

GENERAL INFORMATION  
AND REFERENCE SOURCES  
for  
Employees

**NAVY CIVILIAN PERSONNEL MANAGEMENT  
DEMONSTRATION PROJECT**

HUMAN RESOURCES DEPARTMENT  
NAVAL AIR WARFARE CENTER  
WEAPONS DIVISION

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## INTRODUCTION

The purpose of this paper is to provide general information and reference sources on the Navy Joint Personnel Demonstration Project (the "Demo") as applied specifically at the Naval Air Warfare Center Weapons Division (NAWCWPNS).

NAWCWPNS management has purposely chosen not to publish a detailed and comprehensive manual on Demo to ensure that we do not reproduce all the regulations and constraints that Demo intended to remove from personnel management. Rather, specific publications have been developed as needed to cover areas of interest and particular need which have evolved in the areas of classification and performance. We have found that, comments on the mini-attitude survey, task teams, and some new employees have requested additional information on the Demo to supplement material received from supervisors or formal training classes. This paper is intended to highlight topics of greatest interest and refer readers to other written sources or to their Personnel Management Advisors (PMAs) for specific information. Further information is available at the following URL: <http://hrunix1.chinalake.navy.mil/>

## **CIVIL SERVICE REFORM ACT OF 1978**

Title VI of the Civil Service Reform Act (CSRA) of 1978 authorized the Office of Personnel Management (OPM) to permit federal agencies to conduct demonstration projects to determine whether changes in personnel management policies or procedures would result in improved federal personnel management. By law, such experiments may not exceed a total of 10 active projects, may last for a maximum of 5 years, and are limited to a maximum of 5000 employees. In 1984, Congress extended the Navy's Demo Project to September 1990 and removed the 5000 population limit. In 1988, Congress extended the Project until September 1995 and in 1994 removed the end date, making it effectively permanent.

The first CSRA demonstration project to be approved and implemented was the Navy's Joint Personnel Demonstration Project initiated in July 1980 at the Naval Ocean Systems Center (NOSC) and the Naval Weapons Center (NWC). This Project is a revised personnel management system that provides simplified position classification and performance appraisal, performance-linked pay, and performance-based retention. The Department of the Air Force implemented a project in gainsharing for a group of employees based at McClellan Air Force Base (project discontinued), and the National Institute of Science and Technology has implemented a project similar to ours. Several other agencies have proposed projects that may be implemented.

When the Demo began in 1980, the rest of the federal government was starting a new merit pay system (known as Performance Management Recognition System or PMRS) for all GS-13 through -15 managers (redesignated as GM). All other white-collar employees, excluding the newly created Senior Executive Service (SES), remained in the traditional GS system. Many of the federal personnel system changes since 1980, such as delegated classification authority, modified performance appraisal, reduction in force (RIF) procedures, and merit pay provisions, have moved closer to the approach introduced by the two Navy labs in July 1980. The Navy Demo Project has been a model for many of the federal personnel management changes already made or proposed for the future. It has provided local managers with significantly more flexibility and control of simplified personnel policies, procedures, and operations than currently available to other federal managers.

## **BACKGROUND**

In the late 1970s, just prior to the beginning of the Demo, NWC was experiencing a number of problems with the civil service General Schedule (GS) system. Key examples were classification, performance appraisal, pay, and reduction in force procedures.

## **CLASSIFICATION**

The GS system required lengthy narrative descriptions of individual positions, which had to be classified by the use of complex and often outdated position classification standards. The system caused delays in recruiting, reassigning, and promoting employees. Line managers had only limited flexibility to administer personnel resources and personnel staffs were often in an adversarial position against line management.

## **PERFORMANCE APPRAISAL**

Insufficient means existed to reward good and penalize poor performance, and no system existed to establish performance expectations for an employee in advance, assess progress and achievements, and grant or withhold financial rewards. Rewarding or penalizing performance required inordinate amounts of paperwork under the GS system, often discouraging managers from taking warranted action.

