2010

DEFENSE ECONOMICS CONFERENCE

MANAGING THE DOD CIVILIAN WORKFORCE

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Managing the DoD Civilian Workforce

Jointly sponsored by

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2010 Defense Economics Conference
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Office of the Secretary of Defense
(Cost Assessment and Program Evaluation)
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Preface

This publication, IDA Document D-4315 (Nonstandard), contains the proceedings of the 2010 conference, held at IDA in Alexandria, Virginia, on December 9, 2010. IDA prepared the publication under a task titled "Defense Economics Symposium." The document did not undergo formal technical review. The conference proceedings were recorded, transcribed, and edited for clarity before they were reviewed by the participants for accuracy.

Contents


IDA

WELCOME

Jerry Pannullo
Christine H. Fox

JERRY PANNULLO (Director, Economic and Manpower Analysis Division, Office of the Secretary of Defense, Cost Assessment and Program Evaluation): Good morning. I'm Jerry Pannullo, from the Office of the Secretary of Defense, Cost Assessment and Program Evaluation. I welcome you all to our Defense Economics Conference.

It's my pleasure to introduce Christine Fox. By training, she is a mathematician. She started her career at the Center for Naval Analyses (CNA) and, in the American way, she worked her way to the top, becoming the president of the CNA. She is now a presidentially appointed, Senate confirmed political appointee at the Department of Defense. Her position is the director of Cost Assessment and Program Evaluation, where she advises the Secretary and Deputy Secretary of Defense on resource allocation and programmatic issues. Please join me in welcoming Ms. Christine Fox.

CHRISTINE FOX (Director, Cost Assessment and Program Evaluation): Thank you. It's a pleasure to be here today and I'd like to welcome all of you to our 2010 Defense Economics Conference.

First, I'd like to thank David Chu and IDA for hosting this for us today. I really appreciate your support with this. I'd like to thank Jerry Pannullo and his entire team in CAPE for putting together this rich agenda.

Today, our topic is Managing the Civilian DOD Work Force. Although there are 600,000 to 700,000 defense civilian employees, there

has been precious little focus in the past on civilian personnel policies.

In contrast, for about two million military personnel, including active Guard and the Reserves, there have been countless studies, commissions, and reports on all aspects of how to best recruit, train, retain, and compensate our military personnel to achieve the Department's missions. There's even a quadrennial review for military compensation.

The civilians have always had a critical role in achieving the Department's goals, and that role has been growing in the last ten years. We now have civilians going on deployment and playing increasingly critical liaison roles with federal, state, local, and even international liaison and partner relationships.

Today, our topic is "How do we recruit, retain, train, motivate, and compensate them?" That, we think, deserves a lot more attention than it has received in the past, and we hope that this conference is going to shed light on those issues and provide some insights into how we might best go forward.

To achieve that, our first panel is going to look at our National Security Personnel System experiment, if you will, that just ended.

So when you think about managing a workforce, you obviously think about the goal of trying to compensate our top performers better, differently than you compensate those who are not performing as well.

Those indeed were the goals of the NSPS. It started with a good idea, became extremely controversial, and now Congress has directed us to reverse this, which we're in the process of doing.

What happened here? I mean, it is such a basic fundamental principle, yet we couldn't make it work.

Did it not work? Is that really what happened? Or was it so controversial that we just stopped trying to make it work?

And what are the lessons from that? Because ultimately, if we're going to achieve good compensation practices for our civilian work force, we're going to have to get pay-for-performance right at some point, and that's the topic of our first panel today.

How should we think about the NSPS experience, and what does it tell us going forward?

Another panel today is going to consider the more general topic of compensating the work force.

I'm sure you've all been reading about the Defense Secretary's Efficiency Initiatives. Secretary Gates has been putting an awful lot of focus on efficiency initiatives, but I will also tell you that he puts an awful lot of focus on the career path of the civilian workforce.

He cares deeply about the civilian workforce, and that is behind a lot of the decisions that he's made.

At the same time, however, the president has decided to freeze civilian pay for two years, and of course this has created a lot of speculation in the Department on what impact it will have on our federal workforce.

We need to understand, if we're going to have a pay freeze for two years and there's all this pressure on civilian pay, what the non-monetary things are that we can do to again recruit, retain, develop, and motivate our civilian workforce, and I expect a lot more questions about this will come out at the second panel today.

Our last panel is going to talk about our Civilian Expeditionary Workforce. As I said in the beginning, the Department is really using our civilians very differently today than it has in the past, and we have increasingly put civilians in situations at the front lines, very near harm's way along with our military forces.

This is not a traditional role for the civilian workforce, but it's become an important role and one that you could anticipate will continue. But as we've executed that, we've come up with new challenges in managing that workforce and we want to hear more about that, about those experiences, and some of the issues associated with having a Civilian Expeditionary Workforce in the future. So that will be the topic of our third panel.

It really looks like a very rich agenda and I compliment Jerry and his team for putting it together and getting some very exciting speakers. I look forward to learning the insights that you've all gained as you've thought about these issues today and hearing the results of the conference.

Thanks, Jerry.

PANNULLO: Thank you, Ms. Fox.

KEYNOTE ADDRESS

Mike Dominguez

JERRY PANNULLO (Director, Economic and Manpower Analysis Division, Office of the Secretary of Defense, Cost Assessment and Program Evaluation): Our keynote speaker is Mike Dominguez. Mike is an excellent choice for this, which is evident when you look at his career. Mike attended the United States Military Academy and became an Army officer stationed overseas. He understands from a military perspective the importance of civilians to the military and the types of interactions the military needs to have with those civilians.

Mike has also been in the private sector. Later he came to the organization that was the predecessor to CAPE, Program Analysis and Evaluation, where he was an analyst. He was promoted to the Senior Executive Service, so he understands the analyst's perspective, management's perspective, and the executive's perspective.

More recently, Mike was presidentially appointed and confirmed to positions in the Defense Department. He was the Assistant Secretary of the Air Force for Manpower and Reserve Affairs. He was also the number two person in P&R [Personnel and Readiness]—the Principal Deputy Undersecretary for Personnel and Readiness—which oversees civilian personnel policies as well as military personnel policies.

Mike has a wealth of experience interacting with civilians, having been a civilian in the Department at all levels. Very few people have had that range of responsibilities.

I'm delighted that Mike has agreed to be our speaker and I think he's going to have some great insights. Please welcome Mike Dominguez.

MICHAEL DOMINGUEZ (Director, Strategy, Forces and Resources Division, IDA): Welcome, everybody, to IDA. It's a great honor to be here.

I was a little surprised at being invited to speak because I have adjusted to being a nobody again. Actually, it's quite comfortable being a nobody. I had a really humbling experience just a couple of months after I left [the Defense Department] as a principal deputy. I was going into Fort Myer for a farewell ceremony. Normally in the past when my wife and I had visited Fort Myer, we were waved in pretty quickly, sometimes with a police escort. So this time, they stopped my car and pulled me over to the side, and they strip-searched the car. My wife had that same reaction. She was laughing. But that was my "Hey, welcome back!" moment.

It's great to be here at IDA. I'm just a little surprised to get an invitation to talk. I do want to thank you for that opportunity. Now, as you just heard from Ms. Fox, this is a really interesting agenda that's been put together. Among all of the interesting topics to be considered in this forum, I've been asked to talk about bureaucrats and bureaucracies. I cannot help but wonder what that says about me. "When you want someone to talk about bureaucrats and bureaucracies you can't do better than Mike Dominguez. He's a real bureaucrat." Fortunately I've been asked to give this talk early in the morning when most of you will still be asleep, and if you are not at the beginning of this talk, you most certainly will be at the end of it.

Also, I have to admit that it's pretty intimidating being asked to speak in a room filled with national security analysts of this caliber, with experts on civilian personnel issues, and former colleagues like Pat Bradshaw, and leaders of the caliber of Mary Lacey. It's intimidating to be asked to talk to a group with my colleagues from the research community like Dave Graham and Stan Horowitz. Like David and Stan, I do work here at IDA, but I'm a Division Director and, therefore, I'm not expected to say anything intelligent or meaningful. [Laughter] Everybody is shocked when I do. If I've not yet sufficiently lowered your expectations, let me do so now by diving into the substance of my remarks.

I thought that, speaking to a body of researchers and analysts, I should open with something important and profound from my own graduate education—studying for an MBA at Stanford. Now please accept what

I'm about to say as no reflection on the school, but rather on the quality of the student.

As I think back on my experience at Stanford and considered this topic of today, it struck me that I learned my most profound lesson watching "Conan the Barbarian." In the 1981 movie, Conan was seeking the secret of steel. The evil sorcerer, played by James Earl Jones, revealed that secret to Conan. "Boy, this is the secret of steel. Flesh is stronger."

So flesh is stronger than steel? Well, of course. That explains Chamberlain at Little Round Top, the small group of destroyers and destroyer escorts that attacked the entire Japanese surface Navy at the Battle of Samar Island in World War II and saved the Philippine invasion, and more recently, it explains Sergeant Leigh Ann Hester, a Tennessee National Guardsman and the first woman to earn the Silver Star for heroism during our campaigns in Iraq and Afghanistan.

So how does the secret of steel relate to bureaucracies and motivating bureaucracies to perform? Well, the first ingredient in a bureaucracy is people. The lesson from Conan and from these real life experiences is that well-led, motivated, dedicated, inspired people can and routinely will deliver miraculous achievements. For anyone interested in getting performance out of an organization, if you have to focus on one thing only, focus on your people, on inspiring them, on creating in them a commitment to and passion for your vision. If you do that, they'll take care of the rest.

Now, there are other ingredients to a bureaucracy, and these things matter, too. The second ingredient is organization: labels on doors and labels on line and block diagrams. Now, Mike Hammer, the guru of, and catalyst for, process engineering and process thinking across a business enterprise and also into the government domain, downplays the importance of organization. It's the process that matters. Well, it's my observation, that in bureaucracies—in particular, government bureaucracies—these labels on doors have power. They communicate a direction. They tell people what you think is important. There is today an

Assistant Secretary for Special Operations and Low Intensity Conflict. There did not used to be. Creation of that office told what may be the world's largest bureaucracy that special operations troops mattered. We were going to pay attention to them. The Congress tells the DOD that the Reserve Components matter by legislating the existence of an Assistant Secretary of Defense for Reserve Affairs.

I've often wondered whether DOD would be further along in adapting its thinking about the need for today's warriors to be masters of language, culture, and non-kinetic campaigns if P&R had changed the labels on our doors from those that existed during the Cold War and instead created something like an "office of non-kinetic campaign skills" to signal that the warrior skills of the 21st century will be different.

Mike Hammer is correct in pointing out that business processes matter. They are the third ingredient we should consider when thinking about bureaucracies. A bureaucracy exists to control, organize, and coordinate activities towards delivery of a product. The work of the bureaucracy gets accomplished through these processes. So in a successful organization, the processes and the product are in harmony.

Now let's consider DOD. Many people would say that the product of the DOD— that bureaucracy—and of those processes is the world's greatest military. I would say that the world's greatest military is a useful byproduct of what DOD actually does, which is produce budgets.

For DOD, or at least that part of it that's housed in the Pentagon, its real product is an annual budget submission to the Congress; that's what most of those people in that place exist to do. That is the dominant process in the building, that's the dominant activity of those people. That's what that bureaucracy predominantly does. Its product is that annual budget submission.

DOD, or at least the Pentagon bureaucracy piece of it, is actually not very good at fighting a war. I cite as evidence Secretary Gates' recent experience with MRAP [Mine Resistant Ambush Protected] vehicles and with ISR [Intelligence, Surveillance, and Reconnaissance]. I think probably most of you are familiar with the fact that he had to intervene, and expressed considerable frustration about the imperative for him to have to intervene, to get those capabilities into the combat theater quickly enough and in sufficient quantity to meet the need. So that was the bureaucracy being forced to deliver a product different from the one it was optimized for.

Getting closer to my own experience, I would say that the immobility of the Military Services—I may be exaggerating there, but it's my

perspective—in the embrace of language as a core warfighting skill of the 21st century is another example of this bureaucracy not delivering warfighting capability, because the Services' immobility in the embrace of language, and other non-kinetic warfighting skills, persists in spite of the consistent coherent chorus of demand from the senior officers in the combat theater. They are screaming for these skills, but that demand signal doesn't get into this bureaucracy because that's not what it does.

Now, in your cookbook for designing and operating bureaucracies, the last ingredient to consider is resources. There are three categories of resources that matter: money, information, and permission. The greatest of these is permission. The greatest and most significant authority of any component piece of a bureaucracy is its ability to veto someone else's proposal. So the exercise of a veto is neither mindless nor malicious. It's a critical aspect of how bureaucracies control and coordinate and how they maintain an optimal relationship with the product.

What happens in a successful bureaucracy is that these four ingredients—people, organizations, processes, and resources—achieve equilibrium with the product.

Now, notice that I said nothing about the external environment, nothing about the utility or desirability of the product. For once set up and operating, the bureaucracy will continue delivering the product around which its people, processes, organizations, and resources are optimized. It will continue delivering that product forever whether the product is needed or valued.

This is not true only of government bureaucracies. In the early 1990s, IBM was headed for extinction and would have, in fact, vanished, except for an external change agent—the new CEO, Lou Gerstner—who introduced change because otherwise they were going to keep doing what they were doing until they did vanish. They were losing $3 billion a year in the early '90s, which at that time was real money.

How do you go about getting a bureaucracy to change? I propose to look at this through a series of case studies.

In his last State of the Union address, President George W. Bush asked for adoption of some policies to support military families. One of

these was a federal hiring preference, something like veterans preference, but for military spouses. From the time the President proposed this policy until it was implemented just a few months ago, there were only three people in the federal government who thought this was important. These three were George Bush, Dave Chu, and Kathy Ott.

This case study emphasizes my point about people. Great people can do anything. Kathy Ott accepted the proposition that the executive branch of the federal government ought to do what the President and his appointees wanted. She devoted herself to this spouse preference activity and pretty much singlehandedly pushed it into the process—this time the interagency coordination process—through the multitude of organizational vetoes.

This wasn't a systemic change, but it is an outcome that mattered, that the nation needed, that the government leaders wanted but that the bureaucracy resisted. There were legitimate reasons and important issues that had to be resolved, but one person made it happen. She overcame all of those concerns and issues with dedication, perseverance, imagination, and energy. People do make a difference.

In the second case study, the Tenth Quadrennial Review of Military Compensation had recommended collapsing the multiplicity of military pays and bonuses into a few broad categories. The idea was developed into a legislative change proposal but that ran into the dreaded veto—manifesting itself in this case through a budget scoring technical rule inconsistent with how the actual authority to award bonuses and use special pays was envisioned to be used in the field by managers and leaders. The budget scoring rule essentially scored every bonus at the maximum and made the proposal far too expensive to adopt.

The process and the organizational veto stopped this particular change, but here again people matter, and one courageous public servant whom I admire and respect but won't name, found a way to step outside of the process with the result that this legislative authority was apparently immaculately conceived on Capitol Hill by the authorization committee staff. And now DOD is on a path to greatly simplified and flexible authorities for using bonuses and special pays in management of the force. Most people would say that's a good thing, but to get there required a little creativity and stepping outside the process and around the veto.

Oftentimes an external crisis can cause a bureaucracy to change. In February 2007, in response to stories about the poor quality of wounded warrior care, Gail McGinn, Marilee Perkal, and Melinda Darby, who is here today, invented new organizations and new processes, acquired resources where there had been none, and recruited passionate, dedicated people into correcting this huge, inexcusable bureaucratic gaffe.

As a result, the new concern for wounded warrior care is likely to be a lasting change, not least because of the institutional trauma from the crisis, but also because these three people and the insurgents that they assembled redesigned their corner of the bureaucracy to value and deliver a different result. They introduced a new product and redesigned the bureaucracy around optimization against that product, and in their change cookbook, they used all the necessary ingredients: people, processes, resources, and organization. That suggests to me this will be a lasting and effective change because once optimized as a product, bureaucracies are incredibly effective in delivering that product.

Another case study: Pat Bradshaw and Marilee Fitzgerald attempted a similar systemic change without benefit of a crisis. Pat and Marilee are architects of the Civilian Expeditionary Workforce that you'll be hearing about later today. Melinda Darby invented and deployed a functioning prototype at Army Materiel Command. You'll have a panel discussing this subject later this afternoon.

While this journey is yet incomplete, I am optimistic about its future because Pat, Marilee, and Melinda also used all the ingredients in the cookbook to redesign a corner of the bureaucracy to deliver a different product.

Creating an expeditionary Civil Service is a long-term, systemic change. An expeditionary Civil Service is a fundamentally different model than the present Civil Service, which has a distinctly geographic foundation. Today, one doesn't join a global or even a national Civil Service. One joins the civilian workforce at a specific base or installation, in a specific position. That is not how the Civilian Expeditionary Workforce works. It envisions a global service, with people moving to various positions around the globe to serve the nation's national security interests wherever they are. That's fundamentally different in its concept and its approach and foundational propositions, but that change, I think, is likely to be successful because of the way the architects went about managing the change, guiding the change, stimulating the change.

There are many more instances of bureaucratic adaptation to change that I've been privileged to witness. You'll hear about one of those today.

Ultimately, it was an unsuccessful change attempt, and I'm sorry that Mary Lacey won't be here today to discuss it. Peter Levine, however, will be here. Peter worked very closely with Mary. He was up on the Hill while she was the NSPS [National Security Personnel System] program executive officer. You'll get a very, very good perspective from Peter about the larger political context surrounding the birth of the NSPS.

Peter will be dealing with the politics of how NSPS survived as long as it did and then ultimately why it fell, which is a fascinating story. The accomplishment of Mary Lacey in building on 20 years of experiments in the lab demos, acquisition demos, and China Lake, to construct a pay-for-performance personnel system and then deploy it across an enterprise the size of the DOD is astounding. Even if NSPS did not ultimately survive, the lessons for managers and leaders about how Mary did what she did are worth capturing.

I want to wrap up and summarize my observations. Bureaucracies are composed of people, organizations, resources, and processes. These ingredients are optimized to produce and deliver a product. If you want a different product from a bureaucracy, you must first understand that it is a different product that you are after. That is Step One.

Then you must redesign the bureaucracy—or at least an important protected component thereof—so that the people, processes, organizations, and resources are in harmony with the new product that you want. Finally, I suggest you start with the people, because that is the one lever that most improves your prospects for success. Capable, passionate, empowered people can perform miracles. I've seen it happen and it is truly an awesome thing to see. Flesh is stronger than steel.

That concludes my musings for the morning. For those of you who are still awake, I guess I've got to kill another 15 minutes.

PANNULLO: Questions?

STANLEY HOROWITZ (IDA): I thought that was a very creative framework. I hadn't heard a presentation like that before.

There are some negative case studies that might have been interesting. There are lots of desirable changes that get killed by vetoes. Retirement reform, maybe DIMHRS [Defense Integrated Military Human Resources System], perhaps, on a bigger canvas, procuring systems that

are too technologically ambitious. I think that's a systemic flaw in the Department.

I'm quite willing to accept that people are key, but I think your presentation may give the feeling, and this may well be true, that success is very serendipitous. Are there things that could be done systemically to make it less serendipitous? Do you just have to get lucky and find the right people, and are there things that are just too hard even if you find good people?

Do you have any thoughts about that?

DOMINGUEZ: Sometimes you get lucky and find the right people, but putting the right people into the right positions can and should be a conscious management strategy; this is very, very relevant to the discussion today.

If you are a leader in the Department, my counsel to you is to focus on developing the people, challenging the people, understanding what they do, what their capabilities are, helping them achieve.

Most human beings want to be successful, want to feel successful, want to feel inspired about what they are doing in the morning so they get up out of bed and, instead of groaning, they are energized about coming to work, because today they are going to do something great.

Leaders have to create that, and leaders who can do that have to be taught, nurtured, developed, challenged, harvested, and then put into those kinds of challenging roles.

This (conscious, deliberate, development of leaders for the defense enterprise) is alien, unfortunately, to the practice of management in the Civil Service today. It's not what we do. Leader development today is laissez-faire. Each person does it (or not) him or herself.

There's one institutional example of a different approach, and that's the U.S. Air Force's SES [Senior Executive Service] management program and the career civilian management program that they have that feeds the Air Force SES pipeline. Air Force civil servants have defined themselves as a national service, with national scope, and national responsibilities. It is very definitely not geographic. They have career field managers who are watching the civilian workforce, who are doing what you do in the military workforce. They are thinking about people and where those people should be. The civilians in the program opt in, except for the SES—then you're all in.

One part of your responsibilities in that program is that you move. If you are part of the U.S. Air Force's Civil Service, you are part of a global

enterprise. You'd better get your tail overseas, you'd better get yourself into an acquisition organization, you'd better get yourself to an operational command, you'd better get yourself to a major command headquarters, because those are important experiences, developmental capabilities, that help you understand the service that you belong to, this organization that you are a part of, and the mission that you have. All along that way, you are being looked at and evaluated for leadership skills. This is a conscious, deliberate, leader development program.

You can build the people. And this is one thing I also routinely talk about when I talk in public forums. Besides Conan, I also like to point out my experience in the private sector. I was working with Cisco, Lucent, and the Baby Bells during the IT boom. We were going to change the world with technology, right? There was not a day that went by when I was not wistful for the talented people that I had been working with in the federal government. I was working with the organizations in America that were going to change the world through technology, and pound for pound, I would rather have had the people working with me that were in federal service with me. So the raw material is there. The challenge is: be conscious, be aware, create leaders as a conscious management strategy.

PAUL HOGAN (The Lewin Group): I had the same reaction that Stan did. You really need to think about an institutional structure, a framework, or something that doesn't rely on sainthood to get things done; if you have to look for the saints, if you have to create saints, you probably should examine what kind of natural incentives are there. In your private sector example of IBM, there is a natural process there, they had to change or they were going to be irrelevant. Is the same kind of process available in a bureaucracy? Can you do that?

DOMINGUEZ: You absolutely can. I want to say I disagree with your interpretation of my remarks. I hope I didn't indicate that you needed sainthood.

A bureaucracy is a flywheel. It takes an enormous amount of force to change the direction of a flywheel. I don't deny that reality. And the problem of the government bureaucracies is that unlike IBM, they won't go out of business. They'll just keep doing what they are doing. If you are going to change the direction of the flywheel, you've got to apply a lot of force. You have to have in that situation, people of some passion and some persistence to push the flywheel. So that's a fact.

There are things you can do to push the bureaucracy into a new direction and set up different processes that create different incentives. I've seen that applied in the DOD in the vast expansion of the revolving funds during the mid-1990s. Revolving funds created market incentives and a market imperative. Navy R&D [Research and Development] labs are now financed through revolving funds. They have to get out and make sales. The rest of the services' labs didn't go that way, but the Navy labs did. It would be interesting to me to see the differences among the Service R&D labs a decade after they took these separate paths.

In a revolving fund enterprise you create an organization that has to deliver value in return for money and then has to manage to a budget, and if it overruns, that's a bad thing. So there are some structural systemic things you can build into the process.

It is important to understand that those things work in circumstances where the product that they are delivering is in harmony with that process. There are likely to be some things for which market mechanisms might not work—for example, in management of the nuclear warheads.

One of the things I'm puzzling about also is creating a learning organization. I don't have a solution to that. You heard me talk about my perception that the Military Services are slow in adapting to the fact that the warrior skills of the 21st century are different from the ones in the past. As institutions, we still want to, and we will prepare our people to, and we will select our leaders to, conduct the air-land battle in the Fulda Gap. That is the product that the Service personnel assignment and development bureaucracies were set up to deliver. Their flywheel is hard to change.

We can assemble enough people to push the flywheel and point it at a different product. The problem that we're facing in the 21st century is that if we get everybody re-attuned and refocused on the warrior skills for Afghanistan and Iraq, they might not be the same ones we need for South America, Central Africa, the archipelagos in the Pacific, and other places where we're likely to end up engaging in non-kinetic campaigns or other campaigns in the future.

So the question would be how do you set up a structure where warrior skills, and how we produce the warriors (the core business of the Military

Services), are always being updated?

So the flag officers five years from now look different from the flag officers that just came out of this month's promotion board. How do you do that? I don't know. That's a tough problem.

CARLA MURRAY (Congressional Budget Office): Mike, were there elements in NSPS that would have reduced the need for serendipity or luck or sainthood, and—maybe as a segue to the next session—were those the same elements that caused the near-death experience?

DOMINGUEZ: Here is my hypothesis.

In a bureaucracy, particularly if you are taking a big change like NSPS, you do need to build a consensus and you've got to have a core group of people who say we need to do this and we're all going to do it together. The first near-death experience was because we didn't set out to do it that way. NSPS was racing the clock and its proponents tried to push this fundamental change through too fas,t and that caused a rebellion from the Military Services. It was too big, too bold. The personnel management communities who would have to implement NSPS did not understand it and had no confidence they could implement it without damaging their people and their Military Service mission.

Again, it's not an issue of sainthood. It is an issue of competent, inspired, passionate leadership. You've got to say Gordon England was a major piece of that as Secretary of the Navy. When NSPS was brought to a halt the first time, he made the argument that NSPS was as least as complex as building an aircraft carrier. He argued that we ought to at least adopt an organization and process suitable for managing extraordinarily complex operations. That was how we came to use DOD's acquisition management model for development and deployment of NSPS. It also is a process everybody understood, and one that featured a series of decision points—milestone decisions—so everybody could understand what was going to happen, and when it was going to happen. The acquisition process approach and the PEO [Program Executive Office] structure allowed the broad consensus to emerge and saved NSPS from its first near-death experience. In my view—you might hear differently from Peter—in my view what killed NSPS was the public employee unions, and the thing we could have done, which would have been an admission of defeat to some degree, was to have made a public statement that this system will never touch

organized labor. We could have said, "This is restricted to the white collar professionals who are excluded from unions and are supervisors, etc." We would have gotten a big chunk of the DOD. The segment of DOD that was included, along with the SES—this was the SES feeder group really—would have all been on a virtually identical pay for performance system because pay for performance in the SES went in with no problem and no major obstacles.

So my personal view is that because the unions never accepted that it wasn't going to apply to them, their animus toward it and the discretion that it gives to managers killed NSPS.

The NSPS basically is operating today in two or three dozen lab demos, acquisition demos, and other kind of personnel experiments across the DOD, none of which include unionized workers.

PANNULLO: Mike, thank you. We have a small gift for you; it is a Jefferson cup, which is our traditional gift. The Jefferson cup symbolizes for us making the best use of scarce resources. The story is that George Wythe bequeathed two silver cups to Thomas Jefferson. Several years later, Jefferson sent the Wythe cups and two others to John Letelier, a Richmond, Virginia silversmith. He directed that the cups be melted down and made into eight smaller cups according to a model that he had designed.


IDA

CIVILIAN COMPENSATION REFORM: NSPS

Peter Levine

JERRY PANNULLO (Director, Economic and Manpower Analysis Division, Office of the Secretary of Defense, Cost Assessment and Program Evaluation): Our next speaker is Peter Levine.

Peter has a law degree from Harvard University, where he was an editor of the Harvard Law Review. He was in private practice for a couple of years, and for more than two decades he's been on Capitol Hill as a counsel. For the last 15 years, he's been on the Senate Armed Services Committee.

Peter has some unique and inside insights into NSPS's [National Security Personnel System] creation and demise. I look forward to hearing his talk. Please welcome Peter Levine.

PETER LEVINE (General Counsel, Senate Armed Services Committee): Thank you. I'm going to give you my unique and highly opinionated view of what happened with NSPS, how it developed, how we got to where we are today, and where perhaps we can go from here.

I had the privilege of being around when NSPS was established, when it was implemented, and when it was torn apart.

I'm sorry that Mary Lacey couldn't be here with me. We spent many hours together discussing how NSPS could be effectively implemented, whether it could be effectively implemented, and what the details were of how it should work or could work, but in her absence I guess I'll be more free to give you my own view on the matter.

The history of NSPS actually starts, from my perspective, before NSPS was created, with the creation of the Department of Homeland Security, which was originally the idea of Senator Lieberman and Senator Collins and to which the administration was somewhat resistant. But in 2002, late in the year, the administration decided that maybe creating a Department

of Homeland Security was a good idea after all and developed their own bill, building on the Lieberman-Collins bill, which added a new element—personnel flexibility for the new Department. That provision was written in a unique way where it didn't really establish a new personnel system but it said the executive branch has the authority to establish a new personnel system; they can waive any of the applicable statutes and do whatever it is they think is appropriate to establish that new system.

From the perspective of Democrats in the Senate at the time, one of the things that we remember most about the fall of 2002 was, obviously, there was an election, and Max Cleland was defeated. During that campaign, there was an ad that Senator Cleland felt very bitter about, in which his face was transformed into Osama bin Laden's face. The thing that probably very few people remember about that ad was why on earth Max Cleland was being compared to Osama bin Laden. Remarkably enough, the reason he was being compared to Osama Bin Laden was because he opposed the DHS [Department of Homeland Security] authorization bill, and the reason he opposed the DHS authorization bill was the personnel provisions, which allowed the waiver of all the personnel statutes, including the right to collective bargaining. So there is a little bit of history even in the creation of the DHS personnel system, which gives you a flavor of where we started with NSPS. That statute was enacted in the fall of 2002 and the next year we came back and Secretary Rumsfeld felt that if the new Department of Homeland Security could have this authority—and the argument for the authority was that we needed it in the interests of national security—well, who had a greater interest in national security than the Department of Defense? If it should be good for DHS, it should be good for DOD, too, and that was sort of the level of debate we had on the provision when it came up before DOD.

There was an attempt, at least on the Senate side, to engage on the substance to try to identify the needs for the personnel system and how those needs could be addressed. And the response, at least at the political level, from DOD, was we won't accept anything less than what DHS got.

We actually had a majority in the Senate for not giving DOD everything that DHS got. We also had a majority of the conferees when we got to conference for not giving DOD everything that DHS got.

At the end of the day, the White House insisted that all Republican conferees agree, and Senator Collins, after fighting the good fight, did agree to sign the conference report. The NSPS legislation was enacted, looking very much like the DHS legislation.

Senator Collins insisted on a little bit stronger language, guaranteeing that the right of collective bargaining would continue. Remarkably enough, at the end of the day, that difference in the collective bargaining language was used by a court to reach the exact opposite conclusion, which shows how well we write legislation, I suppose.

There were five basic components of NSPS. There was the labor relations authority, the authority to establish a new labor relations system. There was the authority to establish a new system for employee appeals. There was the authority to establish a pay-for-performance system. There was the authority to establish a performance management system, and there was the authority to establish a new hiring system.

Those are the five basic components. As I look back at NSPS—in fact, as I looked at it at the time and I think I said at the time—I think there was very much a dual agenda in its establishment.

On the one hand, there was not only a very perceived need for reform of the personnel system but, I think, a real need for reform of the personnel system, and it shouldn't be terribly surprising that you had a Civil Service system that had been established 25 years before and was basically unchanged over that period of time. In the course of 25 years you build up bad practices and bad habits and if you don't ever change, then the need for change builds up and you really need to reevaluate the system, regardless of how good it was at its inception, regardless of how well written the legislation may have been in 1978. By the time you get to 2003 or 2004, it's old, it needs to be reevaluated, and you've got problems you need to address.

I remember talking at the time about how we constantly change the acquisition system—we constantly update it to address new realities and new problems as they come up—but with the personnel system that just hadn't happened, and it hadn't happened because there were interests that were locked in-too hard on both sides to agree to any changes or any updates. So what happened in 2003 is that there was a perceived need and, I think, a real need to reevaluate the system, to come back and try to improve it and to try to update it.

That was one agenda, and I think it was an important agenda. There was a separate agenda that was involved in NSPS that became problematic: that was an agenda of who was running the Department of Defense, what was the role of the unions, and from the perspective of the unions, an effort to break the unions and to assert—to basically break the idea of collective bargaining and assert—management had the right to run the show.

When we got into implementation, the NSPS legislation was written in a way that it required a consultative process, and it was supposed to be a deliberative process with a number of steps in it.

When we got into the implementation phase, the initial implementation proposal came out and basically said, "Here are the regulations. We're going to have these implemented within three months."

There had been no consultation or anything, and they were basically the regulations that had been developed for DHS in saying, "We know what we want to do. Here is where we're going to go. We're happy to consult with you now, but it's not going to change where we're going."

There was a strong reaction to that from Congress because of the fact that we had written -- in a consultative process, and the Department backtracked and agreed to a consultative process. They didn't agree to change any of the results, but did agree to the consultative process. We developed a new process, a much longer process, a much slower process, but with the same framework intended from the Department's side and the perception from the union's side, at least, and from the employee's side, to a significant extent, that there was no real consultation involved, that this was a fait accompli.

The manner in which the legislation was implemented, and particularly this first gesture on the part of the Department of Defense, I think reinforced the view from the employees' side that this was something that was being forced on them in which they would have no role in developing and that this was a war and not a negotiation process.

So, throughout the first couple of years that NSPS was being developed, what we really had was a completely hostile relationship between management and labor, between the Department and its employees, and between the unions and the political appointees at the Department of

Defense, with the strongest possible focus on labor relations.

I didn't get a lot of discussion on any of the other issues in NSPS (which were, in terms of personnel reform, probably far more important than the labor relations issue), but this issue of who was going to run the Department and who was in charge became so absorbing that the entire debate seemed to focus on labor relations.

So the questions of how a pay for performance system should work, how a performance management system should work, and how we can streamline the hiring practices became side issues that just didn't get the focus or the attention they deserved and needed, because so much energy was consumed by the labor relations issue.

I think that perhaps the flagship symbol for that would be what happened with the appeals process, where DOD asked for authority to change the appeals process so they could streamline it so it wouldn't be so burdensome. What the Department came out with I can't describe to you, other than that it was an incredible Rube Goldberg scheme where you would go into and out of the existing appeals process and have a separate process within the Department. All I can tell you is that it was about ten times more complicated than the appeals process we had before we went into NSPS. It was the exact opposite of the intent that was expressed for why the Department needed to have its own appeals process.

In the course of the implementation, I'm not sure how much impact the unions had on the proposals. I think we from the legislative branch side were able to impact at the margins some places. We certainly had many substantive discussions with senior DOD people about how the legislation was going to be implemented, and there were some cases where we were able to raise points that the Department agreed to and modified its stand, but at the margins certainly not with regard to the labor relations issue.

So we really went from the implementation, the regulations, straight into the litigation phase, which is not really a good sign if you are trying to build rapport with your employees and have a system that's going to be widely accepted.

