



Report to Congress:

Department of Defense Plans for the
Personnel Management System and
for Appointment Procedures
As Authorized by
Section 9902(a) and (b) of
Title 5, United States Code,
As Amended by
Section 1101(a) and (b) of the
National Defense Authorization Act
for Fiscal Year 2012
(Public Law 112-81, December 31, 2011)

March 2013

Preparation of this report cost the Department of Defense a total of approximately \$6,342,000 in Fiscal Years 2010 through 2013. This includes \$2,477,000 in expenses and \$3,865,000 in DoD labor.

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Introduction

The National Defense Authorization Act (NDAA) for Fiscal Year (FY) 2010, Public Law 111-84, enacted on October 28, 2009, repealed the statutory authority for the Department of Defense (DoD) National Security Personnel System and amended section 9902 of title 5, United States Code (U.S. Code), to provide the Secretary of Defense authority to:

- Promulgate agency rules and regulations, in coordination with the Director of the Office of Personnel Management (OPM), providing for:
 - A new performance appraisal system that is fair, credible, and transparent; and
 - Redesigned procedures for use within DoD to make appointments to positions within the competitive service in a way that supports the mission, managers, and applicants; and
- Establish, at the Secretary's discretion, a fund to be known as the DoD Civilian Workforce Incentive Fund to incentivize DoD employees based on team or individual performance and to attract or retain employees with particular or superior qualifications or abilities.

NDAA for FY2010 also amended section 9902(c)(2) of title 5, U.S. Code, to require the Department ensure a means for involving employees (for bargaining unit employees, through their exclusive representatives) in the design and implementation of the authorities. Further, Executive Order (E.O.) 13522, "Creating Labor-Management Forums to Improve Delivery of Government Services," December 9, 2009, provides for pre-decisional union and employee involvement in all workplace matters "to the fullest extent practicable."

Consistent with E.O. 13522 and title 5, U.S. Code, requirements, the Department engaged on nearly a daily basis for more than 18 months with entities that represent DoD employees to develop and carry out the process to design pre-decisional recommendations for the new personnel authorities. This pre-decisional involvement (PDI) process came to be known as "New Beginnings."

Three design teams—Performance Management, Hiring Flexibilities, and Civilian Workforce Incentive Fund—comprised of union and non-union DoD employees met for over seven months. Team members were from a broad array of occupational series, grade levels, and geographic locations spanning the Department; a wide variety of unions representing DoD employees; and the Federal Managers' Association. OPM representatives were included on the design teams as members, advisors, and consultants.

The design teams engaged in extensive research, analysis, discussions, and consultations with subject matter experts; and developed pre-decisional recommendations for the new authorities. The teams' labor and management co-leads briefed senior DoD and OPM leaders and national level labor officials from unions that represent DoD employees on team recommendations throughout the process.

The delivery of the design teams' comprehensive report, "Labor-Management Design Teams' Proposals and Recommendations for Revised Personnel Practices and Authorities Identified in Section 1113(d) of the National Defense Authorization Act for Fiscal Year 2010," to the Department in November 2011, was the culmination of the collaborative New Beginnings PDI process. The design teams' report included extensive supporting research and rationale for the teams' 99 final recommendations. The recommendations were advisory and intended to inform the Department's senior leadership as it made decisions on the personnel authorities.

On December 31, 2012, the Department provided an interim response to the congressional reporting requirement in section 1102(b) of NDAA for FY2012, enacted on December 31, 2011. The interim response informed the committees that the Department's report would be submitted by the end of March 2013. This is the Department's response to the requirement:

- REPORTS.—(1) The Secretary of Defense shall submit to the covered committees—
- (A) no later than 12 months after the date of enactment of this Act . . . —
 - (i) a plan for the personnel management system, as authorized by section 9902(a) of title 5, United States Code (as amended by section 1101(a))¹; and . . .
 - (B) no later than 12 months after the date of enactment of this Act . . . —
 - (i) a plan for the appointment procedures, as authorized by section 9902(b) of such title 5 (as amended by section 1101(b))²

The term "covered committees" is defined in subsection 1102(b)(3) of NDAA for FY2012:

- For the purposes of this subsection, the term "covered committees" means—
- (A) the Committees on Armed Services of the Senate and the House of Representatives;
 - (B) the Committee on Homeland Security and Governmental Affairs of the Senate; and
 - (C) the Committee on Oversight and Government Reform of the House of Representatives.

