisors of NSPS employees]: I have the tools, training, and information I need to make pay decisions under NSPS (Agree/Disagree).** There was a sharp increase in agreement by supervisors in all NSPS spirals from May 2007 to February 2008 that they have the tools, training, and information they need to make pay decisions under NSPS. As well, favorable response levels greatly exceeded unfavorable response levels for all Spiral 1 supervisors under NSPS during that time period.

Focus Groups and Interviews

- Leadership and the workforce received varying levels of NSPS training, with differing levels of effectiveness. The lag time between training and actual use of skills was problematic, and performance objective training was cited as generally ineffective. Mock pay pools were consistently praised as helpful. Some "soft skill" instruction and contractor-supported training proved unevenly effective. The continuous, piecemeal distribution of NSPS-related e-mails containing updated information led to information overload and frustrated a comprehensive understanding of NSPS.
- Most employees and some supervisors desire a better understanding of the pay pool panel process.
- Employees at all levels desire more training on writing objectives and assessments.

Summary:

Findings from SOFS-C results showing employees would most like to see more training on the performance appraisal and pay pool panel processes concur with employee and supervisor focus group findings. Employees found some “soft skill” and contractor-supported training unhelpful, though poor timing and inconsistent approaches may partly explain the lack of effectiveness. According to SOFS-C results, supervisors show a strong increase in their confidence to answer employees’ questions concerning NSPS, to support their ratings recommendations fully, and to have the tools, training, and information they need to make pay decisions under NSPS. Managers and supervisors found mock pay pool training helpful.

5.6. Additional Topics**5.6.1. Amount of Time Required To Perform Process****Focus Groups and Interviews**

- The time and administration requirements of the NSPS performance management system, particularly during the first year, are a key concern of leadership and the workforce. Many questioned whether NSPS warrants the current investment of time and effort and whether time requirements are sustainable for the long term. Senior officials said it was too soon to tell whether there are offsetting benefits.

Summary:

Focus group findings show concern and uncertainty whether the time and administration requirements of NSPS will be worthwhile.

5.6.2. Operation and Administration of Implementation Team**Focus Groups and Interviews**

- Implementation teams were instrumental to implementation success. However, implementation efforts were sometimes complicated by shifting policies, particularly in 2006 for Spiral 1.1 organizations due to NSPS startup and the short schedule and in 2007 due to the NDAA decision on Elements 1 and 2.

Summary:

Supervisors and employees overwhelmingly expressed that all aspects of NSPS were time-intensive in the first year. Focus group findings show concern and uncertainty whether the time and administration requirements of NSPS will be worthwhile.

5.6.3. Effects of NSPS**SOFS-C**

- **The people I work with cooperate to get the job done (Agree/Disagree).** All NSPS spirals’ favorable response levels far exceed unfavorable levels indicating that people cooperate to get the job done.”

Focus Groups and Interviews

- It is too early for most senior leaders to evaluate the effects of NSPS on individual and organizational performance. Among employees at all levels, there is awareness that NSPS is still taking root and that it will require time, effort, training, and leadership to fully reach its promised potential and for leadership to become fluent in its application. Other employees have a contrary perspective.
- The workplace was alleged to have become more competitive and less collaborative because of NSPS’s focus on individual achievement.

Summary:

While focus groups are divided on whether the workplace is more collaborative or competitive under NSPS, SOFS-C results show that more employees feel their co-workers cooperate to get the job done. Employee and supervisor focus groups as well as senior leader interview findings suggest that all groups believe NSPS implementation and acceptance will take time, effort, training, and leadership.

These findings are often inconsistent across data sources. This result is not entirely surprising as the data sources measure different concepts in different ways. The DCPDS data reflect empirical results for all of NSPS. The SOFS-C results are statistical inferences of perceptions from a sample of NSPS employees (as well as non-NSPS civilians). The focus groups are protocol-driven discussions with NSPS employees and supervisors about their experiences and perceptions, and the interviews are with senior managers and executives. Given the stage of NSPS during which these data collection efforts occurred, it is certainly too early to say that NSPS has achieved the KPPs, but it is also unreasonable to say definitively whether NSPS is on or off track. There are signs of progress and other signs of needed change.

5.7. Recommendations

Many of the study's recommendations address communication. Without effective communication and training, NSPS cannot achieve its goal of being a credible and trusted system. Implementation teams were conscientious in their communication efforts – so much so that some employees reported being overloaded with frequent, lengthy e-mails that they didn't have time to read. Further, NSPS as a new system continues to change, and some policies, such as those governing use of contributing factors, vary in their implementation. Policy changes, tool updates, new employees and supervisors, rotating military supervisors, and lingering questions among those who have experienced NSPS all call for high levels of ongoing training and communication. Key recommendations include:

- More training on the **performance management** system, especially writing SMART objectives, working with supervisors to tailor objectives that apply broadly to groups or tasks, changing objectives to keep them aligned with changing assignments, writing self-assessments, and understanding use of performance indicators and benchmarks. Supervisors also require training on developing objectives and writing assessments that enable them to meet the needs of the pay pool panel and defend their ratings. Training must include hands-on objective writing that is specific to the participant's job. Inventories of SMART objective examples that cover a range of job types and levels have proved helpful. Best practices, such as keeping logs or journals to document accomplishments and results, should be shared.
- High-level training for employees and supervisors that explains the **pay pool process**, including business rules and other checks that ensure process compliance and accountability. This training should extend through the PRA's review and approval of results. It should also include a high-level description of the Pay Pool Analysis Tool (PAT) that allows the PRA to examine the organization's rating and payout results across pay pools and by career group, pay schedule, and pay band. The workforce should also know that the components, as well as the NSPS PEO, conduct analyses of ratings and payouts for protected groups.
- **Easy reference guides, check lists, process flow graphics, time lines, and other learning aids** that employees can keep at hand and refer to quickly.

- **Mock pay pools**, which participants have found valuable, as refreshers for continuing panel members and as training for new members. This training and other panel planning meetings led by the pay pool manager are important for fostering a common understanding and application of the performance indicators and benchmarks, including how expectations should rise with the level of work. This understanding of ratings and performance indicators must be shared with the managers and supervisors whose employees constitute the pay pool, as well as with employees themselves.
- **Improved feedback** for effective performance management. Managers and supervisors need coaching in how to deliver useful feedback, especially during the interim and year-end reviews, but also in response to successes, failures, or missed opportunities whenever they occur. Further, employees should be encouraged to seek feedback if they need but don't receive it.
- Greater clarity on **career progression and compensation policy** to eliminate confusion for the workforce that has moved from the comfortable, well-understood GS structure to NSPS pay bands. Policies or business rules governing reassignments that merit up to a five percent increase, where control points apply, how performance expectations change as the level of work increases, rounding rules, and salary-bonus splits all merit wide dissemination and discussion. These are issues on which questions of fairness invariably arise if employees sense that there is no policy or that the policy is complied with selectively. Among these, the five percent limit on pay increases for reassignments is perhaps most opposed or misunderstood.

5.8. Conclusion

The KPPs set high standards for NSPS, but certainly standards that an effective, performance-based personnel system should achieve. NSPS implementation made great progress from its beginning in April 2006 with just over 10,000 employees to the conclusion of Spiral 1 with a total of more than 100,000. Program managers, implementation teams, and trainers across DoD worked with executives, managers, supervisors, and employees to make NSPS real. DoD knows from its decades of experience with performance-based demonstration projects that implementing and adjusting to change take time, especially when the change is of such magnitude as moving many thousand employees from the old but familiar General Schedule to a new pay-for-performance personnel system. Evaluations of DoD demonstration projects have shown that negative initial responses become positive over time as new employees who accept pay for performance join the workforce, those who most resist it leave, processes become more familiar and efficient, and high performers see real rewards. This Spiral 1 evaluation report has examined NSPS after just two performance cycles for Spiral 1.1 and only one cycle for Spirals 1.2 and 1.3. The report describes a beginning and a process, not an arrival.

Even with massive training and communication efforts, the workforce has unanswered questions. Employees and supervisors both want to understand the performance management system better, especially what happens in pay pools at the cycle's critical end. The vast majority are invested in their work and want feedback to help improve their performance. The workforce found the process of writing SMART objectives and assessments new and challenging, and pay pool panels wrestled with performance plans that were not always as specific as required. Together, they made it work, though generally not as smoothly as anyone would have wished. There were changes along the way. Some changes were the result of learning, some the result of Congressional decision making – all were in the spirit of improvement.

The way is paved for the future. Leadership is on board, the training is established, the trainers are trained, and the Readiness Tool documents lessons learned. Sustainment training will update and refresh the original training, improve proficiency, and answer such lingering questions as whether to weight objectives, how pay pool funding compares to GS, and how business rules inform share allocation. The processes that make up the annual cycle will become more familiar. The advantages of working with pay bands – classification, reassignments, career progression – will become more apparent the legacy of the GS structure fades. As the newness continues to wear off, NSPS has the potential to demand less time and effort and become a valuable tool for both supervisors and employees. It's on its way, and future evaluations will document its path.

Appendices

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Appendix A: Analysis of Special Topics

The 2007 NSPS analysis also included the following performance and payout topics:

Extraordinary Pay Increase (EPI) and Organizational / Team Achievement Recognition (OAR)

NSPS includes provisions for special salary increases or lump sum bonuses that can be paid as a part of the performance payout process. This is viewed as a way to recognize exceptional performance. While this capability was used by only one pay pool in the first cycle to give a \$3,500 EPI salary increase to a single employee, Table A.1 shows expanded OAR and EPI usage in the second cycle. There were 32 EPI salary increases and 6 EPI bonuses. The OAR was used more frequently with 62 OAR salary increases and 352 OAR bonuses. The salary and bonus maximum and average percentages are based on base salary.