To briefly summarize, the focus of the litigation was on the labor relations aspect of the system; there were two major suits, one against

the DHS system and one against the DOD system. Both of those cases resulted in adverse decisions for the administration in the lower courts. The DHS decision was affirmed on appeal and, remarkably enough, the DOD decision was overturned on appeal, and it was overturned on appeal because the language on collective bargaining in the DOD legislation was slightly different from the language in the DHS legislation and the Court of Appeals argued that that meant that somehow the legislation could be interpreted that DOD didn't have to give collective bargaining rights.

I haven't gone back and looked at the language, but I know the only reason the language was different was because Senator Collins asked that it be changed to ensure that DOD employees would have collective bargaining rights. So that's to say we're maybe not as good at writing legislation as we think we are.

All of that is background to what then happened when Congress changed hands after the 2006 election, and then when the executive branch changed hands after the 2008 election we had two rounds of legislation then dealing with NSPS.

First in 2007, we repealed the labor relations authority for NSPS and we repealed the appeals authority against NSPS. We left the pay for performance and the balance of the NSPS system essentially intact.

There was a battle between the House and Senate at that time, but not over whether to repeal the labor relations authority. The courts had already overturned that. We had a bi-partisan agreement at least on the Senate side that we just needed to get rid of that. What we wanted to do from the Senate side was to at least preserve the balance of the NSPS system so personnel reform could continue in the Department of Defense, and we were hoping that by taking away the labor relations authority we could take away some of the hostility and enable that to go forward without the confrontation that we had seen before. I think it came out more or less the Senate's way, where we kept most of NSPS other than the labor relations authority.

We did put in some floors on what could be done for pay for performance that said, if I remember correctly, that if you got an acceptable performance rating, you would be guaranteed a minimum part—50 or 60

percent—some percentage of the COLA [Cost of Living Allowance]—but essentially we left the NSPS authority intact.

Unfortunately, with all the history that we had building up to that point, that was not enough to relieve the antagonism over the system, and from the union perspective it was still a matter of anything that's labeled NSPS—no matter what it looks like—is going to be unacceptable.

So when we came back around in 2009 we had a much more strongly Democratic Congress and had a new Democratic president.

The writing was pretty much on the wall that NSPS was going to have to go. The Department said that they wanted to preserve NSPS, wanted to revise it and preserve it.

In the end that didn't really matter. We ended up with two bills, the House bill and the Senate bill, both of which essentially repealed NSPS. Again, the difference between the Senate and the House bills was that in the Senate bill we wanted to preserve some of the personnel reform elements of NSPS, and, again, we were able to do that in the conference report in agreement with the House.

What we did in 2009 was to repeal what was left of NSPS, to say that personnel have to transition back to the GS [General Schedule] system or whatever system they were in before, but at the same time we required the Department of Defense to develop a new performance management system and a new hiring system. We also authorized what we call the defense civilian leadership program for a new system for bringing in prospective leaders to the Department of Defense and recruiting and building those leaders for the Department.

Basically, the performance management system and hiring system were what we thought were at the core of the personnel reform need, and we might have liked to preserve NSPS if we could have preserved some of it, but we couldn't because even the name NSPS was too controversial at that point.

So it's our hope that by giving DOD these authorities, spinning them away from NSPS, we can have some reasonable personnel reform at the Department of Defense—have the Department develop a new personnel system or modify its current personnel system so it can better meet the needs of the Department—without the acrimony that we had over NSPS during the six years or so that that system was being developed.

It's going to be a challenge even so. This is something that we discovered when the Department went out to implement the new provisions that we have and it took them six months even to have a meeting with the unions

because they had to figure out a way to meet with them in a way such that it was clear that they weren't insisting on their own agenda but that this was really an open and collaborative process in which everybody would be heard and they weren't going to be coming in with a fait accompli the way it had been done in 2003, 2004, and 2005.

There's really a trust building exercise in an effort to recover from the history that we developed over NSPS. On the bright side, we have had on Capitol Hill both houses, both parties, agreeing that we do want DOD to push forward in this way, and we do have, at least at these preliminary stages, some indication that there is a building, cooperative relationship between management and the unions and that there is a prospect of us moving forward.

What happens when we get to concrete proposals (and whether the good feelings that seem to be building on all sides will hold up when we get to concrete proposals) is another question, but I think what this whole experience tells us is that confrontation doesn't necessarily get you where you want to go in terms of reform. If you want to have effective reform, you need to think not only about what your own agenda is but also about what the other guy's agenda is and how you can make those things work together. This is something that we work with all the time on Capitol Hill because the path of legislation is usually the path to compromise. I think that's what we're trying to do now, but it remains to be seen, with all the history we built up over the last six to eight years, as to whether we can be successful now.

So that's my brief and biased history of NSPS. With that, I would be happy to take any questions that you may have if I haven't already answered them.

ADEBAYO ADEDEJI (Congressional Budget Office): The data that I've looked at, at the CBO, on NSPS and on the performance management element of NSPS indicated that the results of actual evaluations of the first 100,000 people that were converted to NSPS did not significantly differ from the average grades of people who are getting the GS system, and I remember that improved performance management, pay for performance, was one of the goals of NSPS but the actual results in those early days did not really differ a lot from the old system. So I wonder how much of these kinds of things factored into the deliberations on NSPS.

LEVINE: I don't know which data you are looking at in reaching that conclusion because that's not the conclusion we had. The reports we had indicated that the performance management system was reaching different results, that there was a very different distribution of grades. There was some

concern that in some cases it was a forced distribution but, nonetheless, it was much less the case that all the ratings gravitated toward the top.

There was more of a balanced distribution and there was certainly a much greater emphasis from management on performance ratings, and, from what we've been told, a real key to having a better functioning personnel system is to have management attention on this regardless of the outcomes. If you don't have the management coming in and actually caring about the personnel ratings and putting attention on those, you are not going to get significant results out of it.

Overall, it's my understanding the compensation was actually somewhat higher under NSPS. That could be a concern either way. It isn't clear why it would be higher, since the objective was not to pay people more but to distribute the money in a way that would better motivate people. So we're not quite sure why it was higher, but it did seem to us that both the ratings and the results were different.

ADEDEJI: There was variation in the acceptable grade. There were practically zero results in the lowest grade, which was identical to –

LEVINE: That I believe is true. I think that the number of failing grades was not increased. Once you got above the failing grades, there was a significant difference in the distribution. It's always hard for a manager to fail somebody. There's no question about that. That's why we say the real question in terms of getting rid of employees who fail to perform is not a question of what the system says. It's a question of management's willingness to do the work and to take it seriously and to be willing to follow through and go through, but it is a difficult process.

AMY PARKER (OUSD(P&R)): I'd like to offer a couple of thoughts from the perspective of an employee who was under the GS system and then under NSPS and who also has experience with running a senior pay pool.

The pay for performance part of NSPS is pretty straightforward for us all to understand and I think even accept. The other goodness I think in the NSPS system was the connection that it was supposed to establish between a supervisor and their employee.

But the system that was set up was a pay pool and perhaps the influence

of the bureaucracy in the Department went a long way to destroy that connection and, therefore, complicated the system so that very earnest and committed individuals couldn't effectively work it.

So I'm not so sure that a lot of the conversation surrounding NSPS should be a discussion of how it failed. Maybe it should be more about how we failed in implementing it and actually driving it down through the organization.

LEVINE: What I would say is, because NSPS as a legislative matter was simply a "you guys do what you think is right," I don't think you can draw the line between saying we failed in implementing it and saying it failed because what NSPS was, was whatever was implemented.

In terms of what you said, I think that from the perspective of the staff who worked the issue in both the Senate and the House, we tend to agree with you in that the performance management system was a step in the right direction. That's something that we want to preserve and have directed the Department to try to reinstitute in a post-NSPS timeframe.

With regard to pay for performance, I have to say the structure of the pay pool, which was intended to give this great feature that flexibility, was then taken away by a whole series of rules intended to make sure that nobody got paid too much.

Essentially, there was a whole series of rules that were built back into the system (and some of them were visible and some of them were invisible) that ended up making sure the system really didn't have all that much more flexibility than the GS system, but it was a lot less transparent.

From my own perspective, if you want to have pay for performance, maybe we ought to look at the GS system, where you know what the steps are, you know what the grades are, and figure out a way to bring performance assessment more into moving from step-to-step and grade-to-grade than we've seen. By the time we were done with the pay pools, I don't know how much we gained out of that. That's my own view.

DAVID McNICOL (IDA): This question comes from my experience in the federal government primarily as a member of the SES [Senior Executive Service].

I suspect it's a naive dinosaur-type question, but I never quite understood what pay for performance was really going to do for me, since most of us used pay for performance anyway. We

just didn't call it that. The system had the flexibility. The people who wound up being paid the most were precisely the ones who were performing.

From the outside, it looked like we were adopting (we being perhaps the Department) an incredibly cumbersome way to make a marginal improvement on a largely invisible but functioning system.

LEVINE: I agree with a lot of what you say. I would say from the perspective of advocates of pay for performance, the place where I think the GS system falls down is with the step increases, which are largely driven by seniority. The question from my perspective as we look at the GS system going forward is: Is it possible to build a greater emphasis on performance into the step increase process so that that's not just purely seniority driven? If you could do that, it seems to me you could have pay for performance within the GS system, which would give you a lot more transparency and a lot more acceptance because people understand what those grades and rates are. You don't then have to add this system of invisible rules to make sure nobody is paid too much.

PATRICIA BRADSHAW (Scitor Corporation): Peter, what is your view of the rule of union involvement if the Department is actually going to develop a new performance management system, given the history of the past?

LEVINE: I think we're now putting that to the test. The assumption underlying the implementation of NSPS in 2003 and 2004 was that if we negotiate with the unions we will never have personnel reform, and that's why we can't have collective bargaining, so we're just going to ignore them and do it our way.

Now the presumption going forward is that we're going to work with the unions and see if we can do it working with the unions. That's going to be put to the test. We don't know the answer and we won't know the answer.

We have met with the unions; DOD has met with the unions. We've all urged them to participate in this process, to understand that their views will be considered, but that we want the process to move forward so we can have a new performance management system.

They assured us that they will participate and that they will be constructive, but you don't know until you try.

Over the years, as we dealt with NSPS, we frequently had meetings with the unions where they told us basically that they were trying to understand what these changes were that we wanted, they thought it could be done within the system without having to make the radical changes we were trying to implement, and they would be happy to work with us

to do that.

We are now putting them to the test; basically, they told us for the last six years if we got rid of NSPS and worked within the system they would work with us toward these objectives, and we're now going to see whether that works.

GARY BLISS (OUSD(AT&L)): I'd like to pick up on a comment that was made a few moments ago about, in implementation at the OSD level, how corrosive, perhaps flawed, NSPS had been in the relationship between the first tier supervisors and those whom they were rating.

The net effect of this mechanism the way it actually worked was to essentially completely obfuscate the relationship between an individual's performance as judged by their supervisor and the rating that they finally got, and this is not, in its operation in my experience, actually a consequence of supervisors putting their thumb on the scales and saying all the children are, like Lake Wobegon, above average.

It's rather that, in operation, the pay pools became sort of the star chamber where ratings would be returned, final ratings in many cases even one or two grades below what the supervisor said, and that's very difficult to explain to an employee.

I have to say that when people talk about NSPS, we have to separate what our intentions were from how it actually got implemented. I wonder how aware you are of that.

LEVINE: GAO [General Accountability Office] told us, as we had them review all personnel reform issues for us, that the most foremost indicator of success for personnel reform would be acceptance and trust from the employee side, that if you couldn't build that kind of acceptance, that kind of trust, a new system wasn't going to work and it was pretty clear to us as we were going forward that we were very far away from building that kind of acceptance and trust.

With regard to the specifics you are talking about on the pay pools and the personnel ratings, I don't think we had the level of awareness that you did from your perspective. You were obviously sitting inside the Department and seeing it from there.

We did hear about it. We had concern about it and we fought battles with the Department about it in particular because there were transparency issues in the kind of thing you were talking about, where the Department's position, if I remember, was that if you had a rating and it was changed by a higher-up, the employee didn't even get to know his rating had been

changed by a higher-up, he didn't get to appeal it, it was something that took place in a black box. Our view was that if you are going to have a system where the supervisor's rating can be overturned or changed, it has to be completely transparent so that the employee knows and can see that it's been changed at higher levels and has a chance to appeal that.

I can't remember whether that came out because we fought so many battles but I think we were winning some of those issues at the time that the whole thing was taken apart.

Yes, we were aware of it and yes, it's a battle we were fighting.

MICHAEL DOMINGUEZ (IDA): Yes, you won that one.

LEVINE: We did win that one? I can't remember which ones we won or lost any more, but I think that just having to fight that battle goes back to that trust and acceptance problem. Even if we won it down the road the employees have already seen this happen and those who have had it happen to them may never accept it.

That builds into the problem that we had, at the end, of a feeling that we had to tear it down rather than try to save it.

ALAN MARCUS (CNA): The DOD personnel system sits within the context of the entire federal government. Is it possible to have a completely separate system for DOD and DHS? Does that make any sense?

LEVINE: I believe that the Bush administration saw DOD and DHS as being a test case for the entire federal government and would have liked to move the federal government to a new system.

I think that DOD is probably big enough to run its own personnel system but you have to be aware that we didn't even have a single personnel system within DOD under NSPS. Instead, we were running two parallel systems because NSPS was only adopted for those parts of the force that were nonunionized, so the Department was split.

Even when NSPS was at its most heavily implemented, it was about 50/50 between NSPS and the GS system, and I will tell you that that's another reason why we decided to get rid of it.

We did not think that it was practical for the Department of Defense

to run both, that that was a feasible outcome. You run into problems everywhere and these will be problems for the federal government as a whole, but particularly acute within the Department of Defense, to transfer from one system to another.

What do you do with a person's pay combined with their grade; how do you figure out where to locate them if they go from one unit to another?

RIFs [reductions in force] turn out to be an incredible problem when you've got two different systems. What do you do with bumping rights, and can you bump from one system into the other?

Separate and apart from the fact you have to maintain two separate personnel bureaucracies that are expert in running two different systems, you have the problem that these two systems are coexisting for a single workforce, and it really is something that could not work in the long term.

Could it work in the long term with DOD different from the rest of the government? We manage to have DOD different from the rest of the government in a lot of ways and we can live with that because the Department of Defense is so big that it really is, I think, big enough to be self-sufficient, but it certainly isn't big enough for it to be reasonable to have two separate systems within the Department.

GARRETT SUMMERS (OSD(CAPE)): Given the recent election and the big changes in the makeup of Congress coming next year, I was wondering if you could comment on what you feel the congressional willingness is to tackle this again in the next two years.

LEVINE: As I said, I think that we've had a pretty good bipartisan approach to this issue over the last couple of years.

There was some reluctance on the side of a number of Republicans to tear down the final parts of NSPS, but having done that I don't see it as being likely at all that they would want to go back to that, and in terms of moving forward, we've been working together.

There has not been a discernible difference between Democrats and Republicans in terms of the agenda for moving forward in trying to get a new performance management system, with trying to get hiring reform, with trying to get streamlined processes within the GS system.

In terms of establishing a new NSPS, I am reminded that when we established the first NSPS, Duncan Hunter (then the chairman of the House Armed Services Committee) was asked how, given his reluctance to trust the executive branch on anything, he could possibly be writing this kind of blank check to the Department of Defense and what would he do if it were a Democrat who was president and a Democrat who was

in charge of the Department of Defense, rather than Rumsfeld, who he trusted, and his answer was if it were a Democrat I'd never give it to him; I'd take it away the next day. So I don't seen NSPS coming back with the next Congress. Duncan Hunter obviously isn't the chairman of the committee, but nonetheless I think that gives you a little bit of flavor there.

GRAY GILDNER (OSD(CAPE)): I'm going to be talking later this afternoon. I was a deployed civilian.

In the transition from NSPS back to GS, one of the things we have to do in this new system is to create a civilian workforce in the Department of Defense (or across the federal government) that will be required to interact with the military in environments like Iraq.

What happened, from my perspective, is that SESs were given ranks. GS civilians were given no rank, and my personal experience deploying was that this was an extremely challenging thing. I think when put into an environment with military forces that requires someone in the room to be in charge, if you are the senior civilian in the room, you are actually in charge; it's hard to explain to military, coalition forces, whoever you are dealing with, that you outrank them.

In my opinion, if we recreate the NSPS, there has to be some incentive in that system that's more than just pay. There has to be something in there that actually says you are in this particular responsibility band.

I was a civilian in the contracting world and I understand that the commercial world works differently, but in the Department of Defense, in the relationship between civilians and the military, there has to be (in my opinion) some kind of structure that allows civilians to exercise their authority.

LEVINE: We are obviously working to have a more deployable civilian workforce. I've always viewed that as a separate effort from the NSPS system.

I don't think it's particularly advanced or set back by the end of NSPS, but it is clearly something we need to do.

A couple of thoughts, though. One is with regard to giving civilians ranks; I guess it depends on context, because clearly, as far as I'm concerned,

and I think as far as the Department of Defense is concerned, a civilian cannot be in the military chain of command. So if you are talking about military activities as such, the civilian doesn't have any role and shouldn't have any role.

Obviously, we have the military performing a lot of activities that are not military activities, where there's a need for a different relationship, but I think you need to be careful with the concept of rank because you don't want to give civilians the idea that they have anything to do with the military chain of command.

GILDNER: I would push back on that. I think that's a good discussion for this afternoon because that is, in fact, not the way it works. Civilians, whether it's policy or legislation or de facto, are put into positions where, for example, in my case, I was the rater on many military.

LEVINE: I understand that, and we obviously have military who are in functions other than operational functions.

My point is when you are in the area of combat operations and carrying out military operations, with regard to those military operations, the combat operations, the civilian has no place in the military chain of command. There are other things that the military is doing in Iraq and Afghanistan and there's a different relationship that's entailed there, but you have to be careful with the concept of rank, because when it comes to those military operations, the civilian has no place.

There was something else I was going to mention about that but I've forgotten what it is. Sorry.

CAROL PETERSEN (Government Accountability Office): Peter, you mentioned briefly in passing the difficulties that departments face in trying to fire poorly performing employees. Having experienced this personally, it can almost take on a life of its own.

As an attorney, what suggestions would you make in terms of reforming the system so that due process rights are guaranteed, but at the same time making this something that can go more smoothly and better for the agency and for the individual involved?

LEVINE: It seems to me that the problem we have in that area

is one of the structure of the federal employee workforce and who our managers are, because our managers tend to be the people who are the best at doing their jobs.

We promote them not because they are managers but because they are good at the substantive part of their job and they are interested in the substantive part of their job. They want to do the substantive part of their job.

The fact that they are a manager becomes sort of a sideline or an added responsibility and it's very hard for somebody who is focused on improving defense logistics, for example, to say I'm going to spend a significant part of my hours not on improving defense logistics but on getting rid of a bad performer.

That's not what he wants to do. He wants to work on defense logistics. I think it's a bad thing from a management perspective. It's a good thing in some other ways because we are rewarding successful performance, rewarding our best performers, and getting people most interested in the job and capable of doing the job into high positions, but we have to have a balance there. That's part of what I think NSPS was, frankly, trying to do with the training and emphasis on management and the rating system, and that's something we need to carry forward—the emphasis on the fact that, yes, we want you to be good at a job, yes, we want you to care at your job, but you do need a slightly different balance.

We're not going to be expecting you to be a manager 90 percent of the time but maybe you'd better be a manager 30 percent of the time instead of just 5 or 10 percent. That's where I think the issue is. We're never going to make it easy to fire somebody, because we're always going to have some due process rights.

We've got to recognize, however, that there are some cases where you must bite the bullet and spend the time to do it. That's the best I can do on that.

RICK BURKE (OSD(CAPE)): I just wanted to get something on the record, and you mentioned it—the linkage between a personnel system and hiring reform.

One of the biggest effects that I've seen since the fallback is that NSPS made it awfully easy to hire new folks, a business the Department is in to replace some of the retiring folks in some of the areas where we've grown a bit.

The fallback to the GS system has really hurt us and I find myself more frequently apologizing (again) for delays to people we're hiring, and I don't know whether that's because of the way it's legislated or the way we've implemented it. We didn't realize it at the time but one of the things NSPS made it easy to do was hire young people, slot them in the right place, and get them offers fairly quickly, and now we're back to writing extensive stacks of memos.

LEVINE: A couple of things. First, there is an issue that arises out of the legislation because we gave the Department new hiring authority in the legislation.

We said essentially that you had the same authority as under NSPS to waive statutes related to hiring, but now there's a gap because until the Department implements that and puts new regulations in place, you don't have the NSPS authority and you don't have the new authority, either.

That is one thing you've got to worry about, but having said that, I would urge you to work with your personnel people and determine what authorities are available to you because, in fact, we have in recent years given the Department so many different expedited hiring authorities that it's hard for me to really believe you are in the box you say you are in. It may be the personnel people you are working with aren't aware of all the authority you and they have, and, in fact, you could do today many of the things you could do under NSPS. One of the things we've been looking at with the implementation of the new system is that we want DOD to implement a new hiring system and improve its hiring across the board, because ultimately it doesn't make any sense for us to be saying to do everything under expedited hiring authority because your system doesn't work.

We ought to make the system work. In the meantime I would urge anybody who is having that problem to go back to your personnel people

and say, "I hear we've got all sorts of expedited hiring authority. How come I can't use any of those?"

I have to run but I'll take one more question if there's one more.

If not, you've been a great audience, with really good questions, and I really appreciate it. Thank you.

PANNULLO: Thank you, Peter. We'll reconvene at 11:00, staying on schedule. Thank you.


Molly McIntosh
William Boeing
DELL


ALL NATURAL
Snapple

COMPENSATING THE CIVILIAN WORKFORCE

James Thompson

Beth Asch

JERRY PANNULLO (Director, Economic and Manpower Analysis Division, Office of the Secretary of Defense, Cost Assessment and Program Evaluation): On this panel, we have James Thompson and Beth Asch. James Thompson is a professor at the University of Illinois in Chicago in the Department of Public Administration. He's written about pay for performance and the federal workforce. We're very happy to have him, as well as Beth Asch, who has been at RAND and has written and researched extensively on military and civilian compensation.

In my division, on occasion my analysts will propose an idea to do research on an aspect of compensation. My advice is start by looking on the web to see if Beth Asch has done anything on this, then go from there. It always turns out that Beth has indeed done something in that area.

We will start with James, followed by Beth.

JAMES THOMPSON (Associate Professor of Public Administration, University of Illinois at Chicago): First of all, thank you for inviting me to participate along with the illustrious other speakers.

I will provide a perspective on NSPS [National Security Personnel System] and on pay for performance from 700 miles away. I do spend a lot of time in Washington, but I'm based in Chicago.

Fortunately, based on the comments I heard this morning I think most of my ideas with regard to NSPS are pretty much on point, but we'll see.

Today I want to talk first of all about the arguments in favor of pay for performance. I will also present a brief history of what's happened in the federal sector with regard to pay for performance.

I want to offer a theoretical perspective on this issue and see what insights it can provide. I will talk specifically about system design, and I'll offer some of my own observations about NSPS.

Why pay for performance? These are some of the reasons that have often been given for why this is a good idea. First and foremost, to motivate employees to the extent that employees are motivated to perform at a higher level because of the offer of higher pay, which presumably also results in higher organizational performance.

There is the idea that, to the extent high performers are given greater compensation, this would serve as a means of attracting and retaining those performers.

To the extent that pay for performance makes the performance appraisal system more consequential, it can improve communication between supervisors and their employees and help to clarify performance expectations. Pay for performance can promote equity in the distribution of rewards to the extent that high performers receive more than low performers do. And finally, pay for performance helps communicate to stakeholders the fact that the compensation policy is legitimate.

I will offer a brief history of pay for performance. For those of you who may go back that far, the Civil Service Reform Act of 1978 included a provision for merit pay for managers at the GS 13-15 levels. That program is largely regarded as having been a failure. Congress included a provision that the system had to be cost neutral and therefore for each individual receiving more money someone else would have had to receive less money. Based on surveys that were done; managers and employees who participated in this system in general did not perceive a link between pay and performance.

The NSPS was replaced in 1984 by the Performance Management Recognition System, which

was somewhat more successful. There was a greater link between pay and performance and Congress did lift the constraints with regard to cost neutrality. However, the system was phased out in 1993.

The Civil Service Reform Act of 1978 also included a provision for personnel demonstration projects. Agencies were allowed to experiment with different compensation policies. A number of them took advantage of this to experiment with pay for performance.

Most notable in this regard was the Navy's demonstration project, also known as the China Lake project, which included a pay for performance provision.

The National Institute for Standards and Technology instituted a similar project about eight years after China Lake. Other DOD R&D [Research and Development] laboratories were authorized to create their own compensation policies pursuant to legislation that was passed in 1994.

The Department of Commerce, specifically the National Oceanic and Atmospheric Administration, added its own demonstration project in 1998.

All these different demonstration projects have included pay for performance provisions.

I'll talk a little bit about the results of those experiments in a minute. Agencies that have attempted or experimented with pay for performance have included the FDIC [Federal Deposit Insurance Corporation], Defense Acquisition, GAO [Government Accountability Office], National Geospatial Intelligence Agency, the IRS [Internal Revenue Service], and DOD. In general, the experience has been mixed, with the possible exception of the National Geospatial Intelligence Agency, which has been regarded as a success. It was used as the basis for the Intelligence Community's now ill-fated pay for performance system. Let me offer a theoretical perspective on all of this.

First of all, the National Research Council wrote a report in 1991, which I still regard as probably the best single compilation of information about pay for performance in the public sector. OPM [Office of Personnel Management] commissioned the National Research Council, which in turn recruited a panel of compensation experts who produced a report that basically represented the state of knowledge at that time on pay for performance in the public sector.

Subsequently, there have been a couple of other what I call "meta-analyses" of pay for performance in the public sector. I think it's fair to say that the consensus among my colleagues in academia is that pay for

performance is pretty much a failure.

For example, Perry, Mesch, and Paarlberg say that, "pay for performance systems in the public sectors are generally unsuccessful, have little positive impact on employee motivation and organizational performance and fail to show a significant relationship between pay and performance." Perry, Engbers, and Jun come to a similar conclusion in their 2009 study; they state that "pay for performance has often failed to trigger intermediate changes in employee perceptions necessary to change motivation." The consensus among the academics therefore is that pay for performance is a misguided attempt to introduce a private sector technique into the public sector.

I'm a bit of a contrarian on this point. I think the idea of pay for performance has considerable merit, and I base that in part on results from the personnel demonstration projects.

All these demonstration projects, consistent with the terms of the Civil Service Reform Act, were subject to fairly rigorous evaluations. Here you see selective results of some of those evaluations. One criterion often used is the perception of a link between pay and performance: here you see the results on that measure at the China Lake project, also known as the Navy demonstration project.

Demonstration Project Outcomes

Perception of links between pay and performance (percent agreement)			
Project			
		Pay raises here depend on how well you perform	Under the present system, financial rewards are seldom related to employee performance
Navy Demonstration Project (1)			
Demonstration Project	Year 1	47%	58%
	Year 10	60%	32%
Control Group	Year 1	46%	60%
	Year 10	40%	65%
Dept. of Commerce (2)			
Demonstration Project	Baseline	36%	
	Year 7	54%	
Control Group	Baseline	34%	
	Year 7	35%	

Forty-seven percent of the employees at China Lake agreed with

the statement that "pay raises here depend on how well you perform," increasing to 60 percent in Year Ten. In the control group, the percentage agreeing with that statement actually went down, leaving a fairly significant gap between the demonstration project participants and the control group by Year Ten.

Demonstration Project Outcomes

Perception of links between pay and performance (percent agreement)

			In this organization, my pay raises depend on my contribution to the organization's mission.
AcqDemo (3)			
Demonstration Project	Baseline		20%
	Year 5		59%
Control Group	Baseline		12%
	Year 5		19%
NIST (4)			
Demonstration Project	Baseline	NA	
	Year 8	55%	
Control Group	Baseline	NA	
	Year 5	30%	
			Pay raises depend on my contribution to the accomplishment of my organization's mission
DoD Labs (Wave 1)(5)			
Demonstration Project	Baseline	27%	22%
	Year 4-5	57%	51%

There was a similar dynamic at the Department of Commerce, with a fairly significant increase in the perception of a link between pay and performance on the part of demonstration project participants, but not on the part of the control group.

At the acquisition demonstration project here at DOD, the phrasing was slightly different but the results were similar, with a greater perception on the part of demonstration project participants of a link between pay and performance. There was a smaller increase within the control group, leaving a fairly substantial gap between the project personnel and the control group personnel as of Year Five.

There was a similar dynamic at NIST [the National Institute for Standards and Technology], with a significant gap between those who are included in the project and those who are not, regarding the link between pay and performance as of Year Five. DOD Laboratories experienced a similar situation.

Another criterion that is often used to assess the success of pay for performance is general satisfaction with the demonstration project. You see here at China Lake a very high level of satisfaction of the project as

of Year Eight, at 71 percent. They started down here at about 29 percent in Year One. There are relatively high levels of satisfaction in these other projects as well. Partly based on these results, I argue that, in fact, pay for performance can work in the public sector.

Demonstration Project Outcomes

Satisfaction with Demonstration Project

		I am in favor of the demonstration project	China Lake
China Lake (1)			
Demonstration Project	Year 8	71%	71%
Commerce (2)			
Demonstration Project	Year 7	59%	57%
NIST (3)			
Demonstration Project	Year 2	47%	42%
	Year 8	70%	71%
DoD Labs (Wave 1)(4)			
Demonstration Project	Baseline	34%	29%
	Year 4-5	55%	47%
		Overall, the demonstration project is an improvement over the previous performance rating and compensation system.	
AcqDemo (5)			
Demonstration Project	Year 5	46%	51%

The main question then, of course, is under what conditions can it work? It turns out that the National Research Council report actually looked at precisely that issue: under what conditions can pay for performance work in the public sector?

First of all, they talked about task complexity and they concluded that pay for performance works best for jobs characterized by low complexity for which performance goals can easily be specified. They also noted, consistent with that observation, that such a description does not characterize the public sector environment.

They talked about size and, specifically in this regard, they looked at the experience of some multi-national corporations that had implemented pay for performance systems. This is particularly relevant to DOD, I think, because size is one of the big issues DOD had to confront.

What the panel found was that the corporations that had decentralized, that allowed the individual operating units a substantial degree of discretion in how to implement pay for performance, had greater success than those companies that had more centralized systems.

There was an issue of culture, which is: to what extent was the organization characterized by a hostile relationship between management and employees? There were environmental issues, including, for example, economic conditions: employees are less likely to accept pay for performance when they are threatened with being laid off. Unions obviously complicate the implementation of pay for performance and, of course, political forces in the public sector are a factor.

I want to look quickly at three theories that have been offered to explain pay for performance in the public sector.

The first is expectancy theory, which is relatively simple conceptually. Specifically, people and employees will be motivated to the extent that they believe their behaviors will lead to outcomes such as improved job performance and that good performance is recognized as such by their supervisors. Employees must believe that such outcomes will be rewarded, and they must value those rewards.

I next looked at the extent to which these elements were in place with regard to NSPS. There are some. For example, the NSPS system, in contrast to other government compensation systems that I looked at, has a fairly high degree of performance orientation such that high performers do receive relatively higher level of rewards than do non-high performers. There was some employee participation in an impartial setting centered around the creation of objectives for employees.

Some of the evaluations of NSPS that were done found a fairly high level of agreement with the idea that there was a link between pay and performance; specifically, about 55 percent of NSPS employees agreed with the statement that, "my pay increases depend on how well I perform my job," as compared to only about 30 percent of non-NSPS employees.

However, there are also some elements of NSPS that did not connect with expectancy theory. I'll focus specifically on the bottom three. Employees don't believe the system motivates them to do well. The employees were asked if they agreed with the statement, "My current performance appraisal system motivates me to perform well"; only about 40 percent of NSPS employees agreed with that statement. Also, they did not understand the requirements that would result in their being rated at different performance levels. In response to the statement, "In my most

recent performance appraisal I understood what I had to do to be rated at different performance levels," there was only 25 percent agreement among NSPS participants. Similarly, they didn't understand what was required to get a 4 or 5 rating. The statement that a 4 or 5 rating is achievable regardless of pay band or pay scheduling obtained only 35 percent agreement.

So for employees, the link with regard to understanding what was required to achieve a high level of performance does not seem to have been in place with regard to NSPS.

The second set of theories concerns goal setting. This is a fairly well validated set of theories, which is that employees will perform to the extent that they are given specific, moderately challenging goals that they accept. With regard to NSPS we do find some of these elements in place. One was that NSPS was an objective-based system, centered on the creation of specific objectives for employees. The auditors who reviewed the various objectives that were written found them to be generally specific, measurable, aligned, and realistic.

However, there were also some of what I would call incongruences. In at least some units, employees did not participate in setting objectives. Also, some units used standardized performance objectives, raising the question of whether or not the employees accepted these particular objectives.

The third and final set of theories has to do with procedural justice, and the theory here is the employees pay more attention to the process than the results. Specifically, employees will accept the system as fair to the extent to which they participated in the design, believe that the rules are consistently followed, and have an opportunity for appeal. Finally, there must be safeguards against bias.

With regard to NSPS, many of these elements were in place. At least nominally there was participative design. As Mr. Levine suggests, maybe it wasn't participative in reality. Goals were set jointly by supervisors and employees consistent with what procedural justice theory would suggest leads to high levels of motivation.

However, there are a number of issues. For instance, employees did not find the pay pool process, in particular, to be fair and equitable. Specifically with regard to the statement that "the pay pool panel helps ensure that the rating and payout process is equitable in my organization," only 25 percent of NSPS employees agreed.

Most of these theories do not make a distinction between the public and private sectors, with one exception, which is the psychological economics theory that addresses the issue of intrinsic versus extrinsic

motivation. The argument has been made that public sector employees are different in that they are more likely to be intrinsically motivated.

I did a report a couple of years ago for IBM in which I looked at a bunch of different pay for performance systems, which are listed in this slide, and I compared the different features of each. My main finding was the fact that there is no such thing as a perfect system. In every system you have to make various tradeoffs among different objectives—equity, efficiency, and employee acceptance.

There's also a need to tailor the system to meet each agency's needs. I found that there was a significant premium placed by employees on the integrity of the rating system. If the employees felt that the rating system was being manipulated in some way, it really adversely affected their willingness to accept the system. Finally, consistent with what Mr. Dominguez was saying this morning, I also agree that flesh is stronger than steel. It is really the soft elements, in many respects, that make these systems succeed or fail. I would argue, in fact, that it is the relationship between the supervisor and the employee that is probably the single most important factor in employee motivation and performance. There is some literature to support that contention but particularly with regard to pay for performance, I think this is an element that perhaps needed to be given more attention than it was in the case of NSPS. I'll talk more about that briefly.