## **PAY**

Few incentives and little flexibility existed in dealing with all levels of the work force. Pay was not always commensurate with performance. Inflexibility in setting pay limited the Center's success in recruiting high-caliber recent graduates and in retaining the most valuable employees.

## **REDUCTION IN FORCE**

There was an inability to recognize performance as a major criterion in RIF situations, which sometimes resulted in adverse effects upon good performers.

## **PURPOSE**

The goal of the Demo is to simplify and increase line management involvement in major personnel management areas, such as classification, compensation, and performance appraisal. The line manager is the primary decision maker on personnel issues of pay, classification, and job assignments; these decisions have important effects on motivation, performance, and organizational effectiveness. To accomplish these changes, the Demo's objectives are to provide:

- A more flexible, manageable, and understandable classification system that groups several GS grade levels into broad pay bands
- A performance appraisal system that links compensation to performance
- An expanded application of the CSRA merit pay concept for both supervisory and non-supervisory employees at all grade levels
- An emphasis on performance as a primary criterion for retention during a RIF, while retaining tenure, veterans preference, and length-of-service factors.

Beyond the basic objectives listed above, other issues required attention. The following items were also goals of the Demo.

- Improving resource utilization by increasing flexibility to assign employees to tasks requiring action without having to engage in a time consuming reclassification process.
- Improving motivation by providing additional cash incentives for employees identified as high performers.
- Adding local flexibility by releasing the Center from certain laws and regulations in order to assist managers with recruitment, classification, appraisal, etc.

- Obtaining relief from current classification standards by permitting the Center to generate its own classification standards in response to specialized needs of the research and development community, and providing an expanded dual-career ladder for highly valued technical employees without making it necessary for these employees to take supervisory positions.
- Improving the performance-appraisal process by improving the communication link between employees and supervisors with a more formalized performance-planning and -appraisal process.
- Becoming more competitive in hiring scientists and engineers (S&Es) by being able to offer higher starting salaries to quality junior professionals in critical occupational and skill areas.

## TYPES AND NUMBERS OF PARTICIPATING EMPLOYEES AND IMPLEMENTATION PROCESS

### DATE OF ENTRY INTO THE DEMO

In keeping with the legal limit of 5000 employees in the Project, NWC and NOSC could not enter all their GS employees into the Demo. The two Centers decided instead to enter employees into the Demo by career path and in phases so that training and personnel system changes could be accommodated prior to the entry. Scientists, engineers, and all other GS-13 through -15 personnel entered the project when it began in July 1980, which was the time that Merit Pay (GM) began for the rest of the federal government managerial GS-13 through -15 employees. The GS-12 administrative and technical specialists entered the project in January 1981, the technicians followed in August 1981, and the GS-11 and below administrative and technical specialists were added in September 1982. Only NOSC's clerical personnel would fit within the population limit, so these employees also entered the Demo in September 1982. For NWC, the career paths that originally entered the Demo (full-time permanent employees) and the corresponding numbers as of July 1987 are shown below.

Career path	At entry	July 1987
Scientists and engineers	1428	1879
Other senior professional staff (GS-13 through -15)	69	.. <sup>a</sup>
Technicians	332	891
Administrative specialists	223	661
Technical specialists	171	422

<sup>a</sup> Included in appropriate technician, administrative specialist, or technical specialist career path.

An additional 852 employees entered the Demo in November 1987 when the NWC clerical/assistant career path entry was approved by OPM. In January 1993, at the Point Mugu site, 1268 scientists and engineers were added, followed by 160 PMRS employees in October and 343 other non-bargaining unit employees in November. Seven PMRS employees at White Sands were converted in October 1993 and 13 other non-bargaining unit employees in November.