Table A.1 – 2007 EPI and OAR Usage

Component	EPI Salary					OAR Salary				
	Number	Average Dollar Value	Maximum Dollar Value	Average Percent	Maximum Percent	Number	Average Dollar Value	Maximum Dollar Value	Average Percent	Maximum Percent
Army	3	\$5,395	\$8,877	7.9%	13.4%	52	\$1,786	\$6,000	1.9%	10.6%
Navy	6	\$6,300	\$8,405	7.2%	12.0%	4	\$950	\$1,550	1.5%	2.8%
Air Force	21	\$6,451	\$16,990	9.6%	43.5%	6	\$2,232	\$2,458	3.7%	4.0%
Fourth Estate	2	\$9,151	\$10,000	11.1%	14.2%	0	\$0	\$0	0%	0%
Overall	32	\$6,492	\$16,990	9.1%	43.5%	62	\$1,776	\$6,000	2.1%	10.6%
Component	EPI Bonus					OAR Bonus				
	Number	Average Dollar Value	Maximum Dollar Value	Average Percent	Maximum Percent	Number	Average Dollar Value	Maximum Dollar Value	Average Percent	Maximum Percent
Army	2	\$8,000	\$8,000	7.7%	8.1%	162	\$1,294	\$3,000	1.5%	4.4%
Navy	0	\$0	\$0	0%	0%	161	\$507	\$1,634	0.7%	2.0%
Air Force	4	\$5,173	\$8,350	7.4%	10.0%	29	\$946	\$2,892	1.4%	3.0%
Fourth Estate	0	\$0	\$0	0%	0%	0	\$0	\$0	0%	0%
Total	6	\$6,116	\$8,350	7.5%	10.0%	352	\$906	\$3,000	1.1%	4.4%

Impact of Five Percent Extensions to Selected Pay Bands

In Table A.2, we can see that NSPS provided for a five percent extension to the pay range of selected pay schedules and pay bands. In general, the Professional pay schedule within a career group (YA, YD, YH, and YK) saw the upper limit expanded by five percent for those in Pay Band 3. For the supervisory pay schedule within each career group, the upper limit was expanded for those in both Pay Bands 2 and 3. For the Pay Band 2 supervisors, the maximum pay was increased by 5 percent from that of a GS-14, Step 10. For all of the Pay Band 3 supervisors and professionals, the maximum pay was increased by 5 percent over that of a GS-15, Step 10. Table A.2 shows the extent to which these expanded limits were used.

Table A.2 – Utilization of Five Percent Expansion in Certain Bands

Group	Population	In 5 Percent Extension Before Payout		In 5 Percent Extension After Payout	
		Employees	Percent	Employees	Percent
Band 2 employees with 5 percent bump out	17,623	307	1.7%	422	2.4%
Band 3 employees with 5 percent bump out	16,642	1,634	9.8%	1,881	11.3%
Total	34,265	1,941	5.7%	2,303	6.7%

Use of Pro-Ration

The pay pools have the ability to apply pro-ration to a bonus or salary increase. In effect, if the pay pool decides that a bonus or salary increase is too high, it can be reduced by applying a pro-ration value. For example, if a bonus is computed to be \$4,000, the pay pool can decide to apply a 50 percent pro-ration factor and reduce the bonus to \$2,000. Due to computational complexity, any reductions due to pro-ration result in a loss of funding to the pay pool. Table A.3 shows the number of individuals who were prorated and the dollars lost to salary and bonus by level of pro-ration.

Table A.3 – Pro-Ration of Salary Increases and Bonuses in the 2007 NSPS Cycle

Proration Percent Entered	Salary			Bonus		
	Employees	Total Dollar Value Lost	Average Dollar Value Lost	Employees	Total Dollar Value Lost	Average Dollar Value Lost
<10	3	\$8,058	\$2,686	3	\$4,096	\$1,365
10 < 20	1	\$508	\$508	0	\$0	\$0
20 < 30	14	\$14,029	\$1,002	25	\$11,962	\$478
30 < 40	1	\$530	\$530	4	\$6,067	\$1,517
40 < 50	2	\$744	\$372	4	\$3,669	\$917
50 < 60	254	\$241,902	\$952	309	\$161,058	\$521
60 < 70	3	\$1,208	\$403	10	\$5,758	\$576
70 < 80	357	\$200,701	\$562	381	\$106,230	\$279
80 < 90	3	\$820	\$273	10	\$2,258	\$226
90 < 100	3	\$151	\$50	5	\$563	\$113
Total	641	\$468,651	\$731	751	\$301,661	\$402

Spiral 1.1 2006 vs. 2007

Only 9,102 employees from Spiral 1.1 received NSPS ratings in both 2006 and 2007. Based on this small population, our ability to provide useful information on trends is very limited. Therefore, we limited our analysis to a simple comparison of average rating and average shares for the two years. Table A.4 shows a slight growth in average rating and average shares for this population. At the pay pool level results varied, with several pay pools showing significant growth in average rating and average shares and some showing negative growth.

Table A.4 – Spiral 1.1 Rating and Share Growth

Average Rating			Average Shares		
2006	2007	Growth	2006	2007	Growth
3.35	3.43	0.08 (2.4%)	2.26	2.41	0.15 (6.6%)

The size of the NSPS populations at the end of the second and third cycles will provide the opportunity for a more comprehensive and meaningful trends analysis in 2008.

Appendix B: NSPS Performance Plan Evaluation Criteria

SMART Objectives

To what extent did the objectives conform to the specific aspect of the “SMART” framework?

- Not Available. Not enough information provided to make a rating.
- Not Specific. Did not include specific and observable actions, behaviors, or achievements; objectives were written in very general terms (e.g., generic job duties or work activities).
- Moderately Specific. Included moderately specific and observable actions, behaviors, or achievements; objectives were somewhat vague or broad.
- Very Specific. Included very specific and observable actions, behaviors, or achievements that clearly identified key results and outcomes.

To what extent did the objectives conform to the measurable aspect of the “SMART” framework?

- Not Available. Not enough information provided to make a rating.
- Not Measurable. Did not include a method or procedure for assessing or verifying the quality of the objective.
- Moderately Measurable. Included an approximate, vague, or imprecise method or procedure for assessing or verifying the quality of the objective.
- Highly Measurable. Included an exact and precise method or procedure for assessing or verifying the quality of the objective.

To what extent did the objectives conform to the aligned aspect of the “SMART” framework?

- Not Available. Not enough information provided to make a rating.
- Not Aligned. Did not demonstrate a linkage to the relevant organizational mission/strategic goals listed in the performance plan or did not list relevant goals in the performance plan.
- Moderately Aligned. Demonstrated a moderately clear linkage to the relevant organizational mission/strategic goals listed in the performance plan.
- Strongly Aligned. Demonstrated a very clear, direct, and strong linkage to the relevant organizational mission/strategic goals listed in the performance plan.

To what extent did the objectives conform to the realistic aspect of the “SMART” framework?

- Not Available. Not enough information provided to make a rating.
- Not Realistic. Objective was not realistic and attainable given available resources, span of control, time, etc.
- Somewhat Realistic. Objective was fairly realistic and attainable, but was a stretch considering resources, timeline, or span of control.
- Very Realistic. Objective was very realistic and attainable given available resources.

To what extent did the objectives conform to the timed aspect of the “SMART” framework?

- Not Available. Not enough information provided to make a rating.
- No time element. Did not include timeline for accomplishing the objective.
- Included time element. Included timeline for accomplishing the objective.

Appropriateness of Objectives for Band Level and Job Series

To what extent did the objectives reflect the appropriate difficulty and complexity for the band level of the employee?

- Not Available. Not enough information provided to make a rating.
- Too Low. Objective was written at a level that is too low, easy, or simple for the band level; objective would be more appropriate for a lower band level.
- Appropriate. Objective was written at an appropriate difficulty level for the band level.
- Too High. Objective was written at a level that is too high, difficult, or complex for the band level; objective would be more appropriate for a higher band level.

To what extent did the objectives cover meaningful outcomes for the job series?

- Not Available. Not enough information provided to make a rating.
- Not Meaningful Outcome. Objective did not reflect a meaningful outcome for the job series; objective was either irrelevant or insignificant to the tasks of the job.
- Moderately Meaningful Outcome. Objective reflected a moderately meaningful outcome for the job series; objective was relevant and reflected a core work area for the job series.
- Very Meaningful Outcome. Objective reflected a very meaningful outcome for the job series; objective was relevant, key, and significant to the job series.

Adequacy of Performance Descriptions

To what extent did the employee's self-assessment provide adequate information?

- Inadequate Information. Assessment did not describe whether the employee accomplished each objective (e.g., referred to general performance); did not provide examples of significant achievements from the rating cycle; did not provide examples of how the actions or conduct exemplified the contributing factors, if applicable; did not provide examples of how the employee's behavior made a difference in the outcome of the job objective; and did not detail any challenges the employee faced and how he/she fared.
- Adequate Information. Assessment described whether the employee accomplished each objective; provided examples of some significant achievements from the rating cycle; provided an example of how the actions or conduct exemplified the contributing factors, if applicable; provided an example of how the employee's behavior made a difference in the outcome of the job objective; and described some challenges the employee faced and how he/she fared.
- Very Extensive Information. Assessment described whether the employee accomplished each objective; provided several specific and concise examples of the most significant achievements from the entire rating cycle; specifically described how the organization benefited because of what the employee achieved or contributed; provided several examples of how the actions or conduct exemplified the contributing factors, if applicable; provided several specific and concise examples of how the employee's behavior made a difference in the outcome of the job objective; and described in detail any challenges the employee faced and how he/she fared.

To what extent did the rating narrative justify the overall rating received?

- Not Available. Not enough information provided to make a rating.
- Inadequate Justification. Narrative did not provide enough details to support the rating; did not provide any examples of accomplishments or deficiencies; did not focus on

objectives or results (e.g., focused only on generic job duties); narrative represented a very limited portion of the rating period.

- Adequate Justification. Narrative provided a sufficient amount of detail to support the rating; provided examples of accomplishments or deficiencies; focused on specific objectives and results; narrative represented a sufficient amount of the rating period.
- Very Extensive Justification. Narrative provided an extremely significant amount of detail to support the rating; provided a significant number of very detailed examples of accomplishments or deficiencies; focused on objectives and results; narrative represented the entirety of the rating period.

To what extent did the rating narrative justify the contributing factors adjustment (i.e., -1, 0, +1)?

- Inadequate Justification. Narrative did not provide enough details to support the adjustment (or lack thereof); did not provide any examples of accomplishments or deficiencies.
- Adequate Justification. Narrative provided a sufficient amount of detail to support the adjustment (or lack thereof); provided examples of accomplishments or deficiencies.
- Very Extensive Justification. Narrative provided an extremely significant amount of detail to support the adjustment (or lack thereof); provided a significant number of very detailed examples of accomplishments or deficiencies.

Similarity of Objectives

To what extent were the objectives similar within a component for the same job series, pay schedule, and band level?

- Not Similar. Less than 40% of the performance plans contained job objectives that were similar to one another (e.g., reflected similar outcomes or key results).
- Somewhat Similar. 40-75% of the performance plans contained job objectives that were similar to one another (e.g., reflected similar outcomes or key results).
- Very Similar. Over 75% of the performance plans contained job objectives that were similar to one another (e.g., reflected similar outcomes or key results).

Difficulty of Job Objectives

To what extent did the objectives increase in difficulty across bands within the same job series and component?