Here are some of the tradeoffs that were made in the context of NSPS. One is with regard to performance orientation. NSPS was relatively highly performance-oriented. For example, the fact that a portion of the so-called comparability increase was actually included in the pay pool and, therefore, distributed at least partly on the basis of performance makes that system highly performance-oriented. The fact that there were bonuses rather than just salary increases also makes it more performance-oriented than other pay for performance systems in the federal government. Having customized versus standardized objectives represents a tradeoff between acceptance on the part of employees and equity considerations: employees in some respects prefer more customized objectives, but having standardized objectives promotes a more equitable approach.

Proximity of rating decision was one of the biggest issues with regard to NSPS. The perception on the part of employees was that rating decisions made by their supervisors could be overturned at a higher level. GAO did a report on this. They said, "At five locations participants discussed their frustration with how NSPS takes the responsibility for rating their employees out of the hands of the supervisors and places it in the hand

of panel members who may or may not have had any direct knowledge of individual employees' performance." This substantially undermines employee acceptance of the system.

What were the outcomes? There were some positive outcomes with NSPS. Supervisors did make performance distinctions. In fact, the survey found that only five percent of employees were rated at the highest level. I think under the GS system, in some agencies, as many as 55 percent of employees are rated at the top of their ratings range. There were therefore some significant changes in behavior in that regard. There was also an increase in the perceived link with organizational mission, improved communication between supervisors and employees, etc. A big negative seems to be that the pay pool process was not a particularly fair one.

Getting back to this issue of soft skills and the importance of the link between the supervisor and the employee, a telling comment was included in the GAO report. It said, "Some supervisors we spoke with were concerned about giving feedback, especially praise, to their subordinates throughout the year or prior to releasing the final ratings because they were unsure if the pay pool panel would sustain the rating they assigned." So, unfortunately, NSPS to some extent actually undermined that relationship, which I think again is central to employee motivation and performance.

The fact that DOD had to deal with the fact that it's as big as it is was a huge impediment to the success of the system. Again, one reason that they set up these pay pool panels was to try to achieve equity. That there were higher levels reviewing the different pay decisions to make sure there was equity across the organization was partly a consequence of size.

In some of the other agencies I looked at, like NIST, for example, the final authority on the rating was the second level supervisor. So it never got beyond the employee's line of sight. It was not 2 or 3 or 4 levels above the employee as it was in NSPS. Was it a fair system? Again, the pay pool panel system undermined that.

Top management attention is also a critical factor in the success of these systems. Some of the other agencies I looked at were much

smaller than DOD. You are talking about less than 10,000 employees, for example, at NIST, and as a result, the top management was able to give the implementation of that system a lot of attention, which is almost impossible to do at DOD.

There was a lot of confusion over the contributing factors according to the various evaluations that were done. The other systems I looked at were more based on behaviors than on objectives. DOD is the only system I identified where objectives were the main basis for appraisal. In most agencies, it's based on competencies or behaviors, and objectives then become subsidiary to those. DOD had it the other way around, and it seems like there was some confusion over that among the employees.

In the interest of time, I'll skip forward to say I think there is a potential for successful pay for performance systems in the public sector. One of the benefits is that it does lead to enhanced communication with employees. Getting back to the soft skills issue and the idea of trying to nurture soft skills on the part of first line supervisors, pay for performance forces the issue. If you have weak supervisors it flushes them out, which can be a good thing. It may force the government to actually do more to make sure those first-level supervisors have the needed skills to manage, not only pay for performance, but in general.

The National Research Council, which looked at pay for performance in several multi-national corporations found that the more successful programs were those that were decentralized – I can't help but wonder if DOD wouldn't have been better off to decentralize the implementation of NSPS.

With that I thank you for your attention and I turn it over to my colleague.

BETH ASCH (Associate Director, Forces and Resources Policy Center, RAND National Security Research Division): I'm Beth Asch, and thank you so much for the invitation. It really is an honor to be here and talk about this issue, which of course is so important.

What I'm going to do here today is really to step back and ask the question: have we really made a compelling case for reform?

In some cases, some people would say the train has left the station.

We are going to reform. Everyone agrees.

What I'm going to argue is that while people might agree that we need reform, the evidence is incomplete, in my view, so that the argument for reform does not rest on a strong foundation.

That might be a very controversial statement with some people, but I hope that after seeing what I have to say today, those people will agree with me just a little bit.

As I'm sure many in this room know, there have been a number of commissions and reports, including several by GAO, OPM, and by special study groups that have argued that the current civil service compensation system is inadequate. By the way, I'm focusing today on the compensation system, not the personnel management system. I recognize that the systems are intimately related and difficult to separate.

These reports consistently conclude that the current compensation system is broken and needs reform. For example, a 2002 OPM paper concluded that the compensation system is a "one size fits all" system, which ignores the special circumstances and duties of different jobs, that fails to provide a clear connection between results and pay, and that lacks the flexibility to deal with external factors like the aging of the Baby Boomers and changes in the external market opportunities for government workers.

As many of us know, the current GS compensation system includes a number of authorities aimed at providing flexibility in managing people. OPM has a report that outlines all the different flexibility-related pays that are on the books. Yet when we look at the data, it turns out that these pays are not used very much in terms of the percent of people who get them. So another criticism of the system is the limited use of flexibility-related pays.

Notwithstanding the consistent conclusion of these studies and reports, the evidence that the civil service compensation system needs reform is incomplete. Much of the evidence focuses on what I would call policies and processes such as the time to hire, or simply provides pay comparisons with the private sector.

As I will argue in the next few charts, the evidence generally fails to provide estimates of the effects of compensation on the personnel outcomes managers care about, like retention, recruiting, performance, getting the job done, and successfully meeting the mission. That is, there is little evidence that problems with personnel outcomes, like recruiting, retention, and workforce management, are tied to the compensation system.

Earlier, it was mentioned that buy-in as well as effective relationships between supervisors and the employees are important criteria by which

we should evaluate whether the civil service system works. I would not argue with that. That's absolutely right, but I would argue that this is an incomplete criterion.

A second equally important criterion is whether or not we get what we want. Do we get the outcomes we care about and if we don't, what is the empirical link between this failure and the compensation system? We don't want a system where employees act like saints despite the system. That is, they do a great job in spite of the system. We want a system that inspires and rewards "saintly" behavior and draws in people who have a propensity for that behavior.

How will we know if we achieve what we want? By looking at the outcomes.

To some degree, past studies have considered outcomes, but the analysis is limited. First, much of this evidence relies on surveys of employees.

Survey data is appropriate for understanding corporate culture, organizational culture, perceptions of employees, and perceptions about how they feel about and view the pay system. But if you want to know the outcome of the system, you don't ask people what their perception of the outcome is. You look at the outcomes themselves.

Why? Because there's ample evidence that shows that people do not always accurately report their behavior or accurately predict their future behavior.

Survey data is useful, but not the appropriate source of information on outcomes of the compensation system. The right source is data on outcomes.

A second reason why some past studies that look at outcomes are problematic is that they often provide no information on the relationship between outcomes and compensation. For example, they consider trends in workforce statistics, such as age distributions, grade distributions, and retention rates in different organizations. But there is no analysis between changes in the level or structure of compensation and those outcomes.

Finally, past studies that do examine the relationship between

compensation and outcomes often rely on aggregate data. The problem with aggregate data is that it is subject to aggregate bias and so it's not possible to identify the causal relationship between compensation policies and personnel behavior such as retention and recruitment.

What kind of analysis is needed to provide better evidence for reform? Rather than analyses of aggregate statistics, which is what we have typically seen in past studies, what is needed is analyses of the relationship between compensation policy and outcomes using data at the level of the individual decision-maker. Data at the micro level of the individual employee allows researchers to observe behavior at the individual level and to analyze the factors that affect that behavior. Unfortunately, we see little of this type of analysis for civil service personnel and for DOD civilians in particular, and so consequently, little is known about how civil service compensation policy affects civil service personnel outcomes.

In contrast, as mentioned by Ms. Fox at the outset, this type of research is regularly performed and used to inform questions about the adequacy of compensation policy for military personnel. So we know quite a bit about how military compensation policy affects military personnel outcomes, and policy-makers can draw on that information to make better policy.

For example, DOD has a quadrennial review of military compensation.

What kind of things does DOD consider to judge the adequacy of military compensation? It considers personnel outcomes.

For example, it doesn't solely ask people their perceptions about recruitment or retention. DOD also examines recruiting and retention behavior and the effects of compensation on that behavior. Other outcomes are promotion, effectiveness, cost effectiveness, and flexibility.

I'm arguing that the type of analyses used to inform policy for military personnel should also form the basis for informing policy about DOD civilians.

What is needed is analysis of the effects of compensation policy on personnel outcomes in the civil service. To assess adequacy, here are some questions to address with data analysis.

Do we think too many good people in the civil service are leaving? Is the pay system too costly? What's the evidence people are underperforming? Do we have information on how people allocate their effort in response to the compensation system? Is the system producing too small a pool of future leaders?

Such analysis would be based on data on individual behavior, what is commonly called a micro-individual approach. I'm going to offer an example of this kind of analysis that was done a few years ago. The purpose is to give a flavor of the kind of analysis I'm referring to.

This was a RAND study that addressed the question of whether the current GS civil service compensation and personnel systems in the Department of Defense result in higher pay, faster promotion, and improved retention for higher-quality civil service employees.

We asked this question because of concern about the outcome of the compensation system. David McNicol earlier said the system seemed to work pretty well in the sense that those who got better supervisor ratings earned higher pay. So we want to know what the evidence is for that.

Now, you can disagree about how personnel quality is measured in this study. The issue of measurement is discussed in the written report. The study measured quality in terms of promotion speed, supervisor ratings, and education. It used individual level data and tracked personnel over their careers. Rather than considering annual cross sections of employees, the study considered every civilian in the Department of Defense and tracked their careers over ten years. The complete findings are in the written report.

One of the key findings is that people who got an outstanding supervisor rating actually had higher pay growth. This is what Dr. McNicol stated earlier. The study provides evidence of this.

The study also found that people who perform better in the GS system get paid more. Are they paid enough more? We don't know.

People with better education are also paid more, and have faster pay growth.

The study found that the promotion system recognizes better performing employees in terms of having higher supervisor ratings. Those who have an outstanding rating have substantially faster promotions both at their first promotion and at their second promotion, evidence that the current system is not dysfunctional. Not to say it can't be improved or shouldn't be reformed, but at least we should understand the baseline.

The study also provides evidence that people who have more education are promoted faster. To the extent that people who are promoted faster

are higher quality, and to the extent they get better supervisor ratings, the study shows that those people are more likely to stay.

The analysis holds constant job attributes and individual attributes and demographics. So these results are not due to job or individual attributes that lead to higher quality civil servants being paid more, promoted faster, and being more likely to stay.

The study's findings suggest that the GS compensation and personnel systems are not horribly broken and maybe that's the reason why it's hard to change these systems. They seem to work okay. This doesn't mean these systems couldn't be improved. The study's findings just imply that they seem to work well enough. So if we think reform is needed, we need better evidence of something being broken.

It could well be we could get the same outcomes for less cost, or for the same cost, get better outcomes.

Many have argued for pay for performance in the civil service. It might be that's the way to go. But as my colleague said there are a lot of challenges with pay for performance.

We need to understand what the outcomes of a pay for performance system are versus the current system. We need to have more information.

It might well be that the negatives outweigh the positives. Ms. Fox started off asking what we need to attract, retain, motivate, and eventually separate personnel, to get an effective Civil Service workforce.

I would just argue today that we do not have the analysis, data, or research to provide the foundation to answer that question today, unfortunately.

With that I'll conclude and take questions.

AMY PARKER (OUSD(P&R)): Are there any statistics you might know of relating to the prevailing wisdom that it's hard to separate a government employee who's not performing to the level that the supervisor wants? Do we have any statistics about the number of counseling sessions, time to separate, or anything else? Thank you.

ASCH: I don't have that statistic and I don't know. It might well be that the survey data will provide that information.

What I'm arguing is that that is not the only criterion by which to

judge. Not to say that it's not important. I think what you say is important.

I'm just saying it's not the whole story. I think there are survey data that might address that. I don't know offhand what that is.

THOMPSON: The Merit Systems Protection Board, I know in particular, has done studies on this issue of separation of low performing employees and the extent to which there do exist such employees in the workforce, and my recollection is that the percentage is relatively low – I think it's something along the lines of three percent.

One implicit question in the MSPB report is how much energy we should spend trying to deal with three percent of the workforce.

The other thing I know anecdotally from people that actually work in the system is there are a number of hurdles that a supervisor has to confront in dealing with low performers that become somewhat intimidating and time-consuming. For example, I know from people I've talked to that even though the supervisor may be willing to undertake separation, his or her higher-ups often do not want to take whatever heat might be forthcoming from that.

STANLEY HOROWITZ (IDA): I take your point entirely. Obviously, I think we need the kind of analysis for civilians that we have done, with less impact than one might like for military personnel.

But the material you presented was largely performance system oriented and we very rarely analyze that on the military side. Do you have information on kind of the gut level statistics on cues for employment or separation rates that would bear, at least as a first order, on the adequacy of civilian compensation?

ASCH: I have seen it for different workforces.

For example, I know the acquisition workforce has statistics related to DOD on workforce type outcomes, retirement rates, separation rates, experience mix, those sorts of things.

There are organizations that are gathering statistics. I think those statistics are helping at least understand what they are getting but what I don't think they are getting is where they need to go now. You now understand you have a bathtub, you have a lot of junior people and senior people, but how does the compensation system create that?

How does the compensation system contribute to that and how would changing the compensation system in some way affect that? We don't understand the relationship between the compensation policy and those statistics and outcomes which we observed.

HOROWITZ: It seems fairly obvious that the reason we've got this senior-heavy system is that people haven't left and that seems to provide prima facie evidence that compensation is at least adequate. Now, how to manage the fact you got a bathtub, you could use some analysis for that.

ASCH: I feel uncomfortable here saying that the system seems to work pretty well.

I teach a class on incentives. I'm all about incentives and managing incentives and performance, so I should be the last person arguing that the current system works but there's a lot of evidence that says there's aspects of the system that work, one of them being we have this senior group that doesn't want to leave.

PAUL HOGAN (The Lewin Group): Two comments on Dr. Thompson's presentation. It may not be complexity per se that makes the pay for performance difficult. It's the measurement.

I use an example, and maybe it's a bad one given the last two years, but a hedge fund manager—what they do is incredibly complex, but how to measure their performance isn't really straightforward.

Second, it struck me that you talk about the bonus board, pay pool. The problem perhaps, the technical problem in the public sector, is that it's structured to the first approximation such that it's exogenous to the performance of the organization.

When that happens, no matter how you allocate the fixed pool, it's a zero sum and because of that if you think about what you really want a good pay performance system to do— it's to increase everybody's productivity. Give some rewards for any additional effort towards the organizational outcome.

If there's no overarching system that rewards the organizational performance, perhaps through a bigger bonus pool, then it's hard to see in the long run how that's going to happen and how in the long run it won't

simply be looked at as a zero sum game where the losers might be finding a different place to work and becoming increasingly, arguably less, effective.

THOMPSON: Your point is well taken with regard to the pay pool issue and the constraints that are placed on these various pay for performance programs by Congress, among others, that they be cost neutral.

All the various systems that I looked at were required to be cost neutral. They each had pay pools that included the equivalent of what had been spent each year on step increases and promotions that were distributed presumably according to performance. What I observed at NIST was that they made an adjustment to allow for these cost constraints at the system level rather than at the pay pool level. I think one of the problems with NSPS—and this surfaced in a couple of the evaluations—was the fact that the share value differed across pay pools. Some employees perceived this as inequitable. If I get a "4" rating in this pay pool, I get less than somebody who got a "4" rating in a different pay pool, and this creates some problems with regard to equity and acceptance. But, NIST had a factor, a percentage factor, that they set organization-wide and the ratings were adjusted so if you had the top rating you got five times whatever this performance factor was organization-wide. If you got a mid-level rating, a "3" rating, you got three times whatever the factor was. They made the adjustment at the system level, which, at least from the perception of the employees, was more acceptable than making the adjustment at the pay pool level. At least from the employee acceptance perspective, the system-level manipulation is more acceptable than the pay pool manipulation.

ASCH: I would just add one comment, which is to hold cost constant and then the approach that's used is to say let's get more productivity for a given cost. That's the purpose of doing it. That's one goal of a pay for performance system and probably an admirable goal but not the only goal.

The other goal is let's raise the productivity of the organization and if it's more productive we pay more because they are doing more.

The current system only allows the first type of pay for performance. I think that's your point. I'm agreeing with you.

What I'm just saying is that the pay for performance system needs to recognize those two are not equivalent, but of course there are budgetary

implications that people don't want to deal with.

CAROL MOORE (OSD(CAPE)): I have a question for Professor Thompson.

Some of the slides mentioned evaluations of demonstration projects that measured employees' views 5 and 10 years out.

That's a longer period of time than NSPS existed.

It got me wondering if there is built-in organizational learning that needs to take place and be planned for.

Perhaps we are just not going to go from zero to 60. We are going to go from zero to five and it's going to take a long period of time for organizations to really adjust.

Should the new effort incorporate more time for organizational learning? Also, listening to this it sounds like there was sort of an overly adversarial relationship between front line supervisors and the pay pool that would need to be worked on.

THOMPSON: Thank you for your question. Clearly from the data that I presented there was a trend towards more acceptance of these systems by employees over a period of time, and obviously it has to do with a number of things.

First of all, I think employees are inherently suspicious of systems like these that are imposed, in many cases imposed upon them and only over time does some of that suspicion perhaps dissipate.

Second of all, obviously they compare the new system to the old system, the GS system. In some cases the GS system was still in place, so that was working against the acceptance of NSPS. The fact that, if you were in NSPS your raise was contingent on performance whereas within the GS it was largely not contingent on performance, was an impediment to acceptance. That worked against NSPS. I think over time and as the system worked and as some people gained a degree of trust, the acceptance improved.

With regard to the relationship between the supervisors and the various other levels, there are at least two other levels—reviewer and pay pool panel, etc. I'm sure there are examples within DOD where that relationship worked. We should try to examine how to improve that -- what was done in those instances that made it work.

The point that I had made earlier was that from the employee perspective to have someone who is three or four levels above you making the final decision on your rating was hugely problematic whereas at places

like NIST it was the second level supervisor who made the final decision on the rating. When people who you don't know or don't know you are making that final decision or in some cases overruling the supervisor's decision, it seems to me that has a tremendously corrosive effect on the willingness of the employees to accept this system.

TINA SUNG (Partnership for Public Service): You've been talking about comparing the military and the civilian. I wanted to ask you if you were comparing any to the contracting workforce, because Paul Light has done studies about how more and more, even though we have feds doing the work, they have this hidden workforce which has the vendor community working side by side with our civilians. Is that another factor that you are considering as you evaluate all these pay systems?

ASCH: Let me just state that my comparison between military and civilian is really about the state of affairs and what we know.

It's not so much the issue of mix of personnel and workforce mix. My point was simply that we know a lot about military personnel and adequacy of their compensation but we don't have that level of comprehension about the civilians. Let me just make that part clear.

One of the issues about what I'll call workforce mix issues, is that managers have some of the flexibilities with contractors that they don't have with civil service personnel.

Sometimes it's easier to get a contractor than it is to hire a new Civil Service System, so part of the mix issue reflects not necessarily the relative productivity of different types of personnel to do different kinds of work but reflects the flexibility of the system we're talking about today.

It's a really big issue. People care about in-sourcing, outsourcing, whatever it's called these days. I would argue that in the rush to in-source or the rush to outsource, what we need is a better understanding of what different types of personnel bring to the party and have a system that allows managers to choose the mix that meets their workforce needs, not choose a mix because the rules are so crazy that they have to choose the people they chose because that's the only way they can get people hired, and I think there are studies that are starting to look at that.

CHARLES PERDUE (Government Accountability Office): I have

a question for Dr. Thompson.

You are looking at studies, pay for performance in the public sector and the pay pools.

My question is this: In distributing the pay pools, were they constraining them to fit a normal distribution?

Following up on that, if you are recruiting the best and retaining the best should you be using a normal distribution? Wouldn't you expect the distribution to be skewed?

THOMPSON: I believe the answer to your question is no, they did not constrain them to meet a normal distribution.

A number of the agencies I looked at, obviously the ultimate constraint was cost and that was to what extent did certain rating distributions affect the cost?

In the more successful systems that I observed, and by the way, GAO's own system is kind of interesting in this regard but –

PERDUE: No comment.

THOMPSON: The attempt was made to—and this is true in NSPS, too, as well—maintain the perception on the part of employees that the rating system did have integrity, there were certain standards consistent not only across the units but across time.

So the challenge became, given various cost constraints, how do you ensure that, from the employee's perspective, there are certain standards that he or she could understand and attempt to strive for?

This was ultimately done primarily through the mechanism I described earlier, trying to adjust at the system level as was done at GAO, to make sure the system remained within the various cost constraints that were imposed. At the pay pool level, it was almost informal means. It gets back to this issue of soft skills.

At NIST they brought the first level supervisors together and they

talked through the ratings that each of them had assigned.

If one of the supervisors was an outlier (i.e., he or she was giving disproportionately higher ratings) he or she was challenged among his or her peers—so peer pressure came into effect—as to what's appropriate. Also, it served to calibrate as to what does constitute outstanding versus fully successful and things like that. It's kind of a mix of these systemwide factors, informal mechanisms that were put into place to try to get the supervisors to agree and to rate appropriately.

PANNULLO: One final question.

DAVID McNICOL (IDA): I'm going to try to extemporize the theoretical foundation for Beth Asch's empirical findings, drawing it from the British television series, "Yes Prime Minister, Yes Minister," which has been characterized as the best available instruction on political science.

There are two fundamental principles among some others in the show that apply to this discussion.

One is that, to be successful, a government program must be totally opaque, and the second is that effective government is totally impossible without hypocrisy.

I suggest to you that the old GS system honored both of those principles and the NSPS violated both of those principles, and it wasn't really an institution of pay for performance.

It was an attempt to make explicit some very, very complicated relationships that had existed and really were not duplicated in NSPS.

It also did some other things, but making things explicit, I would suggest, was possibly the reason that they ran into such trouble.

This was entirely in jest. I'm not ready to resign from IDA.

ASCH: I could argue that one area for improvement is, in fact, to increase accountability of the GS process.

That's not necessarily pay for performance as lifting some of the opaqueness. Now the pay for performance was a mechanism to do that, but that's certainly not the only mechanism, and maybe that's an area of reform about how to do performance—I mean, God knows there's a lot about how to do performance evaluation.

PANNULLO: Thank you, Beth and James. Next is lunch.

[Brief recess]


James Thompson

LUNCHEON SPEAKER

Linda Springer

JERRY PANNULLO (Director, Economic and Manpower Analysis Division, Office of the Secretary of Defense, Cost Assessment and Program Evaluation): Our luncheon speaker is Linda Springer.

Linda has a very impressive career. She was in the private sector in the insurance industry as an actuary, and then as an executive. In the public sector, she was at the Office of Management and Budget as the controller and, subsequently, as the director of OPM, the Office of Personnel Management. She is now with Ernst & Young.

Please welcome Linda Springer.

LINDA SPRINGER (Executive Director, Government and Public Sector, Ernst & Young, LLP): Thanks, Jerry.

I hope you can all hear. This is a great size room for what I want to do, which is have a little bit of a dialog and a conversation with you.

I'm not going to break my rule to not read remarks. I have a bias against simply delivering remarks, because usually someone else writes it and could probably deliver it better, anyway.

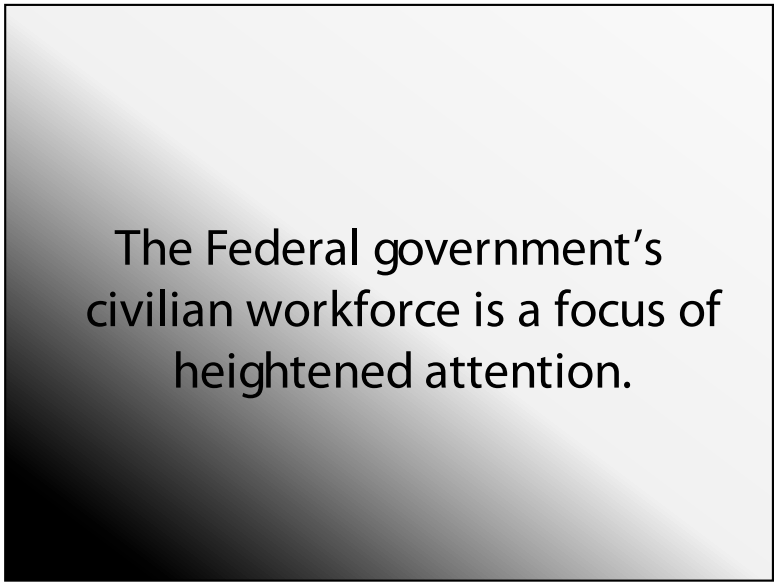
What I try to do, especially with a group this size, is to present some things that are starters that set the stage, and then end up with a conversation with you. Everyone in this room is very bright and accomplished, and smarter than I am anyway about these things, so I'd like to get you involved in the conversation.

When Mike contacted me back in, I think, July about this conference and coming to talk about the workforce and particularly how some of the economic issues—and unemployment particularly—across the landscape

were having an impact, or potentially could have an impact, on the federal workforce, I had thought it was a great topic and I didn't realize how much foresight he had.

If I had sat down at that point to put together some notes, I would have had to throw them all away with what has taken place during just the past few weeks. What I am going to do to start out today is to share some of those comments, some of the reports, and some of the things on these slides that will refresh our memory and help to focus some of the discussion about this topic, which is how this elevated period of unemployment that we're experiencing as a country is having an impact—or could have an impact or at least has a perceived impact—on the federal workforce.

Bear with me for a few minutes as we go through and look at how this is playing out. I'm going to start by putting a statement up that hopefully isn't too provocative. With all the great minds in here, there are probably some of you that could take a contrarian position to some of these statements, but hopefully I'll be able to justify them and you can

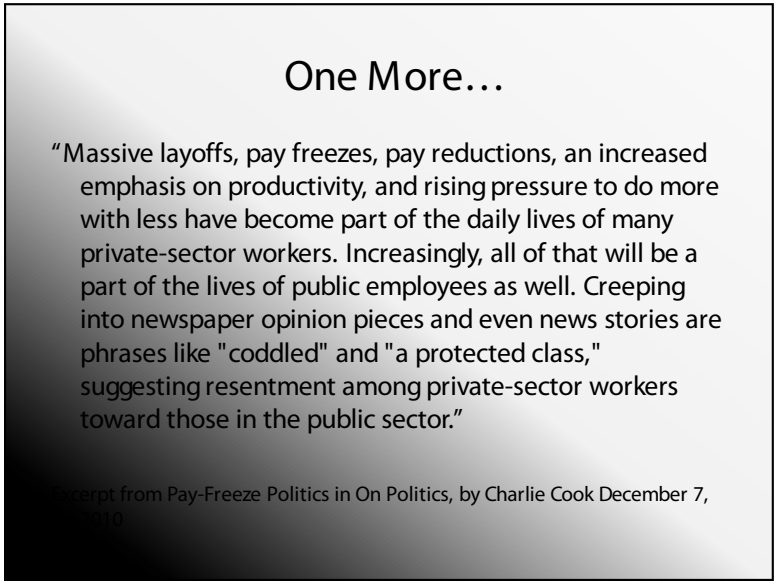


keep your thoughts and we'll challenge each other later on.

I think this one is indisputable—that there's been a high level of attention paid to the federal workforce outside the Beltway, clearly, as well as inside.

Let's look at a few things. I'm not going to read all these words here. We have a wide spectrum of opinion about the federal workforce, especially in this backdrop of high unemployment.

We have studies that have come out about pay—is it too high, is it too low, is it unfairly high, how does the government calculate the pay increases and adjustments? At one end of the spectrum you've got the notion that the private sector essentially funds the government through taxes that support federal wages and pay our salaries—sometimes I'll still refer to it as "our" like I'm still part of the community. Forgive me if I do that, but that happens. So those proponents would say it's unfair to say the federal pay issue is none of your business, in effect. That's one perspective.



Well, the government is announcing this pay freeze. Maybe the Wall Street executives ought to be subjected to some sort of pay freeze also. What are they doing about holding things down at their end? So there are different perspectives.

Here is another. This is as recent as just a couple of days ago. You may have seen it.

This is from Charlie Cook, who usually writes from a political standpoint. He's referencing what's going on in the broader community—massive layoffs, pay increases, pay reductions, do more with less. Since that's happening in the private sector, there's going to have to be something addressed in the public sector, as well, that shows some activity or some attention to the same types of initiatives. I'm going to show you later on a comment from someone that responded that this set up the potential for some sort of class warfare, so that's a perception we have to be careful of. I don't know how many of you are sports fans, but if you are, you might listen from time to time to Mike and Mike in the Morning. Anybody ever heard of that? I hope somebody. In addition to talking about Albert Haynesworth, from time to time they talk about other things. They recently reported that the NFL is going to have labor negotiations soon, and the owner of the Patriots made an interesting statement seen here on the slide. He said that if you look in Washington, there's a two-year wage freeze for federal employees, so the public doesn't have much sympathy for us. Who would have thought on a sports show that you would hear references to pay freezes for the federal workforce?

All of this clearly supports the point that the federal pay issue is getting broad attention that it hasn't gotten in the past.

How do federal employees feel about this? I picked three quotes as a sample. I'm not a blogger but when you look at the comments to some of the articles on this topic, you can gauge the intensity of how people feel by how many people respond. By the way, about a third of them are usually from the Department of Defense, particularly when it comes to pay. There was one article that I think got almost 200 comments within a day or two. It's many multiples of a typical response volume. In the first statement, someone says,

"Well, I guess I don't mind it"—I'm paraphrasing—"as long as Congress and the president do the same thing. What's good for me has to be good for them too." And "by the way, it would be nice if these big fat cat CEOs would do the same thing so there's kind of a notion of equity."

The second statement is a little bit longer, but it was a good one, because the writer is essentially saying "I've been through this before."

Here we go again, balancing this on our back. By the way, it's really a pay cut. Let's just get this straight because the health care premiums are still going up (and this is something you hear from the retiree community

as well). So it's really a cut, it's not a freeze. You never heard a word about federal employee pay until the economy imploded but that's nothing new and then again I've been around.

Then there's the linkage in many people's minds that they are being affected by what's happening in the broader condition across the country. This sentiment is captured in the third statement. This was the person who was responding to the Charlie Cook piece, and who implied that the article had the potential to create a class war between public and private sector workers.

When you jump around a bit, it's history that when times are good, private sector employees do very well. When times are bad, public sector keeps doing the same. It's just that we did not get laid off. Stop the fed bashing. I understand if you are unemployed or under-employed you are upset and the only people you can bash are government workers.

So there's a linkage there in this person's mind between government compensation and the elevated, sustained level of unemployment. The fact that this is a sustained situation is obviously maintaining and even accelerating the focus.

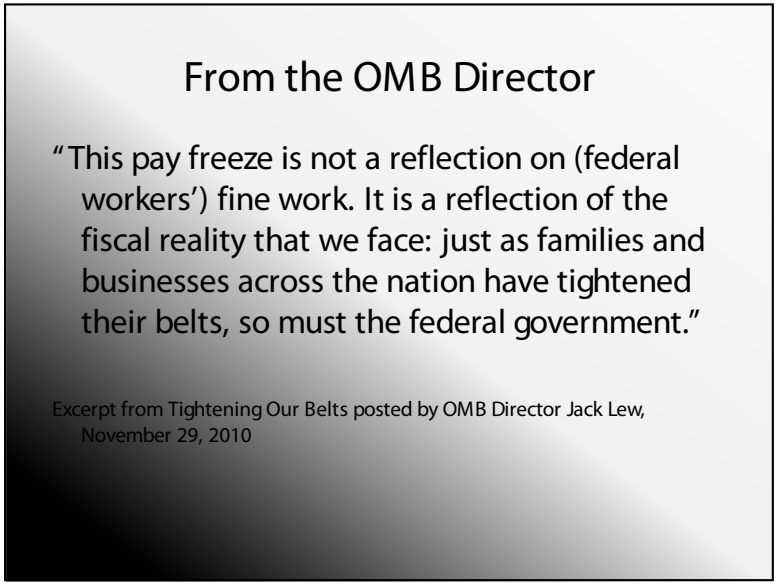
All right. That material supports my first observation, giving some examples of the heightened attention that the federal workforce is getting, ranging from the sports network all the way through the usual sources.

My next assertion is that this heightened attention and awareness is having a definite impact on federal compensation.

By the way, I'm not an economist, so the way I usually look at these things is maybe more of a common sense approach in some ways. It's not necessarily an academic exercise. It has to be in terms, and using facts and information, that people can relate to and grasp. Hopefully, it gets to a result that is consistent with more sophisticated studies, and I hope you can see that it complements today's other presentations.

As I was saying, the second assertion is that the very public focus on federal compensation in the current economic climate is having an impact. Not just that it will impact, or that it could impact. There is an impact that is occurring already. In fact, I'd say there have been instances both of direct and indirect impacts, let's look at a few things.

If this meeting were held as recently as November 28, much of this presentation would be different, and it would be more speculative. Now we have some actual events that have occurred. In this case, the president, as I think everybody here knows, proposed on November 29 a two-year pay freeze for all civilian federal workers. What was the reason for it? This is right from the remarks. Others are tightening their belt. Why? Because of the economic conditions. We have to do the same. That's the justification. Others have reinforced it (from the administration). This next quote is from the OMB Director Jack Lew. He said that this pay freeze is not a reflection on federal workers' fine work. It's important to say that this is not pay for performance. It's a reflection of the fiscal reality. Just as families and businesses across the nation have tightened their belts, so must the federal government.



So the first instance of impact was the recommendation for the two-year pay freeze. The second came in an announcement made on November 30. It is related very closely to the first and is focused on location pay. The president has the authority to cancel or to not make

the scheduled adjustment for locality pay if, according to the law, he or she views that the adjustments would be inappropriate due to national emergency or serious economic conditions affecting the general welfare. Nothing to do with performance; nothing to do with the missions of the agencies.

He's applying that authority on the basis that the country faces serious economic conditions affecting the general welfare. Accordingly, he determined that the current locality pay percentages won't increase. This came out the second day, November 30.

We have just seen two very direct examples of the impact of the general economic situation on the federal workforce compensation. I have on the slide my assertion that there's also an indirect impact. We'll come back to that in a few minutes.

There are some exceptions in the Washington community that, despite the economy, are seeing compensation increases and are rather prosperous.