¹ Section 9902(a) of title 5, U.S. Code, as amended by section 1101(a) of NDAA for FY2012, requires the Secretary of Defense, in coordination with the Director of the Office of Personnel Management (OPM), to promulgate DoD regulations providing for a fair, credible, and transparent performance appraisal system for linking performance bonuses and other performance-based actions to employee performance appraisals, a process for ensuring on-going performance feedback throughout the appraisal period, development of attractive career paths, and development of performance assistance plans, referred to in this report as the new DoD performance management system and workforce incentives.

² Section 9902(b) of title 5, U.S. Code, as amended by section 1101(b) of NDAA for FY2012, requires the Secretary of Defense, in coordination with the Director of OPM, to promulgate DoD regulations to redesign the procedures used in DoD for making appointments to positions in the competitive civil service in order to better meet mission requirements, respond to selecting official and applicant needs, produce high-quality candidates, reduce fill-time, produce and promote competition in conformance with the merit system principles, referred to in this report as flexibilities relating to appointments.

Executive Summary

This DoD report describes the Department's plans for a new performance management system and workforce incentives and for flexibilities relating to appointments. In making decisions relative to the personnel authorities, the Department's leadership considered the pre-decisional recommendations developed by the three New Beginnings joint labor-management design teams—Performance Management, Hiring Flexibilities, and Civilian Workforce Incentive Fund—and endorsed the vast majority of those recommendations.

Performance Management System and Workforce Incentives – Overview

The Department embraces a comprehensive, transparent performance management system that links performance expectations with the mission and organizational goals, provides for on-going regular dialog between rating officials and employees throughout the appraisal period, and allows meaningful distinctions in the quality of performance to be made. In this regard, DoD agrees with the Performance Management Design Team (PMDT) that performance management is not a singular event, but rather a process marked by clear alignment of individual performance expectations to organizational mission and continuous feedback.

The Department also recognizes the important role that supervisors play in performance management and hiring. To that end, DoD supports the three design teams' recommendations to improve the selection, development, training, and assessment of supervisors as a means to strengthen the quality of supervision. There will be an increased emphasis on preparing civilian and military supervisors, and holding them accountable for their leadership behaviors and fulfilling their supervisory responsibilities.

With respect to awards and recognition, DoD agrees with the Civilian Workforce Incentive Fund (CWIF) Design Team recommendation not to establish a CWIF and that some new and expanded tools could help staff and shape the workforce. The Department agrees with the PMDT that there is value in consistent criteria for recognizing performance across the Department. There is also agreement with the PM and CWIF Design Teams' recommendations to improve reporting on and transparency of the use of incentive awards.

Finally, DoD is pursuing development of an integrated standardized automated performance appraisal tool to facilitate performance planning, communication, and the rating cycle processes.

Flexibilities Relating to Appointments – Overview

The Department embraces a simplified, transparent hiring system that meets the needs of stakeholders, attracts quality candidates, and reduces fill-time. To that end, DoD will be pursuing, in coordination with OPM, its authority under title 5, U.S. Code, to waive provisions found in chapter 33 and the implementing regulations; and ways in which to keep applicants and hiring officials better informed on job opportunities and referrals.

DoD will also implement strategies to better prepare hiring officials for their important role and help human resources practitioners become a more valuable resource for supervisors, managers, and applicants.

The Department's Plans

The following sections of this report are the Department's plans for a new performance management system and workforce incentives and for flexibilities relating to appointments.

Plan for a New DoD Performance Management System and Workforce Incentives

Amendments to section 9902 of title 5, U.S. Code, required the Department to develop a performance appraisal system that includes a process for ensuring on-going performance feedback and dialogue among supervisors, managers, and employees throughout the appraisal period; a timetable for performance reviews; establishment of performance assistance plans; and a fair, credible, and transparent system for linking employee bonuses and other performance-based actions to employee performance appraisals.

The Department endorses the Performance Management Design Team (PMDT) recommendation regarding the need to design a comprehensive performance management system that shifts the focus for performance management to on-going and continuous supervisory and employee engagement that informs decisions on rewards, the annual performance rating, and other performance-based actions. This shift in focus requires DoD to fully realize a culture that embraces and supports a high-performing workforce, emphasizes the importance of employee involvement, and acknowledges the critical role of supervisors in an effective performance management system.