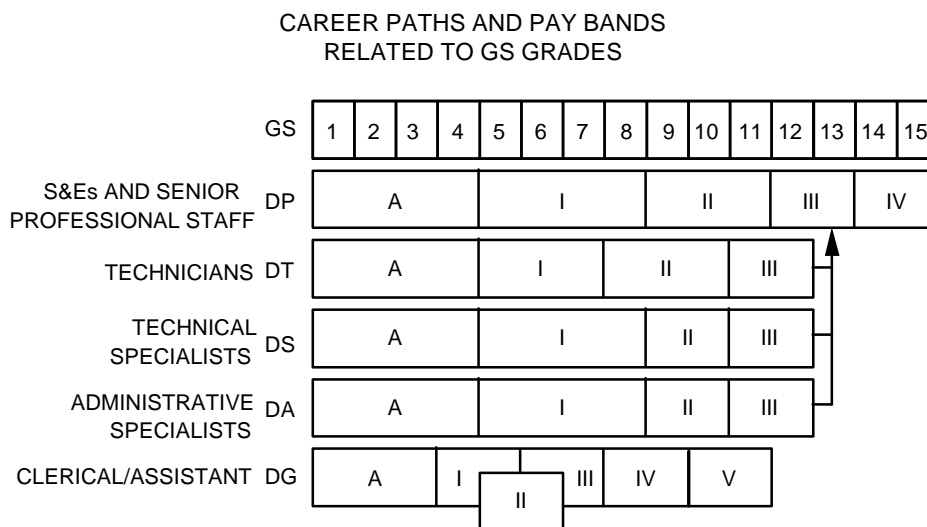
### MANAGEMENT STEERING COMMITTEE AND TASK TEAMS

A management steering committee was appointed by the Technical Director to provide policy advice and recommend changes when needed. The steering committee was disbanded in 1988. Employee task teams were appointed to study and make recommendations on various operational aspects of the Demo. Original teams covered classification, communication, pay, performance appraisal, and training. Other employee task teams have reviewed the midpoint, within-level promotions, evaluation, pay-performance linkage, and clerical/assistant entry. These teams were representative of both the work force and Center organizations and were expected to obtain management and employee feedback regarding desirable attributes for the Demo.

## BASIC FEATURES

### CAREER PATHS AND PAY LEVELS OR BROAD BANDS

The Federal Register of 18 April 1980 contains the approved project plan and description of all personnel system changes. The new pay and classification system is anchored to the GS system. Eighteen pay and classification grades (GS-1 through GS-18) are grouped into separate occupational career paths, with broad pay bands or levels of difficulty, as shown below.



Each broad pay band, or level, includes at least two GS grades. Progression between levels of difficulty (promotions from one pay band to another) occurs as in the GS system. Progression within the pay band (that is, obtaining more pay) is determined by the performance-appraisal process. No longer is there a salary increase based on tenure. Each career path forms a separate competitive area if a RIF becomes necessary. This procedure is intended to minimize disruption of placement actions and would preclude, for instance, an engineer displacing a clerk-typist. Performance ratings also play a primary role in the RIF retention process.

To understand the basic features of the Demo Project as described below, it is important to remember that the provisions of the Demo have been developed by employee/supervisor task teams. For each functional area, a task team has investigated alternative approaches and made recommendations to Center management for implementation in relation to the basic approved project plan.

There was a fundamental objective to add flexibility and local control to the personnel management process, while still guaranteeing the sanctity of the federal merit system. As such, a maximum of flexibility, authority, and responsibility was delegated to managers for personnel management. Not only did managers help develop the project, but they have been expected to protect the built-in flexibilities and not reinvent the constraints and paperwork that were the problems in the first place. Management has been responsible for training new employees in the Demo, with help from the Human Resources Department, and for completing the needed documentation, particularly for classification and performance appraisal. PMAs are available to answer questions and provide policy and procedure assistance, but the managers are responsible for communicating and carrying out all Demo Project initiatives. The following sections provide background on each of the basic features of the project.

### CLASSIFICATION SYSTEM

Each class of positions covered by the Demo Project (scientist and engineer, technician, technical specialist, administrative specialist, and clerical/assistant) reflects the career progression of people with

similar qualification requirements and lines of work. Pay bands or levels in each career path reflect entry; trainee; full-performance; and, at DP-IV, senior levels of work for that occupational group. Titles and series formerly used are retained in all career paths.