- Did Not Increase in Difficulty. Difficulty varied across band levels with easy and difficult objectives in both the lower, middle, and higher bands.
- Varied in Difficulty to a Moderate Extent. At least 50% of the performance plans at each band level were more difficult than the majority of the performance plans at the lower band level.
- Varied in Difficulty to a Great Extent. At least 75% of the performance plans at each band level were more difficult than the majority of the performance plans at the lower band level.

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Appendix C: Site Visit Methodology

This study was undertaken at the request of the NSPS PEO to evaluate the implementation and results of NSPS Spiral 1. The primary purpose of the study was to evaluate implementation progress and identify areas where adjustment could be made to ensure that NSPS meets its objectives. The primary research question addressed in this report is whether:

- NSPS is on course to meet the expectations set by its key performance parameters (KPPs).

The KPPs specify the broad goals of NSPS and how their achievement will be measured. The five KPPs and their associated objectives, shown in Table C.1, provide the foundation for this study.

Table C.1 – Key Performance Parameters

1. High Performing Workforce and Management
Stronger link between total compensation and performance
Market Sensitive Salary and Wages
Performance System Provides Ongoing Feedback
Stronger link between retention / separation and performance
Performance expectations aligned with DoD and organization strategic plans, mission requirements
System supports employee engagement in a positive manner
2. Agile and Responsive Workforce and Management
Renewable, expandable, retractable (size) – Mission Critical/Core Support Occupations
Assignable, deployable (shape)
Diverse (multifaceted)
3. Credible and Trusted System
All elements of NSPS design are accessible and understandable (transparency)
Management decisions are merit-based, non-discriminatory, and consistent with NSPS regulations
Expedition and fair resolution of grievances (negotiated/admin), performance reconsiderations, classification appeals, adverse action appeals
Handle performance deficiencies and misconduct timely and decisively
Bargaining process allows DoD and components to implement policies quickly and consistently
Resolve labor disputes and negotiated grievances timely
4. Fiscally Sound System
System provides for cost discipline within the Department's top line
5. Supporting Infrastructure
Employees and managers are knowledgeable in pertinent aspects of NSPS as a result of training

The process by which the qualitative (i.e., focus group and interview) data were collected and analyzed is described in this appendix.

Development of the Data Collection Protocols

Prior to conducting the site visits, the project team developed protocols containing questions designed to address the KPPs. To develop these protocols, the study team worked with the PEO to draft, refine, and evaluate questions.

Separate protocols were developed for each of the following six cohorts:

- Employee
- Supervisor
- Manager/Pay Pool Panel Member
- Implementation Team Member
- Commander/Director
- Performance Review Authority (PRA).

The questions contained in these protocols were designed to elicit responses about specific aspects of NSPS that were relevant to the cohort. Each protocol contained three types of questions:

- **Level 1:** High priority questions that facilitators were instructed to ask in every focus group or interview. These questions tended to be directly relevant to the KPPs.
- **Level 2:** Additional questions that facilitators could ask, but were not likely to ask in each focus group or interview. These questions tended to be less directly relevant to the KPPs, but were expected to provide valuable information about specific topics.
- **Level 3:** Additional questions that facilitators could ask if the participants were having difficulty answering related questions. These questions tended to be follow-up questions that probed larger issues. They often were answered in the course of responding to Level 1 and Level 2 questions.

The draft protocols were pilot tested as part of the first site visit to ensure that the questions were clear and that the protocols could be completed in the allotted time. Based on the results of the pilot test, no changes were made to the protocols. Copies of the protocols are provided in Appendix D.

Collection of Focus Group and Interview Data

Credentials of Study Team

A data collection team consisting of a facilitator and a recorder conducted each focus group and interview. A representative from the NSPS PEO and the relevant component were also present for the Commander/Director, PRA, Managers/Pay Pool Panel, and Implementation Team interviews. The PEO and component representatives provided an introduction to the employee and supervisor focus groups, but were not present during the discussions.

Members of the data collection teams were responsible for facilitating and recording the focus groups. The role of the facilitator was to guide the discussion following the protocol. The role of the recorder was to create an annotated transcript of the discussion. Members of the project team alternated between facilitating and recording.

Participating Sample

The data collection teams conducted 111 focus groups and interviews with approximately 635 employees⁶. Table C.2 provides an overview of the number of focus groups and interviews by location and cohort.

Table C.2 – Number of Focus Groups and Interviews by Location and Cohort

Location	Cohort						Total
	Employee	Supervisor	Pay Pool Panel	Imp. Team	Commander /Director	PRA	
CHRA North Central	2	1	1	2	1	0	7
CPOC							
Tripler Army Medical Center	3	2	1	1	0	1	8
Army Engineering District, Jacksonville	3	2	2	1	1	1	10
HQ USMC	3	2	2	1	1	1	10
PACFLT	2	1	3	1	1		8
SPAWAR SYSCEN	5	2	2	1	1	1	12
Scott AFB	3	2	3	1	0	1	10

⁶ This number is estimated because not all employees and supervisors completed a demographic questionnaire and demographic data were not collected from senior leadership.

Location	Cohort						
	Employee	Supervisor	Pay Pool Panel	Imp. Team	Commander /Director	PRA	Total
Offutt AFB	3	2	2	2	1	0	10
Wright-Patterson AFB	3	3	2	1	0	1	10
Defense Security Cooperation Agency	3	1	1	1	2	2	10
Missile Defense Agency	3	1	2	1	0	0	7
DoD IG	4	2	2	1	0	0	9
Total	37	21	23	14	8	8	111

Focus groups typically consisted of six to twelve participants; however, some focus groups were conducted with as few as three and as many as twenty participants due to variations in employee and supervisor availability during the site visits. Interviews were typically conducted with one to three participants. Demographics of the participating samples are provided in Appendix F.

Data Collection Procedures

At the start of each session, the facilitator described the goals of the overall study and provided an opportunity for participants to ask questions. Focus group participants were advised that information obtained during the session was to be treated as non-attributational and confidential. Each participant completed a demographic questionnaire.⁷ Participants were provided a telephone number for the facilitator in the event they wanted to express some additional thoughts after the session ended.

After collecting the demographic questionnaire the facilitator followed the relevant focus group protocol. In addition, the facilitator asked probe questions as necessary to gather further information. Facilitators used their own discretion to select probe questions based on the detail and length of the group's response. It is important to note that the purpose of the focus groups was to collect employees' perceptions and beliefs regarding the questions. It is possible that these perceptions and beliefs do not accurately reflect actual NSPS processes, but rather employees' perceptions of these processes. To balance perceptions by focus group participants, the research team examined contextual elements of each organization, component, and DoD to identify "disconnects" and inconsistencies in the implementation process.

All focus group participants were given an opportunity to respond to each question; however, because participation was voluntary, facilitators did not "call on" individual participants to speak. During the entire focus group, the recorder captured detailed transcripts of the participants' responses to each question, without any identifying information. To conclude the focus group, the facilitator debriefed all the participants. The debriefing covered the following topics:

- A reminder that that all information provided in the focus group will be kept completely anonymous and non-attributational by name, organization, or installation. No data will be linked back to any individual.
- The remaining schedule for the data collection and analysis process. Specifically, the participants were told that focus groups were being conducted throughout the selected 12 sites and that at the conclusion of the focus groups the data collection teams will meet to review the results and produce a report for the NSPS PEO.

⁷ Demographic data were collected only during focus groups. Interview participants did not complete the demographic questionnaire.

- A reminder that participants could send an email to the facilitator if they had any other comments or suggestions they would like to provide. This information would also be treated as non-attributional and would be considered part of the focus group discussion.

Analysis of Focus Group and Interview Data

Cleaning and Analyzing Individual Focus Group and Interview Transcripts

At the conclusion of a focus group session, the recorder produced a raw transcript. This document may have contained typographical errors, abbreviations, and other shorthand that was necessary for the rapid acquisition of the data in real time. Next, the recorders cleaned and edited the raw transcript to correct any typographical errors and fill in any detail that was missing due to the use of abbreviations and shorthand. Further, recorders then placed these responses as appropriate under the pre-defined questions. Duplication of data was allowed if the data answered more than one of the pre-defined questions. This corrected and sorted document, which was stored separately from the raw data, is referred to as the cleaned transcript. It is this cleaned transcript that is the initial unit of analysis.

Next, each facilitator produced an analyzed transcript. The cleaned transcript was content analyzed to identify salient themes and quotations that supported the themes. Themes were identified using the following criteria:

- The prevalence of the concept in the transcript
- The importance of the theme to the overall research question
- Internal homogeneity - does the theme express a unified idea?
- External heterogeneity - is the theme unique from other themes?

This process resulted in the identification of approximately 4,000 individual themes.

Cross-Transcript Analysis

To identify and remove redundancy from the approximately 4,000 individual themes, the study team next conducted a cross-transcript analysis for each of the six cohorts (i.e., Employee, Supervisor, Manager/Pay Pool Panel Member, Implementation Team Member, Commander/Director, and PRA). This methodology quickly and effectively aggregates themes from multiple focus groups.

To conduct this analysis, members of the study team linked each of the 4,000 themes to one of 57 larger theme categories and identified and eliminated redundancies using the criteria for a theme described above. Next, the study team participated in a facilitated discussion during which we reviewed the reduced set of 211 non-redundant themes for each cohort for accuracy. While each facilitator/recorder team was well versed in the themes from their respective sessions, no one team had complete knowledge of overarching themes. Therefore, the objective of this analysis was to determine the salient themes for each of the six cohorts. Through this process, the study team identified the themes that emerged most consistently across all of the focus groups.

Cross-Cohort Analysis

To consolidate the 211 cohort-specific themes into a smaller, more meaningful set of overarching themes, the study team next conducted a cross-cohort analysis. The cross-cohort analysis methodology was essentially the same as the cross-transcript analysis methodology, but was used to identify and eliminate redundancies across cohorts while also retaining any subtle differences in perspective that are relevant to particular cohorts. These cross-cohort themes represent the strongest, most consistent findings from across all focus groups and interviews. Through this process, the study team clustered the cross-transcript themes into 16 cross-cohort themes.

Appendix D: Focus Group and Interview Protocols

Focus Group Protocol - Employee

Thank you for joining us today. My name is _____ from _____ and I will facilitate this focus group. I am joined by:

[Ask the visiting group to introduce themselves and to state their organization]

As you know, Spiral 1 of the National Security Personnel System (NSPS) covers more than 100,000 employees, and 70,000 more are converting this year in Spiral 2. We are in the process of conducting focus groups and interviews in 12 organizations across the country to help us evaluate NSPS as it was implemented in Spiral 1.