DoD agrees that the following guiding principles are keys to the success of a fair, credible, and transparent performance management system:

- Articulate a culture of high performance.
 - Focus on employee engagement, development, performance, and accountability.
- Align individual employee goals to organizational mission goals.
 - Support alignment and cascading of established organizational performance objectives from the executive down to the employee.
- Create a culture of engagement.
 - Foster on-going feedback, informal interactions, and continuous learning for employees at every level.
- Emphasize the on-going nature of performance management.
 - Provide continuous dialogue that allows for timely recognition and rewards.
 - Address technical and interpersonal developmental needs on a continual basis.
- Improve the assessment, selection, development, and training of both civilian and military supervisors.
 - Ensure the selection process for supervisors is focused on competencies required for effective performance as a supervisor, including managing performance.
- Build transparency into the performance management system.
 - Define processes clearly and make information about policies, procedures, and outcomes readily available.
 - Improve reporting on the use of awards in major organizational subdivisions to enhance senior leaders' awareness of trends and identify potential problems under their span of control; and make reports available to the workforce.

The Department will institute a uniform annual appraisal period (April 1 through March 31) for its General Schedule and Federal Wage System workforce. When employees and supervisors

establish performance objectives, organizational values and goals will be incorporated into the performance planning discussion. Supervisors will acknowledge their supervisory responsibilities at least annually.

The minimum period for rating performance will be 90 days. No fewer than three performance progress reviews will be accomplished during the appraisal period and will include a discussion of performance expectations and the performance plan at the beginning of the appraisal cycle and a summative discussion of the employee's performance at the end of the cycle. Additionally, before the completion of a waiting period for a within-grade increase, the supervisor will discuss the employee's performance with the employee. This discussion is intended to serve as a reminder that receipt of a within-grade increase is recognition of employee performance and not an entitlement driven by completion of a required waiting period.

The Department views performance assistance as an important element in a high-performing organization. Therefore, performance assistance plans will be available to all employees to identify ways that they can improve their performance through developmental assignments, training, etc. Performance assistance plans are not intended, nor will they replace, performance improvement plans that will continue to be used to assist employees whose performance is unacceptable in improving their performance to an acceptable level.

The Department recognizes the critical role that supervisors play in the performance management, rewards, and hiring processes. To strengthen the quality of supervision and enhance a supervisor's effectiveness in human resources management, DoD will undertake strategies to improve the selection, development, training, and assessment of supervisors of civilian employees. Civilian and military supervisors alike will receive intense training on their supervisory responsibilities, soft skills (for example, providing feedback, leading people), human resources processes and procedures, and tools and resources that are available to them. Greater rigor will be exercised during the supervisory probationary period and throughout the appraisal process, including an increased emphasis on holding supervisors accountable for their leadership behaviors and fulfilling their supervisory responsibilities. The number of elements or objectives related to supervisory responsibilities in a civilian supervisor's performance plan will equal or exceed the number of technical (non-supervisory) elements.

The Department's rewards and recognition programs will emphasize Departmental policy that rewards and recognition are not an entitlement, but are based on significant achievements and contributions to mission. Ways to simplify and streamline the nomination and approval processes will be identified, with an emphasis on greater use of non-monetary recognition.

The PMDT recommended de-linking performance recognition from the end-of-the-year appraisal event and recognizing performance as it occurs. It makes sense to recognize accomplishments at the time they are made, rather than wait until the end of the rating year, but the Department does not endorse completely eliminating all rating-based awards. It would be artificial to disregard significantly different, sustained levels of performance and contribution over the course of the rating year and instead segment the employee's accomplishments into only special acts. A rating-based award, with a performance assessment that accounts for the superior

accomplishments, will make sense to the employee and be fair. Further, a rating-based award also may make the most sense for employees who do valuable, yeoman's work throughout the year without particular high notes that warrant a special award, but which is still deserving of modest reward in its totality. The Department sees a middle ground, with more use of awards and recognition during the appraisal cycle, and less emphasis on year-end performance awards.

There is consensus that a common DoD policy on quality step increases will promote both fairness and fiscal responsibility in how this compensation reward is used. DoD also supports the idea of a standard automated performance management system. Experiences under other performance systems have demonstrated the value of this approach as long as the system is readily accessible to all users and easy to use. Automation allows for direct links between an individual performance plan and mission goals and priorities, as well as interoperability with other personnel and pay systems.