### **“Rank-in-Person” and “Rank-in-Position” Concepts**

The Demo classification system, like a military classification system, recognizes a “rank-in-person” concept, in which an individual moving from one position to another in the same pay band retains his or her “rank” or pay. The Demo also preserves “rank-in-position” distinctions through classification in broad classification levels or levels of difficulty. Each career path (S&E, etc.) is covered by a unique classification system described in a handbook, which was developed by a classification task team composed of NWC supervisors and employees subject to the Demo. Handbooks are available from PMAs or from department offices. The handbooks contain simple and standardized classification factors for each broad pay level. Duties, responsibilities, and levels of difficulty at each classification level are listed in a menu format. The supervisor determines the classification by selecting from the menu choices, which are then input to a word processor that produces a Personal Activities and Capabilities (PAC) sheet, formerly called a Position Description (PD). The system has been designed to recognize the personal contributions and capabilities of individual employees as well as the duties and responsibilities of the position, hence the rank in both person and position.

### **Classification by First-Line Supervisor**

To simplify the classification process, one unique standard has been written locally for each of the levels. The standards cover all the typical components of a PD, such as duties and responsibilities, impact of judgments, decisions, originality, persons contacted and reasons for contacts, and controls over the position. Some of the latter descriptors are standardized based on the level of the position and also include standard statements for qualifications and EEO responsibilities for supervisors. However, most of the menu selections offer six or seven choices among the factors to allow a “custom-tailored” description to fit the specific person and position. In essence, this new approach permits each position to be classified by choosing applicable selections from a fixed and already-approved standard.

Five classification handbooks have replaced a 5-foot stack of classification standards. For easy identification, the handbooks are different colors for S&E, technicians, administrators, technical specialists, and other general categories including clerical. The handbooks are self-explanatory, and the entire classification task can be completed in less than 20 minutes. This process has saved managers and personnelists significant time and has resulted in a simple, flexible, understandable, and more meaningful classification system. If you have questions or need help in using this system, your PMA or cognizant supervisor can help you.

## **PAY SYSTEM**

### **Increments and Bonuses**

The broad pay bands are anchored to the GS/GM systems (for example, DP-III is equivalent to GS-12/1 through GS-13/10), and we have chosen to divide the salary between the top and bottom of each band into increments. For instance, DP-III has 24 increments, each equaling approximately 1.5% of the highest salary in the band. Employees must be paid at least the minimum pay rate established for the pay band to which they are assigned. As mentioned earlier, promotions occur from one level to another, as in the rest of civil service, upon assumption of increased duties and responsibilities. Salary advancement within the pay band is based on performance. The Center’s merit pay pool, which provides the funding for performance-based salary increases within the band, is composed of funds formerly spent (based on the expenditure rates incurred during 1970 to 1980) for employee within-grade increases (also known as periodic step increases), quality step increases, and within-level promotions. Funding for within-level promotions is derived from the funding that formerly would have been spent on promotions to grades no longer existing in the broad bands (for example, there are no longer any GS-12 to -13 promotions in DP-III). The annual payout guideline has been established at 2.4% of Demo Project payroll, which is roughly equal to the amount previously expended for salary increases noted above.

## **Comparability**

Government-wide comparability is an integral part of the Demo pay system. How much of the comparability increase an employee receives is directly dependent on the performance rating awarded. Employees who are rated as fully successful or better receive the comparability increase as one component of their merit increase; the other component is composed of any increments that may be awarded. Individuals performing at a less-than-fully-successful level may receive one-half comparability or no comparability, and no increments. Because of the differences in mathematical formulae used to calculate the Demo pay scales and those used to calculate GS pay scales, direct application of the comparability percentage to the current salary is not possible.