Although _____ will be taking detailed notes on the information collected in this focus group, all responses will remain anonymous and non-attributional. That is, we will not link your name to any of the comments that you make. The results of this session will be combined with other sessions here and elsewhere as we evaluate NSPS.

[Hand out the demographic questionnaire.]

The purpose of this form is to collect basic information about the makeup of this group, so we can think about your responses as a representative sample of everyone who's under NSPS. The data will be stored separately from your responses and will not be linked to any participants' comments. You don't have to give us the information, but it will be helpful if you do.

If you have issues you would like to bring up, but are not comfortable doing so in this group, you can contact me at _____ to set up a telephone interview.

Because the information we are collecting in this session is so critical and the time for this session is limited, we ask that you please:

- Speak clearly and to the facilitator
- Speak one at a time
- Avoid side conversations

This session is expected to last for up to two hours. During this session, we will ask about your experiences in NSPS and how NSPS has affected you and your organization. Before we begin, I'd like for you to introduce yourselves. Please give us your name, which organization you're with, and how long you've been here at _____.

Thanks to all of you for taking the time to be with us today.

Are there any questions?

Let's begin with some general questions.

1. What, if anything, feels different about being in NSPS?
2. What NSPS training did you receive, and how helpful was it? [Examples of training include NSPS 101, performance management system, writing objectives]
 - *What was most (and least) helpful about the training?*
 - *Are there any topics or skills that you think weren't covered adequately and should be part of future training?*
3. How well were you kept informed about what to expect and about how local processes changed under NSPS?

Next, let's talk about your experiences with performance plans, objectives, and the rating process.

4. What was your role in developing your performance objectives?
 - *Did you write your own objectives, work with your supervisor to write them, comment on standard objectives?*
5. To what extent did your performance plan last year cover your major work activities with clear, reasonable objectives?
 - *Did the contributing factors make sense for your job? What makes you say this?*
 - *Did the objectives capture the right criteria and measures to assess your performance?*
 - *Did your performance plan reflect outcomes that were important for your job?*
6. Does your performance plan for this year make sense to you? Do you understand what it will take to get a rating of 3 and higher?
 - Thinking back to last year, how useful was your supervisor's feedback during your interim review to help you improve or change your performance?
 - *Was the feedback specific enough so that you knew what to concentrate on?*
 - *How did you change your performance—if at all—after getting your supervisor's feedback at interim and other reviews?*
 - *Did you and your supervisor discuss your career development during performance reviews?*
 - If you completed a self-assessment, how valuable do you think it was?
7. To what degree do you think your performance was appropriately rated?
 - *Can you think of anything that would make the rating process better?*
8. How clear were your rater's explanation of your rating and responses to your questions?
 - *Was he or she able to answer your questions about your ratings and payout?*
9. How much information did you get about rating and payout results across your pay pool?
 - *Was this information helpful?*

Now, let's talk about the performance system in general terms.

10. How well do you understand your organization's pay pool process? Also comment on how you got information about the process,
 - For example: written notices about the pay pool, training, and/or someone you could turn to for additional information to satisfy your questions.
 - **Examples of notice information:** *which employees are included, whether there are subpools, the names of the pay pool manager and panel members, general pay pool policies and business rules.*
11. What safeguards do you think are most important to make sure the rating and payout decisions are fair and equitable?
12. How strong a link do you see between performance and pay under NSPS?
 - *What about a link between performance and the size of bonuses?*
 - *Are the links stronger under NSPS than they were under your previous system?*

Now, let's move to some other aspects of NSPS.

13. What's your opinion of how NSPS's broad pay bands will affect your job opportunities and assignments in the organization? What makes you think this?

- *Will they affect the assignments you receive or seek out?*
 - *Do you know how to advance in your career under NSPS?*
14. Has NSPS affected your job satisfaction or your motivation?
- *Do the performance discussions with your supervisor, and the potential rewards under NSPS affect the way you perform your job?*
 - *Are you starting to see meaningful differences in the way performance at different levels is rewarded?*
15. How have things worked out under NSPS compared to what you thought might happen?
- *Do you plan to do anything differently this year as a result of your experience with NSPS? If so, what?*
16. Do you think you will be better off in the future under NSPS? What makes you say this?
- *What is the one thing about NSPS you would most like to change?*
17. Do you believe that your organization will be better off under NSPS? What makes you say this?
- *What do you think the long term effects of NSPS will be?*

Remember, if you have issues you would like to bring up, but are not comfortable doing so in this group, or if you think of any other comments you would like to make, you can contact me at _____ to set up a telephone interview.

Thank you for talking to us today.

Focus Group Protocol - Supervisors

Thank you for joining us today. My name is _____ from _____ and I will facilitate this focus group. I am joined by _____

[Ask the visiting group to introduce themselves and to state their organization]

As you know, Spiral 1 of the National Security Personnel System (NSPS) covers more than 100,000 employees, and another 70,000 are converting this year in Spiral 2. We are in the process of conducting focus groups and interviews at 12 sites across the country to help evaluate NSPS as it was implemented in Spiral 1.

Although _____ will be taking detailed notes on the information collected in this focus group, all responses will remain anonymous and non-attributational. That is, we will not link your name to any of the comments that you make. The results of this session will be combined with other data to evaluate NSPS.

[Hand out the demographic questionnaire.]

The purpose of this form is to collect basic demographic information so we can evaluate the representativeness of the participant sample relative to the entire population that is under NSPS. The data will be stored separately from your responses and will not be linked to any participants' responses.

If you have issues you would like to bring up, but are not comfortable doing so in this group, you can contact me at _____ to set up a telephone interview.

Because the information we are collecting in this session is so critical and the time for this session is limited, we ask that you please:

- Speak clearly and to the facilitator
- Speak one at a time
- Avoid side conversations

This session is expected to last for up to two hours. During this session, we will be asking you about your experiences in NSPS and how NSPS has affected you and your organization. Before we begin, I'd like for you to introduce yourselves. Please give us your name, which organization you're with, and how long you've been here at _____.

Thanks to all of you for taking the time to be with us today.

Are there any questions?

Let's begin with some general questions.

1. What, if anything, feels different about supervising employees under NSPS?
2. What NSPS training have you taken, and how helpful was it?
 - *Are the on line NSPS courses useful supplements?*
 - *Are there any topics or skills that you think weren't covered adequately and should be part of future training?*

Next, we'd like to hear about your experiences with hiring, pay, and assignment aspects of NSPS.

3. What's your opinion of how NSPS's broad pay bands affect job opportunities and assignments for you and your employees? Expand upon this and give examples.
 - *Will they affect the assignments you receive or seek out for yourself?*
 - *How do they affect work assignments you give your employees?*
 - *Are new career paths starting to emerge under NSPS?*
 - *Have you noticed any examples of NSPS' broader pay bands and career groups making it easier to move people or work within your organization?*
4. Tell us how NSPS pay flexibilities help or don't help when you go to reassign, relocate, or promote employees?
5. In your opinion, has NSPS made a difference in attracting and hiring high quality candidates? Expand upon your thoughts with examples.
 - *How does your local pay policy or pay approval process affect your pay offers?*
 - Have there been any situations where NSPS broadbands and career groups created difficulties in staffing? Can you give some examples?
 - How would you compare quality of applicants and the people you hire under NSPS to those under your previous system?

Now I'd like to move on to performance management.

6. How did you involve employees in developing their performance plans?
 - Who prepared the first draft?
 - If you used standard objectives, did employees have a role?
 - Were all of your employees' performance objectives measurable?
 - What questions did your employees ask you about their performance expectations after their performance plans were in place?
 - How well did the measures you included in their objectives reflect outcomes that are important to their jobs?
 - *Did the contributing factors help you focus the employee's attention on the most important aspects of how the objective should be carried out?*
7. What is your opinion of the value and effectiveness of interim reviews with your employees?
 - *Did you obtain any insight from the employee about work progress and products?*

- *Did you identify any changes the employee needed to make to perform most effectively?*
 - *Did you discuss your employee's career development?*
 - *Do you plan to do interim reviews and informal discussions differently in the future? If so, what will you do differently?*
8. How did you measure employee performance?
- Did your employees complete a self-assessment?
 - *How valuable do you think the self-assessment was?*
 - How useful were the benchmarks and performance indicators in rating performance? To what extent were you able to match performance with the performance indicators at the level you felt was appropriate?
 - What questions or comments did your employees ask about how you saw their performance?
 - In your assessment input, were you comfortable that you made the case to support your employees' recommended rating?
 - *What worked well? What difficulties did you encounter and how did you resolve them?*
 - *Which types of objectives proved the hardest to measure?*
 - *Did you credit contributing factors when you recommended ratings?*
 - Do you think the rating process is fair to employees?
 - *To what extent do you think the performance you measured accurately reflected the important things employees did and how well?*
 - *To what extent were you able to differentiate among performance levels?*
 - *In your assessment input, were you comfortable that you made the case to support your employees' recommended rating?*
9. What sorts of questions or comments did your employees have about the rationale behind their ratings?
- *What, if anything, did you do or say that helped your employees understand their ratings?*

Now let's talk about some general aspects of the performance system.

10. Talk about the information you got from the pay pool panel or subpanel, and any interaction you had with them about outcomes.
- What information did you get about the business rules, funding levels, deadlines?
 - How did you handle any pay pool panel or subpanel questions about your assessment of employee? Was the interaction valuable?
11. Was the performance rating and payout process in your organization transparent? What would have helped make it transparent?
12. How do you make decisions about high impact assignments that can give one employee a leg up when the panel reviews the accomplishments?
- *Do you have any strategies for minimizing the appearance of favoritism in making these assignments?*
13. How strong a link do you see between performance and pay under NSPS? That is, do you think your stronger performers are getting bigger payouts and/or bonuses than average performers? And are the payouts big enough to matter to them?
- *TO SPAWAR and MDA supervisors: Are these links any stronger under NSPS than under your former system?*

- *Do you think higher performers will move ahead faster under NSPS?*

14. To what extent has NSPS affected your ability to address poor performance, if any, among your employees?

To conclude the session, we would like to ask you a few general questions about NSPS.

15. What effects are you seeing on your workforce?

- Have you had any employees leave or talk about leaving since NSPS started?
 - *How do you think the performance assessment and payout process affected their decision or intention?*
 - *Do you consider those who left or talk about leaving to be high performers, average performers, or low performers?*
- In your opinion, what effects has NSPS had on how your employees do their jobs?
 - *If you have noticed changes in employee satisfaction or motivation, what do you think is causing them? The potential for rewards? The increased flexibility of job assignments? Something else?*
- Was the amount of time spent on performance plans, discussions, and evaluation valuable?
 - *Do you think it will take a similar amount of time in the future?*
- Do you plan to do anything differently this year as a result of your experience with NSPS? If so, what?