DoD employees are rated under a variety of performance appraisal rating patterns. The PMDT reviewed the eight rating patterns allowed under title 5, Code of Federal Regulations, Part 430, which bound the design of the Department's new appraisal system. In its report, the PMDT noted that over the course of several months of research, analysis, and discussions with subject matter experts and among themselves, members struggled with the number of rating levels to recommend for the Department's new performance management system. The PMDT's final recommendation was that the Department adopt a two-level (unacceptable or acceptable) rating pattern for all General Schedule and Federal Wage System employees DoD-wide—a simplified rating system with frequent supervisory feedback would better serve to keep employees' attention focused on their year-round – as opposed to their year-end – performance; and a two-level system would reduce the administrative burden associated with a more exacting (multi-level) rating process and "level service credit for [reduction in force] to seniority without regard to levels of performance."

The Department agrees that performance management should be an on-going process with regular performance feedback between supervisors and employees during the appraisal cycle. Also, the performance management system should be transparent and allow for meaningful distinctions in performance to be made. It is important to send a strong message to significant contributors in a formal rating that goes beyond "acceptable."

After careful consideration of the PMDT's final recommendation that DoD adopt a two-level rating pattern, the PMDT's discussion of the merits of a two-level and multi-level pattern, and the PMDT's supporting rationale for each, the Department's decision is to develop and implement a multi-level appraisal system. Under a two-level rating pattern, marginally-performing, average-performing, and high-performing employees all receive the same rating ("acceptable"). Additional evaluation tools to distinguish levels of performance for making other performance-based decisions (for example, awards and recognition, promotions, training and development opportunities) would have to be developed, and they may not be transparent to the workforce. Further, service credit earned for performance in a reduction-in-force scenario is compromised in a two-level system. In this era of fiscal constraint, retaining high-performing employees will be even more critical to meeting the Department's mission. Adoption of a multi-level rating pattern

will reinforce the Department's philosophy that performance matters within DoD and significant distinctions in performance will be acknowledged formally in the rating process. Further, a multi-level rating pattern meets the statutory requirement that DoD, in coordination with OPM, promulgate regulations providing for "[a] fair, credible, and transparent system for linking employee bonuses and other performance-based actions to performance appraisals of employees."

DoD has accepted the design team recommendation not to establish a DoD Civilian Workforce Incentive Fund (CWIF) under the title 5, U.S. Code, authority. There is consensus within the Department on the CWIF Design Team's conclusion that a special fund for additional incentive payments is not the key to solving hiring, retention, and performance challenges today or in the foreseeable future.

Although the CWIF Design Team did not recommend a fund, it did recommend that the Department consider pursuing new and expanded tools that could help staff and shape the workforce. The Department is considering exceptions, on a case-by-case basis, to the DoD restriction on advance pay for new hires. Also, to ensure DoD has the skilled crafts and trades workforce it needs in the future, DoD will pursue including crafts and trades in human capital analysis and planning and look into the strategic need for more, centrally funded trade school programs and apprenticeship training. The Department is also considering several proposals under its legislative process for performance and other workforce incentives.

Plan for Flexibilities Relating to Appointments in DoD

Amendments to section 9902 of title 5, U.S. Code, required the Department to redesign the procedures for making appointments to DoD competitive service positions to better meet the needs of the mission, managers, and applicants and to recruit high-quality applicants and support timely hiring decisions. It gave the Secretary of Defense authority to waive chapter 33 of title 5, U.S. Code, and the implementing regulations, in coordination with the Director of OPM, concerning employment of civilians, to the extent necessary to achieve the stated objectives while conforming with merit system principles.

The Department is continuing on-going initiatives in such areas as strategic workforce planning and on-line tools, including a qualification “assessment” library and one-stop reference library for DoD selecting officials. The Department has completed its migration to the USA Staffing system and implementation of the government-wide Pathways hiring authorities.