## **Bonus Pool**

A bonus award pay pool was established in fiscal year 1984 to provide funds for one-time exemplary performance. Each bonus, or "B," is the monetary equivalent of an increment, or "I." A guideline for bonuses was established at 0.8% of Demo Project payroll, which equated to the historical annual amount expended from 1970 to 1980 on Sustained Superior Performance (SSP) Awards and Special Act Awards. Special Act Awards may be given whenever the superior performance occurs during the performance year, but they are charged against the bonus payout guideline. Otherwise, performance payouts occur at the beginning of the fiscal year immediately following the Demo performance year, 1 August through 31 July. The comparability increase is paid at the same time that it is paid in the rest of the federal government, most recently at the beginning of the calendar year. Distribution of the payout is the prerogative of the department pay pool manager and will be described in more detail later.

## **Promotions**

As indicated earlier, promotions occur, as in other federal agencies, at any time basic eligibility occurs, in order to document and reward the fact that an individual has progressed from one range of skill, knowledge, ability, and responsibility to another. The Demo Project plan, as approved by OPM, provides a minimum 1-year time-in-level requirement before a promotion can occur to the next level. Because of the broad bands containing two or more GS/GM grades, somewhat longer minimum time-in-level promotion guidelines were established where appropriate. Beyond the ability to work at the next higher level, factors such as distribution of income over time commensurate with growth in experience, equity across the work force, competitive considerations within the federal work force, and fairness to individual employees are taken into account.

## **Time-in-Level/Salaries**

NAWCPNS's minimum time-in-level for all career paths and levels is 2 years with the following exceptions: 3 years for promotions to both DP-III and DP-IV, 6 months for DG-I, and 12 months for both DG-II and DG-III. These are guidelines, and actual time-in-level is the prerogative of department heads except for all DP-IV promotions, which require special approval (level to be determined). Supervisors determine the dollar value of the promotion, which can be up to a 10% increase and must be at least to the bottom of the level to which the employee is promoted. Salary setting for initial appointments to federal service (not federal transfers) is subject to superior qualifications determinations, which allow salaries to be set above minimal band levels for those who are exceptionally highly or uniquely qualified. Approval authority rests with department heads, with review by the Equal Opportunity and Employment Division. Entry-level scientific or engineering (junior professional) salaries are established based on academic achievement, work experience, and level and field of education.

Specific questions about the pay system operation should be referred to your PMA. Policies established for the various actions described above are available for reference in each department's Demo notebook or from your PMA.

## **PERFORMANCE-APPRAISAL SYSTEM**

The Demo Project performance-appraisal period is 1 August through 31 July. Appraisals and ratings are scheduled during August and September, and any performance payout is effective the first pay



period in October at the beginning of the fiscal year. The *Demonstration Project Performance System Handbook*, NAWCWPNS AdPub 017, Aug 92 and NAVWPNCENINST 12430.2B of 23 December 1987 provide basic procedures and guidance; both are being updated with minor revisions. Each July, NAWCWPNS Notice 12430 is issued to provide reminders on the merit payout involving evaluation, appraisal and rating.

### **Performance Ratings and Eligibility**

A performance rating must be given to employees who have worked 120 calendar days or more during the rating period. Conversely, people who have entered-on-duty or entered into their current level (for example, by promotion) less than 120 calendar days prior to the end of the rating period are not eligible for a rating. Performance is evaluated on a five-point rating scale (or five incentive pay groupings) ranging from performance that is demonstrably exceptional to that which is substantially below fully successful.

### **Performance Planning**

Performance planning based on supervisor/employee discussions is one of the keys to a good appraisal process. This process should be completed during September of each year. The forms (NAVWPNCEN 12430/8 Performance Plan—Demonstration Project) are available at Sup-R-Mart, Servmart, and via computer form. Performance monitoring should occur during December and April, allowing time for further discussion on performance expectations, progress, and any changes that should be considered. During the annual performance assessment, which occurs in August or September, the first-line supervisor prepares a basic assessment of performance as it relates to the employee's performance plan: performance meets, exceeds, or does not meet the expected results for each of the responsibilities listed in the performance plan. After documenting the employee's performance relative to the performance plan on the front of Performance Assessment form (NAVWPNCEN 12430/9), the supervisor summarizes the supporting rationale in the form's "narrative summary" section and gives an overall performance assessment: highly successful, fully successful, or less than fully successful.