16. Do you believe that your organization will be better off under NSPS? Why or why not? What makes you think this?

- *What do you think the long term effects of NSPS will be?*

17. What is the one thing about NSPS you would most like to change?

Do you have anything to add?

Remember, if you have issues you would like to bring up, but are not comfortable doing so in this group, or if you think of any other comments you would like to make, you can contact me at _____ to set up a telephone interview.

Thanks for meeting with us today.

Group Interview Protocol - Managers/Pay Pool Panel

Thank you for joining us today. My name is _____ from _____ and I will facilitate this group interview. I am joined by _____

[Ask the visiting group to introduce themselves and to state their organization]

As you know, Spiral 1 of the National Security Personnel System (NSPS) covers more than 100,000 employees, and another 70,000 are converting this year in Spiral 2. We are in the process of conducting focus groups and interviews at 12 sites across the country to help evaluate NSPS as it was implemented in Spiral 1.

Although _____ will be taking detailed notes on the information collected in this focus group, all responses will remain anonymous and non-attributional. That is, we will not link your name to any of the comments that you make. The results of this session will be combined with other data to evaluate NSPS.

This session is expected to last 90 minutes. We're interested in getting your perspective both as senior managers who deal with all aspects of NSPS, and as pay pool officials. We will begin by asking about your management experiences with pay, staffing, and pay banding aspects of

NSPS, and then move on to pay pool panel questions. Before we begin, I'd like for you to introduce yourselves. Please give us your name, which organization you're with, and how long you've been here at _____.

Thanks to all of you for making time to be with us today.

Are there any questions?

Let's start off with the some questions related to staffing your workforce.

1. How do you think NSPS is affecting your ability to recruit and retain high quality employees?
 - Are you able to keep pay reasonably competitive?
 - How does your component or local pay policy affect your pay offers and decisions?
 - What kinds of effects does pay banding have on local reassignment and work assignment processes?
2. Are you able to strike a balance between the pay expectations of current employees and the pay expectations of new hires?

Let's move on to the pay pools, starting with some questions about planning for the panel.

3. How did you decide who'd be members of the pay pool panels, and whether or not to use subpool panels?
4. Please tell us about the objectives, principles, and business rules you established for the pay pool – why you decided on them and how they worked out.
 - *Did you have to work out any issues with the pay pool process along the way?*
 - *How did you and the panel members prepare yourselves for the panel's work?*
 - *How did your deliberation process work? Was it effective?*
 - *What about business rules for EPI? OAR? Proration? Control points?*
5. What feedback or information from you mock pay pool experience did you communicate to employees and supervisors?
 - *Did the panel give rating officials (supervisors) suggestions on ways to improve employees' performance objectives or assessment input?*
 - *Did the panel share general results of mock ratings?*
 - *Did they panel mainly use the experience internally, to test and improve its processes?*

Next, we would like to hear your opinion about the rating and performance payout processes.

6. What did you and the panel do when panel members disagreed with a rating official's recommended rating?
 - If there were more than minor disagreements, what kinds of issues were there?
 - How did you resolve disagreements or get extra information?
 - What sort of feedback to you give rating officials when you changed a rating from their recommendation?
 - *How well did the final employee ratings in your pay pool conform to your shared performance rating expectations?*
7. Describe the review process your panel(s) used to achieve rating consistency and equity, for example, among similar jobs or between jobs in different pay bands.
 - *How well did your process for building a shared understanding of performance ratings work?*

- *Did you review everything for all employees or did you review selectively?*
 - *How well did this work?*
 - *How effective was the process of determining final shares and payout distributions between salary and bonus?*
 - *Would you do anything differently next time?*
8. How useful were the performance plans and assessment input? The standard benchmarks and performance indicators?
 - *How about the Compensation Workbench (CWB), Pay Pool Analysis Tool, or other tools you used?*
 9. What kinds of information did you communicate to the rating officials?
 - *How effective was this?*
 - *Would you do anything differently next time?*
 10. How did you decide what pay pool and payout results to present to the workforce?
 - *How could fairness and credibility of the rating process be enhanced?*
 11. How effective was the rating reconsideration process? To what degree was the rating reconsideration process effective?
 - *How much use did employees make of it?*
 - *What percentage of ratings was changed?*
 - *Do you have a sense of whether employees generally were satisfied that they got a fair opportunity to make their case?*
 12. Was there enough time to do the pay pool activities you felt should be done?
 - *What took more time than you expected?*
 - *Do you think it will take a similar amount of time in the future?*
 - *What shortcuts or alternative approaches did you use to save time?*
 13. What was hardest for your panel? Why?
 14. What changes are you planning to make based on your pay pool panel experience this past cycle?

We have some final, general questions.

15. Overall, do you believe that high performers will be better rewarded under NSPS than under the previous system? Why or why not?
 - *How do you think pay progression and rewards under NSPS compare to what would have happened under the previous system?*
16. Do you believe that your organization will be better off under NSPS? Why or why not? What makes you think this?
 - *Where do you think NSPS will be most helpful to your organization?*
 - *What do you like most about NSPS? Least?*
 - *What is the one thing about NSPS you would most like to change?*

Is there anything you would like to add?

Thanks again for taking time with us today.

Group Interview Protocol – Implementation Team

Thank you for joining us today. My name is _____ from _____ and I will facilitate this group interview. I am joined by _____

[Ask the visiting group to introduce themselves and to state their organization]

As you know, Spiral 1 of the National Security Personnel System (NSPS) has been implemented for over 100,000 DoD employees. We are in the process of conducting focus groups and interviews as part of 12 site visits across the country to help evaluate NSPS Spiral 1.

Although _____ will be taking detailed notes on the information collected in this focus group, all responses will remain anonymous and non-attributable. That is, we will not link your name to any of the comments that you make. The results of this session will be combined with other data to evaluate NSPS.

Because the information we are collecting in this session is so critical and the time for this session is limited, we ask that you please:

- Speak clearly
- Speak one at a time
- Avoid side conversations

This session is expected to last for up to two hours. We will ask you about your experiences as members of the implementation team. Before we begin, I'd like for you to introduce yourselves. Please give us your name, which organization you're with, how long you've been here at _____, and your role on the implementation team.

Thanks to all of you for making time to be with us here today.

Are there any questions?

Would you tell us a little about your organization and the staff that's covered by NSPS?

Let's begin with a discussion of how your effort started:

1. What kinds of guidance and authority did you receive from the chain of command related to preparing for and managing the transition to NSPS?
 - *How valuable was it?*
2. What kinds of training or other preparation and information did you receive, to help you with planning and carrying out NSPS implementation:
 - *How valuable was it?*
 - *Was there anything extra that you think that implementation team members need to prepare them, that you didn't have?*
3. Tell us about the kinds of communication, outreach, and change management activities you conducted. *[Examples: informal information sessions, town hall meetings, newsletters, presentations about the organization's strategic plan]*
 - *How successful were these efforts?*
 - *Would you do anything differently if you had the chance?*
4. What training did your team arrange for employees, supervisors, and other officials?
 - *What did you do to make sure that everyone who was supposed to be trained attended the training or used the training resources?*
 - *What kinds of reinforcing or supplemental training did you provide?*
 - *What sorts of adjustments did you make to the training based on course feedback?*
 - *What would you do differently to train and prepare the workforce for a change like NSPS, based on your experience?*

Please tell us about how your team was structured and the resources you used.

5. Was the implementation team sized right for your organization?
 - What was the team's composition? For example, did it include:

- *Both civilian and military members?*
- *Both supervisory and non-supervisory employees?*
- *Individuals with pay-for-performance experience?*
- *Individuals with specific knowledge, such as finance, HR, legal, public affairs, information technology, or change management?*
- How effective was the team? What would you change about it?
- What kinds of resources were available to the team?
 - *Were team members dedicated full-time?*
 - *Budget?*
 - *Data/IT?*
 - *Trainers?*
 - *Other resources?*
 - Did your team get good use out of the Readiness Tool?
- 6. Were your resources sufficient to accomplish the team's goals?
 - *If not, what other resources did you need?*
- 7. What were your team's biggest:
 - Successes?
 - Disagreements?
 - Failures?

To conclude the session, we would like to ask you a few general questions.

8. Did you allow enough time as the implementation team to do all the implementation activities you felt were necessary?
9. Do you believe that your team was successful in helping the workforce transition to NSPS? Why or why not?
10. What lessons would you like to pass along from your implementation experience?

Is there anything else you would like to add?

Thank you for meeting with us today.

Interview Protocol – Commander/Director

NOTE: This protocol should be combined with the PRA protocol when the Commander is also the PRA.

Thank you for meeting with us today. We are one of three teams conducting site visits to Spiral 1 organizations as part of a comprehensive NSPS program evaluation. Please let us introduce ourselves. My name is _____ from _____ and I am joined by _____.

Describe the site visit purpose and agenda. Identify others with whom the team will be meeting.

Before we begin, are there any questions?

Let's begin with some questions about your role.

1. What is your role in helping your employees and supervisors make the transition to NSPS?

2. **[Ask this question only if the Commander is at the Command or Agency level]** What Command (or Agency) guidance and assistance has been given to subordinate units about their responsibilities and authority under NSPS?
3. How does NSPS affect the way you run your organization?
 - Please describe any internal oversight or control processes you've put into effect to manage risks under NSPS, like equitable ratings and salary cost growth.
4. How does NSPS affect your ability to staff your workforce and meet your mission?
 - Are you satisfied with the flexibility and local discretion you have under NSPS, or are there aspects where you'd like a freer hand?
 - What changes are you starting to see in organizational performance that you can relate to NSPS?
5. Over the long term, how worthwhile is the investment of time and effort you and your workforce are putting into performance management? (e.g., training, performance planning, discussions, assessment, and panel deliberations)

Finally, we have some general questions.

6. What feedback have you received regarding NSPS from the supervisors and employees in your organization?
7. What is the one thing about NSPS you would most like to change, and why?
8. Do you believe that your organization will be better off under NSPS? Why or why not? (What makes you think this?)
 - *What do you think the long term effects of NSPS will be?*

Is there anything you would like to add? Thank you for taking time with us today.

Interview Protocol - Performance Review Authority

NOTE: This protocol should be combined with the Commander protocol when the Commander is also the PRA.