To streamline the hiring process and reduce time-to-fill, DoD will exercise authority under section 9902 of title 5, U.S. Code, as recommended by the Hiring Flexibilities Design Team (HFDT), to waive provisions of chapter 33 and broaden application of authorities that are available and have worked well under personnel demonstration projects and alternative personnel systems. For example, the Department will pursue authority with OPM for the Secretary of Defense to determine a severe shortage of candidates or a critical hiring need and exercise direct hire authority. Similarly, DoD will pursue expansion of the Department’s expedited hiring authority for jobs where there is a shortage of candidates or critical need, which will institutionalize the authority for the Department, not just for the acquisition and medical communities that have the authority temporarily. The Department will authorize referral of more than three candidates when using numerical rating and ranking competitive examining processes, while preserving veterans’ preference rules; referral of all candidates without rating and ranking when there are 15 or fewer candidates and there is no mix of veterans’ preference and non-preference eligibles (candidate assessments will occur at the hiring manager level); and limiting the area of consideration under competitive/delegated examining to the local commuting/geographic area with the option to expand the area incrementally as, or if, needed. The Department has extensive project work and will pursue extension of temporary and term appointments and the non-competitive conversion of term appointees to permanent appointments under certain circumstances.

DoD leadership also sees practical value in the HFDT recommendations about advance work to make hiring packages complete, current, and correct. These include annual review of job descriptions to ensure hiring-related information is current, and giving supervisors the chance to review and amend job opportunity announcements before they are posted. The HFDT provided sound rationale for a DoD policy on sharing certificates issued by delegated examining units and allowing selections for comparable positions for up to 180 days after the certificate is issued.

DoD will work with OPM to increase transparency in the hiring process and keep applicants better informed on the status of job opportunities and referrals. Additionally, DoD program managers for leadership training and for the human resources functional community will address

HFDT recommendations regarding training and certification for supervisors and human resources specialists. Improvements in the quality and availability of information about the hiring system at DoD recruiting websites should serve as helpful supplements to supervisors and union officials. Similarly, the HFDT's recommendations about skill sets and knowledge in the human resources community will be blended with on-going work on that community's competency requirements and development strategy. Finally, DoD will publicize the roles and responsibilities of stakeholders in the end-to-end hiring process, which will be a valuable reference for all.

Conclusion

The Department found great value in both the joint labor-management design teams' recommendations and the pre-decisional process. This inclusive approach gave DoD senior leaders the perspective and ideas from those most directly affected by the Department's personnel policies and practices: its employees, supervisors, and managers. The free flow of labor and management ideas combined with the design teams' thoughtful research and consultation with experts provided a diversity of perspectives that helped inform the decisions of the Department's leadership on the personnel authorities.

Critical work remains to be done to implement the Department's new performance management system, workforce incentives, and appointment flexibilities. DoD leaders have briefed the unions that have national consultation rights with the Department on the Department's decisions for the design of the new performance management system, workforce incentives, and hiring flexibilities. OPM representatives have been informed on the Department's decisions and are supportive. DoD will continue to involve employees through their labor representatives at the DoD Labor-Management Roundtable and OPM as we move forward.

The Department will provide semiannual reports to Congress on the progress of the implementation of the new performance management system, workforce incentives, and flexibilities relating to appointments, as required by section 1102(b) of NDAA FY2012.



Report to Congress:

Department of Defense Progress on Design and Implementation of the New DoD Personnel Management System and Appointment Procedures

As Authorized by
Section 9902(a) and (b) of
Title 5, United States Code,
As Amended by

Section 1101(a) and (b) of the
National Defense Authorization Act
for Fiscal Year 2012

(Public Law 112-81, December 31, 2011)

June 2013

The estimated cost of this report for the Department of Defense (DoD) is approximately \$39,000 for the 2013 Fiscal Year. This includes \$0 in expenses and \$39,000 in DoD labor.

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Introduction

The National Defense Authorization Act (NDAA) for Fiscal Year (FY) 2010, Public Law 111-84, enacted on October 28, 2009, repealed the statutory authority for the Department of Defense (DoD) National Security Personnel System and amended section 9902 of title 5, United States Code (U.S. Code), to provide the Secretary of Defense authority to:

- Promulgate agency rules and regulations, in coordination with the Director of the Office of Personnel Management (OPM), providing for:
 - A new performance appraisal system that is fair, credible, and transparent; and
 - Redesigned procedures for use within DoD to make appointments to positions within the competitive service in a way that supports the mission, managers, and applicants; and
- Establish, at the Secretary's discretion, a fund to be known as the DoD Civilian Workforce Incentive Fund to incentivize DoD employees based on team or individual performance and to attract or retain employees with particular or superior qualifications or abilities.