### **Assessment Review**

Highly successful assessments go to departmental performance review boards (PRBs) for assignment of the rating and any salary adjustment. Fully successful assessments are given a rating of 3 by the supervisor after the reviewer has signed the form. Less-than-fully-successful assessments are handled by an ad hoc problem solving team. In addition, a cash bonus of from 1 to 4 Bs may be awarded for any employee receiving a fully successful or better performance rating. Supervisors must provide each employee with a completed performance assessment form and information on the final performance rating for the year. This normally occurs during September; any employee who has not received a written assessment by 1 October should raise the issue with the supervisor or with department management.

### **Reconsideration**

Employees have the right to request reconsideration of the performance rating or salary adjustment awarded. No provision exists to request reconsideration of a decision to grant or not to grant a bonus or to contest the size of a bonus. Specific procedures for reconsiderations are covered in the *Performance System Handbook*. The third-level supervisor, who has the final decision on the appeal, typically appoints a recommending official to thoroughly investigate the issue from all perspectives.

### **Payout**

Increments are awarded when growth in the position has been demonstrated. The number of increments awarded is determined by the performance rating. Cash bonuses (Bs) are not directly linked to the performance rating, but they may be awarded to anyone receiving a fully successful or higher rating. This is in keeping with the basic Demo philosophy linking pay increases to excellence of performance rather than automatically increasing pay for performance. Bonuses are typically awarded when the employee's salary is judged to be adequate for the level of work carried out, and yet the employee warrants additional recognition for specific aspects of performance that are not necessarily expected to continue beyond the current rating period. In other words, the pay and appraisal system is a

pay-for-performance rather than a pay-increase-for-performance system. The bonus also corresponds to a Special Act Award for one-time exemplary performance.

### **Midpoint Review**

A midpoint review threshold was established for all level 3 and 4 positions (except DG) to ensure that employees cannot migrate to the top of the pay bands based on fully successful performance alone. This decision was made to allow only the highest performers to move into the upper half of the pay band. This process is considered to be consistent with private industry practices and helps maintain proportional salary equity with the private sector. The midpoint for DA/DS/DT-III has been established at increment 14; for DP-III and -IV the midpoint has been established at increment 13. When an employee arrives at this threshold, a rating of highly successful is necessary for the employee to progress into the upper portion of the pay band for levels 3 and 4 only. The midpoint requirement does not apply to anyone above or below these designated increments.

### **REDUCTION IN FORCE**

The Demo Project's major change to the RIF procedures is the ranking of employees based on performance ratings. Employees compete for retention within their current career paths. Because career paths are defined by and limited to lines of work (S&E, technician, technical specialist, administrative specialist, or general), S&Es could not "bump" the other career paths, if S&E positions were abolished, and vice versa. The ranking within these competitive levels is based primarily on performance and secondarily on tenure, veteran's preference, and length of service. The intent is to increase the probability of retaining the highest performing employees in their positions and displacing the lowest performers.

Retention standing during a RIF is the critical issue. Under Demo, retention standing within a competitive level (in general, ordered by title, pay plan, series, grade, specialty area code, and functional code) is determined by performance rating groups—that is, the less-than-fully-successful ratings are at the bottom of the retention standing. High-retention groups are placed at the top of the level and are ordered according to normal government ranking of tenure, veteran's preference, and length of service. Employees in the higher retention groups always displace those in the lower groups. In essence, the Demo approach moves performance from the least important ranking factor to the most important, and leaves all other ranking factors as before.

## **EVALUATION**

### **PURPOSE**

To assess Demo Project results and the feasibility of applying the Demo to other federal organizations, an extensive evaluation is being conducted both internally, within each participating Center, and externally. The Graduate School of Public Administration, University of Southern California, and staff members from both Centers developed the original evaluation methodology. Each Center has staff looking at project results of importance to Center management. Coopers and Lybrand was awarded a contract for the external evaluation and submitted its report in September 1982. OPM subsequently assumed the role of external evaluator.