If you are a sports fan, you'll know that the Nationals signed Jayson Werth to a very lucrative contract averaging $18 million per year for seven years—more than I would guess most of us will see in a lifetime. Here is the interesting thing. The baseball general managers are together for their annual meeting and everyone's wondering: what are we going to do with our players? The Mets' general manager said, "That's a lot of money. I thought they were trying to reduce the deficit in Washington."

Obviously, Jayson Werth isn't paid by the federal government; he's not a federal government employee, not in the General Schedule, or NSPS [National Security Personnel System], or any other schedule. However, there's this general sense that there's Washington; there we go again.

Now, I do want to cover one thing here. This was an excerpt from the Washington Post on November 29 reporting on the freeze. While this is an accurate representation of the quote, it's not an accurate statement, and I'll tell you why in a minute. "The freeze applies to all executive branch workers, including civilian employees of the Defense Department, but does not apply to military personnel, government contractors, postal workers, members of Congress, congressional staffers,

or federal judges and workers." Is there any part of that that any of you think or know is not accurate?

A VOICE: Members of Congress?

SPRINGER: That's correct. I'm guessing you might have an interest in that. I'm not sure who you all are, but from looking at the list of attendees, there are people here who would be in one of those other groups.

I did some checking on this. A lot of the references in the pay freeze language were specific to the executive branch, but when you actually look at the legislative language that ended up in the House bill last night for the CR [Continuing Resolution], the language, while it says executive branch, refers to other sections of Title 5 that define "employee" as much more comprehensive than just executive branch. Furthermore, back in May, the Congress—and somebody in here might already know this—actually did approve not having a pay increase for fiscal year 2011, and the president signed that in May.

So I would just say that has not been clear, and there have been a number of reports even on national TV and in press conferences that have reported erroneously and certainly fed the notion that the Congress is the one that makes the decision on this issue, but that they are not applying it to themselves. That's not true. They are, in fact, applying it to themselves. I hadn't really quite gotten all of that information until last night, but I would say if there's anybody here who works on the Hill, members of Congress really ought to be out there making clear that they already were ahead of this and in May the President did sign that legislation. One could say that's one year and they do it a year at a time, and they could also make up lost ground in the following year or the year after. So that bears some watching. That's just a little kind of fact check, if you will.

So who thinks it's going to stop with pay? Do you think that's the end of it? Does anyone think it's not going to stop at pay? Okay, a couple of hands. I'll raise my hand. I don't think it's going to stop there.

There are all kinds of other areas. Employee benefits, and again I'm looking at direct and indirect. Retention. Impact on recruiting. Are retirement patterns going to change if some of these other things change? Are we going to end up with a workforce that has different demographic characteristics?

We talked earlier about the senior component of the federal workforce being significant. Is that going to change at some point? Are

some of these economic issues going to be the prompters that initiate change?

Well, how many of you have seen this one? Pretty recent. The president's deficit commission is another name for the group. This is the one that was co-led by Erskine Bowles and Alan Simpson. They reported out a whole series of recommendations on how to deal with the deficit. It doesn't have force of law; it's a recommendation. Let's look at some of the things that were in there that are relevant for this discussion.

First, they hit the pay freeze issue, too—for three years, in their case, and they have savings estimates. The point of this isn't to analyze their recommendation. It's just to show you that they are including the workforce and a series of related recommendations in their approach to dealing with the broader deficit and fiscal situation.

The second recommendation of this type was to reduce the size of the federal workforce through attrition. If the government did all the things that this commission suggested as it relates to the workforce, they wouldn't have any trouble with number two. If you are getting close to being eligible to retire and you see some of the things that they might want to do, you are going to get out while the getting is good (benefits like retiree medical or other retirement benefits). You are going to go while the current deal is still on the table.

Their recommendation is that, ultimately, there should be a 10 percent cut and that the rehiring—the replenishing—for open positions should be in the ratio of 2 to 3. For every three that leave, you would only hire back two. By 2015, they are estimating savings of $13 billion. If you think these are just cosmetic, they aren't, at least not in their minds. There are big dollars associated with these recommendations.

Another proposal was to change the nature of the retirement subsidy for health plans. In the federal retirement plans, the average subsidy for FEHBP [Federal Employees Health Benefits Program] premiums is 70 percent. And if you retire with just five years of service, you get the full subsidy. Now one of the things that didn't win me any popularity contests when I was OPM director was my proposal to grade that subsidy in for people who had less than ten years of service when they retired. So if you

retired with five years, you would get 50 percent of the subsidy, which would be roughly 35 percent. By the time you had ten years, you would be eligible for the full 70 percent. You would still have the benefits, still have a subsidy. Certainly the White House supported it when we sent that up to the Hill. The response from certain members of Congress, however, was, not only do we think this is a bad idea, but we think the subsidy should be raised to 80 percent. You wouldn't get that response today.

Those types of small changes that we thought just brought things into line with a more reasonable expectation are being dwarfed when compared to some of the suggestions that are being talked about in the current environment.

The commission also addressed the FEHBP as another program that's going to be looked at. I really believe that will happen. Another focus in the commission's recommendations was to review and reform federal workforce retirement programs, with a savings goal of $70 billion. I didn't include a slide about some of the action steps that they were talking about or how they would suggest you could achieve this target, but $70 billion is not a small amount of money.

If you are considering whether this is going to stop with pay, I would say these recommendations are a pretty good indicator that the conversation and scope of target areas are going to expand. I personally do not think it's going to stay at just pay.

Now, that's my last slide, but I do have a couple more comments and then I'd like to open it up for some discussion. One thing that's clear, on these issues, people have opinions, they really do. What I'd like to say before we get into the conversation part is that federal workforce critics need to be careful about crossing the line and attacking the work that's being done and the quality of the people who do that work. I think that's

unfair and unfounded. It's certainly inconsistent with my observations while I had the privilege of having a vantage point of seeing what people do across the federal agency community.

I think it's one thing to say we think that something is out of line in compensation or benefits, but I would challenge the critics to work in the conditions of bureaucracy and process that federal agencies have to deal with and be able to achieve the things that federal workers do, despite all those impediments.

You have to be really careful that line isn't crossed.

Taxpayers are paying federal workers' salaries, so commentary is fair. Taxpayers can't go someplace else. They can't say, look, you know what, I'm not going to buy this product any more. I'm not going to shop at this store; I'm going to shop somewhere else. They don't have that choice. They can't sell an investment. It's not like investing in a company and they say, well, I'm going to sell that stock. They don't have that choice, obviously, when it comes to paying taxes, and we've got to respect that. At the same time I think there has to be a disciplined approach to how observations are expressed so the rhetoric doesn't get out of control.

So that's one issue. The other one that I think about is reality versus perception. In this kind of environment it's easy for people to have perceptions about things that aren't really based in fact.

The conversation in the last session focused on whether we really have the right facts and if there is the right analysis on things before we draw conclusions. When you have the kind of stressful environment associated with unemployment and under-employment, people are naturally going to be more sensitive, and fact-based commentary is particularly important. All of us that are either in the federal community or associated with it have a role in helping to keep the focus on the facts. Otherwise, there could be some consequences that the workforce would have to deal with, that could lead to higher attrition, could make it harder to attract talent, and could get us into a place where we shouldn't be.

With that, I'll end the formal portion of my thoughts. Hands are already coming up for discussion. Mike is going to start.

MICHAEL DOMINGUEZ (IDA): When I retired from the federal government, imagine my surprise when I went to cash my government stock options that I was awarded for my performance over the years.

One of these comments actually made reference to that difference between the social contracts of [others and] the federal worker who gets

all this job security—it's hard to be fired, all you have to do is stay alive and you'll get a pay increase—but there are no awards of stock options.

The ability to reach very high in performance or payroll is constrained, and in a really, really good year, from the general workforce—not in the SES [Senior Executive Service]—a two and a half percent bonus was a big deal.

That's vastly different from what you find in the private sector. It seemed to me that we began eroding that a little with A-76, putting federal workers in competition with the private sector. I understand the reasons for all of that and was, in fact, behind a lot of that in my past lives, but it does seem to me that there is a difference fundamentally in how these two groups are compensated; there's a difference in the social contract around those.

That doesn't seem to be part of the discussion. I'd just like your thoughts on how relevant that is. Is that a marginal issue?

SPRINGER: It is relevant. They are different and I think they are always going to be different because of the environmental construct.

In one case, it's very much market driven. There is an investor group that could change its funding commitment and so you could say there's a higher beta in some cases. At least there was for me in the private sector. Half my compensation was at risk, with a very low base, which gets back to the previous discussion about pay for performance. I can tell you that I was very motivated, because each year my starting total compensation was cut in half, if I had gotten my full potential the previous year. And I didn't want a cut in pay. Further, compensation was determined as much by how the company did as it was by how I did. The market also had some say in that. We have a good year if the market, and I don't mean the stock market, I mean our customer group, valued our products and services. These are some of the other dynamics at play in private sector compensation.

I would say that in the case of the public sector, at least certainly federal government, it's a more stable situation. As you noted, there is more stability. The government hopefully is not going to go out of business. Here's an example. There's somebody in my family who has now worked for, I think, five banks. He never left any of them, except for one time when he was laid off as a result of a merger. He joined another bank and now that bank has been acquired a couple of times, including one transaction with a foreign company.

There are other differences. The federal workforce has a real sense of mission. Groups like the Partnership for Public Service and others, that have really have studied this, affirm that mission motivation is very high.

I don't mean to sound mercenary but at different points in someone's professional life different things are going to be important to them. There might be a time when the financial opportunity and that higher compensation upside is going to be an attractor and have a higher weight. Then it could be that the private sector might have more opportunity.

DOMINGUEZ: As we go forward looking at the deficit commission recommendations, it would seem to me that comments from that worker on the blog were partially legitimate.

SPRINGER: They are.

DOMINGUEZ: The blogger did not benefit on the upside because his government stock options are worth the same today as before the crash.

SPRINGER: Because he doesn't have any.

DOMINGUEZ: Exactly, it's illegal. As we go forward on this and begin looking at all of this change—changing retirement system, etc.—are we also beginning to undermine that social contract, you know, this trade that federal civil servants have made by entering that service?

SPRINGER: There's always a risk that that could happen and that's why, hopefully, this is going to be looked at. To the extent that there are any changes, they are driven more by an affordability issue than by "let's try to bring this into conformity with a private sector benchmark that maybe is at a lower ebb." The private sector counterpart can recover, but in the public sector you don't have that same opportunity on the upside. That has to be a consideration for any modifications to be done right.

BETH ASCH (RAND): I have two quick questions.

My first comment is that we have reality as opposed to perceptions, so I would suggest what would be critical here is to have a better understanding of how this pay freeze will affect recruiting, retention, and those outcomes, but, in my view, we don't have the models and data to answer those questions.

For the second comment that I'll make, I'm going to be perceived as a really mean old economist, and I'm sure that all the federal employees in

this room are going to throw tomatoes because they're not going to like what I'm going to say next.

What we know from looking at military personnel, frankly, and in the private sector, is that when the unemployment rate goes up, people are more likely to stay. As a result, you don't have to pay them as much to get the same level of retention. Frankly, it's more efficient—I understand your equity issues, I understand what the president says—but purely from an efficiency standpoint it's actually efficient to let federal pay erode in real value for a short period of time because presumably as the unemployment rate goes up—though we don't have the models to tell us this, but we have it for the military and the civilian world—more people are going to stay. Therefore, to get the same force size, we don't have to pay people as much, so it's an efficient policy.

Consider specific instances like Wall Street, where pay rose. Granted, that if you look at real pay, average pay in the civilian sector has declined in recent years, and that's very typical in recessions. Real pay in the private sector has declined, so, yes, of course there are instances where that has increased, but on average it is quite true that real pay has declined.

SPRINGER: Okay, good comments, let me say a few things in response. First of all, just to clarify: these are other people's quotes, not mine. But this is showing how people are viewing us, the lens, that people are looking through, whether it's right or not, or fact-based or not.

Let me get to the other comment because I think it's true for any employer who has employees today. You could say that this is an opportunity for me to trim and this is happening in the private sector, as well. Not only because I have a bottom line to meet and I have other pressures or other goals I have to achieve or make sure we're on a sound fiscal footing, but I could say these employees are lucky they even have a job, so I can take advantage of that. That argument applies in the private sector as much as in the public. I don't think it's a uniquely public sector argument. I would say, though, that that violates not only my sense of equity if I were that employer, but my sense of how you treat people. I think that it's just wrong. It's one thing to say, for the survival of the good of this organization, we're all going to have to take a freeze and, when times are better, we're going to benefit from that, too, on the upside. But I think it's just wrong to say, "I'm going to take advantage of the fact that people can't find a job somewhere else and I'm going to cut their benefits or cut their pay." I think that's just wrong and people know it.

They are smart enough to know if you are doing cutbacks for the right reasons. They'll respect you if you say we've got a fiscal challenge or the financial health of the organization is at risk. I think people know what your reasons are, particularly in environments that are as transparent as they are today.

So I would never advocate for something like that, either in the private sector or public sector. I think it really harms engagement. I think it harms morale. I just think it's bad. I certainly wouldn't want to be treated that way, but it could happen. I'm sure it does.

Any other thoughts, comments?

ADEBAYO ADEDEJI (Congressional Budget Office): Do you think, with the situation we are in right now with the pay freeze, that there is the possibility that it's going to spill over to the contractor world one way or another and, if so, how is that going to happen?

SPRINGER: I have observed, being in the contractor world—I prefer to call it advisor world—for the past two and a half years, that there have been pay freezes in that community. I've seen that. It's interesting because there's always that dynamic of in-sourcing and out-sourcing, there are times where it might be counter to what some of the other considerations are, too. If you are trying to attract talent, it's just like anything else. That becomes one of the factors people look at. I have seen where there have been pay freezes in the contractor community. I don't have published information on that, but in the instances that I'm familiar with, I have seen it in the past couple of years.

DOMINGUEZ: One of the things that I was concerned a lot about with regard to the civilian workforce when I was last in the service was recruiting and the ability of the federal civil service to be an appealing career option to the best and brightest people out there coming out of universities.

NSPS was motivated in part by our desire or our belief that bright, young, energetic people on the college campuses who were thinking about public service were no longer thinking about the civil service.

They were thinking about non-governmental organizations (NGO). Our hypothesis was partly that this canceled out the attractiveness of

civil service and we needed something more dynamic because that is what they were expecting.

What are your perceptions about the attractiveness of the civil service to the current generation of youth and the observations about the potential effect of these changes that you are talking about in this new focus on the federal workforce, on the ability to bring in the dynamic new talent the country needs?

SPRINGER: All these comments, by the way, are just my own personal view. They are not the views of my firm or anyone else. That's why I said that disclaimer up front.

There have been a number of studies in both the current economic environment, as well as when employment options were maybe a little bit more available in the private sector, back a few years ago, that showed that there are multiple attractors of particularly the younger generations. It's not just about pay or benefits. In fact, when you look at things like benefits—there's a Gallup study, for example, that ranked the different motivators—that benefits weren't high on the generation-X list on making a determination as to where they are going to work. But they cared a lot about what they were going to do and the satisfaction they would get from what they did. Yes, they want to be paid fairly, but they want to be able to have flexibility; they want to have the various technologies and tools. The environment in which they would be operating—opportunities for advancement, learning, not being stuck in one place or committed for the rest of their life, opportunities to see new things and help broaden their horizon—rated very highly. I think the biggest risk for attracting the younger generation would be if government goes stale, if the way in which you would be able to do that work and the type of things you could do would be perceived as stale. I think for that group the total compensation is a little more secondary. That's based on studies that have been done by various organizations. I don't have any reason to disagree with that.

So you had programs, for example, at NASA [National Aeronautics and Space Administration], where they are doing a lot more with technology, with rotational assignments, with a lot of things like that. They feel that's helping them to attract people in that governmental group.

Now, obviously, as you get to some of the higher generations—that's not the right word—"seasoned" is a good word for people who are my age, you might be looking at the benefit offerings. That's going to score a little higher. The things I've seen even after I've left OPM still bear

that out.

TINA SUNG (Partnership for Public Service): At the Partnership for Public Service, we build upon OPM's Viewpoint Survey to create the Best Place to Work rankings and [it helps] if you know down to your component what they are, exactly as you say, skill, mission match, the quality of their supervisor, the diversity, the fairness, and the equity.

So we've been finding the trend line going up across government. If we continue that using the data and the action planning, I think you'll create an environment where people will continue to want to come. I just wanted to reinforce what Linda was saying.

SPRINGER: During 2006 and 2007, OPM did a TV ad campaign called "What did you do at your job today?" We tried to be a little bit provocative. We ran commercials in 20 media markets. Some of you may have seen it, although we didn't run it in the Washington national region because the awareness of public service is pretty high. (I always try to use the term "public service" because there are certain terms we learn that have a better branding effect than others.)

The campaign was prompted by the military TV recruitment ads. I used to wonder, why didn't we do that for the civil service? How hard could that be to do?

I met our head of communications and said, "Here is what I want you to do: come back and tell me how to do this, but I don't want to spend much money." (I knew I wouldn't get money from OMB [Office of Management and Budget], having worked there.) "See what you can do." We didn't use actors. We used actual federal employees from different agencies that were doing what we thought were some cool things. We ran the ads in 20 different media markets and we would always then direct them to USAJOBS. We would often time them to run when we had job fairs in the viewing area. I remember getting quizzed by somebody from the Congress about why we didn't run these during the Super Bowl, and we said because it would cost too much money. Anyway, they were prime time.

We would try and get on the TV and generate some media attention, too. When we ran ads in Pittsburgh, a major TV station affiliate did an interview with me. We were taping it in the Washington station studio. I kept talking about all the neat things that people do in public service, how you can really do almost anything you want, you can find a cure

for cancer, can do all kinds of great things and apply on USAJOBS. USAJOBS isn't perfect, but think about how things would be if we didn't have it. Anyway, when I finished and the mike was off, I turned around and there were three or four young people in the studio and they all had laptops at their desk and they were all on USAJOBS.

What I took away from that is if people can get excited about the opportunity of what they can do—they can go to all these different places, they are helping their country, they can work with some really neat people—they can get excited about public service. We didn't talk about pay and benefits. Yes, they were good. You had great job security. But the thing that turned that generation on was hearing about what they could do and then have a good launch pad for their career. That was the thing. We always used to say you don't have to come and stay for the next 30 years. If you want to, you probably could. Either way, it's a great place to start. It's how we conveyed the message.

CARLA MURRAY (Congressional Budget Office): On the topic of pay freezes and the private sector, there is a benchmark that is commonly used called the employment cost index [ECI] and, indeed, you have seen the private sector reflect economic angst revealed in the ECI. It's 1.4 percent now, and so when one thinks about pay freezes in the private sector and so on, I would just make the point that it does get reflected in benchmarks that are commonly used in deciding both military pay and federal civilian pay. So to a large extent, that is built into the system.

SPRINGER: That's a good point.

The processes that might have been used are not frivolous. There was obviously significant thought as to how those were designed, and I can tell you they are administered very carefully. At the same time, regardless of what the facts are, there are perceptions, and perceptions right now drive a lot of thinking.

So as employers, as partners with people in the workforce, it's really important to be aware of those perceptions and be sensitive to them. I think the decision makers have to be careful that rather than just feeding perceptions or reacting to perceptions, they do get to all the facts. As one of the commenters did say, and it was a good comment, this isn't the first time this has happened.

PANNULLO: I'd like to get your thoughts on some recent news articles comparing federal civilian compensation to the private sector.

It started with an article in USA Today asserting that federal civilians are paid much more than their private sector counterparts. Subsequent

articles in Federal Times responded to that by pointing out that the study in USA Today looked at average private sector compensation and average federal government compensation. The Federal Times articles point out that you need to adjust for occupational specialty, education, and years of service. In addition, federal civilians tend to be higher-skilled workers.

There's a third perspective, which is that none of that really matters. Rather, what matters is: are you getting the outcomes you want for the compensation you are providing? Whether that compensation is higher or lower than private sector compensation doesn't matter.

There are three perspectives. I wonder what your thoughts are.

SPRINGER: Since that initial brief article came out, the discussion has gone down a path.

I would say there was a certain amount of filtering that took out some of the differences like the one you mentioned about tenure, about some of the lower paying occupations that are no longer as prevalent, for example, in the federal group that are maybe done from outside, those kinds of things.

The GS [General Schedule] schedule itself has that component of rewarding longevity. There are a variety of things that are, I think, filtered out after the report, and also another filter that you didn't mention is base pay versus benefits. What I found when we attempted to do some of those studies, was that the bigger difference was in the benefit side.

There are fewer and fewer private sector defined benefit [DB] plans. They were replaced by defined contribution or solely 401(k)s, and the 401(k) matches weren't always what they used to be. On the federal side, obviously, you have both. We, because I'm still vested in it, have a great DB plan and then you have the TSP [Thrift Savings Plan], as well.

I will say, by the way, one of the recent proposals is an example of a reaction. I don't know if this was well-thought out, so those of you who work on the Hill take note of this one: the proposal for the payroll tax holiday. I think it was two percent or whatever. If you are in CSRS [Civil Service Retirement System], that doesn't help you, because you don't have the deduction for Social Security. Think about that one.

PAUL HOGAN (The Lewin Group): You mean if you don't have to pay the tax at all, you should feel bad?

SPRINGER: You could argue the merits of whether the value you are getting from Social Security offsets the increase in your pay next year from the two percent adjustment you would have received. Again, we found that benefits was the component where there was the greater disparity. The federal government is not subject to a market force the way a manufacturer that's in competition with some other producer of the same thing is. They need to have the public buy their goods and have shareholders continue to invest if they are publicly traded, so there are other pressures on them that are going to force them to look at the cost of labor. I don't remember too many conversations about looking at the cost of labor, including benefits, in the federal sector, in the same way. I think it's more a matter of whether people have other employment options and what responsibility we have to taxpayers.

That's just an opinion. About how many people are in the room, 60 or 70? There are probably that many opinions and they would all be good ones.

PANNULLO: Thank you. We'll stay on schedule, reconvening at 1:45. (Short recess)

CIVILIAN EXPEDITIONARY WORKFORCE

Seth Shulman
Colonel Barry Richmond
Gray Gildner

JERRY PANNULLO (Director, Economic and Manpower Analysis Division, Office of the Secretary of Defense, Cost Assessment and Program Evaluation): Our next session is on the Civilian Expeditionary Workforce [CEW].

We have a great panel for this. We have Seth Shulman, who heads up the Civilian Expeditionary Workforce for the Department of Defense, in the Office of the Under Secretary of Defense for Personnel Readiness; we have Colonel Barry Richmond, who directs the civilians before they are deployed as part of the Civilian Expeditionary Workforce and runs them through a training program; and we have Gray Gildner from OSD(CAPE). Gray was one of the first civilians to deploy as part of the Civilian Expeditionary Workforce. Please welcome Seth, Barry, and Gray.

SETH SHULMAN (Director, International Programs, Personnel and Readiness): Good afternoon, everyone. We briefly touched base outside about an approach for today's session and it's going to seem a little bit bifurcated, perhaps, but there's a good reason for it.

I'm going to kick us off and briefly discuss where the program has been and where it is right now, because where it's going is rather different than where we are right now. To do that, I'll frame the conversation and then I'll turn it over to Barry and back to Gray and then to me to finish it up.

To start it off, we've been deploying civilians at the Department

for many years. The deployment of civilians is not a new thing. We have a lot of civilians in Air Force and Army; it's the nature of their jobs.

So if you are in the Army Materiel Command, if you are a civilian mariner for a military fleet command, if you are in logistics for the Air Force, you are, generally speaking, deployed for a significant percentage of your time.

What we haven't done in the Department, historically, is deploy civilians to military contingency operations.

Certainly we've deployed civilians in things like Katrina, things like Rita—hurricanes, natural disasters, tsunamis—but not military contingency operations. Over the course of time, in the almost decade we've been involved in Iraq and Afghanistan, it's become necessary to not only consider the use of civilians in those types of operations, but also actually get people to those locations to assist the military.

As it's become clear to the Department, there are simply not enough military to carry out what only the military can do, which is be on the battlefield, and also do the things that could be done by civilians with the proper qualifications.

We could have military who serve as contracting officers, for example. This is a hot issue for Congress, contingency contracting, but is it necessarily the best use of a military resource to be a contracting officer when someone wearing a uniform, like Barry, can strap on a gun and go out to the front lines, as opposed to a civilian who cannot?

Accordingly—and this began while Ms. Bradshaw was still in charge of civilian personnel policy for the Department—the Department undertook the very early stages of what will become a full-fledged effort on the part of the Department of Defense to ensure that civilians are ready, trained, and able to deploy at a moment's notice to react to a military contingency.

Over the course of the last two years, I'll say, because it's getting close to two years, we will have deployed through the Civilian Expeditionary Workforce 4,500 civilians to Iraq and Afghanistan, and now we've started deploying people to Djibouti and have deployed several folks to Haiti over the course of this year. But one thing has been true of almost all of these individuals of the Civilian Expeditionary Workforce: they are volunteers. These are not the people whom I identified earlier as those individuals employed by the Department who are deployed for a living.

They are people like Gray or yours truly who have regular jobs, but who stepped forward and said, "I'd like to volunteer and go forward into an environment and help where the Department can use my skill set."

They may be accountants; they may be logisticians; they may be engineers; they may be attorneys; they may be people who happen to have a skill set that they are not performing in right now.

There are quite a number of folks who are working in fields of endeavor, but deployed to carry out functions that do not have any relationship to what they do currently, for which they have the appropriate skills.

Again, over the course of the last almost two years, we've been deploying folks, not necessarily always with the best preparation, because we've been reacting to an emergent need. The good news is that over that course of time we have done quite a lot of work to evolve the program—I'll talk about where the program is going later—and certainly to prepare people.

I'm going to turn it over to Gray now, and he's going to talk about what it's like to be deployed as a volunteer in the very early stages of the Civilian Expeditionary Workforce.

GRAY GILDNER (Deputy Director, Joint Data Support Office, OSD(CAPE)): First of all, I appreciate being here. This is a very interesting activity.

I was completely clueless as to what you do until this morning. Everything I say today is my personal opinion and it is experience as an OSD civilian in an Expeditionary Workforce program that is already somewhat dated.

I've been back about ten months now. The program is very different now than it was a year and a half or so ago.

The two questions that I think need to be answered for the Civilian Expeditionary Workforce are:

Is CEW worth it? To the individual, to the warfighter, to our country. I'm going to answer that question.

How effective is the CEW program? I don't have the capability to

answer that, but I think someone should.

Questions

- Is CEW worth it? To the individual? To the war fighter? To the war effort and our country?
- How effective is the CEW program?

First of all, background. I believe I was at the leading edge of the CEW operation.

I believe it was around September of 2008 that it became a program. I heard about it for the first time in an e-mail that came from our personnel people at OSD(CAPE) in October or November, and I volunteered the first night that it came in. Of course, I had to go home and get approval first.

Background

- Retired Army Officer, Operations Research Analyst in OSD CAPE and Deputy Director for CAPE's Joint Data Support office.
- Volunteered for the CEW in November 08 and deployed to Afghanistan in Jan/Feb 09 – returned in Jan/Feb 10.
- Volunteered for several positions in the CEW program.
  - "Selected" to be the "Biometrics Training Officer" on the CJTF 101 staff in Afghanistan -- small staff element supporting one Regional Command.
  - Developed into the lead for all of ISAF -- became the Deputy Director of the Task Force.
- No prior experience with biometrics. Position ultimately required military staff skills more than biometric expertise.

There were several positions that I applied to on the site. Ultimately I was selected for biometrics. Biometrics was a small

cell in the CJTF101 staff in Afghanistan, which was the division headquarters for the 101st Airborne Division, responsible for Regional Command East, and we developed into the lead for all of the International Security Assistance Force [ISAF]. I had no previous experience with biometrics and, ultimately, no one who worked in the task force had any experience with biometrics except for the contractors. What they were really looking for was leadership and management experience.

Now for motivation. It's worth noting that a DOD civilian takes essentially the same oath as a military officer, with one exception, and that's shown in bold on this slide.

That's important to note, because these were my motivations when I went in. I had no idea—and they were not evident to me—what the benefits of this program were, but I did go in with this perspective.

Military and DoD Civilians
The Oath

- Military: I, (name), having been appointed a (rank) in the United States (branch of service), do solemnly swear (or affirm) that I will support and defend the Constitution of the United States against all enemies, foreign and domestic; that I will bear true faith and allegiance to the same; that I take this obligation freely, without any mental reservation or purpose of evasion; and that I will well and faithfully discharge the office upon which I am about to enter. So help me God.

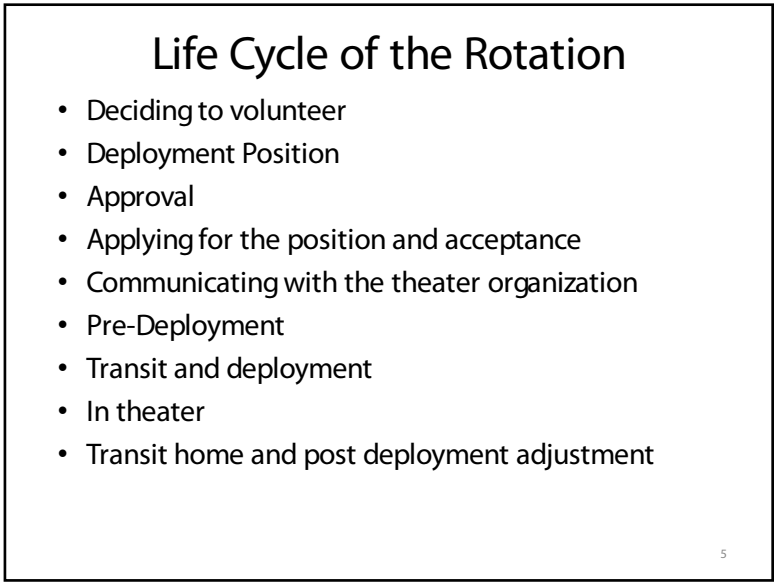
- Government: I, [name], do solemnly swear (or affirm) that I will support and defend the Constitution of the United States against all enemies, foreign and domestic; that I will bear true faith and allegiance to the same; that I take this obligation freely, without any mental reservation or purpose of evasion; and that I will well and faithfully discharge the duties of the office on which I am about to enter. So help me God.

4

This next slide characterizes various steps in the lifecycle of a rotation: I'm not going to go into a lot of this, but it sort of set the stage for some of the comments that are going to come into this.

The first three steps are deciding to volunteer, deployment position and approval. I'm a senior GS [General Schedule], and I took a position substantially lower in my GS scale. In 20/20 hindsight, that was probably not the thing to do. I wanted to serve so badly I would have accepted anything. Fortunately, because of the expansion of our

task force and the recognition of folks over there that they had a GS-15 to use for something worthwhile, my position changed substantially within about three months.



The approval step is a heavy, heavy burden on a home office, on a home organization. It costs a lot of money and they don't get to fill that position while the employee is deployed.

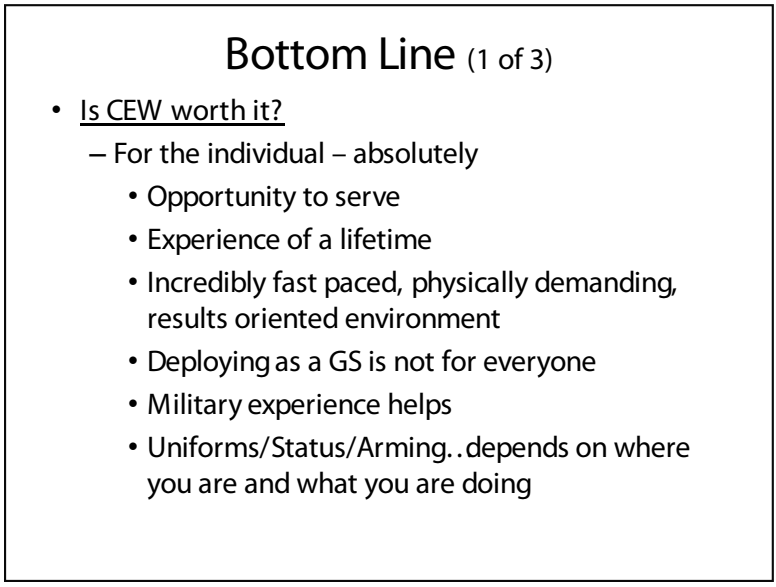
I was a career military officer. I served in a lot of difficult circumstances. This was the most difficult circumstance of any year in my life.

Post-deployment is the next step. It's hard to explain, but even though you may not have been inside a vehicle that was blown up or taking part in individual combat, during redeployment I received feedback from several civilians, and it's not as easy as it would appear. There's a decompression period of at least 60 days. I fortunately came back in the middle of a snowstorm in February and thankfully had at least two weeks of sitting in my house.

Bottom line—is the CEW worth it? For the individual, it is absolutely worth it. It's an opportunity to serve. I looked for opportunities to serve since 9/11. This was the first one that offered me the opportunity and I took it. It was the experience of a lifetime.

Like I said, it's the most incredibly fast-paced environment I've

ever been in.



Deploying as a GS is not for everyone. Military experience really helps. Life stinks, particularly in Afghanistan, and you are not treated as a GS civilian or as military. In NATO [North Atlantic Treaty Organization], you are equivalent to a contractor. I would move around various headquarters and an O-3 (Captain) or Major that worked for me would go into one type of facility; I might end up in another type of facility.

As far as uniform was concerned, I wore a uniform the entire time I was there. It helped immeasurably in my role.

Status: I considered myself in the military and I acted that way.

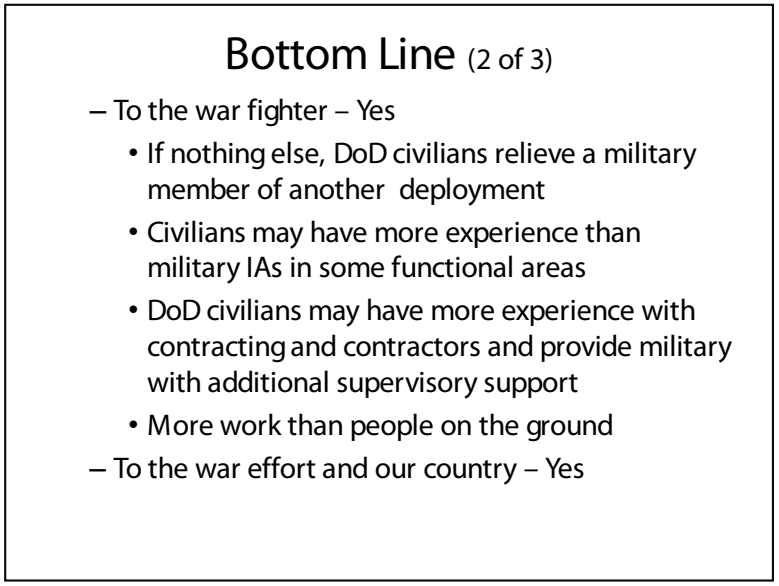
Arming: I know some people need to be armed, but it was just an encumbrance. There were plenty of people around me who were armed, and the chances of having to use a pistol are fairly slim.