Section 1102(b) of NDAA FY 2012, Public Law 112-81, enacted on December 31, 2011, required the Secretary of Defense to submit plans for a new performance management system and workforce incentives, as authorized by section 9902(a)¹ of title 5, U.S. Code, and for flexibilities relating to appointments, as authorized by section 9902(b)² of title 5, to the "covered committees" as defined in section 1101(b)(3)³. Section 1102(b) also requires the Secretary to report semiannually, beginning the end of June 2013, until the personnel authorities are fully implemented, on the progress on the design and implementation of the authorities.

The Department submitted its plans for the new personnel authorities by letter dated March 29, 2013. This is the first progress report on the design and implementation of the authorities.

¹ Section 9902(a) of title 5, U.S. Code, as amended by section 1101(a) of NDAA FY2012, requires the Secretary of Defense, in coordination with the Director of OPM, to promulgate DoD regulations providing for a fair, credible, and transparent performance appraisal system for linking performance bonuses and other performance-based actions to employee performance appraisals, a process for ensuring on-going performance feedback throughout the appraisal period, development of attractive career paths, and development of performance assistance plans, referred to in this report as the new DoD performance management system and workforce incentives.

² Section 9902(b) of title 5, U.S. Code, as amended by section 1101(b) of NDAA FY2012, requires the Secretary of Defense, in coordination with the Director of OPM, to promulgate DoD regulations to redesign the procedures used in DoD for making appointments to positions in the competitive civil service in order to better meet mission requirements, respond to selecting official and applicant needs, produce high-quality candidates, reduce fill-time, produce and promote competition in conformance with the merit system principles, referred to in this report as flexibilities relating to appointments.

³ The term "covered committees" means the Committees on Armed Services of the Senate and House of Representatives, the Committee on Homeland Security and Governmental Affairs of the Senate, and the Committee on Oversight and Government Reform of the House of Representatives.

Progress Summary

The Department continues to make good progress on the personnel authorities. An automated performance appraisal tool is under development. We have discussed USA Staffing capabilities with representatives from OPM. There is a relationship between development and implementation of the authorities and the Department's strategic workforce plan, which is moving forward as well. Supervisory and managerial training requirements have been identified, and new supervisor training designed and developed. The Department's progress on developing the personnel authorities is discussed in more detail on the following pages.

Semiannual Progress Report

This semiannual report describes the Department's progress on the design and implementation of its new performance management system, workforce incentives, and flexibilities relating to appointments. The Department's plans for these personnel authorities were described in a report submitted to the covered committees the end of March 2013.

DoD Personnel Authorities Integrated Product Team

The Deputy Assistant Secretary of Defense for Civilian Personnel Policy established an Integrated Product Team (IPT) to identify steps, establish milestones, and monitor progress on the design and implementation of the personnel authorities. Team members are human resources subject matter experts in the areas of performance management and recognition, hiring, training and development, workforce planning, and automation. The IPT will be augmented from time-to-time with subject matter experts and representatives from other deputates in the Office of the Under Secretary of Defense for Personnel and Readiness, DoD Components⁴, OPM, and other communities of interest.

The IPT undertook an in-depth review of the statutory authorities, the pre-decisional recommendations and supporting rationale for the design of the personnel authorities developed by the three joint labor-management design teams, and the Department's decisions on the design of the authorities. The team is refining an integrated plan necessary to carry out and monitor progress on the design and implementation of the personnel authorities.

Progress on the New DoD Performance Management System and Workforce Incentives

As reported in the Department's plan for the new performance management system and workforce incentives, the new appraisal system will be a multi-level rating pattern characterized by a uniform appraisal period for covered employees, linkage between mission and organizational goals and individual performance plans, regular feedback during the appraisal cycle between employees and rating officials, and the ability to make meaningful distinctions in levels of performance. The appraisal process will be supported by an integrated automated tool that will facilitate performance planning, communication, and the appraisal cycle processes.

The Department is preparing to implement a multi-level performance appraisal system. The rating pattern will be fleshed out in the near future through pre-decisional engagement with representatives from the unions that have National Consultation Rights (NCR) with the Department.

⁴ The DoD Components are the Military Departments, Combatant Commands, and DoD Fourth Estate. The DoD Fourth Estate is comprised of the Office of the Secretary of Defense, the Office of the Chairman of the Joint Chiefs of Staff and the Joint Staff, the Office of the Inspector General of the Department of Defense, the Defense Agencies, the DoD Field Activities, and all other organizational entities that are not in the Military Departments or the Combatant Commands.