Thank you for meeting with us today. We are one of three teams conducting site visits to Spiral 1 organizations as part of a comprehensive NSPS program evaluation. Please let us introduce ourselves. My name is _____ from _____ and I am joined by _____.

Describe the site visit purpose and agenda. Identify others with whom the team will be meeting.

Although _____ will be taking careful notes, all of your responses will remain anonymous. The results of this session will be combined with other interviews here and eventually at other organizations as we evaluate NSPS.

Before we begin, do you have any questions?

Let's begin.

1. What are your key interests and objectives as the PRA?
2. How well did the pay pool process work in your organization?
3. Please tell us about the business rules your pay pools used, why you chose those approaches, and how they worked out.

- *Assigning shares?*
 - *Control points?*
 - *Proration?*
 - *Use of EPI and OAR?*
 - *How to split pay increases between base pay and bonus?*
4. How did you decide on the number and structure of the pay pool(s)?
 5. Please describe the nature of your interaction with the pay pool panel(s) before, during, and after their deliberations?
 - *Topics?*
 - *Purpose, e.g., discuss/decide issues, give direction*
 6. To what extent did you tie mission results and outcomes to pay pool funding, the rating process, or other aspects of the payout, such as share options?
 7. What steps have you taken to make your performance rating process and payouts fair, equitable, and transparent?
 - What kinds of guidance, if any, did you give to rating officials?
 - Did you have the information and charts you needed to review pay pool results? And can you tell us how useful the pay pool analysis tool and the compensation workbench were in providing that data?
 - What information did you arrange to release to the workforce about business rules and your organization's pay pool outcomes? Did you have any reservations about releasing the information?
 - Do you intend to make – or “recommend,” if PRA is departing - any changes to pay pool policies and practices?
 8. How did the rating reconsideration appeal process work out?

To conclude, we would like to ask you a few general questions about NSPS.

9. What do you like most about NSPS? Least?
 - What is the one thing about NSPS you would most like to change?
10. Do you believe that your organization will be better off under NSPS? What makes you think this?
 - What do you think the long term effects of NSPS will be?

Is there anything you'd like to add?

Thank you for meeting with us today.

Appendix E: Focus Group Participant Demographics

The study team conducted 58 focus groups as part of site visits to 12 NSPS Spiral 1 organizations. Participants for the focus groups were randomly selected and attended voluntarily. Each participant was asked to complete a short questionnaire requesting demographic and background information, and most completed it. This appendix provides results from these participant questionnaires. Section E.1 summarizes the demographic characteristics of the participants. Sections E.2 and E.3 report demographics by pay band and pay schedule and describe participants' years of experience as DoD civilians.

Demographics of Focus Group Participants

A total of 635 participants completed demographic questionnaires. The total number of participants at a site ranged from a low of 21 to a high of 75. Non-supervisory employees were the largest group, comprising 60.2% of the total. Table E.1 provides employee and supervisor counts and percentages.

Table E.1 – Supervisory Status of Focus Groups Participants

Type of Focus Group	Number of Participants	Percentage of Total Sample
Supervisor	253	39.8
Non-Supervisory Employee	382	60.2
Total	635	100.0

Table E.2 presents the gender composition of the focus groups. Males were about 54% of all participants.

Table E.2 – Gender of Focus Groups Participants

Gender	Number of Participants	Percentage of Total Sample
Male	341	53.7
Female	292	46.0
Missing	2	0.3
Total	635	100.0

As shown in Table E.3, focus group participants represented all race groups. Whites were the largest group at just over 70%, followed by Blacks or African Americans and Asians, Native Americans or Alaska Natives, and Native Hawaiians or Other Pacific Islanders each comprised less than 1% of the participants. Table E.4 illustrates that less than 5% of the participants indicated Hispanic or Latino origin.

Table E.3 – Race/National Origin of Focus Groups Participants

Race/National Origin	Number of Participants	Percentage of Total Sample
White	455	71.7
Black or African American	75	11.8
Asian	38	6.0
Native American or Alaska Native	4	0.6
Native Hawaiian or Other Pacific Islander	3	0.5
Other	16	2.5
Missing	44	6.9
Total	635	100.0

Table E.4 – Hispanic or Latino Origin of Focus Groups Participants

Hispanic or Latino Origin	Number of Participants	Percentage of All Participants
Yes	30	4.7
No	447	70.4
Missing	158	24.9
Total	635	100.0

Focus Group Participants by Pay Band and Pay Schedule

As shown in Table E.5, focus group participants represented eleven NSPS pay schedules and all four pay bands. In addition, some supervisors were active duty military. The largest group of participants was Professional/Analytical, Pay Band 2 (YA-2), followed closely by Supervisor/Manager, Pay Band 2 (YC-2).

Table E.5 – Pay Band and Pay Schedule of Focus Groups Participants

Pay Schedule	Pay Band					Total Count
	1	2	3	4	Missing	
Standard Career Group						
Professional/Analytical (YA)	17	141	42	0	3	200
Technician/Support (YB)	30	19	2	0	5	51
Supervisor/Manager (YC)	7	107	46	0	0	160
Student (YP)	4	0	0	0	0	4
Scientific and Engineering Career Group						
Professional (YD)	5	48	25	0	1	78
Technical/Support (YE)	0	7	4	0	1	11
Supervisor/Manager (YF)	0	26	29	0	0	55
Medical Career Group						
Physician/Dentist (YG)	0	1	0	0	0	1
Professional (YH)	0	9	1	0	2	10
Technician/Support (YI)	0	0	0	0	0	0
Supervisor/Manager (YJ)	1	10	0	1	0	12
Investigative and Protective Services Career Group						
Investigative (YK)	0	0	0	0	0	0
Fire Protection (YL)	0	0	0	0	0	0
Police/Security Guard (YM)	0	0	0	0	0	0
Supervisor/Manager (YN)	4	2	1	0	0	7
Other					34	0
Total	68	370	150	1	46	635

The majority (58%) of participants in the focus groups had no prior military service.

Years as a DoD Civilian

The average years of experience as a DoD civilian was 12.3 years. The overall experience reported by participants ranged from less than one year to 40 years. The largest number of participants (39.6%) reported having fewer than five years of experience. Male participants averaged 11.5 years, and females averaged 13.2 years. Table E.6 presents years as a DoD civilian for all participants by gender.

Table E.6 – Years as a DoD Civilian-By Gender

Gender	Mean	Number of Participants
Male	11.5	318
Female	13.2	284
Missing		1
Total	12.3	603

Participants averaged 5.4 years in their current position, with males averaging 5.5 years and females 5.3 years. The overall range of experience in the current position was from less than one year to 33 years. The majority of the participants, 57%, reported fewer than three years.

The majority of focus group participants had no previous experience in an NSPS Spiral 1 organization, with only about 9% having worked in more than one Spiral 1 organization.

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Appendix F: Review of Relevant Literature

While integrating the overall findings, the study team also identified some of the industrial/organizational psychology literature that may be relevant to understanding the results of this study. The topics of this literature review include:

- Implementation of pay-for-performance systems
- Writing high-quality performance objectives
- Factors that affect the accuracy of performance ratings
- Strategies for addressing poor performance
- Reactions to perceived organizational injustice
- Strategies for recruiting and retaining employees.

For each topic, we provide a brief review of the literature with emphases on (1) how the literature relates to the results of the study and (2) recommendations for improved practice.

Implementation of Pay-for-Performance Systems

Research has found that strengthening the relationship between pay and performance increases job performance (Locke et al., 1980), and the use of pay-for-performance (PFP) systems appears to be growing (Heneman et al., 2000; as cited in Rynes, Gerhart, & Parks, 2005). A study entitled “The Rewards of Work,” conducted by Sibson & Company, found that employees who are satisfied with their organization’s pay system were more committed to their organization and less likely to leave (LeBlanc & Mulvey, 1998). Most Americans prefer merit-based pay systems in which fixed raises, as opposed to one-time bonuses, are added to their base salary. In addition, Americans prefer pay raises based on their individual performance, and not based on their team’s or company’s performance. Those most in favor of merit-based pay tend to be the organization’s highest performers (LeBlanc & Mulvey, 1988).

PFP is thought to influence motivation and performance through the “incentive effect” and the “sorting effect” (Rynes, Gerhart & Parks, 2005). The “incentive effect” refers to PFP’s influence on job performance. The “sorting effect” refers to the process by which employees self-select in and out of organizations. An organization’s pay system can affect the type of individuals who remain with the organization. Given that high performers prefer merit-based pay, the “sorting effect” might increase organizational effectiveness through the retention of high performers and the attrition of low performers. For example, Lazear (1986) found that organizational productivity increased significantly as low performing employees were replaced by higher performing employees over time.

Although PFP has a large upside, it is also fraught with risk. PFP success depends on the accurate measurement of employee job performance. Measures of job performance can be objective or subjective, but each measurement approach presents unique limitations. Objective measures of job performance can include sales growth, profitability and share prices. Unfortunately, these measures are susceptible to factors outside the employee’s control. For example, sales growth is subject to prevailing economic conditions. Therefore, a salesperson’s performance might more accurately reflect the economic climate than the salesperson’s actual job performance. Subjective measures of job performance, such as supervisor ratings, can be used for any type of job and capture a broad array of performance dimensions (Rynes, Gerhart, & Parks, 2005). Unfortunately, subjective behavior-oriented measures contain rater bias and poorly differentiate among employees (Murphy & Cleveland, 1995; see also the discussion of sources of error in performance ratings in this chapter). Furthermore, supervisors might have an incentive to rate all of their employees equally in order to ensure social harmony (Heneman

& Judge, 2000; as cited in Rynes et al., 2005), especially if promotion and pay decisions are based upon such ratings (Jawahar & Williams, 1997).

Effective pay-for-performance systems depend on careful implementation and sensitivity to employee and organizational considerations. A recent study, commissioned by the Office of the Director of National Intelligence (ODNI), identified critical success factors and impediments for successful pay-for-performance implementation. The critical success factors included system credibility and transparency, sufficient financial support for the program, supervisory and managerial training and accountability, employee education and training, top management support, alignment among employee and organizational goals, opportunity for employee feedback, and union engagement early-on. The study also identified critical impediments to successful pay-for-performance implementation. These included lack of transparency in the pay-for-performance process, failure to solicit employee feedback, unfairness perceptions, rating distortions by supervisors, lack of communication about the pay-for-performance system, inadequate managerial and employee training, inability to deal with poor performers, and failure to engage unions. These success factors and impediments are similar to those identified in a report prepared by the National Association for Public Administration.