The dangers that I faced were on roads. You weren't going to shoot back if that was a situation that was going to happen there. It was not a shooting situation.

I think the value to the warfighter is absolutely there. If nothing else, DOD civilians relieve a military member of another deployment.

Civilians often have more experience than the individual augmentees who are over there, so I think they are valued in that way.

DOD civilians have a lot of experience with contracting and contractors, and if you don't know contracts and contracting in this world, or in that world over there, you are at a disadvantage, because everything is being done by contractors—everything. It is just phenomenal how that works.



By the way, there's more work to do than there are people on the ground.

I'll talk the last one—to the war effort, to our country, I think it's absolutely of value.

Finally, reentry. I still think that needs some work—a study. That would be an interesting study. I talked to a couple of folks and it's been more difficult for them.

Would I return under the CEW rotational model that we're going to hear about here soon? It probably would not be good for my career, and that leads to the next thing. Is it career-enhancing? No.

The final thing I'm going to say is that I came out of this deployment. I was in the Vietnam era military. After I was in the military, leap forward 13 years or so; I can't say enough about the fact that we have an amazing armed forces right now—amazing armed forces.

The other thing I'll say that was amazing to me is the role of women in the armed forces.

Bottom Line (3 of 3)

- Reentry – this may need more work…and would be interesting to study.
- Return under CEW rotational model?
- Career enhancing?

Amazing U.S. Armed Forces

I was at the leading edge of women in the military and I saw women come into West Point; I saw the first woman come in the 82nd Airborne Division; I saw the first women come into the Old Guard—all military organizations. Now you cannot run the combat operations and support operations without seeing the huge influence of women—door gunners, crew chiefs everywhere, leaders, managers.

That's my number one take-away from my deployment. I'll now turn it over to Colonel Richmond.

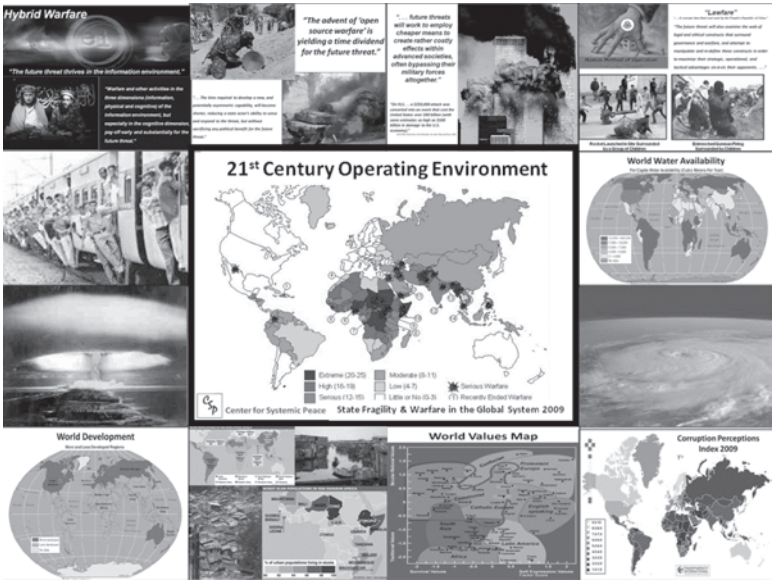
BARRY RICHMOND (Colonel, Deputy Commander, Atterbury-Muscatatuck Center for Complex Operations): Good afternoon, ladies and gentlemen. I am Barry Richmond, Deputy

Commander for the Atterbury-Muscatatuck Center for Complex Operations.

I have to tell you it's a privilege to be here and I thank you for the invitation. With that, let me shape for you the kind of the environment that CEW evolved into. I think it's important to have that background.

Who would have guessed that a World War II camp and a state mental hospital would have combined to become unlikely candidates for a 21st century training area with which the CEW was able to partner?

That World War II camp is a now a National Guard training installation and a U.S. Army mobilization station, that, since 2003, has been mobilizing approximately 10,000 military personnel each year. The hospital was a complete self-sustaining community that evolved from a work farm in the 1930s to a complete care facility that was closed in 2004 and turned over to the Indiana National Guard. It is now the nation's largest urban training complex.



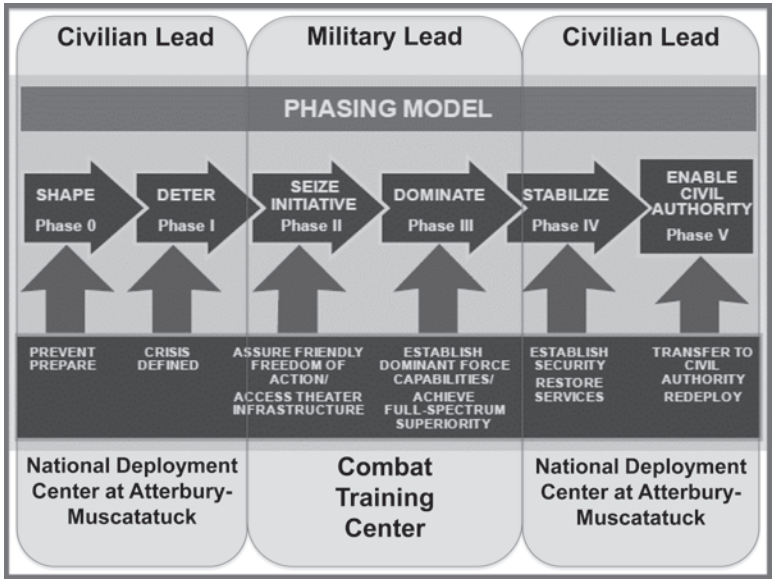
I was the commander of that camp for about four years and saw a lot of soldiers come and go during that time. Working with the Commanding General, we have now expanded our platform opportunities to support the civilian uplift or civilian surge—whichever you may choose to call it.

I think it's a rare privilege to support all of these civilians as they process through the installation. We mobilize 100 to 150 civilians every week. A member of our command staff welcomes them and thanks them for their service; I think our mobilization station is an exemplary platform for all Americans to mobilize through.

All of those things you see up there shape the current and future environment—everything from cataclysms, natural or man-made, to global urbanization. This was the first year that more people were in cities in the world than were in the rural areas, and by 2025, 75 percent of the population will be in urban areas. As one answer to training in this environment, we managed to pull together this great urban complex.

Now, this is a military chart, but it really speaks to the holistic spectrum that we're talking about when deploying our national power, if you will. This center part is the part that has gathered the most focus in recent years, simply because of the combat and the defense mission.

But when you look at the other two sides, it is the civilian mission



that sandwiches that defense piece. It is the part of the environment that we're talking about shaping, and Ms. Bradshaw, your vision for the CEW—the diplomacy, and the development, with defense in the middle—is the environment that we were trying to put together.

We have the state mental hospital, which Governor Daniels gave to the Indiana National Guard for one dollar. The state was going to spend $40 or $50 million to tear this place down. We went there, envisioned the capability, and said we think we might have a better idea for its use rather than destroying it. That was the nexus for creating the kind of environment that our CEW folks now go through.

We put together a flat organization on top of that, which is kind of unusual for a military bureaucracy, but we looked at and adopted some business models to try to manage this unique environment.

Everybody has to have a vision. The key things are realism and affordability. When General Cody came in, he said I want this much stuff [arms widespread] for this much price [hands close together]. So it has to be as true and realistic as possible, and it has to be economical to use and sustain.

The idea of shaping it for the whole of government, and the whole of nations for our coalition partners, was the part of the mission step that focused this vision. We also did another unique thing that hadn't

really been done before, and that was to tie training to technology development.

In the military, you have the Aberdeen Proving Grounds and similar installations that do testing, and then you have the training facilities, Campbell, Knox, wherever it may be, and in the bureaucracy, nary the two shall meet. But there was a directive that said put them together, because we need to get the right stuff to the right people at the right time in terms of our technology development. This environment is an opportunity for us to shape both the social aspects that feed into the CEW, in terms of the research and development test and evaluation, and the equipment.

The bottom line up front (referring to the Mission Slide), the long and short of our job, is to maximize training opportunities and minimize detractors. We do not tell people who to train, what to train, how to train, or how well you trained. That is left up to the individual program piece. We are just a resource that facilitates the training support for the mission.

For CEW, our role was to create a complex environment. There are three perspectives to that. First are the facilities. If you were to come to Muscatatuck and participate in the CEW, you wouldn't see Conex containers, you would see real buildings, 40,000-square foot structures, everything from the 1929 era to the 1970 era that creates that complex environment. You don't go into a cinderblock building. You go into a building that may have walls three feet thick, water leaks, and steam pipes that are dripping. It is a chaotic environment, but it's the environment that we need to replicate.

The other aspect you need in today's training environment is the communications element. So we partner with folks like Crane

Naval Surface Warfare Center, the third-largest Navy base in the world, tucked in the woods in southern Indiana. They are able to sample the electronic spectrums in Baghdad, Kabul—wherever—and they come back and replicate it on top of our training environments. Now when you go out on training missions, your radio has to work in a replicated real environment; it's not the radio spectrum that's in the United States that you happen to operate with.

The hardest part of building a complex environment is the people part. Camp Atterbury spent $5 million a year for the role players for mobilizing soldiers training in their various vignettes, at a maximum density of about 200.

When we built this urban complex, we said we're going to make it a living, breathing city. We're going to develop it so we have 2,000 people who live and come to work there every day. There are going to be all of those aspects you see on the screen—the cultural aspects, the governance aspects, and the commercial aspect.

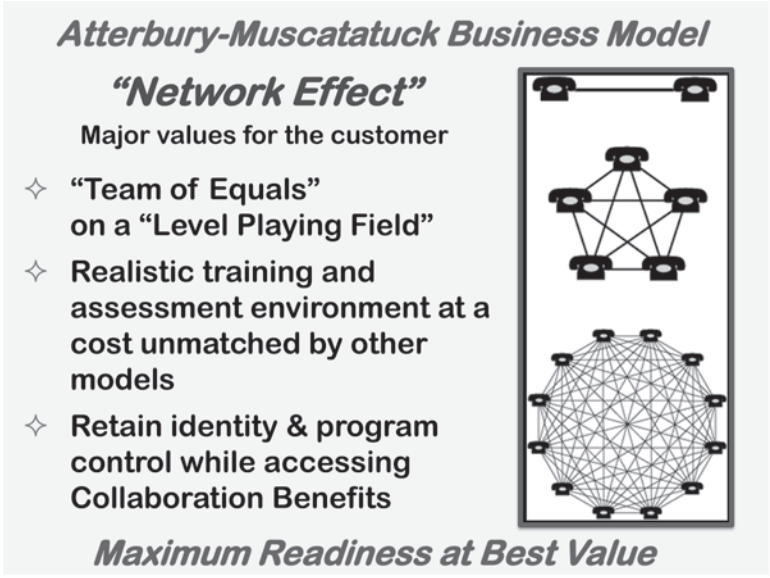
We actually put businesses in this 24/7 environment, in play all the time. We say there are three caveats for your business, Mr. Businessman or Businesswoman, should you want to set something up here. First of all, you could be robbed. Second, you could be taken hostage. Third, you could be killed. But there's a resurrection clause in your contract that allows you to come back to life overnight, and you can report the next day for business as usual.

Now when General Cody visited, he said, "General Umbarger, who the heck would want to do that?" Well, we're in the Midwest, there is a supportive community culture, and there was a business opportunity, selling to all of these folks. One of the ladies who was running the convenience store, Susan, told me one day, "Oh, Barry, you wouldn't believe it. I have been just so busy."

I said, "Really, I didn't think there were that many people there." She said, "Oh, no, but I was taken hostage seven times by the Indiana state police," who were running their hostage negotiation school. And you know what, by the way? It did not cost the Indiana State Police any extra because it was part of the environment that we talk about, the value.

How do you put something like this together? Well, you have to

break paradigms and build partnerships, and that is one of the hardest things to do in a bureaucratic environment.



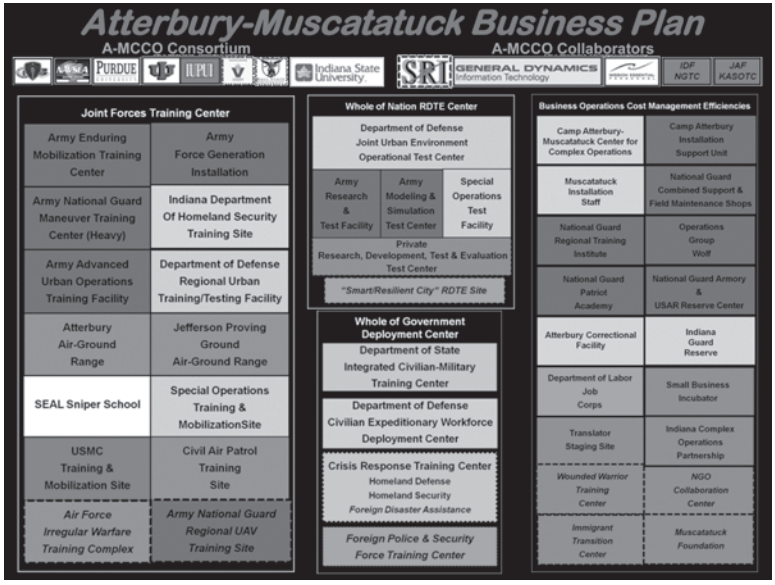
The challenges we have every day are associated with making this model work. This is like the network effect. There are some significant values it brings to those who are able to participate in that network. The three core values you see on the screen are what we bring in support of the Civilian Expeditionary Workforce as well as some of our other missions.

The hardest job is being lineman—you know, the guy that keeps all the connecting lines synched and functional. That's the challenge; that's the integration piece that's associated with making programs work. All those little telephones on the outside are all the different commands and agencies that participate, creating an immense value. The more people you get to participate, the more demand and potential for opportunity, but you've got to keep them all connected and talking. How do you do that?

You build alliances in terms of partnerships (referring to the Business Alliance slide). These are some of the ones we put together that have supported the Civilian Expeditionary Workforce—everything from academia, businesses, all the other federal agencies that you see up there, all players, all supporters. It's a challenge to get them to participate sometimes, but the value added that they bring is

significant.

Now, this is the proverbial eye chart. These are the programs that occur at Atterbury and Muscatatuck. Some of them you might recognize. Most are all silos and stovepipes, or if you are a Marine, they are referred to as "cylinders of excellence." Each of these boxes is one of the little telephones you saw on the other chart.



My job in our staff is to keep all of them connected, find out where there's value in sharing, and convince people to partner. We're in the sales and marketing environment all the time, identifying needs and seizing ideas and solutions. In a bureaucracy, especially the military, we often suffer from the "not invented here syndrome." Those of you who are engineers, you have probably heard that before: "If I don't think of it myself, it doesn't qualify as being good enough to use."

The "not invented here syndrome" is a real challenge to work through; it limits your ability to respond to need with creativity and innovation that is affordable. We take the approach that there is a partner somewhere that has an 80 percent solution. We try to find the right partner and focus our efforts on enhancing that solution to 100 percent.

This is what the city looks like. As I said, the state was going to pay $40 to $50 million to tear that down. This is the environment

where the Civilian Expeditionary Workforce trains. The picture is a little dated. It almost looks like a college campus, but there are now a lot of destroyed buildings. There's a seven-story destroyed building and a three-story collapsed parking garage. We're putting in a submerged housing area. We have turned one building into an embassy. The urban complex is pretty doggone real when units come to train. One time the CEW was there at the same time that we had a Marine Expeditionary Work Force on the ground, and they played the protocol piece at the embassy. It didn't cost anything extra; everyone got to share in all of those training opportunities.

There was an original school there, because this used to be a full service community. We turned it into another type of school. The National Guard Bureau has a program that takes high school dropouts within so many credits of reaching their degree and has put together an accredited high school degree program. These young men and women come into the National Guard, they go to basic, then they come here, they finish their credits, and they get a high school diploma and then go off to AIT [Advanced Individual Training].

While they are there, they are also role players—they go out on missions with the soldiers who are the security force for the CEW and they become that background noise, that human density that is part of an urban environment. Ninety-five percent of the people in the world are just trying to get by. The other five percent are the ones you've got

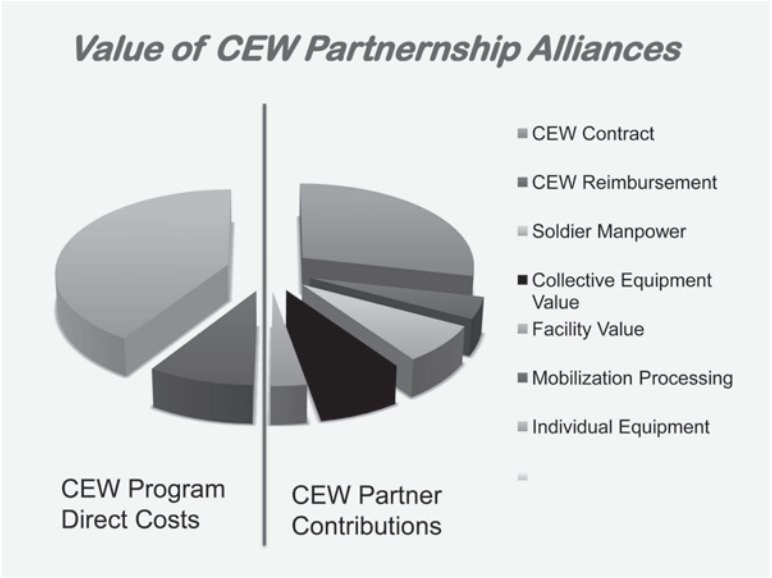
to pick out. They are harder to pick out in a high density population.

If all you have are the resources to hire only the five percent role players, you don't have all that background noise to distract you and create those complex decision-making processes. Here is a heavily used Middle East market (referring to the Market slide). But it is also another example of a partnership. We have a state trustee-level prison at Camp Atterbury that provides work crews. They do all our maintenance; they save costs. It's part of that partnership piece. We used them at Muscatatuck to build the Marketplace. We bought the material and they provided the construction labor.

We partnered with Purdue University. Some of the CEW have to evaluate agriculture issues, so we used a dirt brick-making machine; the prison work crews made the bricks and, with Purdue University's expertise, we built real Afghan farms. Purdue came in and showed us how to plant the right crops (except no drug poppies), completing the realism of the site.

Our Civilian Expeditionary Workforce, while they are deploying overseas, may also be called upon to serve in response to a natural disaster. This site can support all types of disaster response vignettes that can be participated in, all those rubble piles and things that you see on the slide.

How many of you have heard the Stone Soup parable? Most of you, it appears, so I won't take the time to tell it. Those of you that know it can share it with your colleagues. This is the focus of the business plan. The idea behind it is that you get more if you share. I know that's hard in a bureaucracy because we resource stovepipes, but as an integration agent, if you will, we try to facilitate how participants can take advantage of that sharing.



The shared value of significant partnerships is demonstrated by this simple graph. This is an oversimplification compared to a CAPE analysis, but what I'm trying to show here is that, through partnering, the cost that OSD(P&R) had to burden is less than half of the total value. The Indiana National Guard contributes a unit every single rotational cycle, a company-sized unit, which provides the security element for the civilians and interfaces with them and shares experiences.

There is a uniqueness to the National Guard that comes from the "Citizen-Soldier" culture and that, I think, reverberates and harmonizes with our deploying civilians. Indiana is the fourth largest National Guard state; we have nearly 15,000 Guardsmen. That's a lot of soldier capital to pull from. We've been pulling from it since this program started, and one of the things we have to do is demonstrate to the unit leadership that supporting civilian deployment training is rewarding to soldiers and offers them unique training opportunities.

We determine the value to the soldiers and how many of their deployment checklists are being met. We convinced the Indiana staff and asked the Adjutant General to give us a unit once a month—put them on Annual Training. It doesn't cost the CEW anything when the unit is on annual training because the soldiers get the necessary (and unique) training value. Concurrently, the CEW civilians get the necessary civilian-military training that they need. It's the same

economy with the equipment; it comes with the soldiers when they are on Annual Training and it saves the government from paying twice.

Camp Atterbury is a mobilization station. When the CEW started in January, we were just introducing people to the mobilization process. We walked them through the mobilization stations and process and showed them what was going to happen when they went to the Fort Benning OCONUS Replacement Center. The question was asked of Atterbury, "Why should we send them to Fort Benning? They are here training. Can't you mobilize them?"

Sure. We try to never say no. Sure we can. It started as 4 or 5. Now we're mobilizing 150 a week. All of that 150 are not in the Civilian Expeditionary Workforce, but they are DOD civilians and contractors, so you can see how these programs grow and the constant nurturing and attention they require to meet evolving needs.

These are pictures from some of the Civilian Expedition Workforce training vignettes that go on at MUTC [Muscatatuck Urban Training Complex]. Seth and his team, and all of the folks who went before him—Mr. Frank DiGiovanni, Ms. Pat Bradshaw, Ms. Marilee Fitzgerald, and Ms. Sharon Stewart—are all contributors to how we can make this environment the most realistic. They constantly source feedback from theater; Seth and some other folks went over so they could determine the value of the training and make changes

where needed.

The Ministry of Defense Advisors, a component of the Civilian Expeditionary Workforce, went through a training program that Seth's team put together last fall. Do you know how successful they were? General Petraeus said, "I want 100 by the spring." Why? Because the value of the training allows the civilians to "hit the ground running." They were more prepared, they better understood how to interact with the military—they weren't holed up for six months trying to learn how to make this contact, how to get this particular support. That success is because of the significant training program that put these CEW folks together with a military force that we have the honor of providing for their joint training.

This is an example of the press that we've received in the past year. You see Ms. Fitzgerald on the lower left when she was in Defense News. We've had a number of international visitors, as you can tell from the various languages shown in the articles. That ends my spiel. I think Seth is going to do a roll-up and then we're going to answer some of your questions. Thank you.

SHULMAN: We would not be able to go to the next iteration of the Civilian Expeditionary Workforce without the work that's being done by Camp Atterbury.

When Barry talks about vignettes, right now most of our deployments are to Iraq and Afghanistan. Of course, also now we just had some folks go to Bahrain. That also happens to be the extant Navy installation, naval support activity in Bahrain. Folks are actually deploying there in support of CENTCOM missions.

With that said, do we need to have additional training for people who go to Bahrain? Maybe, not necessarily, because the numbers are small.

Let's say we have a contingency operation that calls for us to go to Canada. I use Canada as an example because I know it's fairly unlikely. Now, there may be plenty of volunteers who would want to go to Canada, but we can't rely on that. Frankly, the well does want to run dry after a while with the use of volunteers and, to the extent we can, we have to plan for contingency operations.

There have been several lessons learned from the way we currently do business with the Civilian Expeditionary Workforce.

First, although we have a database of 20,000 or so resumes, maybe 13,000 or 14,000 of those are not federal employees, not DOD employees certainly. Most of them do not have experience that matches anything we have requirements for.

Let's say the other 6,000 or 7,000 resumes we've got, we have a lot of interest in, but they're not necessarily a match to specific requirements.

When Gray deployed, they didn't necessarily even have fully fleshed out requirements. Now we've got a better handle on the requirements. We just have a hard time getting people to match them. We have to go out and actively recruit volunteers. Getting volunteers for things like contingency operations for a yearlong deployment in a harsh environment is a difficult thing to do.

For certain things it's not hard at all; for Ministry Defense advisors, we have hundreds of applicants across OSD(P) and CAPE departments and a lot of very interesting folks, and we'll get our 100 with no problem.

In fact, we've already done the first 49 of those folks. They are

going to be cycling through Camp Atterbury in the next two class cycles. That's this one, but what about the next one? Can we rely on the use of volunteers?

The general feeling is, well, probably not. The extent to which you can manage contingency operations and volunteers I think has been reached. So several things are going to be a burden on the CEW.

Right now, we have one strategic Human Resources advisor for one combatant command, and that is CENTCOM. There are nine other commands; let's just say that only six of them are actually going to be dealing with combat contingency operations. We're going to be providing those combatant commands with strategic Human Resource advisors who understand what the civilian resource of the Department of Defense can bring to the table to help fill some of the military requirements on valid joint manning documents.

We're not saying we "want a bunch of volunteers over and do stuff." The "stuff" is clearly identified; the positions, grades and types of individuals with certain types of training will be clearly identified for the next contingency operation. We can't do it with volunteers, so how are we going to overcome that?

The ability of Camp Atterbury and Barry's staff out there, Barry's team, is hugely important to the success of the CEW. What we want, and ultimately require, is a readily trained and readily deployable cadre of civilians who can at a moment's notice go meet the commander's requirements in the theater of operations.

That means over the course of the next couple of years there will be a certain percentage of the DOD civilian work force needed across most of the mission-critical occupations (there are 24 of those—things like contracting, engineering, policy, logistics), so a certain percentage of positions at various grade levels across DOD will be identified as deployable.

So position, not individual-based deployment, will become the norm for the Department. Just like military can be expected to be rotated into a contingency operation,

so too certain civilians, certain occupational series, will be expected to carry out those duties as a condition of employment, much like the folks who currently do so today—Army Materiel Command, Military Civilian Command—deploy for a living.

We can expect a certain percentage of the DOD workforce—I wouldn't even be able to characterize what the percentage is, but it's probably in the 3 to 5 percent range across various critical occupational series—will be deployed or deployable when the situation arises.

Now, that said, there are two aspects to the way you do training. Right now we do 10 or 11 days of time in Camp Atterbury.

Part of that time you have the mobilization stage—they get their medical evaluations done, get their legal and financial plans in order and a certain amount of training goes on. The training is essentially training for the environment to which they are headed, whether it's Iraq, Afghanistan, Bahrain, Haiti, or Djibouti.

Let's say the next one is Canada. The nature of our deployment training will change slightly. Just-in-time training for the nature of the contingency operation will occur at the time the deployment is necessary, and there will be certain civilian training required for anyone who is a deployable billet who is basically qualified to deploy. They will cycle through Camp Atterbury, take the just-in-time training, and deploy for the CEW as necessary.

Again, this is the next couple of years. We have a DOD instruction that follows on the heels of a directive that implemented the CEW, that's going into SD106 this week because we've finally done our internal coordinations. So, hopefully, by July, we will have an implementable and signed DOD instruction that directs the agencies to start identifying positions as deployable. Of course, our team in the CEW Program Integration Office will be working with everyone to move in the right direction.

That's where CEW is going and that's because of people like Gray who deployed prior to 2009, where we didn't have people as ready for deployment

as possible. We had people with no understanding of what their benefits and allowances were before they went.

Those benefits and allowances themselves have changed, because we've been working with Congress—certainly when Ms. Bradshaw was there and continuing with legislation that is pending right now—to pass armed conflict legislation, which will normalize benefits and allowances for all deployed civilians across the federal government.

Right now, DOD tends to get more of the benefits and allowances than some of the other agencies, but we do have other agency employees who deploy with us and they may be getting the short end of the stick. We have created legislation so everyone is on the same playing field and getting the same benefits and allowances.

Those are the sorts of things that we've learned from our history, which is good. This is an evolutionary program. It's moving forward.

We're not alone in this. There are other federal agencies involved in this. State [the State Department] is an example. They have their own CEW, although on a much smaller scale. That hopefully will give you some frame of reference. I want to address one thing with regard to cost.

Duly noted, it is not inexpensive to deploy a civilian because of the nature of the benefits and allowances and entitlements. The overtime piece of it is an issue; although payment of overtime is statutory, you can waive it. There are mechanisms that are at our disposal to at least control that cost, and the financial mechanism is administratively uncontrollable over time, which caps what is paid over time to a civilian at 25 percent of pay (in addition to post differential and endangered pay). We have the ability to control the cost, and we don't want civilian costs to be overbearing and burdensome, so a combatant commander says, "I don't want to spend the money on sending civilians overseas." We want it to be manageable and we're certainly interested in working with the other parts of the Department of Defense, certainly with P&R and certainly with the financial people like the Comptroller, with whom I spend a lot of time in dealing with these types of issues. We are certainly cognizant of this and we will

work these matters out so the program remains viable.

With that, if you have any questions, I'm sure we'll be happy to take them.

PANNULLO: I have a question for Barry and a question for Gray.

Barry, I wonder if you could talk through the details of the things that a civilian who is about to be deployed goes through in the training, in terms of how long the training is, and some of the exercises that the civilians go through. Gray, could you talk a little bit about the living conditions you experienced and the work environment during your deployment?

RICHMOND: Right now it's about a 10-day exercise. The civilians come to Camp Atterbury. They get oriented. We give them gear. They do an MRAP [Mine Resistant Ambush Protected] and HMMWV [High Mobility Multipurpose Wheeled Vehicle] rollover. They get a brief overview of the program. Then they immediately leave and go to an austere contingency operating base. They meet their National Guard unit and they start doing their convoy briefings.

The National Guard shares with them in all of these training events, too, which familiarizes them with things they haven't been exposed to before. They plan their convoy operations for the next day, and the next day they go out and do key leader engagements. A lot of times, these things are demonstrations in the first vignette, and from there they'll go and do consequence management—a variety of different training vignettes that are oriented towards the particular environment they are going into.

As much as possible, Seth and his team try to orient the training to the appropriate theater. Sometimes we've had mixtures of Iraq and Afghanistan, and we split them into a couple of different groups.

They are exposed to some attacks, one in the city, typically a lot of times in the bazaar. They've got the local provisional governor with them, and oftentimes during the response to the attack the provisional governor is left to his own designs. So how do you secure the people that you are there working with when the military is grabbing the civilians and pulling them into the vehicles because that's their charge, to keep them safe?

They do this full immersion training along with some other types of classroom training and planning in the evening, then they come to Atterbury for the last four days, and they go through their

mobilization process. Then they either deploy directly from Atterbury or go back to their agency if they've got a later report date.

GILDNER: Just to distinguish between that experience and what I experienced, I had none of that. Everything I did was online. It was from reading through PDF documents, 50-, 60-page documents, trying to understand the infrastructure and culture of Afghanistan, that sort of thing. It was completely worthless.

RICHMOND: They were military documents, right?

GILDNER: Yes. The one thing I will say is that the administrative activities that were directed through the CEW site were extraordinary and they were very helpful and they got me over there and back in one piece.

Thankfully, every time I went in an MRAP, there was a soldier who knew how to properly open the doors, because you have to know how to open the doors when you are upside down. I got none of that, rollover training. Soldiers routinely received rollover training, but I did not. I would be in that vehicle with all those soldiers and not have the first clue how to get out of that vehicle.

Living conditions: the best I lived in was the highest end of Afghanistan. It was a relocatable building that was about 8 by 15 feet with anywhere from two people to five people, depending on how many people we needed to sleep on the floor, because we had nowhere for them to sleep. There was nothing.

The low end would be a massive tent with a lot of bunk beds or small GP [general purpose] type tents and that sort of thing.

Afghanistan was, very early in the stage, like that. Let me tell you I lived better than 99 percent of the people and the soldiers in Afghanistan.

PATRICIA BRADSHAW (Scitor Corporation): Seth, this is a question for you. One of the things we spent a lot of time on was worrying about the post-deployment health assessment, particularly the mental health.

Obviously, a lot of that was directed towards the military. What happened after I left? Where did it break down? And what are you folks doing to get that back on track, if it ever was on track?

SHULMAN: That's a fair question.

We spent quite a lot of time dealing with the health assessment. We worked with the people in Health Affairs to make sure they were

on board.

There was a big line of demarcation between us and CPP [the office of Civilian Personnel Policy] and the folks in the Office of the Assistant Secretary of Defense for Health Affairs. I don't believe they were entirely engaged in the effort.

Eric and I have spent a lot of time and effort in making sure we are all on the same page with regard to pre- and post-deployment health assessments.

I've been over there several times to discuss the matters with them. The surgeon general is very much aware, to ensure that they are taking care of the civilians as they return, in terms of making sure they receive the post-deployment health assessments at six months, which are the big deal.

Eric is heading out to Camp Atterbury next week to work on the redeployment training that we need to start because now we're at the tail end of a lot of the early deployments and we're now going to be preparing folks for their redeployment.

The initial redeployment health assessment will occur at Camp Atterbury. We lack a central location to do the post-deployment health assessments. There will be an automatic requirement to follow up at the six-month point for all of our returning civilians.

I think we're getting our hands around that. I've been spending some time not just with Health Affairs, but with the VA [Veterans Affairs] committee, also.

A joint committee deals with the treatment of illnesses and diseases for folks who return from deployment on the military side of things, and they expressed great interest in working with us on long-term treatment for civilians who may require it.

I will be pursuing working with the Department of Veterans Affairs simply because they have a lot more facilities—medical treatment locations—than we do in the Department of Defense.

Returning civilians do have the ability to be treated, but when you have military hospitals sprinkled far and wide as opposed to the

172 VA facilities and hospitals across the country (not including their outpatient clinics), it becomes clear that we could use the VA, like Camp Atterbury, as a partner in health care for the civilians, and that may even include the post-deployment health assessments. We're working on that even as we speak.

JOMANA AMARA (Naval Postgraduate School): My question is directed to both Gray and Seth. You are in an area where you are not exactly military or civilian. What is your status when you come back? What benefits are you entitled to? Do you get the same VA coverage as personnel employed to OEF [Operation Enduring Freedom] and OIF [Operation Iraqi Freedom]? Are you going to see large numbers of civilians deployed, to where this becomes a serious issue on the health side or maybe the compensation for injuries or disabilities?

GILDNER: I didn't get any benefits when I came back; not that I was looking for any. I was not aware of any. I came back. I rolled into Fort Benning, signed out, turned my equipment in, and then subsequently I've had inquiries from the office, your office, ensuring that I had a medical follow-up to this. Mental health was not included in the medical follow-up. I didn't need that. No one asked if I had any mental problems.

AMARA: A lot of them don't manifest until six months or a year after. Just because you had your six-month assessment doesn't mean much, basically, and I'm curious—is there a mechanism to follow up on that? Congress went back and mandated five years' extra coverage for OEF, OIF. Does that apply to civilians also?

SHULMAN: The extra coverage does not apply to civilians because it was specifically geared toward the military, from what I understand. That does not mean that we at some point won't look to mandate additional follow-up for civilians who return.

Civilians are covered by their health insurance when they return. They are also covered by FECA [Federal Employees Compensation Act].

For Workers Comp, if there is an injury or illness incurred as a result of deployment, they would be covered by Workers Comp for the duration of the illness and any treatment that would be necessary.