Work on a standardized tool that will support the appraisal system is in progress. Demonstrations and user-testing will be scheduled this summer with stakeholders, including line employees and managers and representatives from the DoD NCR unions. Based on feedback from these sessions, the tool will be refined, as appropriate, to ensure that it works as intended and is user-friendly and valuable in supporting the appraisal process. Results of employee performance appraisals will be used in performance-based decisions (for example, awards and recognition, promotions, training and development opportunities) as required by the statutory authority. The automated tool will also be modified when the multi-level rating pattern is identified.

As part of the Department's commitment to fully realize a culture that embraces and supports a high-performing workforce, the DoD plan for performance management includes providing for performance assistance plans that will be available to all employees to identify ways that they can improve their contributions to mission accomplishment through developmental assignments, training, et cetera.

Related to the statutory requirements to develop performance assistance plans and career paths is the Department's rigorous plan for shaping the 21st-century workforce, which includes a comprehensive and integrated enterprise competency management framework that supports strategic workforce planning and employee lifecycle management. The Department has recently added to its list of recognized functional communities, raising the total from 12 to 22. The 22 communities, each comprised of the members of one or more job series, include approximately 93 percent of the DoD civilian workforce. The Department is also actively managing the populations of 32 job series considered to be mission-critical occupations (MCOs) and has developed enterprise competency models for 21 of its 32 FY 2012-2018 MCOs. These models cover 69 percent of the mission-critical workforce, or 19 percent of the major civilian workforce population within the functional community structure.

Development and assessment of competencies and identification of competency gaps for the majority of DoD civilian occupations will require several workforce planning cycles to fully implement. As competencies are identified, validated, assessed, and rolled out, functional communities can develop enterprise career paths that outline education, training, and experiential opportunities for individual career progression. These career paths will also help to improve mission-readiness of the civilian workforce.

With respect to workforce incentives, awards, and recognition, the Department continues to pursue more transparency in the use of awards and recognition along with some new and expanded tools that could help staff and shape the workforce. Several proposals for performance and other workforce incentives continue to move through the Department's legislative process.

Progress on Flexibilities Relating to Appointments

As reported in the Department's plan for hiring flexibilities, DoD embraces a simplified, transparent hiring system that meets the needs of stakeholders, attracts quality candidates, and reduces fill-time. The Department has confirmed with representatives of OPM that there is compatibility between the hiring tools that DoD is pursuing and USA Staffing capabilities.

Development of hiring flexibilities is complementary to workforce planning, and vice versa. The Department continues work on an enterprise approach to strategic workforce planning. Implementation of the competency management framework that is under development and described in detail in the DoD strategic workforce plan for FY 2013-2018 may be used in recruitment and hiring processes; for example, competency-based selection assessments, job analysis, and job announcements. These uses are in addition to the linkage to development of career paths as described above.

To strengthen the quality of supervision in DoD, the Department developed the DoD managerial and supervisory training curricula to provide current, relevant, and applicable supervisory training to the Department's managers and supervisors. Supervisory and managerial training requirements (within one year of initial appointment and refresher training at least once every three years) have been identified, and the Department utilized a program management office to provide appropriate oversight. The program office prescribes, manages, and updates training requirements; provided a training curriculum, including baseline learning objectives; collaborates and coordinates with the DoD Components to ensure training delivery; evaluates DoD Component training to ensure alignment to the requirements; and ensures training completion is reported. DoD has also designed and developed new supervisory training that most of the DoD Components have already begun to deliver. Additionally, refresher training was designed and developed, and piloted in March 2013. The Department is committed to an integrated approach for curriculum development and evaluation, while affording the DoD Components flexibility to deliver training that is adapted for their local environments. This approach ensures that lessons from managerial and supervisory training can be inculcated throughout DoD.

The Department is continuing initiatives to improve the skills, proficiency, and advisory capabilities of its human resources practitioners. Work on professionalization of the human resources community through updates to training and creation of refresher training modules is ongoing. Additionally, the Department is exploring a goal of developing certifications for each of the human resources subject matter areas (for example, staffing, classification, employee relations, labor relations). Certification programs are used to ensure uniform and updated knowledge of important subject matter-related concepts and competencies needed on the job. Certification demonstrates mastery of the specialty.