Writing High-Quality Performance Objectives

A common finding across organizational levels was the difficulty in developing effective performance objectives. The challenges that employees and supervisors are facing with developing objectives under NSPS are not uncommon. However, considering the critical role of the objectives in the overall performance evaluation process, it is important to address these issues.

Pulakos and O’Leary (2009) identified many common challenges associated with developing performance objectives and mitigation strategies for addressing these challenges, several of which are directly relevant to NSPS.

Training Managers and Staff To Write Effective Objectives

NSPS has provided training to employees and supervisors on writing objectives. However, the quality of objectives even after training varies greatly and many NSPS employees and supervisors admit to being unclear on how to write effective objectives.

One strategy to supplement training is for trained human resources staff or higher level managers to review the objectives at the beginning of the performance period. Objectives can then be modified immediately, if necessary, so that employees have a clearer understanding from the outset as to the expectations for their performance over the performance period. The higher level managerial review also allows an assessment of objectives for employees in similar positions (e.g., same job series, band level, and pay schedule) to ensure that they are being assessed on comparable objectives and that the objectives for one employee are not unduly easier or more difficult than other employees in similar situations.

Another strategy is to develop supplementary resources to assist supervisors and employees in developing objectives. For example, retaining objectives in a searchable database can facilitate both the quality and consistency of individual objectives. These can be used again verbatim or refined and edited over time to develop future objectives. In addition, a supplementary guidebook can serve as a step-by-step job aid that employees and supervisors can work through when developing objectives. Key elements of this type of guidebook include a step-by-step process to develop objectives, key questions to answer when developing objectives, and examples of performance objectives with corresponding explanations as to whether the

examples are effective or ineffective. For many supervisors and employees, showing a variety of job-relevant examples is key to understanding how to apply the general principles of developing objectives (e.g., SMART framework) to their work.

Ensuring Objectives Are Job Relevant

In more routine, standard, and predictable jobs, it is often possible to predefine a set of objectives that apply uniformly to all employees at a given level using standard job analytic procedures. This not only saves time that would otherwise be spent by each manager and employee developing individual objectives, but it also ensures that all employees in the same job are held accountable for delivering the same results. Standardized objectives are not only the most fair for employees, but they also allow straightforward comparisons to be made between employees in terms of the results they delivered.

In more unique jobs and situations, it may be impossible to predefine objectives that apply across positions, jobs, or organizations. Even though a group of employees may occupy a given job, the specific results each individual is expected to achieve may vary depending on the nature of his or her assignments. To the extent that people holding similar jobs have different goals and objectives, evaluating and comparing their performance in a fair and standardized manner becomes increasingly challenging. Under these circumstances, one recommendation is to develop individual objectives that further define critical tasks from a comprehensive job analysis. This helps to ensure that a common base of job-relevant information is used to develop objectives. Objectives derived in this manner will contain more specific information than the tasks or work behavior statements, such as what specific project, customer, product, etc. the employee is responsible for and what specific quality, quantity, and timeliness criteria will be measured.

Setting Objectives in Fluid Situations

Setting specific objectives in advance may be extremely difficult for some jobs (Cascio, 1998; Levinson, 2005). Jobs that lend themselves best to setting objectives have relatively static performance requirements and definable productivity metrics, both of which are uncommon in many of today's jobs. For jobs that are fluid and unpredictable, or in situations where unforeseen circumstances regularly interfere with attaining objectives, it may be necessary to alter or completely revise an employee's objectives during the rating period. Managers and employees need to be prepared to make changes to the objectives as the situation or priorities change. Obviously, to the extent that a situation is chronically volatile, requirements for constant changes to the formal performance plan may prove to be impractically time consuming. An alternative strategy for jobs that are in flux is to set shorter-term objectives that are more predictable. Feedback can be given during the rating period as employees meet key milestones. In fact, given the fluid nature of many work environments and jobs, some experts have argued against setting longer-term objectives and instead recommend setting shorter-term goals as the work evolves.

Factors That Affect the Accuracy of Performance Ratings

One key finding of this evaluation was that employees and supervisors are not always clear on what behaviors constitute different performance levels. For example, several supervisors and employees indicated that they were unsure of how employees could achieve a rating greater than 3. Additionally, supervisors and employees expressed confusion on how to apply the contributing factors.

Managers have been shown to possess their own idiosyncratic and implicit theories of performance - that is, what specific performance factors and evaluation criteria they feel are most important to focus on in rating job performance (Borman, 1983). Even when defined performance standards are in place, managers still tend to use their own theories of performance effectiveness and idiosyncratic rating standards to evaluate employees (Jamieson, 1973; Strauss, 1972). For example, one manager may be impressed by an employee's performance of a relatively simple information cataloguing project, while another manager may feel that an employee in the same job and level who managed the design and implementation of a complex information management system did not do enough. With respect to contributing factors, one manager may think Technical Proficiency is most important in performing a job, while another may feel that Cooperation/Teamwork is what matters. If there is no mechanism in place for addressing these differences, employees who are performing at different levels or making very different contributions could be evaluated as performing with equal effectiveness by their respective managers. The use of idiosyncratic rating standards not only undermines the perceived accuracy of a performance measurement process but can also rightly be viewed as unfair, with a consequential negative impact on employee acceptance of the process (Dipboye & de Pontbraind, 1981; Greenberg, 1986).

Due to the fact that a great deal of human information processing occurs automatically, we are often unaware of the category systems we carry within ourselves (Abelson, 1976; Nisbett & Wilson, 1977). However, acceptance and use of a common category system for evaluating employees can be instilled in managers through training that helps them come to consensus about what performance areas should be rated and what constitutes meeting, falling below, or exceeding expectations for a job (DeNisi, Cafferty, & Meglino, 1984; Feldman, 1986).

During training, managers discuss the performance areas on which employees will be evaluated, along with performance examples that they believe exemplify different levels of effectiveness. This is invariably an illuminating discussion, because it is where managers' own implicit theories of performance come to light, as they realize how differently they might evaluate a given example of performance compared to other managers. This approach to training has been coined frame-of-reference training (McIntyre, Smith, & Hassett, 1984), because it helps managers develop and use common evaluative standards in rating performance. Research has shown that this type of training is effective for increasing consistency in the standards used across managers as well as the accuracy of their ratings (Pulakos, 1984, 1986).

During the rating period, managers should continue discussing examples of employee performance as they occur to reinforce the development of common rating standards. At the end of the rating cycle, it is best practice for managers in a given unit to discuss their ratings of all employees and decide on the ranking of employees for decision-making purposes. While this can be a time-consuming process initially, its advantage is that it helps to ensure accurate distinctions between exceptional, successful, and less effective performers. It also results in more systematic, consistent, and fair decisions across managers. Importantly, this process helps to solidify the use of common rating standards among managers, yielding more effective and fair outcomes for employees.

Strategies for Addressing Poor Performance

Another key finding was that many employees and supervisors do not believe that appropriate steps are taken to deal with poor performers. This is not an uncommon finding in the public sector. In fact, the item, "In my work unit, steps are taken to deal with a poor performer who

cannot or will not improve” is continuously among the lowest rated items on the Federal Human Capital Survey (OPM, 2004).

One important way to handle poor performance is to provide timely feedback. Performance should be discussed and feedback provided on an ongoing basis throughout the rating period (Kirkland & Manoogian, 2007). Most employees want to do a good job and are appreciative of ideas for improving their work products or processes, when feedback is delivered in an appropriate and helpful manner. This does not happen to the extent that it should, however, because many managers do not know how to deliver feedback productively and in a manner that will avoid defensive reactions from employees.

Research has shown that for feedback to have the maximum impact, managers need to recognize both effective and ineffective performance when it occurs (Wexley, 1986). It does not help employees to receive feedback months after something happened. Further, by recognizing and showing appreciation for effective performance, employees are more open to suggestions for improvement when these are needed. The balance of recognizing both effective and less effective performance demonstrates fairness on the part of the manager and increases the credibility of the feedback.

Many managers are reluctant to give low ratings that will result in negative outcomes for their employees. In addition, providing feedback to a poor performer can be very difficult. Many managers also do not want to have to justify or explain why they gave lower ratings to an employee who may confront or challenge them, so the path of least resistance is simply to rate everyone effectively. What managers do not always consider is that it is just as difficult to justify to an effective performer why he or she received the same outcomes and rewards as an obviously less effective performer, not to mention the unfairness of this.

Consequently, managers should be trained on how to provide feedback to all employees, including employees who are not meeting expectations. This training should include guidance that research has found to be important for feedback to be effective (Wexley, 1986; Cederblom, 1982; and Cawley, Keeping, & Levy, 1998), including:

- Intentionally engage in ongoing, informal performance conversations regularly
- Provide recognition and thanks as well as constructive suggestions for improvement in close proximity to the performance event
- Ask for the employee’s view about what could have been done differently
- Be specific about what was effective or ineffective
- Focus on what the person did or did not do, not personal characteristics
- Collaboratively plan steps to address improvement needs
- Offer help in addressing development needs and providing resources

In addition, this training should include guidance on having difficult performance conversations and policy for handling poor performers (e.g., documentation requirements, performance improvement plan procedures). It is important for managers to know these policies at the beginning of the performance period so that they can follow the appropriate policies in a timely manner rather than getting to the end of the performance period and finding out that they did not follow the appropriate steps to warrant issuing a low rating to an employee.

Reactions to Perceived Organizational Injustice

Organizational justice, psychological contracts and organizational citizenship behaviors are three interrelated phenomena that have important, and sometimes drastic, influence on the workplace. They help explain employee attitudinal and behavioral reactions to organizational policies.

Organizational Justice

Organizational justice refers to an employee's perception that the employing organization treats him or her fairly and respectfully. Justice perceptions may pertain to the allocation of resources and rewards (distributive justice, i.e., who gets what), the process by which resources and rewards are allocated (procedural justice, i.e., how the decisions are made), and the way an employee is treated by supervisors and coworkers (interpersonal justice). Justice perceptions have been linked to numerous affective and behavioral outcomes (Colquitt et al., 2001). For example, when employees experience perceived injustice, they are more likely to lower their job performance; to engage in theft, sabotage or violence; to experience more conflict with coworkers; to reduce their organizational citizenship behaviors (OCBs) (i.e., discretionary behaviors such as helping and cooperating aimed at facilitating a constructive work environment); and to have negative work attitudes (Weiss, Suckow, & Cropanzano, 1999; Cropanzano, Goldman, & Folger, 2003; Greenberg, 1990). The effects of these behavioral changes are not always immediately apparent. For example, an employee who does not receive a promised raise might not truly experience the consequences of the injustice until he or she is faced with unexpected financial difficulties. Thus, justice unfolds over time, which can cause employees to reevaluate their fairness perceptions (Bobocel, McCline, & Folger, 1997; as cited in Ambrose & Cropanzano, 2003). Unfairness perceptions easily lead to a negative emotional state, which in turn is negatively related to job performance (Wright, Cropanzano, & Meyer, 2004). Furthermore, injustice can have harmful long-term effects on the employee-employer relationship (Ambrose & Cropanzano, 2003), culminating in the employee leaving the organization. Conversely, increased fairness perceptions are associated with higher commitment to the organization (Colquitt et al., 2001). In turn, commitment is negatively related to turnover intentions and positively related to job performance and OCBs (Cropanzano, Rupp, & Byre, 2003).