In terms of long-term follow-up, there are limits on what we can mandate as an employer because of law. There is that.

Is it a good idea? I'm not going to dispute that it might be a good idea.

We should see if at some level we could compel follow-up. However, you have to have a carrot and a stick. It's a good idea to have follow-up treatment and to have that available to a civilian, but if a civilian doesn't want to take advantage of it, we can't force an individual to say you must come in now—volunteers, specifically.

If it's a condition of someone's employment, such as if I were in a deployable position, it could be something that is required of me because it's a nature of the condition of my employment, but it's not something we can truly compel volunteers to do.

AMARA: You can't compel military to go back for follow-up treatment for any of these conditions, either.

SHULMAN: I would dispute that. You can compel the military.

AMARA: In your case, you had been deployed for a year; do you have some sort of military status? No? Basically, if there was something serious going on afterwards, were you left in a very uncomfortable position?

SHULMAN: That's what Workers Comp would be for. It would be covered as a job-related injury or illness.

GILDNER: You talk about the status. That conversation came up this morning. Part of the reason I put that oath up there is that we're in a whole different world right now.

The gentleman said to me that, in combat operations, the military is in charge. We know that. In Afghanistan, how many of the operations are direct combat with the enemy? Some percentage of that. There are a number of other operations that are not direct combat, but take place right there, and it's not always the military that's taking the lead.

I'll just use a personal example of this. We would deploy to prisons and we would enroll the prison population. It's like a gang location in the United States. You want to find out about M3, go to prisons and enroll all the M3 members biometrically, and you are going to find out about a lot of crimes in the United States. Pretend you are in the 1950s

or actually in Afghanistan 1,000 years ago. Just pretend that you have no database of this. Where are you going to find the crooks? You have to go to a prison. That was led by people like me, but it was a military operation, and so who was in charge of that?

It was a benign environment, but the moment you left that place there might be an IED [Improvised Explosive Device] on the road. Who was in charge of what particular phase of that operation? So I think there are going to be even more issues with this military role.

I only referred this morning to the GS rank because the military understands GSs and they understand what a GS-15 is, they understand what a GS-14 is, they understand what a 13 is.

In an environment where we were doing a joint operation or combined operation with coalition forces, civilians, and/or Department of State, I sat in big meeting rooms with FBI, other government agencies, all kinds of different organizations, and you sort of had to know who was orchestrating that. It was not always the military.

MICHAEL STROBL (OSD(CAPE)): There are a lot of things about deploying civilians that, frankly, make me a little bit uncomfortable. My question is: if we had the military structure that perfectly matched the current mission, would we still have a CEW?

SHULMAN: I don't know that I can answer that myself, because it's a matter of political leadership within the Department. I would hazard a guess and say yes, because there are things that would still make sense for civilians to do. Consider one other additional thing: you said certain things make you nervous about the deployment of civilians, but deployment of civilians has not always been part of a military contingency operation. We deploy civilians all the time to

natural disasters, so there is always going to be that need and requirement.

As I said when I started the conversation earlier, we've been deploying civilians for decades to contingency operations.

The Army Corps of Engineers has been deploying civilians to military operations for decades. This is not new to us. I don't think that the numbers would change too tremendously either, even in the new iteration of CEW.

STROBL: We've been deploying civilians for decades, but is that primarily because we don't have those skill sets in the military?

SHULMAN: I don't think so. I would say to you that, based on some recent testimony on the Hill, the military will be the first to admit that they don't have enough people who wear a uniform who are trained contracting officers. That's certainly a skill set that is not embedded in the military any more. Even if you take all the other ones out, contracting officers by themselves are necessary. We need to augment the military's capabilities with civilians. That's an example of one area.

MELINDA DARBY (Darby Consulting): You mentioned volunteers. Have you had an experience where you did not have volunteers and you had direct placement in deployment?

SHULMAN: Not in the last year and a half, no.

DARBY: We came close about 10 years ago and I was just curious. That's not part of the equation, is it, part of your program, to force civilians to deploy?

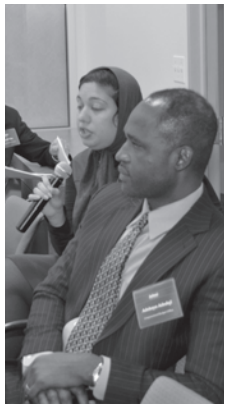
SHULMAN: The forcing aspect is one thing, but if you are in a position that requires deployment as a condition of employment and a person chooses not to accept the responsibility that came with the position, there are remedies available to whomever, as you well know.

DARBY: The person makes that choice when he takes the position.

SHULMAN: Yes. General Flowers had that question when he

was the head of the Corps of Engineers. I asked the question: are you going to be ready, willing, and able to take action in such a case? The answer was no.

AYEH BANDEH-AHMADI (IDA): Several people talked about the various costs involved in deploying civilians and I think Mr. Gildner talked about how it's kind of important to have people who have prior military service, because of the particular skill set that's involved.



To the extent that you have to recruit people with a specific skill set, the question I want to ask today is: what, if anything, do we need to do and can we do, to make sure that the government isn't unnecessarily excessively competing with itself between the civilian and the military work force and artificially driving up cost?

We've had a couple of cases in our manpower analyses. We've discovered that the Cylinders of Excellence have been doing that. The three of you kind of work at the center of the civilian and military work force, so what are your thoughts?

GILDNER: There was no competition for the job that I had. It goes to what Mike was saying. If you understand JMDS (joint manning documents, JMDs), I had to fill a JMD position. The military could not fill that position. They simply couldn't. What they did was at that time—I don't know if they still do it—they offered up positions that habitually could not be filled to the Civilian Expeditionary Workforce and that's how it went out in, let's say, the advertising.

So the advertising wasn't competing against anyone else. It simply acknowledged we can't fill this position in our current state. Can we get a civilian involved here?

RICHMOND: I think this kind of ties in with Mike's question. This is an evolutionary process, deploying not just DOD civilians, but DOD contractors, Department of State, and USDA [U.S. Department of Agriculture]. There are 3161s and schedule As; schedule As and 3161s are the one-year temp people who are hired into the job for a year to go over and do whatever is necessary.

First of all, they don't all get the same type of familiarization training. They don't all do some training. They don't all go through

the same mobilization process. So ensuring continuity of effort is a challenge. Ms Bradshaw, when you brought up a point about the differences in benefits to deploying civilians, it gets back to that "whole of nation" concept that we all have to engage in a debate. It's the all-of-America piece; how do we make sure efforts are integrated and synchronized?

The DOD has assumed a lot of the missions that are typically accomplished by our civilian structure because that's who the resources went to. There were 20,000 USAID [U.S. Agency for International Development] folks in the Vietnam era and now their strength is just over a tenth of that. We recently had a civilian going through the training program who was in the Foreign Service, in 1967. Here he was, going back again 40 years later, to do the same thing in a different environment.

I think these conditions and examples require all of us to look at all of our programs to see where the redundancies are. Those models we talked about—they don't just apply to Atterbury, they apply to our nation and the way we do business; and it's incumbent on each one of us in our positions to look and see where we can capture those efficiencies.

For Mike, when you said, should DOD do those missions? Well, if DOD is going to evolve into doing some of those six phases, which include diplomacy and development, there will have to be much better synchronization between federal agencies. Some people who are in DOD are good at diplomacy and development, but that is not their mission or forte. Quite honestly, when the Reserve Component was operationalized, that was a huge advantage in this kind of environment. Those Reserve military personnel are doctors, lawyers, teachers, bankers, and agricultural specialists in their civilian jobs, and now they are deployed using their civilian skills to enhance their military roles.

Because these civilians are also in the military, you had this opportunity for temporary and transparent job or skill expansion capacity that the Active Duty Component lacks. When I was doing a presentation about three weeks ago there were panel discussions on civilian personnel needs in Afghanistan. One of the earlier panels of the day said, "we must have 1,000 civilian police trainers in Afghanistan right away because the military is pulling out and we have to re-establish the order of security. We need to engage the U.S. local law enforcement departments to commit some experienced

law enforcement people to volunteer to go over there." I offered that there are more than 500,000 Reservists in the United States and that's just the Army Reserve and the National Guard. And I'll bet you, conservatively, one percent is in law enforcement. It's really probably more like 10 or 15 percent, but if it was one percent that would be 5,000 people experienced in both the military and civilian law enforcement. There are some National Guard soldiers who are unemployed, who would probably jump at the chance to go over as a civilian. And, by the way, they are already familiar with the military, so they would have that ability and understanding when they would deploy as civilians. I think that's looking outside the box to where our national personnel resources lie—our national treasure—and how we can best use them.

CAROL PETERSEN (Government Accountability Office): We did a study a couple of years ago that actually calculated the lifetime expected benefits for federal employees and for veterans with comparable injuries. We found that, depending on the type and severity of the injury and the length of service that a person had in which they incurred the injury, you got very different benefit packages and it wasn't uniformly better in one system or another. In some instances, a federal employee might be better off—just economically, I'm only talking about the cash benefits—and in other instances the VA benefits provided more cash over a lifetime. One thing that's left out of that equation is the facilities that the VA has, and that the military has, to treat catastrophic injury. I'm speaking again about traumatic brain injury, loss of limb or in some injuries multiple limb loss treatment facilities and rehabilitation programs that they have. The prosthetics available are absolutely unparalleled and they should be, but I wonder to what extent you can provide these facilities and rehabilitation to civilians, if needed, should they be injured in a job, because currently the civilian benefits do not provide such benefits.

SHULMAN: As I mentioned in an earlier response, that's one thing the VA has expressed interest in working with us on. I'm engaged with VA and Health Affairs in making sure that happens. It requires some money changing hands. We haven't gotten that far

down the road, but that is something we are engaged in for exactly that reason. The ability to treat a wounded or injured or ill civilian increases many times over when we're able to access the capabilities of the Department of Veterans Affairs because they are, in fact, equipped for it just as well as, if not better than, many military treatment facilities. We are headed down this road.

PANNULLO: I thank the panel. We'll reconvene at 3:15. David Chu is our closing speaker. You'll want to stay to hear his remarks.

CLOSING REMARKS

David S. C. Chu

JERRY PANNULLO (Director, Economic and Manpower Analysis Division, Office of the Secretary of Defense, Cost Assessment and Program Evaluation): The next speaker is David Chu, who really does not need an introduction to this group. I think you all know him; he was the Undersecretary of Defense, Personnel Readiness, and some years before that he was the head of Program Analysis and Evaluation. He's now the president of IDA. Please welcome David Chu.

DAVID CHU (President, IDA): Thank you. Let me thank all of you for coming to this conference, because these conferences really work best if you are engaged in, and help create the dialog, where evidence for future action might usefully rest.

I do apologize that I could not be with you much today. The Undersecretary of Defense for Acquisition, Technology, and Logistics decided that this was the day he wished to convene the CEOs from Federally Funded Research and Development Centers. I did my presentation and I escaped to be here with you at the conclusion this afternoon. I'm delighted to have this opportunity.

Many of you were very kind in circulating charts in advance so I do have some advance notion of what you planned to say, and I can behave a bit like how the press deals with presidential speeches.

I know the charts represent what you intended to say, but is that what you actually said? Stan Horowitz has been very helpful in sending me little bullets on my BlackBerry during the day about the comments you actually made.

The subject, as you know—and one I think is fascinating—is this challenge of managing the Defense Department's civilian workforce. I would urge as we think about that subject that we move one station up

in the hierarchy and ask ourselves first, what are our goals in managing this labor force? I am an economist by training and we tend to leap into the middle—"OK, let's look at supply equations, let's estimate some parameters for retention." All very wonderful and important issues.

But, we should first ask to what end, to what purpose are we managing the workforce? I think there are at least three distinct purposes that we might discern in American practice, and they aren't all congruent.

In fact, I would argue that one set is usually orthogonal to another.

The first of those—and really the subject that Mike Dominguez spoke to in his opening comments this morning—is the issue of mission success.

From this perspective, the interest in managing the civilian workforce is to ensure that it is properly attuned to its mission and that its structure, its members, its use—all are aligned with fostering success in achieving mission outcome.

If that's your standard, you may be very critical of the current federal Civil Service structure. I was present with Dr. Pannullo at a conference yesterday where the Director of Central Intelligence mobilized everyone in the Washington, D.C. metropolitan area (and beyond) interested in the issue of foreign languages. Mr. Panetta sincerely believes we need to do better in foreign language staffing. That position was reinforced by Representative Rush Holt, who testified that the reason he had demanded videotaping of interrogations of detainees was not because, as the news media might have inferred, he was concerned that they would be abused, but because he discovered in the course of congressional hearings that the government literally was misunderstanding what some of the detainees were saying. Our translators weren't good enough. When he asked, "Can we replay the videotapes and have someone with better language facility look at this material?" the answer was "What videotapes?" That's the point at which he introduced legislation to make sure to put these interrogations on record so we could go back to them.

In a question and answer period for this panel (the Director of Central Intelligence, the Secretary of Education, the Under Secretary of State for Management, the Under Secretary for Personnel & Readiness, and a

member of the House Intelligence Committee), one of the members of the audience was ungracious enough to ask, how are you going to hire these people? Can you deal with the difficulties of the federal hiring process?

I was impressed that not one of these panelists wished to address this issue. The question is, can we fix the hiring process so we can reach in an expeditious way the talent we need? The panelists acknowledged that they lose candidates because someone else, who is eager to have that same skill, who can act more aggressively, who can act more promptly, is successful in hiring that person.

It's not enough to align the compensation schedules; it's not enough to offer a gracious working environment. You have to be able to get the person on board to start with.

If you can't do that, we're not going to succeed. One goal for which I would therefore argue as our standard in judging how well we do at managing the workforce is: does our system contribute to mission success? If it does not, what can we do to improve it?

A different goal revolves around the satisfaction of the civilian workforce. Obviously, that overlaps the first. A dissatisfied workforce is not going to perform well for you, is not going to stay with you, and is not going to tell the next generation this is the right place to work. But it's not quite the same.

You can see that in the federal dialog over telecommuting. You listen to members of Congress: from their perspective, the main goal of telecommuting is to facilitate the ability of the federal worker to work at home.

Notice that the members do not start with "This is necessary for the agency to fulfill its mission," but rather, "It's a nice thing to do for our people."

That's wonderful, all good, but the first question I would pose as a former executive is does this help me get the job done, does it have a neutral effect on that outcome, or is this actually deleterious in terms of mission outcome?

So workforce satisfaction is important, because a dissatisfied workforce will not perform, as we all know, and will not help you to succeed in recruiting and retention. It's not necessarily the same thing, as mission success as a large goal, however.

The third goal we might have in managing the Department of Defense civilian workforce is serving various social or political objectives.

I think Ms. Springer, in her prepared charts, spoke to the political end of that spectrum today, and the desire by some in the political sphere to demonstrate their faithfulness to austerity by freezing federal pay.

That may be useful as a gesture in the political world, but it may or may not be helpful either with mission success or with creating a satisfied workforce, as our political leaders are finding out as we speak.

There are other ways in which federal statutes encourage the use of the DOD civilian workforce as an instrument to achieve social objectives. There are objectives about the hiring of veterans, for example. We give veterans preference. That is, to be candid, one of the most serious problems that a federal workforce manager faces, especially given the rule of three. People are putting themselves in contorted positions to reject the list of three and get a new list of three that includes the name they really want, which goes back to the hiring issue.

We have objectives in other dimensions. Every president in recent history has, I think quite appropriately, called on managing the workforce to give a chance to those Americans who are severely disabled.

Interesting outcome: The government does tend to hire the fraction of the workforce with severe disabilities that is posited by the president, but somehow the fraction of the inventory, which is a separate objective that is supposedly consistent with that number, never reaches the goal. So a large number of people are taken in, but for some reason they don't survive in the federal civilian workforce.

It's a lesson in setting the objective. The real objective is to change the inventory position, not necessarily the hiring level. Nevertheless, it's again an example of the use by our political system of the DOD and federal civilian workforce as a route to social solutions that are meritorious in their character, but may or may not align well with the actual function of the federal agencies.

If you think about any one of these three broad goals for managing the civilian workforce (and I'm not trying to argue for one or another, although I might have my preference), I just think we need to acknowledge that they are not the same and that they may be in conflict. They may put the federal manager in a conflicted position, essentially a position where he or she really can't win, that you can't actually do all three things at once and that you will have to choose. I fear that we often are not very good at making these tough choices, as we see in the debate over taxes and spending at this very moment in the larger political confrontation developing in Washington.

Whichever set of indicators you wish to use to judge management of the civilian workforce against our goals, we heard two very important presentations today by Beth Asch and James Thompson about the empirical measures that one could employ. It's very good research work about actual results, focused importantly I think on this question of workforce satisfaction—by implication, therefore, speaking to mission success, but really about the desire of people to stay in the federal civilian workforce and about their happiness with the particular personnel system under which they are operating.

You spent a good bit of time I understand this morning talking about compensation. As one thinks about compensation metrics, I would come back to these three goals for managing the civilian workforce.

I would like to take a few minutes to delineate how the answer might change if one objective were your preeminent goal as opposed to another.

If mission success is the objective, I would argue that the important metric you should be looking to is: can the government meet market competition for particular skills, particular attributes in the workforce?

Although I know that a good deal of the debate about NSPS emphasized performance evaluation as its most important characteristic, to me the most important attribute of the system was liberating the Department of Defense from the confines of the general schedule.

The Department essentially got authority to set its own pay lines. And it used that authority. Now, interestingly, that has caused a serious problem, given the political decision to revert to the general schedule, because now it has 25,000 people, probably the best performing people in the Department and the ones with the most important skills relative to the market—that's 25,000 very unhappy people, because they are now all above GS-15 Step 10.

If I remember correctly, Pat Bradshaw got us to a point where we could pay a doctor $400,000. I wish we had announced that with a megaphone. It solved the problem of hiring civilian physicians at military treatment facilities, but I'll come back in a moment to how successful we were with getting people to actually use that authority once Ms. Bradshaw had secured it for us.

To me the most important attribute of the National Security Personnel System authorities was authority for the Department to judge what the market required in order to be competitive in terms of cash compensation.

We discovered that it was culturally difficult for Defense Department

managers to employ this authority. Some rose to the occasion, others did not.

I had the privilege of talking with the head nurse at a major medical facility who clearly understood that she could use this to pay more in those areas where she needed additional energy in terms of her offer, and to be more austere in those areas where she had plenty of applicants and plenty of talent.

She thought it was a great system and she was well within her budget. In contrast, her military treatment facility commander, when confronted with a shortage of psychiatrists to treat those with post-traumatic stress disorder, among other things, complained to me that he could not compete. People wouldn't come because of the government's salary.

I asked how much does a psychiatrist get in your city? $200,000. Ms. Bradshaw had already put in his hands the authority with which to reach that salary level. Somehow the ossified bureaucracy, whether that's the Human Resources system's fault or that of some other part of the system, didn't connect that commander to this authority such that he could decisively solve the problem.

One of the lessons I learned in NSPS is that it's not enough to get the authority, it's not enough to send people out to lecture about the authorities you possess. You almost have to sit down and help people with the offer letter.

I don't mean that in an unkind way. People are so accustomed to the routine way and to the routine answer to the question, that the attitude of the commander who was used to the top level, 50,000-foot view of hiring was, "Well, I can't compete."

His head nurse (this is the same institution, by the way), who actually was the person doing the hiring, had taken the trouble to find out which tools were at her disposal and she used them aggressively and she felt very successful.

On the other hand, if it is the satisfaction of the workforce you are interested in, we might have an entirely different view of how to set compensation and how we manage compensation—one that has to deal with expectations, which might be the more important variable.

Once people have already made a decision to join the system, expectations may be the more important issue, as opposed to a close examination of market competition.

I offer two examples in support of that assertion, one from the Second World War. After the Second World War, surveys were done of various

officer communities in the Army about their satisfaction with the Army and its promotion system, and they came out exactly backward from what people thought.

People thought that the Army Air Corps, which enjoyed extraordinarily rapid promotion during the war, would have the most satisfied officers. In contrast, other communities, the military police as an example, which had very slow promotions, not much opportunity to advance, would be dissatisfied.

The actual results were the reverse—because of expectations, the Air Corps was one of the most dissatisfied groups, and the military police community, with its meager set of promotions, was one of the most happy. The Army Air Corps members had come to expect rapid promotion, but actual promotion wasn't as rapid as they thought they were going to get. In contrast, the police community knew it was never going to advance very far, so it was grateful for the small crumbs that fell off the table.

I'll give you another example. In the federal workforce, most federal workers view the so-called annual pay raise as a cost of living adjustment. It's not. It's based on average compensation across the United States. It's not the change in the cost of living per se. But remove it—as Ms. Bradshaw and Mr. Dominguez found out to their peril—put it at risk in the National Security Personnel System, and you have a firestorm on your hands, because it was seen as the due course expectation that everybody should get this. I underscore "everybody should get this." There weren't to be distinctions that some people should get less than that number, perhaps even zero, as an example.

Satisfaction is very important. I was very interested in Professor Thompson's numbers because they sustain what we knew or thought we knew going into NSPS [the National Security Personnel System]. We testified to this fact to the Congress in seeking authority for NSPS that it would be years before satisfaction would improve. In fact, we were optimistic, I think, in saying three to five years. Professor Thompson's numbers suggested that it would be more like 5 or 10 years before you are going to see positive results from a major personnel change like NSPS, and like the demonstration projects where he has also examined the

satisfaction of the workforce.

You cannot expect quick results. Despite our effort to inoculate political leadership on this point, we were blatantly unsuccessful. You cannot expect to implement a major change like this—at least based upon the demonstration program experiments, and Professor Thompson's data, I would argue, sustain that proposition—and next year hear the Hallelujah Chorus coming from the workforce. That's not going to happen. It doesn't mean that it's going to go into the tank either, but it's going to bump along. The distribution of views is going to include some positive, some negative views.

One of the analytic issues that has not been examined is how satisfaction changes over time, because one of the things I believe may be going on is that the federal workforce sorts itself out along the new dimension. You propose a totally different way to think about compensation, which is what the NSPS did. Some people say I don't want any part of that. They leave, basically. You have other people who are eager for the new system.

That was one of the important reasons we sought reform, because young Americans told us repeatedly they wanted a compensation system where rewards were differentiated by performance. They volunteered that comment in sessions we held throughout the country. We didn't have to prompt it. It's an important element in recruiting the next generation of federal workers.

My hypothesis is the reason that it takes a while for satisfaction to improve, that it takes a while for the process to work. It takes a while for the people who are dissatisfied with the regime, who are uncomfortable with the template, to find some other alternative opportunity, and for the

new people to be hired and appointed. I don't know if that's true or not, but I'd be interested if there's any research on the matter, and if you can cite it to either refute or sustain the hypothesis I'm offering.

We certainly went into the NSPS debate believing that self-selection is an important management tool in any workforce, military or civilian. Volunteerism really does work. You get a much more satisfied workforce if people have chosen the path they're on, so one of the things we did not ask for was new authority to dismiss employees. Congressmen asked that question in open session and my testimony was we don't think we need it. We believe that if we have authority to reward on the basis of performance, that those who perform poorly will get the signal. They will either improve their performance, in which case the problem is solved, or they will leave, in which case the problem is also solved. So we didn't think we needed new dismissal authorities in the Department.

We did ask to have a management change to the grievance process. It turns out that was one of the issues to which the unions expressed the fiercist opposition. We never even got change off the ground; even though we had some authority to effect change, NSPS was implemented and 200,000 people were brought under it, yet we could not get the grievance process implemented for a complicated set of reasons, including this very, very strong opposition from the unions.

If, on the other hand, your principal goal in managing the civilian workforce is neither mission success nor worker satisfaction, but rather a political or social objective, then you are going to get such things as the pay freeze we have just seen proposed—the federal worker will become a symbol, a useful instrument in the larger public battle. And that's perfectly reasonable from the perspective of those who need those symbols, but we will not necessarily do well as a result on these other fronts.

I will offer a prediction on the freeze, by the way: I don't think the freeze will really affect average federal compensation. We've been through this before. Some of you may have looked at data from the 1990s where we had some things like the freeze, and what you find is suddenly positions are graded at a higher level. People are promoted, because promotions are not frozen in this political gambit. So, average grade levels rose in the federal government in similar past periods, and are likely to do so again.

You also still have the within grade increases that people may award. Those are more constrained in terms of the latitude the manager has, but together with the promotion phenomenon, my prediction is you are not really going to change the average federal compensation.

So the dollar savings are largely illusionary in character. Worse,

you are going to discourage the flow of talent in, and you are going to encourage the flow of talent out. You send a signal to the marketplace now that you can't be trusted and that compensation is now the subject of political decision-making, not market forces of one sort or another.

I might add, as this comment on the freeze indicates, there are always unintended consequences to compensation decisions.

An example: as you know, when the government in the early 1980s reformed federal retirement and created the Federal Employee Retirement System, it thought it was getting rid of the famous golden handcuffs by giving the federal worker a larger portable pension, and to a certain extent it did do that. But it turns out there's a new golden handcuff and that's the FEHBP [Federal Employee Health Benefit Program]. There is now a very strong incentive to be an immediate annuitant of the federal government. If you are, like myself—and don't take it away in a budget cut!—if you are an immediate annuitant, you get to get FEHBP and you get a lifetime subsidy to a health care plan that, while Medicare goes down the tubes, the rest of us are floating up here with a concierge practice, which my internist has now started. Because we have that good old-fashioned third party payer insurance available to us at highly subsidized rates.

The last panel talked about an issue I'd like to underscore in terms of its importance. I was fascinated by the questions the panel got here on the issue of whether we should enlarge the role of the civilian workforce.

I was struck by Gray Gildner's chart in which he slyly juxtaposed the oath that the military person takes with the oath that the civilian takes. Maybe there's a word or two different, but I couldn't find any difference between these two. A very good point made by Mr. Gildner, and that really was the grand purpose of the NSPS—it really started because Secretary Rumsfeld was deeply concerned with the course on which the Department was heading.

For its functions, DOD was either over-resorting to the military, using up the available space, whether that's recruiting, retention, or political authority for military personnel, by having the military perform tasks that it didn't have to perform.

At the other end of the scale, it was, "Was the military turning into a contractor?" When a new mission came up in the Department—at least in my experience in the Department—no one said let's have a new federal civilian group do this. They either said, "I'll mobilize the Reserves or create a new military unit" or they turned to a contractor.

For all the commotion on pay for performance, all the debate about DOD setting its own pay scale (something OPM never really liked,

which fortunately OMB never really noticed or it probably would have been killed), the grand purpose of NSPS was: could we enlarge, could we give the Secretary of Defense real authority over federal civilians?

There was a very telling statement by Secretary Rumsfeld at one hearing. He was asked by the House Appropriations Sub Committee on Defense a question about the civilian workforce. His rather curt answer was, "I don't manage the federal civilian workforce in the Department of Defense, OPM [Office of Personnel Management] does." As you know, his going-in position, not a position the White House staff sustained I might add, was, "Let me have all the authority in my hands." That didn't really start the dialog off with OPM on a constructive note.

I know Peter Levine is skeptical about the Department's dealings with the unions, but we did go to the major union leader before we tabled a single word of legislative language and offered a partnership, with exactly this purpose of restoring the role of federal civilians in DOD.

Our message to the union leadership was, you look at the numbers from the Cold War to the present day, which was early 2003, and you see a steady diminution in the relative share of the federal civilians. The federal civilian is slowly going out of business. Not overnight. Maybe it won't disappear, but our forecast is that its role is going to continue to erode. We have a common purpose here. The Secretary wants to enlarge the role of federal civilians. You obviously would like to have a larger potential membership. Maybe we can work together.

There are various reasons why our offer was rejected. I think an important element that we failed to understand, which suggests a larger intelligence failure relative to what was needed in this situation, was that the then-union president was being challenged from his right in his re-election bid, which was occurring that year. That was a major complication in terms of accepting an offer with anything like the energetic language for the Department's role that Secretary Rumsfeld was prepared to approve.

To Peter Levine's point, in short, we did try to work with unions and we tried to argue privately that this is a good deal for both of us. It was not seen that way by the unions.

We did get some traction with this issue of the civilian's role with some Republican members on the Hill, however.

Our NSPS engagement with the Hill started in an awkward way: only Republicans were willing to talk to us.

We offered to speak to Democratic members of the Congress and we were largely turned away. It was very, very hard to get appointments with them on this matter.

We did get traction, however, with some Republicans on this question of the larger civilian role and I think that's one of the reasons—I can't prove this, it's one of my hypotheses—that the Congress was so gracious about giving the Department "highly qualified expert" authority.

I thought this would be very difficult to get. As a result of the NSPS legislation the Department still has this—the Department has not given the authority back. It has authority to hire up to 5,000 persons from the civilian sector at rates of total compensation that equal the vice-president's salary, provided that the base salary is not above Executive Schedule III. It's a very powerful tool and it is entirely within the authority of the Secretary of Defense. There is nobody to ask for permission. It is limited to a five-year term with one additional year of renewal possible.

I do think one of the reasons Congress was willing to do this is that they did see the merits of a stronger federal civilian workforce working for the Department of Defense.

The other way in which we sought to enlarge the civil role is the subject of your last panel. Could not civilians, as they had also done in earlier conflicts, play a stronger role in the deployments being undertaken in a long counter-insurgency conflict?

Why couldn't they play a stronger role? There are a lot of reasons why not, including the way the field asks for Human Resources.

There really was not then, and I think really still isn't, a good procedure to ask for a Human Resource other than in the template of military units. In fact, the very term used indicates the problem.

It's not a request for capabilities, which is what we would think from a good government perspective. It's always a request for forces—the commander asked for them, kindly give them.

Often in practice, they say what we want are 35 agricultural specialists, two military police personnel, etc., etc., but it is a unit-focused dialog. They don't ask for capabilities.

They don't give the Department a chance to say, you know, I have these civilians over here who could do this job. Occasionally they would ask in such a way that we could change the answer. That was true when Ms. Bradshaw responded to the State Department plea for more Reservists to be mobilized to staff provincial reconstruction teams, because State could not fill its slots. Ms. Bradshaw correctly said, "Wait a minute, I can find civilians."

She did, in fact, find civilians to do that job very successfully.

That experience, by the way, taught us an important lesson. Self-selection is not enough.

Pat had a number of people who stepped forward, eager to deploy, some of whom went through the whole preparation sequence, only to call and say I don't want to go. Not because I don't want to go. Not because I shouldn't go. But my supervisor will kill me. It's not just an issue of backfill. It's that they just that they don't want to let that talented person change the assignment on his or her own volition.

As one goes forward, working on the supervisory reluctance is a very important agenda item. It's for this reason, among others, that we created the Civilian Expeditionary Workforce, a separate group that we can send. It's a wonderful program that has its own separate appointment authority.

I do continue to believe that federal civilians should and can play a larger role in the life of the Department.

I see this in the concern about DOD's contracting in Iraq; I see this in the concern about who is supervising the contractors.

I'm encouraged by the fact that while Congress rejected decisively the NSPS, revoking the Department's authority, it's still enthused about the demonstration projects in the Department. These are the places from which we took, as you heard from others in this saga, many of the ideas about what to do to reform the federal civil service. It was the set of acquisition demonstrations and laboratory demonstration projects, starting with China Lake in 1979, from which we took the best ideas, enlarged them, built on them, to create NSPS. Those demonstrations are still all out there.

Their authority continues and Congress thinks they're terrific. It has enlarged them in one Authorization bill after another.

Our strategy, which may have been badly wrong, was to try for a national, Department-wide solution.

Maybe the right strategy is place-by-place, with all the strength that local enthusiasm or a local member of Congress has for that outcome in his or her district and for his or her local institutions—which he or she understands—as opposed to some set of theoretical principles that we might advance.

I just offer that as a hypothesis, if you think about federal Civil Service reform, because I think that's still a big issue out there for the country, to make the best use of the Civil Service in support of the nation's agenda. The route to future success isn't a national program but perhaps a series of pilots.

As the acquisition demonstration's name suggests, you don't necessarily commit, in the naming of the initiative, to an indefinite program. It expires at some time. You don't necessarily commit, in terms of your nomenclature, to an indefinite horizon. You commit to a trial.

You make clear, which is useful to a public audience, that only if this begins to succeed are you going to suffer its continuance and perhaps its expansion.

Therefore, I am intrigued that the current Director of OPM, John Berry, is courageously talking about a broad effort again. If you listen to Mr. Berry's speeches, you could have written them off the NSPS talking points. I'm told that the principal union head in the audience, the person to whose predecessor we made our pitch, took him aside after the first of these speeches and made clear that this is not what the unions thought was the right thing to do! Because in principle it is much like NSPS.

I do offer as a possibility that it might be more useful to think about a series of pilots, however much that causes central managers like myself and my former colleagues to wonder, "How do we manage this if we now have multiple personnel systems?" One of our points in arguing for NSPS was the benefit of a single, unified system, to improve management, and to make transfers among elements of the Department straightforward, which would enhance careers and facilitate putting the best talent in each position. But maybe the route to progress is to permit—indeed to encourage—a series of pilots, so you do get built up over time a consensus, which is what we did not achieve, a consensus that this is the right way to proceed.

I leave that as a parting comment. I thank you again for your interest in this very important subject, important not just for the Department of

Defense but important for the federal government as a whole.

The country really does depend on the federal government executing the policies that statutes imply in a thoughtful and effective way. We see the kind of outcome we want in the extraordinary performance of our American military today. We see it in the performance of the federal Civil Service, despite all the problems that exist.

Ultimately, that result turns on the quality of the people. If you have high quality people with the right incentives, as Mr. Dominguez suggested, then you are going to get consistently high quality results. That's ultimately what in my estimation this is all about—the success of the mission.

With that I thank you for your joining us today. I hope it's been a productive dialog and I believe refreshments are supposed to be served.

PANNULLO: Thank you, Dr. Chu. Also, thank you to some of the people who really helped make this conference the success that it was: from IDA, Stan Horowitz and Ayeh Bandeh-Ahmadi, and from OSD(CAPE), Mike Strobl and Brandeanna Sanders.

The conference is closed and the reception is open.

[Conference adjourned at 4:00 p.m.]

Appendix A

The following material accompanied James Thompson's presentation.

Pay for Performance (PfP) in the Public Sector – Alternative Frames

James R. Thompson
Department of Public Administration
University of Illinois – Chicago

Overview

- Why PfP?
- PfP in the public sector
- NSPS - A theoretical perspective
- NSPS and PfP system design
- Observations

Why PfP?