The external evaluation monitors the implementation of the project and assesses whether the changes in personnel management policies and procedures will result in improved personnel management. Of major interest is whether the merit principles of civil service are being adequately protected and implemented. To help isolate effects of the Demo Project, personnel management changes being carried out at NOSC (now NCCOSC) and NWC (now NAWCWPNS) are being compared with data from two other Navy research and development centers, the Naval Air Development Center (now part of the Naval Air Warfare Center Aircraft Division) and the Naval Surface Weapons Center (NSWC).

Basic evaluative measures being researched by OPM include

- Success in S&E recruiting
- Increased retention of high-performing employees
- Improved personnel function effectiveness in supporting line management
- More direct linkage between performance and rewards

## HIGHLIGHTS OF FINDINGS

The basic evaluative criterion is whether the Demonstration Project has produced better personnel management. The external OPM evaluation has focused on classification accuracy, adequacy, and timeliness; performance planning and appraisal procedures; adherence to merit system principles, incentive pay increases, salary growth, and overall cost impact; employee attitudes; personnel office effectiveness; and government-wide impact on public management. The internal evaluation has supported these areas and has expanded on recruitment and retention effects; performance rating and reconsideration results; costs and benefits plus cost savings; employee attitude surveys; and classification, compensation, and performance appraisal benefits.

Professional recruiting has benefited from the Demo Project in terms of higher starting salaries offered, improved grade point averages (GPAs) of those recruited, and a significant increase in ability to obtain the number of entry-level S&Es required. In fiscal year 1979, NWC required 85 new S&Es and could hire only 35, with an average academic GPA of 2.7/4.0. With the exception of the recent hiring freezes, requirements have increased to between 125 and 175, and these have been met, with recent college graduates having GPAs averaging 3.3. Senior S&E hiring results have also improved. Turnover of S&Es was about 8% at the beginning of the Demo Project in fiscal year 1980, dropped to about 4% in fiscal years 1982 and 1983, and stood at about 6% until current downsizing of the 1990s reduced it to under 4%. By way of comparison, both Demo labs have been more successful in recruitment and retention, particularly among those with the highest performance ratings, than the two comparison facilities.

Performance rating reconsiderations have amounted to about 1% of those rated since the Demo Project began, and the percentage of appeals granted has decreased from 63% in 1981 to 15% in 1986, and stabilized at approximately 33% since 1990. Applicable factors include system improvements in appraisal definition and pay linkage, introduction of the bonus, and general increased familiarity with procedural requirements.

Employee attitude surveys have been used extensively by OPM and both Demo labs to determine the impact of the many personnel system changes instituted. The impact of the Demo Project has been most positive on supervisors, because this system has provided them with increased authority over pay determination, position classification, hiring, and promotions, thus giving them greater control over accomplishing their functions. Satisfaction with extrinsic factors such as supervision, performance appraisal, promotion opportunities, and general organizational climate increased significantly among all employees at the Demo labs, slightly among GS employees at the comparison facilities, and not at all for comparison GM employees. The perceived link between pay and performance increased significantly at the Demo labs, whereas merit pay employees at the comparison facilities reported no increase in pay-performance link.

## **CONCLUSIONS**

A number of benefits resulting from the Demo Project have been documented through the evaluation efforts beyond those noted above in the recruitment and retention areas. These benefits have been compiled from attitude survey responses, OPM study findings, and Demo lab evaluation study results. Conclusions are summarized below in three broad personnel management areas: classification, compensation, and performance appraisal.

### **CLASSIFICATION**

- Classification is simpler, less time consuming, requires fewer resources, is easily understood, and allows for up-to-date job descriptions.
- More latitude is allowed in performance and pay distinctions.
- Increased job mobility exists.
- The system allows for more supervisory control and has fewer classification obstacles.

### **COMPENSATION**

- Employees perceive a strengthened pay-performance link, increased internal equity, and a slight increase in pay satisfaction.
- Managerial pay authority is increased.
- High performers are retained.