The Psychological Contract

Organizational justice can also be viewed from the perspective of the psychological contract. The psychological contract represents the implicit obligations held by both parties in an employer-employee relationship (Rousseau & Tijoriwala, 1998). Two commonly identified types of psychological contracts are relational and transactional (Rousseau, 1989). A relational psychological contract indicates investment in a longer-term relationship between the organization and employee and implies greater opportunities for personal growth and promotion within the organization. In contrast, a transactional psychological contract is characterized by the exchange of material economic benefits over a shorter time horizon. When an employee believes that the organization has failed to fulfill its obligations, the psychological contract between the employer and the employee has been breached (Rousseau, 1995). Psychological contract breach is associated with numerous negative attitudinal and behavioral outcomes. Attitudinal outcomes of psychological contract breach include lower job satisfaction, lower trust, increased turnover intentions, and decreased affective organizational commitment (Zhao, Wayne, Glibkowski, & Bravo, 2007). Behavioral outcomes of psychological contract breach include decreased organizational citizenship behaviors and decreased in-role

performance (Zhao et al., 2007). Furthermore, psychological contracts tend to become more transactional if the employee perceives that the employer routinely fails to fulfill its obligations.

Task and Citizenship Performance

Borman and Motowidlo (1993) suggested that job performance be conceptualized as two dimensions of performance; task and contextual performance. Contextual performance, commonly referred to as citizenship performance (Coleman & Borman, 2000), refers to those behaviors that support the environment in which the organization's technical core occurs. For example, an Internet service provider's technical core involves providing Internet to its customers whereas citizenship performance behaviors, such as helping and cooperating, facilitate a harmonious context in which the core technical work occurs. Coleman and Borman (2000) defined task performance as an employee's effectiveness in executing functions of the organization's technical core or providing the organization with the materials and resources necessary for executing its core functions. Justice perceptions are consistently linked to the task and citizenship dimensions of job performance. Underlining the importance of citizenship performance, research indicates that supervisors weigh task and citizenship performance fairly evenly when conducting performance evaluations (Borman & Motowidlo, 1997; Motowidlo & Van Scotter, 1994).

The literature remains conflicted about the extent to which task and contextual performance are independent of one another. There is also considerable debate about the extent to which citizenship performance is multi-dimensional, as opposed to reflecting one underlying factor. Morgeson, Reider and Campion (2005) found that task and contextual performance are highly correlated, suggesting that they are interdependent, perhaps due to the highly interdependent task used in their study. LePine, Erez and Johnson's (2002) meta-analysis found that the dimensions of citizenship performance (e.g., altruism, courtesy, sportsmanship, civic virtue and conscientiousness) were highly intercorrelated.

Strategies for Recruiting and Retaining employees

Today's organizations face the challenge of recruiting and retaining employees in a dynamic and unpredictable economic climate. Job stability has become uncertain, employees frequently switch jobs in order to advance their careers, and traditional career systems that presume lifetime employment at a single organization might be obsolete (Murphy, 1999). The imperative to retain employees exists because high turnover rates are associated with lower customer dissatisfaction (Koys, 2001), profitability (Glebbeeck & Bax, 2004) and productivity (Huselid, 1995). Attracting and retaining the best employees is therefore especially crucial.

The selection process is an important recruitment component. Adverse reactions to the selection process can reduce the attractiveness of the organization to the applicant (Hausknecht, Day, & Thomas, 2004). Furthermore, applicants who react negatively to the selection process might dissuade others from applying (Smither et al., 1993). Web-based recruitment has become increasingly popular (Lievens, van Dam & Anderson, 2002) because it reduces recruiting costs (Buckley, Minette, Joy, & Michaels, 2004) at the same time that it increases the volume of qualified applicants (Chapman & Webster, 2003). Web-based recruitment systems influence applicant attraction to the organization (Hu, Su, & Chen, 2006), and are a valuable recruiting tool if used properly.

Successful recruitment and retention depend on an employee's recognition that the job is desirable and worth keeping. Person-environment fit encompasses many factors that impinge upon an employee's assessment of job attractiveness. Person-environment fit is "the

compatibility between an individual and a work environment that occurs when their characteristics are well matched” (Kristof-Brown, Zimmerman, & Johnson, 2005). It can be conceptualized as an employee’s fit with the job or vocation, supervisor, work group or organization, and can be based on the alignment between the organization and an individual’s goals (Kristof-Brown & Stevens, 2001), personality (Resick, Baltes, & Shantz, 2007; Zimmerman, 2008), values (Adkins, Ravlin, & Meglino, 1996) and workplace rhythms (Kristof-Brown et al., 2001).

When person-organization fit is good, employees are usually committed to their employer, satisfied with their jobs and do not intend to turnover (Kristof-Brown et al.). Person-organization fit is weakly related to overall job performance, but it is more strongly related to the sub-dimension of job performance called organizational citizenship performance, which refers to behaviors such as helping coworkers or putting forth extra effort (Kristof-Brown et al., 2001). Person-organization fit based on personality and values leads to higher job satisfaction, which, in turn, increases employee intentions to remain with the organization (Westerman & Cyr, 2004).

Employees are increasingly working in teams to accomplish organizational objectives. Teams contain a constellation of members with varying personalities and skills, which yields a unique team dynamic. An employee’s assessment of his or her fit with the team tends to be stable, but an employee’s team role might evolve over time. As the quality of fit between an employee and his or her team role increases, employees perform better and perceive greater personal growth and development (DeRue & Morgeson, 2007).

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Appendix G: NSPS Automation Infrastructure

Introduction

The National Security Personnel System (NSPS) Program Executive Office (PEO) provided the information that follows from a supplemental report assessing NSPS automation infrastructure. This program evaluation report references such automated tools as the Performance Appraisal Application (PAA), Compensation Workbench (CWB), and the NSPS Readiness Tool. This appendix takes a broad view of automation infrastructure and includes automated transaction processing routines.

KPP5: NSPS Automation Infrastructure

KPP 5. NSPS must be supported by a robust infrastructure that facilitates user operational and functional requirements. That infrastructure must include an interoperable information technology (IT) system that is easy to use; accessible to all users with appropriate permissions; and capable of generating the reports, analyses and deliverables necessary for all types of finance, manpower management, HR and other functional requirements and for evaluation of the NSPS. A second element of the NSPS infrastructure is a pay and performance management information system that provides sufficiently robust data, reports, and transaction processing to support sound, fair compensation decisions. The attributes of this KPP are as follows:

- *Supporting infrastructure provides interoperability across all offices and functions*
- *Data is accessible when personnel possess appropriate permissions*

NSPS automation infrastructure covers a range of purposes. One set comprises the tools necessary for human resource and associated functional needs including personnel transaction processing, electronic personnel records and data bases, and NSPS conversion tools. The second set includes the tools necessary to support pay and performance management processes. Automation instituted in Spiral 1 for the first set of requirements has been effective, if unheralded, being mainly behind-the-scenes and in the hands of practitioners. Automation for performance management has been in the forefront for most employees, supervisors, and managers. Problems with the Performance Appraisal Application for employee performance plans, assessments, and ratings have been pervasive through the period of this evaluation. Pay pool support tools have been reasonably effective and useful. Market pay reference tools have not been available until very recently.

The first set of automation tools includes:

- Mass conversion processing routines for Spiral employee records from the previous system to NSPS. Effective from the start with Spiral 1.1 (successful conversion rate of 98.7%, up 99.1% by Spiral 2.2).
- Individual transaction processing routines and codes such as for appointments, reassignments, and performance payouts. Code structure and computer tables and routines effective from the start with Spiral 1.1. No serious problem reports from the field regarding life cycle actions for NSPS employees; bonuses and payouts were completed on time and with greater than 99% accuracy.
- The NSPS Readiness Tool to support component, command/agency, and unit level NSPS transition managers in managing Spiral conversions, sharing information and lessons learned, and monitoring conversion readiness. Effective from the start with Spiral 1.1.

- NSPS conversion calculator to let employees find out what they can expect their pay to be after conversion to NSPS. Effective from the start with Spiral 1.1.

The second set of tools includes:

- Performance Appraisal Application (PAA). The first version was released near the end of the first Spiral 1.1 cycle. It was difficult to use, and not all Spiral 1.1 organizations chose to use it. An improved, but still problem-ridden second version was implemented near the end of the 2007 performance period, just in time for performance assessments. In response to users, a third version has been developed to fix remaining problems and meet user functionality needs.⁸
- Compensation Workbench (CWB) to support pay pool deliberations. Effective for Spiral 1.1 and subsequently modified to add features and functionality.
- Pay Pool Analysis Tool (PAT) to assist pay pool managers and Performance Review Authorities review and analyze pay pool results singly or in groups across an organization. Effective when introduced for the second performance period.
- NSPS market pay data tools to provide occupational salary and wage data from business establishments, and from the Federal General Schedule sector, to compensation analysts who advise on pay decisions. Made available late in FY2008 beyond the time frame of this evaluation.

⁸ These actions were taken to get user feedback and recommendations on PAA:

- CPMS conducted PAA and Pay Pool Lessons Learned sessions with all Component agencies immediately after the 2008 payouts
- Usability experts involved in the PAA v2.0 testing and evaluation
- Usability testing with pre- and post-testing questionnaires for PAA v2.0 and 3.0 completed by all testers
- “Feedback” link added to PAA 2.0 to collect customer comments and recommendations; all recommendations were included in considering PAA v3.0 enhancements
- Usability experts involved in all aspects of PAA v3.0 design, development, and testing
- Component usability test event conducted in June 2008 to validate PAA 3.0 design with users; feedback incorporated into final design and development
- Component/agency testing in July/August 2008 prior to user testing for PAA v3.0
- Use case scenarios used by testers in September 2008 to ensure end-to-end testing and performance of PAA 3.0; testers provided pass/fail results for every item in each scenario
- DoD’s standard “ICE” feedback links added to PAA v3.0 to garner evaluation and comments on the enhanced application