- Motivate employees to perform at a high level
- Attract and retain high-performing employees
- Improve organizational performance
- Improve communication/clarify performance expectations
- Promote equity in the distribution of rewards
- Communicate to stakeholders legitimacy of compensation policy

NSPS – A Theoretical Perspective

- National Research Council Report (1991)
- Perry, Mesch, and Paarlberg (2006)
- Perry, Engbers, and Jun (2009)

PfP in the Public Sector

- Federal – CSRA of 1978
  - Merit Pay System (1981-1984)
  - Performance Management and Recognition System (1984 – 1993)
  - Demonstration Projects
    - Navy Demonstration Project (1980 -)
    - NIST (1988 -)
    - Other DoD R&D laboratories
    - Commerce/NOAA (1998 -)

PfP in the Public Sector

- Federal
  - FDIC (1989 -)
  - GAO (1989 -)
  - Defense Acquisition (1996 -)
  - National Geospatial Intelligence Agency (1999 -)
  - IRS (2001 -)
  - DoD (2006 -)

Demonstration Project Outcomes

Perception of links between pay and performance (percent agreement)			
Project			
		Pay raises here depend on how well you perform	Under the present system, financial rewards are seldom related to employee performance
Navy Demonstration Project (1)			
Demonstration Project	Year 1	47%	58%
	Year 10	60%	32%
Control Group	Year 1	46%	60%
	Year 10	40%	65%
Dept. of Commerce (2)			
Demonstration Project	Baseline	36%	
	Year 7	54%	
Control Group	Baseline	34%	
	Year 7	35%	

Demonstration Project Outcomes

Perception of links between pay and performance (percent agreement)			
			In this organization, my pay raises depend on my contribution to the organization's mission.
AcqDemo (3)			
Demonstration Project	Baseline		20%
	Year 5		59%
Control Group	Baseline		12%
	Year 5		19%
NIST (4)			
Demonstration Project	Baseline	NA	
	Year 8	55%	
Control Group	Baseline	NA	
	Year 5	30%	
			Pay raises depend on my contribution to the accomplishment of my organization's mission
DoD Labs (Wave 1)(5)			
Demonstration Project	Baseline	27%	22%
	Year 4-5	57%	51%

Demonstration Project Outcomes

Turnover of High and Low Performers (percent agreement)			
Project		High performers tend to stay with this organization	
Navy Demonstration Project (1)			
Demonstration Project	Year 2	31%	
	Year 10	42%	
Control Group	Year 2	29%	
	Year 10	24%	
		High contributors tend to stay with this organization	Low contributors tend to leave this organization.
AcqDemo (2)			
Demonstration Project			
	Baseline	32%	15%
	Year 5	37%	18%
Control Group	Baseline	35%	13%
	Year 5	27%	15%
NIST (3)			
Demonstration Project	Year 2	35%	17%
	Year 8	42%	15%
Control Group	Year 1	39%	22%
	Year 8	31%	10%

Demonstration Project Outcomes

Satisfaction with Demonstration Project			
		I am in favor of the demonstration project	China Lake
China Lake (1)			
Demonstration Project	Year 8	71%	71%
Commerce (2)			
Demonstration Project	Year 7	59%	57%
NIST (3)			
Demonstration Project	Year 2	47%	42%
	Year 8	70%	71%
DoD Labs (Wave 1)(4)			
Demonstration Project	Baseline	34%	29%
	Year 4-5	55%	47%
		Overall, the demonstration project is an improvement over the previous performance rating and compensation system.	
AcqDemo (5)			
Demonstration Project	Year 5	46%	51%

NSPS – A Theoretical Perspective

- National Research Council
  - Charge: "whether and under what conditions performance appraisal and merit pay can assist the federal government in regulating labor costs, managing performance, and fostering employee equity"

PfP Studies

- National Research Council Report
  - Impediments to PfP in the federal government
    - Lack of managerial discretion
    - Requirement for cost neutrality
    - Turnover of political leadership
  - PfP can work despite impediments
  - The importance of context

Contextual conditions that affect PfP effectiveness

- Work
  - Task complexity
- Organization
  - Size
  - Culture
    - Trust in management
- Environment
  - Economic conditions
  - Presence of unions
  - Political forces

PfP - Relevant Theories of Motivation

- Expectancy theory
  - Link #1: Employees believe that their behavior will lead to outcomes such as job performance
  - Link #2: Employees believe that such outcomes will be rewarded
  - Link #3: Employees value those rewards

NSPS

- Expectancy theory - Congruences
  - Rewards tied to accomplishment of objectives
    - High degree of performance orientation
    - Employee participation in objective setting
    - Perception by employees of a link between performance and pay

NSPS

- Expectancy theory - Incongruences
  - Lack of employee participation in objective setting in some units
  - Use of standardized objectives
  - Employees don't believe the system motivates them to do well
  - Employees don't understand what is required to be rated at different performance levels"
  - Employees don't agree that a 4 or 5 rating is, "achievable regardless of payband or pay schedule"

PfP - Relevant Theories of Motivation

- Goal-setting theory
  - the goal-setting process is most likely to improve employee performance when goals are specific, moderately challenging, and accepted by employees.

NSPS

- Goal-setting theory – Congruences
  - Objective-based appraisal system
  - Auditors rated objectives as generally specific, measurable, aligned, and realistic
- Goal-setting theory - Incongruences
  - Lack of employee participation in objective setting in some units
  - Use of standardized performance objectives

PfP - Relevant Theories of Motivation

- Procedural justice
  - Employee perceptions about the fairness of procedures used to design and administer pay contingent on;
    - The extent to which employees have the opportunity to participate in pay design decisions,
    - The quality and timeliness of information provided them,
    - the degree to which the rules governing pay allocations are consistently followed,
    - the availability of channels for appeal and due process,
    - the organization's safeguards against bias and inconsistency

NSPS

- Procedural Justice - Congruences
  - Participative design
    - Solicitation of comments from employees on proposed rules
    - Meet and confer with unions
    - Focus groups
    - Town Hall meetings
    - Consultation on development of performance factors
  - Joint goal-setting
    - Appraisal formats that allow give and take between employees and supervisors

NSPS

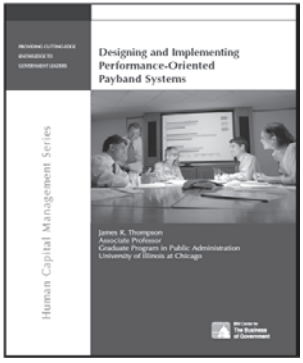
- Procedural Justice – Incongruences
  - Employees do not perceive that the pay pool process is fair/equitable

PfP - Relevant Theories of Motivation

- Other relevant theories
  - Distributive justice
  - Principal-Agent Theory
  - Reinforcement Theory
  - Managerialism
  - Psychological Economics
  - Institutional theory

Thompson PfP Report at

http://www.businessofgovernment.org/pdfs/ThompsonPaybandReport.pdf



PfP Programs Studied

- Navy Demonstration Project
- National Institute of Standards and Technology (NIST), Department of Commerce
- Department of Commerce
- Air Force Research Laboratory (AFRL), Department of Defense
- Internal Revenue Service (IRS), Department of the Treasury
- Government Accountability Office (GAO)
- Federal Deposit Insurance Corporation (FDIC)
- National Security Personnel System, Department of Defense

Thompson Report Findings

- Design Trade-offs
  - Equity
  - Efficiency
  - Employee acceptance
- Tailor system to agency needs
- Protect integrity of rating system
- The importance of "soft" elements
  - Communicating performance expectations
  - Counseling poor performers
  - Motivating employees to perform well

PfP – Design Trade-offs

	Trade-offs Among Paybanding Objectives		
	Area/Decision	**Objective Promoted**	**Rationale**
	Performance Appraisal		
	place limit on number of high ratings	efficiency	high performers become eligible for larger pay increases
vs.	no limit on number of high ratings	equity	ratings are relative to an employee's absolute rather than relative level of performance
		employee acceptance	rating standards remain constant from year to year and from unit to unit
	use the same rating elements for all employees	equity	employes are assessed according to the same criteria
vs.	tailor rating criteria to unit, employee	employee acceptance	allow each job to be assessed according to criteria relevant to that job
	rating is relative to others in the same unit/pay pool	efficiency	more accurate judgments can be made relative to others in the same unit
vs.	rating is relative to everyone in the organization	equity	individuals with the same rating receive the same pay increase

PfP – Design Trade-offs

	Trade-offs Among Paybanding Objectives		
	Area/Decision	**Objective Promoted**	**Rationale**
	Pay for Performance		
	grant annual comparability increase to all employees	employee acceptance	this has been the practice under the General Schedule
vs.	include comparability monies in pay pool	efficiency	more funds are available to distribute according to performance criteria
	market considerations a factor in pay setting	efficiency	pay only as much as required to recruit and retain individuals in an occupation
vs.	market considerations not a factor in pay setting	employee acceptance	market considerations are not generally a factor in pay setting under the General Schedule
	allow funds to be switched between base pay increase and bonus pots	efficiency	to the extent that increases are distributed as bonuses rather than as base pay increases, there will be savings in the out years
vs.	separate pots: base pay increase monies can only be used to pay base pay increase, bonus monies can only be used to pay bonuses	employee acceptance	employees are protected against the switching of funds that have traditionally been used for base pay increases to bonuses
	rating is "hardwired" to pay increase	employee acceptance	employees understand the basis for their pay increase
vs.	supervisor makes separate decisions on rating and pay increase	efficiency	supervisor can incorporate other considerations in pay setting process, for example current salary

NSPS

- Design Trade-offs
  - Performance-orientation vs. employee acceptance
  - Standardized vs. customized objectives
  - Fluctuation in share value across groups
  - Proximity of rating decision

NSPS – Outcomes

- Positive
  - Supervisors made performance distinctions
  - Perceived link between performance and pay
  - Perceived link with organizational mission
  - Improved communication between supervisors and employees
  - Perception by supervisors of influence over employee pay
  - Understandability facilitates acceptance

NSPS Issues – Understandability

Rating	Shares
5 (Role Model)	5 - 6
4 (Exceeds Expectations)	3 - 4
3 (Valued Performer)	1 - 2
2 (Fair)	0
1 (Unacceptable)	0

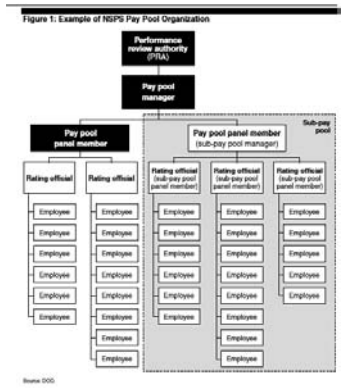
NSPS – Outcomes

- Negative
  - Lack of confidence in pay pool process
    - Adverse impact on supervisory authority
  - NSPS perceived as worse than GS

NSPS - Observations

- Contextual elements that impacted outcomes
  - Size
    - Proximity - rating decision
    - Procedural justice
    - Political visibility
    - Top management attention
  - Confusion over contributing factors

NSPS Issues – Proximity of Rating Decision



NSPS - Observations

- Employee acceptance
  - Pay pool process
  - Fluctuation in share value
    - Set budget factor at system level
- Complaints attributable to change
  - Comparison with status quo
  - Mitigated over time
- Complications of parallel systems

NSPS Issues – Fluctuation in Share Value

- NIST pay structure

Performance Level	Salary Increase	ACI (COLA)	Bonus
Exceptional Contributor	5 x I	Full	Eligible (Pay-cap conversion)
Superior Contributor	3 x I		
Significant Contributor	1 x I		Eligible
Contributor	0		
Marginal Contributor	Not eligible		
Unsatisfactory	Not eligible		

PfP – Observations

- Ancillary benefits of PfP
  - Enhancing communication
  - Performance focus
  - Enhancing managerial quality
- Greater acknowledgement of/reliance on "soft" elements of organizational life
  - Managerial soft skills
- A federated approach to implementation
  - Decentralization
  - Allow managerial discretion

Appendix B

The following material accompanied Beth Asch's presentation.

Civil Service Compensation: Is the Case for Reform Compelling?

Beth J. Asch
The RAND Corporation
December 2010

Commissions and GAO Reports Argue that Current System is Inadequate

- **"One size fits all" pay tables**
  - **Ignores nature of specific jobs**
  - **No link from current performance to current pay**
  - **Inflexible to handle force structure problems, such as superannuation**
  - **Insensitive to the market**
- **Reliance on flexibility-related pays, such as retention bonuses, is limited**
  - **Relatively few people receive them**

Asch 2 12/10

Concerns Are Based on Incomplete Evidence

- **Studies by GAO, OPM and various commissions usually rely on description of policies, processes (e.g., time to hire) or pay comparisons, rather than on analysis of the personnel outcomes produced by the pay system (e.g., recruiting, retention, performance)**
- **Some evidence is based on survey data**
  - **Ample evidence shows that people often inaccurately predict future behavior such as retention**
- **Studies that do consider personnel outcomes rely on limited case studies or aggregate summary statistics and not analysis of the relationship between pay and outcomes based on data of individual careers**

Asch 3 12/10

This is in Marked Contrast with What is Known about Military Compensation

- **Every four years, DoD assesses the adequacy of military compensation (Quadrennial Review of Military Compensation)**
  - **Military has explicit compensation objectives**
- **Military personnel and compensation policy is bolstered by data and analysis on personnel outcomes:**
  - **Recruitment and retention of high-quality personnel**
  - **Relationship between promotion and performance**
  - **Efficiency and effectiveness of military compensation system**
  - **Force management flexibility**

Asch 4 12/10

Compelling Evidence Would Include Analysis of Personnel Outcomes and Link to Pay Policy

- Examples of personnel outcomes of interest:
  - Are too many high-quality people exiting?
  - Is pay system too costly?
  - Has pay system prevented DoD from meeting manning challenges effectively?
  - Are employees under-performing?
  - Are employees under-investing in new skills and knowledge?
  - Are employees misallocating their effort?
  - Is DoD losing too many people with large amounts of military-specific human capital?
  - Is the system producing too small a pool for the selection of future leaders?
- Analysis would be based on individual-level data on civilian employees

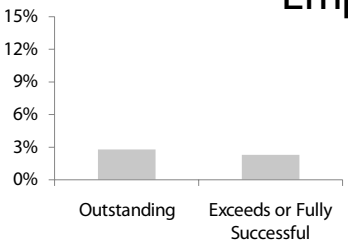
Asch 5 12/10

An Example of Analysis of Civil Service Outcomes in DoD

- We analyzed whether the current pay system results in higher pay, faster promotion, and improved retention of better quality GS personnel in DoD
- Measure personnel quality in terms of promotion speed, supervisor rating, education
  - Each metric has pros and cons
- Use Defense Manpower Data Center administrative data on individual civilian careers from 1990s
- Study: *The Pay, Promotion, and Retention of High-Quality Civil Service Workers in the Department of Defense*, Santa Monica, Ca.: RAND Corp., MR-1193-OSD, 2001, Beth Asch, http://www.rand.org/pubs/monograph_reports/MR1193/

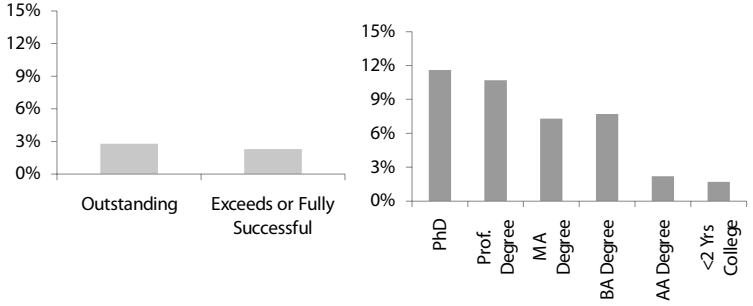
Asch 6 12/10

Better Ratings Have Modest Effect on the Pay Growth of DoD GS Employees



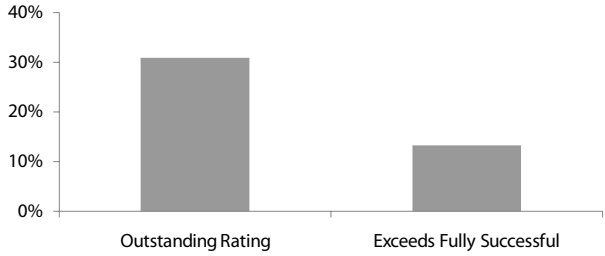
Estimates control for job and background characteristics of each GS employee

Better Educated DoD GS Employees Have Faster Pay Growth

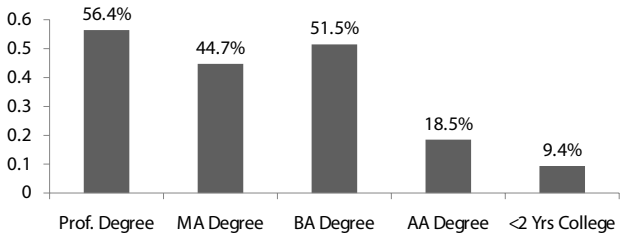


Estimates control for job and background characteristics of each GS employee

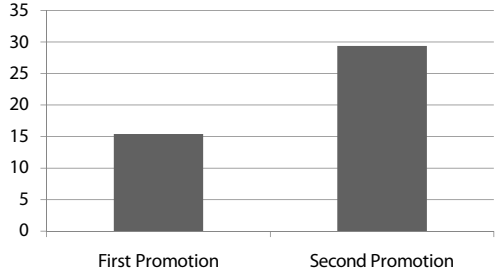
Better Ratings Result in Higher Promotion Rates over Career



Those with More Education are Promoted Faster



Those Promoted Faster are More Likely to Stay in the Civil Service



Those with higher ratings are also more likely to stay

Could The Pay System Be Improved to Get More Effectiveness for Same Cost?

- **Evidence suggests the current GS system is not dysfunctional in terms of pay, promotion, and retention of high-quality employees**
- **But, could it do a better job at same or less cost?**
- **Many argue that pay-for-performance system could improve system**
- **Literature on pay-for-performance in the public sector (e.g., education) points to challenges**
- **A more compelling case is needed, based on analysis of individual-level data of personnel outcomes, that these challenges can be met and do not outweigh the benefits of pay-for-performance**

Asch 12 12/10

Backup

Asch 13 12/10

Under the Right Circumstances, Pay-for-Performance System Can Be Successful

- Goals of the system are widely shared
- Performance measures are unambiguous, easy to observe, easy to understand
- Measures are resistant to manipulation
- Individuals or organizations have control of over the relevant inputs and processes that lead to better performance
- Incentives are meaningful to incentivized
- Few competing interests or requirements
- Adequate resources to design, implement, and operate system

Asch 14 12/10

Selection of Incentive Structures Can Be Challenging

- What and whose behavior should be targeted?
- What should be the type and size of incentives?
- How large an increase in pay?
  - High-powered (high gain or loss)
  - Low-powered (low gain or loss)
- How should performance be measured?
- How should these measures be linked to pay?
  - Different mechanisms including pay bands, promotion systems, career incentives

Asch 15 12/10

Setting High- Vs. Low-Powered Incentive Schemes Is Also Challenging

- Unintended results of high-powered incentives
  - Reduced teamwork, increase rivalry between teams
  - Diverted effort from other important activities
  - Induces influence costs, favoritism
  - Possibility of "grade inflation"
- Unintended results of high-powered incentives
  - Too little effort towards important activities
  - "free-riding" behavior

Asch 16 12/10

Closing Thoughts

- **Case for reform based on objective analysis and evaluation of outcomes has not been fully made**
- **Circumstances that lead to successful pay-for-performance may not be uniform across the DoD**
- **Literature on pay-for-performance systems in the public sector point to challenges**
- **In the DoD context, flexibility for several such systems may make the most sense**

Asch 17 12/10

RAND

Appendix C

The following material accompanied Linda Springer's presentation.

"The Federal Civilian Workforce in a Period of Elevated National Unemployment"

Linda M. Springer
Director, U.S. Office of Personnel Management
2005-2008

2010 Defense Economics Conference
9 December 2010

The Federal government's civilian workforce is a focus of heightened attention.

From Pundits at One End…

"According to the BEA, total federal wages and benefits amounted to $240 billion in 2009. That's $240 billion in economic resources extracted from the private sector. Given that the private sector has lost millions of jobs while federal employment continues to expand, defenders of federal pay can't just dismiss the critics as being "unfair.""

Excerpt from Federal vs. Private Pay, Cato, Tad DeHaven, August, 2010

..and the Other

"Washington government workers and New York financial executives have one thing in common: The U.S. public despises them both.

But American society - led by President Obama and Congress - treats the two quite differently when it comes to paychecks.

Hard economic times mean the federal civilian workforce has to accept a pay freeze for the next two years…

No such austerity is being forced on Wall Street. Pay there is on pace to break a record high for a second consecutive year, according to an October survey by the Wall Street Journal."

Excerpt from The Washington Post, Robert McCartney, December 1, 2010

One More…

"Massive layoffs, pay freezes, pay reductions, an increased emphasis on productivity, and rising pressure to do more with less have become part of the daily lives of many private-sector workers. Increasingly, all of that will be a part of the lives of public employees as well. Creeping into newspaper opinion pieces and even news stories are phrases like "coddled" and "a protected class," suggesting resentment among private-sector workers toward those in the public sector."

Excerpt from Pay-Freeze Politics in On Politics, by Charlie Cook December 7, 2010

..and, even on ESPN

"Further evidence that the federal pay freeze has become a national phenomenon: On ESPN Radio's Mike and Mike show this morning, guest Robert Kraft, owner of the New England Patriots, made reference to the freeze in discussing public perceptions of upcoming labor negotiations between the NFL's owners and players, which will certainly address player salary issues.

"If you look in Washington," Kraft said, "there's a two-year wage freeze for federal employees. So the general public has no sympathy for us.""

Excerpt from FedBlog, by Tom Shoop, December 6, 2010

Federal Employees Respond – Part 1

"If the Congress and the President would do their part in also freezing their wages (and cutting back on perks), I would feel that I am doing my part by quietly accepting the pay freeze. And by the way, although it wouldn't help the deficit, I haven't heard anything lately about the CEOs in the banking and financial business that are again awarding themselves outrageous bonuses."

Excerpt from FedBlog's More Thoughts on the Freeze comments posted November 30, 2010

Federal Employees Respond – Part 2

"The big problem most federal employees have with tactics like these are we have been through this before....yet we are right back here again, balancing the budget on our backs. I note there's no mention of freezing healthcare premiums, which usually eat up most of any raise, so we will be experiencing a pay cut, not a pay freeze. You never heard a word about federal employee pay until the economy imploded...but that's nothing new. I've been through a few of these fiascos, and as soon as the economy starts coming around, federal jobs will again be derided as the REAL money is in the private sector."

Excerpt from FedBlog's More Thoughts on the Freeze comments posted November 30, 2010

Federal Employees Respond - Part 3

"Your article seems to attempt to create a class war between public and private sector workers and somehow infuse the unions as a co conspirator in all the ills that make up the current labor market. ..It is history that when times are good, private sector employees do very well. When times are bad, the public sector keeps doing the same, it is just that we did not get laid off. ..So stop the fed bashing. I understand if you are unemployed or underemployed you are upset and the only people you can bash are Gov workers. ..I get that but when good times return all I ask is that you think of us then when you return to your 200,000/yr jobs with stock options and other perks. All I will continue to have is what I currently have - a job with some benefits, a job at which I work very diligently so that the taxpayer, of which I am one, is getting their money's worth. Don't feel sorry for me, just don't blame me for the current state of the economy."

Excerpt from response to Pay-Freeze Politics in On Politics, by Charlie Cook December 7, 2010

National economic conditions are impacting the Federal workforce - directly and indirectly.

From the President

"The hard truth is that getting this deficit under control is going to require broad sacrifice. And that sacrifice must be shared by the employees of the federal government."

"After all, small businesses and families are tightening their belts. Their government should, too."

"And today I'm proposing a two-year pay freeze for all civilian federal workers."

Excerpts from Remarks by the President on the Federal Employee Pay Freeze, November 29, 2010

From the OMB Director

"This pay freeze is not a reflection on (federal workers') fine work. It is a reflection of the fiscal reality that we face: just as families and businesses across the nation have tightened their belts, so must the federal government."

Excerpt from Tightening Our Belts posted by OMB Director Jack Lew, November 29, 2010

More from the President

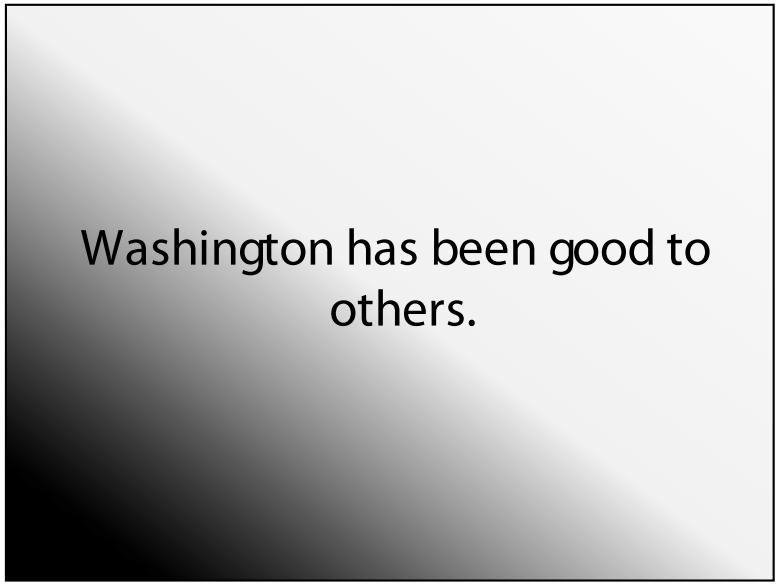
"The law authorizes me to implement an alternative pay plan for locality pay increases for civilian Federal employees covered by the General Schedule and certain other pay systems in January 2011, if I view the adjustments that would otherwise take effect as inappropriate due to "national emergency or serious economic conditions affecting the general welfare." Our country faces serious economic conditions affecting the general welfare."

More from the President, cont.

"Under the authority of section 5304a of title 5, United States Code, I have determined that the current locality pay percentages in Schedule 9 of Executive Order 13525 of December 23, 2009, shall not increase from their 2010 levels."

Excerpts from Letter from the President Regarding an Alternative Pay Plan

Office of the White House Press Secretary, November 30, 2010



Paid What You're Werth

"The Nationals have signed free agent outfielder Jayson Werth…to a seven-year, $126 million contract that will pay Werth an average of $18 million per year."

"…Mets General Manager Sandy Alderson told New York reporters, …That's a long time and a lot of money. I thought they were trying to reduce the deficit in Washington."

Excerpts from Nationals Journal December 5, 2010 "Nationals sign Jayson Werth [UPDATED]" by Adam Kilgore

The trend may extend beyond direct pay to impact benefits, recruiting, retention, retirement patterns, demographic patterns, etc.

The Moment of Truth

Report Of The National Commission On Fiscal Responsibility And Reform

December 2010

Commission Recommendations

Impose a three-year pay freeze on federal workers and defense department civilians

(estimated savings of $20.4 billion in 2015)

Reduce the size of the federal workforce through attrition

Over time, the Commission recommends cutting the government workforce – including civilian defense – by 10 percent, or by 200,000. As part of the transition to a smaller, more efficient workforce, this would mean hiring only two new workers for every three who leave service.

(estimated savings of $13.2 billion in 2015)

Commission Recommendations

Pilot premium support through FEHB program

(estimated savings of $2 billion in 2015, $18 billion through 2020)

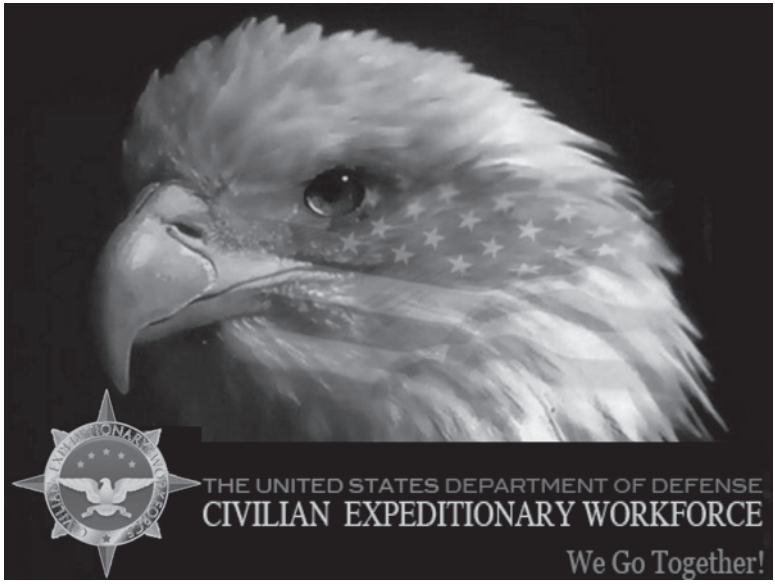
Review and reform federal workforce retirement programs

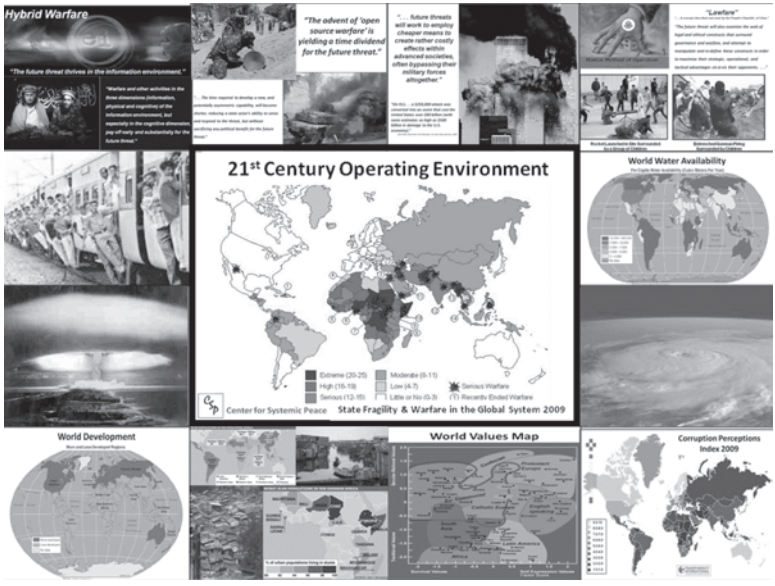
(recommend savings of $70 billion over ten years)

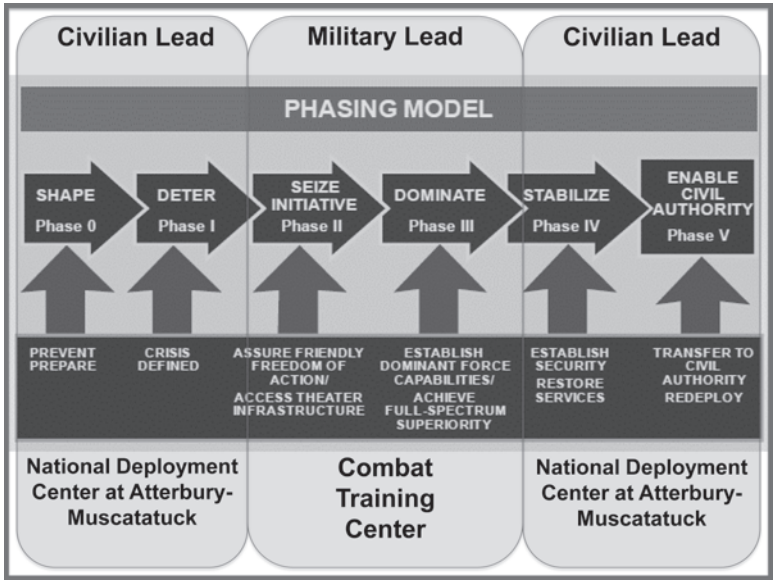
Report of the National Commission on Fiscal Responsibility and Reform, December 2010

Appendix D

The following material accompanied Barry Richmond's presentation.






Civilian Lead
Military Lead
Civilian Lead
PHASING MODEL
SHAPE
Phase 0
DETER
Phase I
SEIZE INITIATIVE
Phase II
DOMINATE
Phase III
STABILIZE
Phase IV
ENABLE CIVIL AUTHORITY
Phase V
PREVENT PREPARE
CRISIS DEFINED
ASSURE FRIENDLY FREEDOM OF ACTION/ ACCESS THEATER INFRASTRUCTURE
ESTABLISH DOMINANT FORCE CAPABILITIES/ ACHIEVE FULL-SPECTRUM SUPERIORITY
ESTABLISH SECURITY RESTORE SERVICES
TRANSFER TO CIVIL AUTHORITY REDEPLOY
National Deployment Center at Atterbury-Muscatatuck
Combat Training Center
National Deployment Center at Atterbury-Muscatatuck


Indiana National Guard
Atterbury-Muscatatuck
Center for Complex Operations
Business Plan

Vision

Provide to the Customer the Most

- ***Realistic, Fiscally Responsible, Contemporary Operating Environment***

in Which to Mobilize & Train the

- ***Whole of Government, Whole of Nation(s) Team***

to Accomplish Missions Directed Towards

- ***Protecting the Homeland & Defending the Peace***

Providing during deployment

- ***Responsive Reach-Back Capability*; &**
- ***Supporting Operational Testing & Evaluation***

of Technologies that Support Those Missions.

Our Mission

To provide
***superior training opportunities* &**
***superb support services* in all areas, &**
to all individuals, organizations, or activities utilizing our facilities.

In Short,
***Maximize* Training Opportunities**
& *Minimize* Training Detractors

Create a Complex Environment

A-MCCO Task = Create an Accurate "Context" in Which the **"Whole of Government" & "Whole of Nation" Team** Can Develop a Shared View of the Strategic, Operational & Tactical Response Required

Complex Physical Terrain

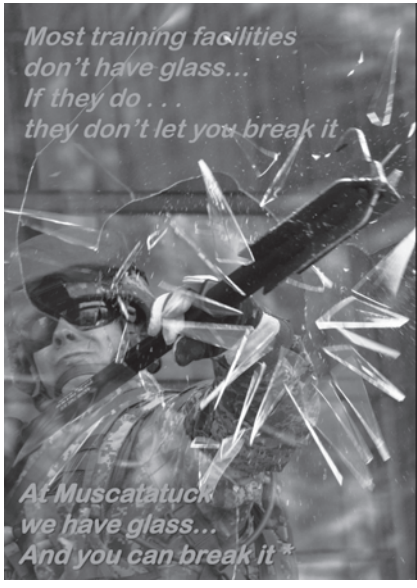
Realistic Urban Terrain & Building Types
Compromised Infrastructure - Power, Water, Slums, Urban Canyons Sewage & Communications, Grids, Offices, Businesses, Apartments, Collapsed Buildings,
Urban Clutter - Vehicles, Equipment & Building Furnishings, Rubble, Waste, etc.