### **PERFORMANCE APPRAISAL**

- Performance appraisals are more equitable among pay levels and career paths.
- Appraisals are more flexible and focus on actual work output.
- Clear differences exist among performance requirements at different rating levels.
- Employees have more input to performance plans and receive increased feedback from supervisors.
- The system has greater fairness, which impacts positively on other personnel actions and supervisory willingness to make performance distinctions.

## **SUMMARY**

The Demo Project allowed NWC/NAWC to overhaul the position classification system, making it much simpler and easier to understand. Dual career ladders can now be recognized whereby scientific and engineering employees can achieve high-level positions and remain in their technical specialties without necessarily having supervisory duties. With the broad pay bands, much more flexibility exists in reassignments from one position to another. The revised classification has essentially provided both a rank-in-person and rank-in-position system.

The performance-linked compensation system has encouraged a great deal more communication between supervisors and employees. The best performers are receiving substantially more money than their counterparts in the rest of the federal service. Performance planning and assessment have been given more attention and are leading to a much better overall appraisal of performance. It is gratifying to note that there is improved retention of the high performers, which fulfills one of the basic objectives of the Demo Project.

NWC experienced enhanced recruitment results both quantitatively and qualitatively. Paperwork has been reduced substantially, particularly in the classification area, and time savings on the part of managers and personnelists have been noteworthy. Basic responsibility and accountability have been verified by OPM in various audits, which is an important finding considering the greatly increased flexibility and discretion given to supervisors.

In terms of cost, OPM reports that the startup investment of about 2% of payroll was absorbed after 5 years. Those costs resulted from the entry process (prorated award of step increases, rounding up to increments, and promotion equity adjustments); higher starting S&E salaries; and more flexibility for distribution of performance pay. However, some of those estimated additional expenses are offset by classification time savings and reduced turnover. The basic objective of greater line management involvement, with an improved personnel management system, and attainment of numerous benefits seem to have been realized. Most agree that managers now have the tools to "really manage."

## **FUTURE EXPECTATIONS**

This Administration and OPM support federal-wide efforts to establish a simplified, flexible personnel system for optional agency use. They agree with us that the present federal personnel process represents an overly regulated, time-consuming hiring system; a rigid, often inadequate compensation system; a cumbersome and paper-intensive classification system; and insufficient linkage of pay to performance. What is desired is a simple and flexible hiring system, a market-sensitive compensation system, a line-manager-operated position classification system, and more rewards for the better performers. Legislation known as the Civil Service Simplification Act (CSSA) was introduced in Congress to accomplish many of these initiatives. The CSSA proposed pay banding, simplified classification, pay for performance, market sensitivity, budget neutrality, special pay rates, and phased implementation. Representatives Ackerman, Oaker, and Wolf and Senators Tribble and Bingaman have introduced various pieces of legislation seeking to change federal personnel operations, either by authorizing more experimental personnel systems or by introducing other pay reforms. Thus far, the Federal Employees Pay Comparability Act of 1990 has been enacted and the current RIF and PMRS rules have been influenced by the Navy Demo.

It is expected that some additional changes to federal personnel laws and regulations will be approved. A more market-sensitive, performance-driven personnel system for the federal government is needed; one that is responsible and accountable to agency missions. The value added could be immeasurable and would provide excellent value to the public and foster the objective of the government as an ideal employer.

## **OTHER REFERENCE SOURCES**

Your supervisor or department PMA is a good source for additional information or answers to your questions on the Demo Project. There are other written sources of policies and procedures such as Technical Director annual guidance, instructions, and notices. Federal Register articles, Executive Steering Committee minutes, task team reports, and classification and performance evaluation system handbooks are available in the Human Resources Department. Periodic training is offered. These documents are updated periodically when improvements are approved by NAWCWPNS management or OPM. The most encouraging aspects of the above documentation are that it has been developed locally for the most part, is supportive of a decentralized management style, and can be changed when a better operational process is discovered. This has been one of the few times in personnel-management experience that changes and innovations can be tried out before they are institutionalized.