Complex Informational Terrain

Media – Broadcast, Print, Internet
Electromagnetic Spectrum / Communications & Information Systems

Complex Human Terrain

Social Systems - Economic, Law, Political & Cultural/Language
Primary Group Structures - Family, Community, etc.
Secondary Group Structures - Government, Parties, Factions, Military, Police, Corporations, Businesses & Industries



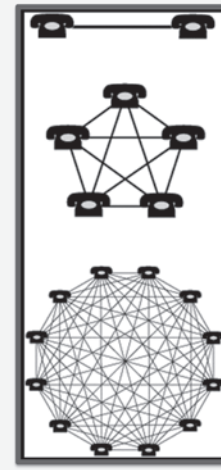
Break Paradigms & Build Partnerships

Atterbury-Muscatatuck Business Model

"Network Effect"

Major values for the customer

- "Team of Equals" on a "Level Playing Field"
- Realistic training and assessment environment at a cost unmatched by other models
- Retain identity & program control while accessing Collaboration Benefits



Maximum Readiness at Best Value

Atterbury-Muscatatuck Business Alliance

FREEDOM'S GUARDIAN

FIRST U.S. ARMY — FIRST IN DEED

NAVSEA WARFARE CENTERS CRANE

DEPARTMENT OF DEFENSE — UNITED STATES OF AMERICA

DEPARTMENT OF STATE — UNITED STATES OF AMERICA

UNITED STATES NORTHERN COMMAND

UNITED STATES JOINT FORCES COMMAND — USJFCOM

USAID — UNITED STATES AGENCY INTERNATIONAL DEVELOPMENT

PURDUE UNIVERSITY

Vincennes University

IUPUI

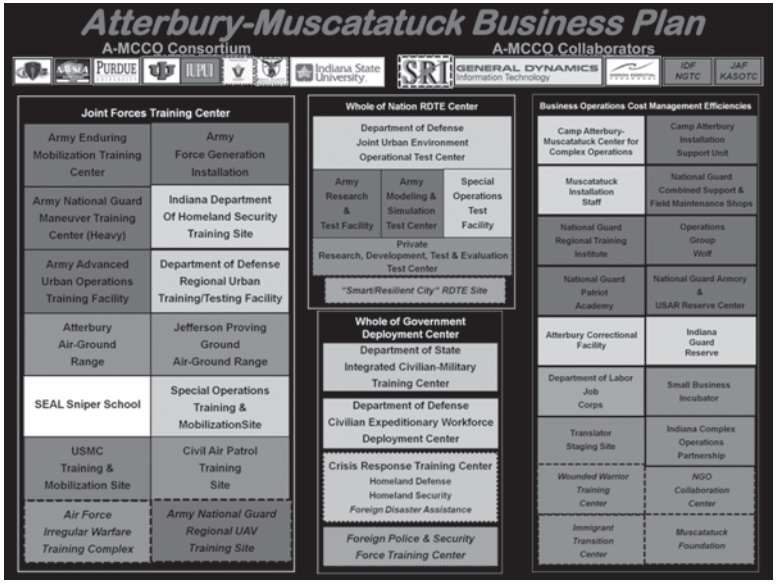
BALL STATE UNIVERSITY

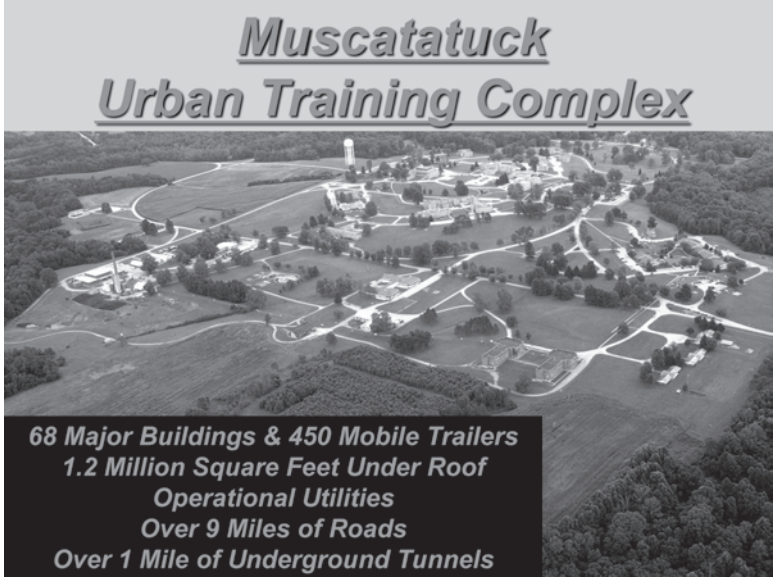
Indiana State University

GENERAL DYNAMICS Information Technology

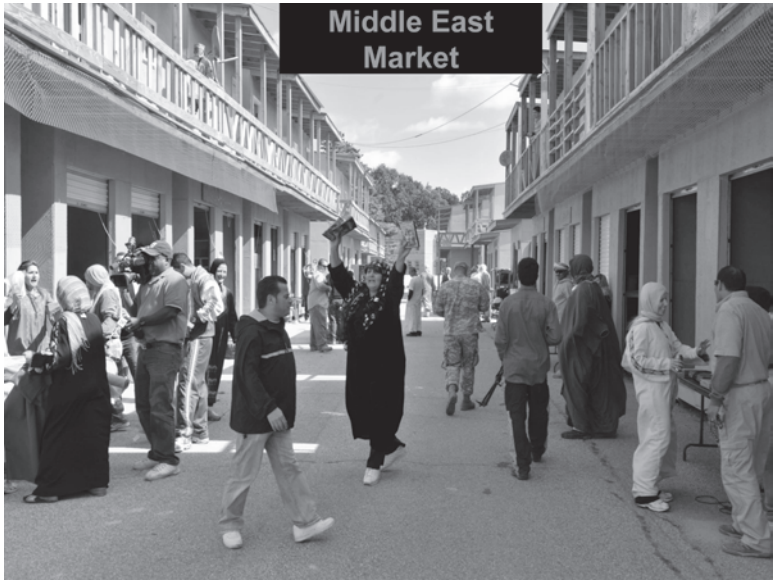
MISSION ESSENTIAL PERSONNEL

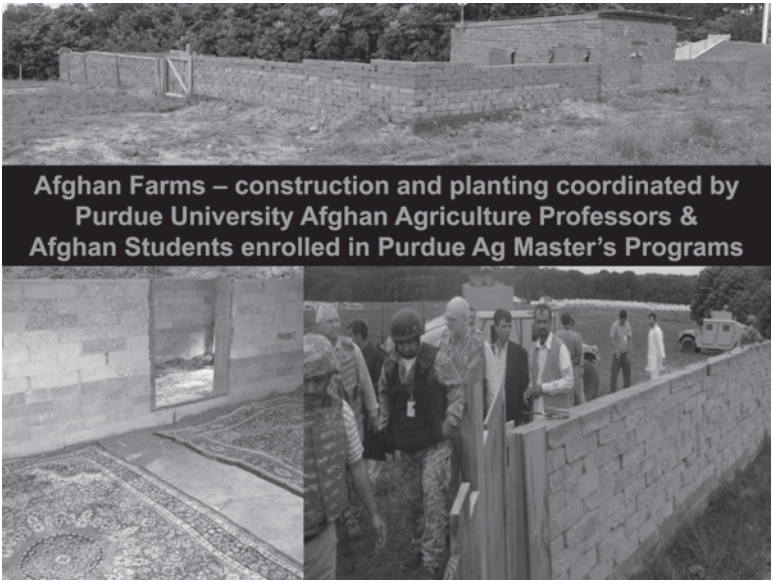
SRI


Atterbury-Muscatatuck Business Plan
A-MCCO Consortium
A-MCCO Collaborators
PURDUE
IUPUI
Indiana State University
SRI
GENERAL DYNAMICS
Information Technology
IDF NGTC
JAF KASOTC
Joint Forces Training Center
Army Enduring Mobilization Training Center
Army Force Generation Installation
Army National Guard Maneuver Training Center (Heavy)
Indiana Department Of Homeland Security Training Site
Army Advanced Urban Operations Training Facility
Department of Defense Regional Urban Training/Testing Facility
Atterbury Air-Ground Range
Jefferson Proving Ground Air-Ground Range
SEAL Sniper School
Special Operations Training & MobilizationSite
USMC Training & Mobilization Site
Civil Air Patrol Training Site
Air Force Irregular Warfare Training Complex
Army National Guard Regional UAV Training Site
Whole of Nation RDTE Center
Department of Defense Joint Urban Environment Operational Test Center
Army Research & Test Facility
Army Modeling & Simulation Test Center
Special Operations Test Facility
Private Research, Development, Test & Evaluation Test Center
"Smart/Resilient City" RDTE Site
Whole of Government Deployment Center
Department of State Integrated Civilian-Military Training Center
Department of Defense Civilian Expeditionary Workforce Deployment Center
Crisis Response Training Center
Homeland Defense
Homeland Security
Foreign Disaster Assistance
Foreign Police & Security Force Training Center
Business Operations Cost Management Efficiencies
Camp Atterbury-Muscatatuck Center for Complex Operations
Camp Atterbury Installation Support Unit
Muscatatuck Installation Staff
National Guard Combined Support & Field Maintenance Shops
National Guard Regional Training Institute
Operations Group Wolf
National Guard Patriot Academy
National Guard Armory & USAR Reserve Center
Atterbury Correctional Facility
Indiana Guard Reserve
Department of Labor Job Corps
Small Business Incubator
Translator Staging Site
Indiana Complex Operations Partnership
Wounded Warrior Training Center
NGO Collaboration Center
Immigrant Transition Center
Muscatatuck Foundation

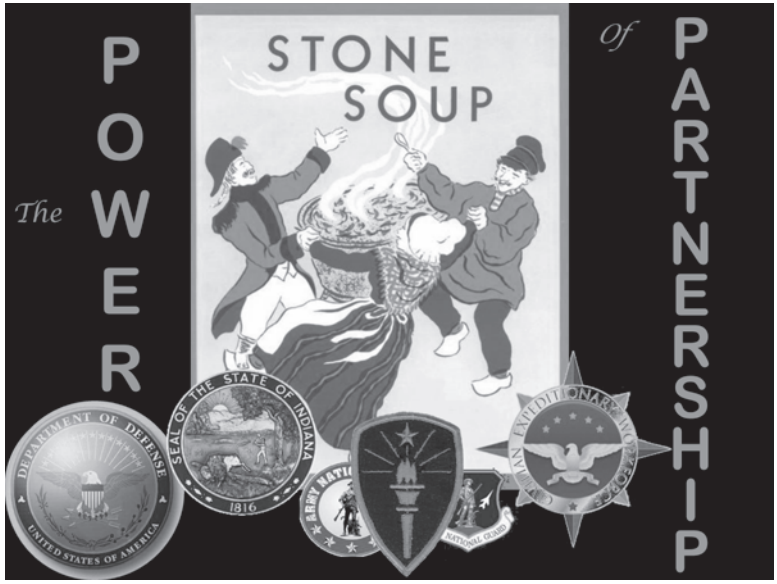

Muscatatuck
Urban Training Complex
68 Major Buildings & 450 Mobile Trailers
1.2 Million Square Feet Under Roof
Operational Utilities
Over 9 Miles of Roads
Over 1 Mile of Underground Tunnels

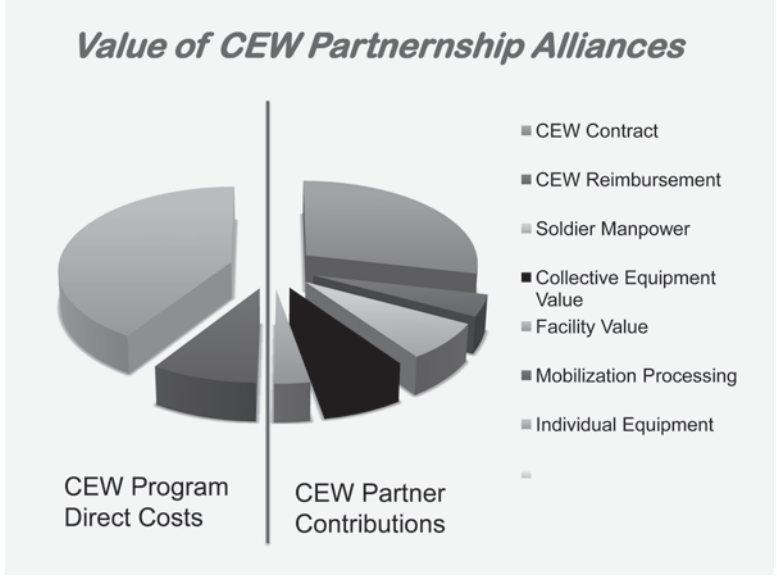

RAMIREZ
U.S. ARMY
Patriot Academy
Active School Complex


Middle East
Market


Afghan Farms – construction and planting coordinated by
Purdue University Afghan Agriculture Professors &
Afghan Students enrolled in Purdue Ag Master's Programs


CBRNE Response Team Training


The
POWER
STONE SOUP
Of
PARTNERSHIP
DEPARTMENT OF DEFENSE
UNITED STATES OF AMERICA
SEAL OF THE STATE OF INDIANA
1816


Value of CEW Partnernship Alliances
CEW Contract
CEW Reimbursement
Soldier Manpower
Collective Equipment Value
Facility Value
Mobilization Processing
Individual Equipment
CEW Program Direct Costs
CEW Partner Contributions


Civilian ~ Military Integrated Training
Maximum Readiness at Best Value


CIVILIAN RESPONSE
Coordinator for Reconstruction & Stabilization
U.S. Department of State
Abenteuer Afghanistan
Preparing for Afghanistan: Training in Muscatatuck
BBC NEWS
Training for the civilian surge in Afghanistan
CNN
HIGH SPEED HIGH SCHOOL
news@afrl
Features
AFRL tests unmanned air vehicle in urban terrain
National DEFENSE
The Washington Post
This Is War: How USAID workers are trained to work and danger in Afghanistan
La guerra de Afganistán se ensaya en Indiana
DoD civilians to get war-zone deployment training
THE WALL STREET JOURNAL.
Training for the Civilian Surge
Se préparer aux réalités afghanes... en Indiana

Appendix E

The following material accompanied Gray Gildner's presentation.

2010 Defense Economics Conference

Civilian Expeditionary Workforce (CEW) Program

1

Questions

- Is CEW worth it? To the individual? To the war fighter? To the war effort and our country?
- How effective is the CEW program?

2

Background

- Retired Army Officer, Operations Research Analyst in OSD CAPE and Deputy Director for CAPE's Joint Data Support office.
- Volunteered for the CEW in November 08 and deployed to Afghanistan in Jan/Feb 09 – returned in Jan/Feb 10.
- Volunteered for several positions in the CEW program.
  - "Selected" to be the "Biometrics Training Officer" on the CJTF 101 staff in Afghanistan -- small staff element supporting one Regional Command.
  - Developed into the lead for all of ISAF -- became the Deputy Director of the Task Force.
- No prior experience with biometrics. Position ultimately required military staff skills more than biometric expertise.

3

Military and DoD Civilians
The Oath

- Military: I, (name), having been appointed a (rank) in the United States (branch of service), do solemnly swear (or affirm) that I will support and defend the Constitution of the United States against all enemies, foreign and domestic; that I will bear true faith and allegiance to the same; that I take this obligation freely, without any mental reservation or purpose of evasion; and that I will well and faithfully discharge the office upon which I am about to enter. So help me God.

- Government: I, [name], do solemnly swear (or affirm) that I will support and defend the Constitution of the United States against all enemies, foreign and domestic; that I will bear true faith and allegiance to the same; that I take this obligation freely, without any mental reservation or purpose of evasion; and that I will well and faithfully discharge the duties of the office on which I am about to enter. So help me God.

4

Life Cycle of the Rotation

- Deciding to volunteer
- Deployment Position
- Approval
- Applying for the position and acceptance
- Communicating with the theater organization
- Pre-Deployment
- Transit and deployment
- In theater
- Transit home and post deployment adjustment

5

Bottom Line (1 of 3)

- Is CEW worth it?
  - For the individual – absolutely
    - Opportunity to serve
    - Experience of a lifetime
    - Incredibly fast paced, physically demanding, results oriented environment
    - Deploying as a GS is not for everyone
    - Military experience helps
    - Uniforms/Status/Arming..depends on where you are and what you are doing

6

Bottom Line (2 of 3)

- To the war fighter – Yes
  - If nothing else, DoD civilians relieve a military member of another deployment
  - Civilians may have more experience than military IAs in some functional areas
  - DoD civilians may have more experience with contracting and contractors and provide military with additional supervisory support
  - More work than people on the ground
- To the war effort and our country – Yes

7

Bottom Line (3 of 3)

- Reentry – this may need more work…and would be interesting to study.
- Return under CEW rotational model?
- Career enhancing?

Amazing U.S. Armed Forces

8

Appendix F

Agenda

8:00–8:30	**Continental Breakfast**
8:30–8:45	**Welcome**
	Jerry Pannullo, OSD(CAPE)
	Christine Fox, Director, CAPE
8:45–9:30	**Keynote Address**
	Mike Dominguez, Director, Strategy, Forces, and Resources Division, IDA
9:45–10:45	**Civilian Compensation Reform: NSPS**
	Peter Levine, General Counsel, Senate Armed Services Committee
11:00–12:00	**Compensating the Civilian Workforce**
	James Thompson, Associate Professor of Public Administration, University of Illinois at Chicago
	Beth Asch, Associate Director, Forces and Resources Policy Center, RAND National Security Research Division
12:00–1:30	**Luncheon Presentation**
	Linda Springer, Executive Director, Government and Public Sector, Ernst & Young, LLP
1:45–3:00	**Civilian Expeditionary Workforce**
	Seth Shulman, Director, International Programs, Office of the Under Secretary of Defense (Personnel and Readiness)
	COL Barry Richmond, Deputy Commander, Atterbury-Muscatatuck Center for Complex Operations
	Gray Gildner, Deputy Director, Joint Data Support Office, OSD(CAPE)
3:15–4:00	**Closing Remarks**
	David S. C. Chu, President, IDA
4:00–5:30	**Reception**

Appendix G

Attendees

Adebayo Adedeji
Principal Analyst
Congressional Budget Office

Adam Albrich
Personnel Program Analyst
Army G1

Jomana Amara
Assistant Professor, Defense Resources Management Institute
Naval Postgraduate School

Beth Asch
Senior Economist
RAND Corporation

Cory Baker
Operations Research Analyst
Office of the Secretary of Defense (Cost Assessment and Program Evaluation)

Ayeh Bandeh-Ahmadi
Adjunct Research Staff
Institute for Defense Analyses

Walter Barge
Director, Joint Assessment and Enabling Capability
Office of the Under Secretary of Defense (Personnel and Readiness)

Elizabeth Bass
Health Economist
Congressional Budget Office

Barry Berkowitz
Director, Office of Cost Analysis
Department of Energy

Gary Bliss
Director, Performance Assessments and Root Cause Analyses
Office of the Under Secretary of Defense (Acquisition, Technology and Logistics)

William Boning
Research Team Leader
CNA

Patricia Bradshaw
Consultant
Scitor Corporation

Rick Burke
Deputy Director, Cost Assessment
Office of the Secretary of Defense (Cost Assessment and Program Evaluation)

Soyong Chong
Operations Research Analyst
Department of Homeland Security, Transportation Security Administration

Eric Christensen
Managing Director, Health Research and Policy
CNA

David Chu
President
Institute for Defense Analyses

Melinda Darby
President
Darby Consulting, LLC

Michael Dominguez
Director, Strategy, Forces, and Resources Division
Institute for Defense Analyses

Christine Fox
Director, Cost Assessment and Program Evaluation
Office of the Secretary of Defense

Gray Gildner
Deputy Director, Joint Data Support Office
Office of the Secretary of Defense (Cost Assessment and Program Evaluation)

Heidi Golding
Principal Analyst
Congressional Budget Office

Jeff Goldstein
Program Examiner
Office of Management and Budget

Vance Gordon
Research Staff Member
Institute for Defense Analyses

David Graham
Deputy Division Director
Institute for Defense Analyses

Ken Hayashida
Operations Research Analyst
Office of the Secretary of Defense (Cost Assessment and Program Evaluation)

Paul Hogan
Vice President
The Lewin Group

Stanley Horowitz
Research Staff Member
Insititute for Defense Analyses

Fernando Huerta
Chief, Strength Analysis & Forecast Division
Army G1

Peter Levine
General Counsel
Senate Armed Services Committee

Robert Levy
Research Analyst
CNA

Alan Marcus
Program Director
CNA

Molly McIntosh
Research Analyst
CNA

David McNicol
Director, Cost Analysis and Research Division
Institute for Defense Analyses

Douglas Meade
Director of Research
Inforum

Christopher Meyer
Senior Budget Analyst
TRICARE Management Activity

Carol Moore
Operations Research Analyst
Office of the Secretary of Defense (Cost Assessment and Program Evaluation)

Kerry Moores
Operations Research Analyst
Office of the Secretary of Defense (Cost Assessment and Program Evaluation)

Carla Murray
Senior Analyst
Congressional Budget Office

Abigail Norris
Program Examiner
Office of Management and Budget

Jerry Pannullo
Director, Economic and Manpower Analysis Division
Office of the Secretary of Defense (Cost Assessment and Program Evaluation)

Amy Parker
Program Analyst
Office of the Under Secretary of Defense (Personnel and Readiness)

Charles Perdue
Assistant Director
Government Accountability Office

Carol Petersen
Assistant Director, Economics
Government Accountability Office

Barry Richmond
Deputy Commander
Atterbury-Muscatatuck Center for Complex Operations

Brandeanna Sanders
Operations Research Analyst
Office of the Secretary of Defense (Cost Assessment and Program Evaluation)

Bryan Shone
Operations Research Analyst
Office of the Secretary of Defense (Cost Assessment and Program Evaluation)

Dan Shrimpton
Branch Chief
Army G1

Seth Shulman
Director, International Programs
Office of the Under Secretary of Defense (Personnel and Readiness)

Linda Springer
Executive Director, Government and Public Sector
Ernst & Young, LLP

Thomas Stanners
Retired
Office of Management and Budget

Michael Strobl
Operations Research Analyst
Office of the Secretary of Defense (Cost Assessment and Program Evaluation)

Garrett Summers
Operations Research Analyst
Office of the Secretary of Defense (Cost Assessment and Program Evaluation)

Tina Sung
Vice President, Government Transformation
Partnership for Public Service

James Thompson
Associate Professor and Head of Department of Public Administration
University of Illinois—Chicago

Lisa Truesdale
Director, Manpower and Analyses
Office of the Assistant Secretary of the Navy

Karen Tyson
Research Staff Member
Institute for Defense Analyses

Stephen Wellock
Special Assistant
Defense Human Resource Activity

John Whitley
Senior Fellow
Institute for Defense Analyses

Gregory Wise
Director, Emerging Markets
MCR Federal, LLC

Appendix H

Speaker Biographies

Beth J. Asch is a senior economist specializing in defense personnel issues at the RAND Corporation and Associate Director of the Forces and Resources Policy Center with RAND's National Defense Research Institute. Since joining RAND, she has been involved in and led studies on the recruitment, retention, compensation, retirement, and performance incentives of personnel in the U.S. military and federal civil service. Her recent research projects include assessing the effects of cash incentives on enlistment, attrition and reenlistment; analyzing retirement system alternatives for the active and reserve components; analyzing compensation alternatives to retain officers; estimating the enlistment supply of minorities to the military; assessing the incidence of recruiter irregularities; and analyzing the retention, promotion and language proficiency of personnel with language capability in the intelligence community. Dr. Asch served on the Naval Studies Board Committee on Manpower and Personnel Needs for a Transformed Naval Force. She also served on the staff of the Defense Advisory Committee on Military Compensation, was a member of the Quadrennial Review of Military Compensation working group, and has provided congressional testimony on military compensation issues and civil service reform. Dr. Asch is currently a visiting faculty member at the UCLA school of public policy, a former visiting faculty member in the UCLA economics department, and a current faculty member at the Pardee RAND Graduate School. Before joining RAND, she was an associate economist at the Center for Naval Analyses. She received her master's and Ph.D. in economics from the University of Chicago.

David S. C. Chu is President of the Institute for Defense Analyses. IDA's mission is to assist the Office of the Secretary of Defense, the Joint Staff, the Unified Commands, and the Defense Agencies in addressing important national security issues, particularly those requiring scientific and technical expertise. Prior to joining IDA, Dr. Chu served in the Department of Defense as Under Secretary for Personnel and Readiness and earlier as Assistant Secretary and Director for Program Analysis and Evaluation. From 1978 to 1981 he was the Assistant Director of the Congressional Budget Office for National Security and International Affairs. He is a member of the Defense Science Board. Dr. Chu served in the U.S. Army from 1968 to 1970. He was an economist with RAND, Director of RAND's Washington Office, and Vice President of its Army Research Division. He is the recipient of the Department of Defense Medal for Distinguished Public Service with Gold Palm, the Department of Veterans Affairs Meritorious Service Award, the Department of the Navy Distinguished Public Service Award, and the National Public Service Award of the National Academy of Public Administration, of which he is a Fellow. Dr. Chu received his bachelor's in economics and mathematics and his Ph.D. in economics from Yale University.

Michael L. Dominguez is the Director of the Strategy, Forces, and Resources Division at the Institute for Defense Analyses, where he oversees a wide range of analyses addressing critical national security issues. He is one of the few career civil servants to become a presidential appointee confirmed by the Senate. Prior to his current position, Mr. Dominguez served as the Principal Deputy Under Secretary of Defense for Personnel and Readiness, providing staff advice on total force management to the Secretary and Deputy Secretary of Defense. Mr. Dominguez also served as the Assistant Secretary of the Air Force for Manpower and Reserve Affairs and as Acting Sec-

retary of the Air Force. Mr. Dominguez entered the Senior Executive Service in 1991 as the Director for Planning and Analytical Support for Program Analysis and Evaluation (PA&E). In this position he oversaw production of DoD's long-range planning forecast and its $12 billion in annual information technology investments. Prior to this appointment, Mr. Dominguez worked as an analyst in PA&E. He has also worked for a technology service organization, the Chief of Naval Operations staff, and the Center for Naval Analyses. He is a graduate of the U.S. Military Academy at West Point, N.Y., was commissioned a second lieutenant in the U.S. Army, and posted to the 1st Battalion, 509th Infantry (Airborne) and the Southern European Task Force in Vicenza, Italy. After leaving the military, Mr. Dominguez went into private business and attended Stanford University's Graduate School of Business.

Gray M. Gildner is the Deputy Director of the Joint Data Support (JDS) office within the Office of the Secretary of Defense's Cost Assessment and Program Evaluation (CAPE) Directorate. The JDS office provides data support for the Analytic Agenda and the DoD analytic community, and models and simulations used by this community. In January 2009, Mr. Gildner deployed for a year as a volunteer in DoD's Civilian Expeditionary Workforce Program, where he served as Deputy Director, United States Forces–Afghanistan (USFOR–A), Task Force Biometrics. During his deployment, the Task Force grew from a small cell supporting a single U.S.-led Regional Command to responsibility for all biometrics and non-Counter Improvised Explosive Devices (IED) forensics issues in Afghanistan under the International Security and Assistance Force (ISAF). He is a retired Army officer and has served in various Infantry, Airborne, and Ranger units throughout the United States and Europe. After serving in the military, he was an analyst in the OSD Joint Warfare System Office (JWARS); an analyst on the Army G3 staff; and an Assistant Vice President at Alion Science and Technology. He holds a bachelor's degree in General Engineering from the United States Military Academy and a master's in Military Arts and Sciences from the Command and General Staff College.

Peter Levine is the General Counsel of the Senate Armed Services Committee, where he has served since 2007 and in 2001 and 2002. From 1996 to 2001 and 2003 to 2006, Mr. Levine served as minority counsel to the Committee. In both positions, Mr. Levine has been responsible for providing legal advice on legislation, nominations, and other matters coming before the Committee. He also advises Members of the Committee on acquisition policy, environmental policy, and defense management issues affecting the DoD. Previously, Mr. Levine served as counsel to Senator Carl Levin of Michigan and counsel to the Subcommittee on Oversight of Government Management of the Senate Governmental Affairs Committee. In his capacity as counsel to Senator Levin and to the Oversight Subcommittee, Mr. Levine was a key participant in a broad array of legislative measures, including the Information Technology Management Reform Act of 1996, the Lobbying Disclosure Act of 1995, the Senate gift reform resolution, the Federal Acquisition Streamlining Act of 1994, the Clean Air Act of 1990 (mobile sources provisions), the Whistleblower Protection Act of 1989, the Ethics Reform Act of 1989, and the Office of Federal Procurement Policy Reauthorization Act of 1988. Mr. Levine has also handled a number of oversight matters, including the 1987 congressional investigation of the Wedtech Corporation, congressional efforts to encourage broader use of commercial items and commercial practices in government procurement, and efforts to identify and eliminate wasteful practices in the management of defense inventory. Prior to joining the Senate staff, Mr. Levine was an Associate at the law firm of Crowell & Moring. Mr. Levine graduated summa cum laude from Harvard College and magna cum laude from Harvard Law School, where he was an editor of the Harvard Law Review.

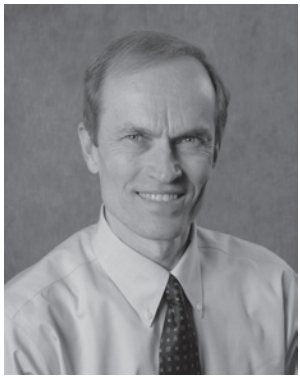
Colonel Barry Richmond is the Deputy Commander for the Atterbury-Muscatatuck Center for Complex Operations (A-MCCO), a national training and deployment complex. Nearly a decade ago, as State strategic plans officer, Colonel Richmond assisted Brigadier General Clif Tooley in shaping the vision and fostering the development of a new, non-contiguous training and testing paradigm. Spending four years as Commander of Camp Atterbury, Colonel Richmond and his team developed the installation into an Army mobilization station that oversaw the mobilization of more than 9,000 soldiers annually. Teaming with academia, federal, state and local governing bodies; agencies; private businesses; and other entities, A-MCCO serves as a model for program incubation, development, and integration. During the past eighteen months, Colonel Richmond has worked closely with the Office of the Special Representative for Afghanistan/Pakistan, the Foreign Service Institute, and the Office of the Secretary of Defense, Personnel and Readiness to design an integrated, civilian-military training and deployment program. Working with Indiana University and Joint Forces Command, he collaborated on the development of the Indiana Complex Operations Partnership to develop a Whole of Government/Whole of Nation approach to linking and integrating training and testing strategies. Colonel Richmond has bachelor's and master's degrees in human resources and management, and doctoral work in organizational leadership.

Seth Shulman is the Director of International Programs for the Office of the Under Secretary of Defense for Personnel and Readiness, Civilian Personnel Policy. He has overall responsibility for Civilian Expeditionary Workforce policy and operations, as well as DoD Overseas Civilian Employment policy and programs. Prior to accepting this position, he served as the Director of Workforce Relations and Compensation (WRAC) for the Department of the Navy's Office of Civilian Human Resources. Immediately before

Resources. Immediately before becoming the Director, WRAC, Mr. Shulman was the DON Program Manager for Performance Management and Incentive Awards, where he was heavily involved in the implementation of the National Security Personnel System within the DON. Prior to coming to the DON, Mr. Shulman was the Senior Labor Advisor for the U.S. Army Corps of Engineers, responsible for labor and employee relations programs as well as civilian deployment and emergency operations policy. During his career in federal human resources he has also worked at the activity level in two tours of duty each at Walter Reed Army Medical Center and the Department of Veterans Affairs, and spent several years as the Labor Relations Officer at the Department of Agriculture. From mid-1997 through the end of 2001 he worked in the private sector senior housing industry, the last two years of which he was the Vice President of Human Resources at the companies for which he worked. In these positions, his primary focus was on strategic compensation and recruitment. A native New Yorker, he began his career at the New York City Mayor's Office of Labor Relations under the Koch and Dinkins administrations as a labor analyst and assistant negotiator.

Linda M. Springer is an Executive Director in the Government and Public Sector Practice of Ernst & Young, LLP. She serves the federal advisory practice as coordinating and engagement partner for selected agencies and departments, as leader of Ernst & Young's federal financial management service line, and provides federal government knowledge and thought leadership. In this role, Ms. Springer led the development of Federal OCFO Leading Practices and Commercial and Federal OCAO Leading Practices. Prior to joining Ernst & Young in August 2008, Ms. Springer was the eighth Director of the United States Office of Personnel Management. In this role, she was the principal advisor to the President of the United States on federal personnel management issues and led the agency responsible for the U.S. federal government workforce, including human resource planning, benefit programs, services, and policies; and background investigations for the nearly two million civilian employees worldwide. Previously, Ms. Springer was Controller at the White House Office of Management and Budget (OMB) and head of the Office of Federal Financial Management. Before her career in public service, Ms. Springer spent

more than twenty-five years in the financial services industry in executive roles responsible for general and financial management, and strategic and operational planning. She held positions of Senior Vice President and Controller at Provident Mutual and Vice President and Product Manager at Penn Mutual Life Insurance Company. Ms. Springer led the U.S. Government Councils for Chief Human Capital, Chief Financial and Federal Real Property Officers. Her leadership was recognized by being awarded the Secretary of Defense Medal for Outstanding Public Service. Ms. Springer received her bachelor's degree, cum laude, from Ursinus College and received the 2006 Alumni Award. She also attended the Executive Program in Managing the Enterprise at Columbia University Business School. Ms. Springer is a Fellow of the Society of Actuaries and a Member of the American Academy of Actuaries.



James R. Thompson is an Associate Professor and Head of the Department of Public Administration at the University of Illinois–Chicago where he teaches courses in public personnel management, information technology, and public management. Dr. Thompson's primary research interests are personnel management, civil service reform, administrative reform, and organizational change in the public sector. He is the author or co-author of several articles addressing issues of organizational change in public organizations, including "Reinvention as Reform: Assessing the National Performance Review." He won the Mosher Award as best article by an academician in Public Administration Review in 2000. In 2007, Dr. Thompson completed a study on pay-for-performance systems in the federal government for the IBM Center for the Business of Government entitled "Designing and Implementing Performance-Oriented Payband Systems." This report reviews the performance-oriented payband experiences of eight federal agencies and identifies the key design features of such systems. In 2009, Dr. Thompson and his co-author completed a report for the Center for the Business of Government, entitled "Federated Human Resource Management in the Federal Government: The Intelligence Community Model identifying the Intelligence Community's new human resource management system as a possible model for the federal government as a whole." Dr. Thompson received his Ph.D. in public administration from the Maxwell School of Citizenship and Public Affairs at Syracuse University.