Conclusion

While the Department has made good progress on the design and implementation of its new personnel authorities, critical work continues. As discussed above, there is a relationship between development and implementation of the Department's personnel authorities and strategic workforce planning. The strategic workforce plan is crucial in establishing enterprise management of the civilian workforce but is not a blue print for performance management or overarching workforce management. The strategic processes and procedures that are being established and refined, such as competency identification, validation, assessment, and gap analysis, are tools that may be used to complement resource decision making and whole-of-force shaping, and help promote a high-performing workforce. The DoD FY 2013-2018 Strategic Workforce Plan will be submitted to the covered committees by the end of September 2013.

DoD Progress on Design and Implementation of the New DoD Personnel Management System and Appointment Procedures As Authorized by Section 9902(a) and (b) of Title 5, U.S. Code

The next semiannual report on the progress on the design and implementation of the Department's personnel authorities, due the end of December 2013, will cover progress through October 2013. As the Department moves forward on the design and implementation of the personnel authorities, it will continue to involve employees through their labor representatives at the DoD Labor-Management Roundtable and coordinate with OPM.



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As Amended by

Section 1101(a) and (b) of the
National Defense Authorization Act
for Fiscal Year 2012

(Public Law 112-81, December 31, 2011)

December 2013

Preparation of this report cost the Department of Defense (DoD) a total of approximately \$7,990 for the 2014 Fiscal Year. This includes \$0 in expenses and \$7,990 in DoD labor.

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Introduction

The National Defense Authorization Act (NDAA) for Fiscal Year (FY) 2010, Public Law 111-84, enacted on October 28, 2009, repealed the statutory authority for the Department of Defense (DoD) National Security Personnel System and amended section 9902 of title 5, United States Code (U.S.C.), to provide the Secretary of Defense authority to:

- Promulgate agency rules and regulations, in coordination with the Director of the Office of Personnel Management (OPM), providing for:
 - A new performance appraisal system that is fair, credible, and transparent; and
 - Redesigned procedures for use within DoD to make appointments to positions within the competitive service in a way that supports the mission, managers, and applicants; and
- Establish, at the Secretary's discretion, a fund to be known as the DoD Civilian Workforce Incentive Fund to incentivize DoD employees based on team or individual performance and to attract or retain employees with particular or superior qualifications or abilities.

Section 1102(b) of NDAA for FY2012, Public Law 112-81, enacted on December 31, 2011, required the Department to submit its plans for a new performance management system and workforce incentives, as authorized by section 9902(a)¹ of title 5, U.S.C., and for flexibilities relating to appointments, as authorized by section 9902(b)² of title 5, to the "covered committees" as defined in section 1101(b)(3)³. Section 1102(b) also requires the Department to report semiannually, beginning the end of June 2013, until the personnel authorities are fully implemented, on the progress on the design and implementation of the authorities.

The Department submitted its plans for the new personnel authorities by letter dated March 29, 2013, and a progress report on the design and implementation of the authorities was submitted by letter dated June 28, 2013. This is the second progress report.

¹ Section 9902(a) of title 5, U.S.C., as amended by section 1101(a) of NDAA for FY2012, requires the Secretary of Defense, in coordination with the Director of the Office of Personnel Management (OPM), to promulgate DoD regulations providing for a fair, credible, and transparent performance appraisal system for linking performance bonuses and other performance-based actions to employee performance appraisals, a process for ensuring on-going performance feedback throughout the appraisal period, development of attractive career paths, and development of performance assistance plans, referred to in this report as the new DoD performance management system and workforce incentives.

² Section 9902(b) of title 5, U.S.C., as amended by section 1101(b) of NDAA for FY2012, requires the Secretary of Defense, in coordination with the Director of OPM, to promulgate DoD regulations to redesign the procedures used in DoD for making appointments to positions in the competitive civil service in order to better meet mission requirements, respond to selecting official and applicant needs, produce high-quality candidates, reduce fill-time, produce and promote competition in conformance with the merit system principles, referred to in this report as flexibilities relating to appointments.

³ The term "covered committees" means the Committees on Armed Services of the Senate and House of Representatives, the Committee on Homeland Security and Governmental Affairs of the Senate, and the Committee on Oversight and Government Reform of the House of Representatives.

Progress Summary

The Department made modest progress on its personnel authorities during the past six-month reporting period. Several unprecedented events, including but not limited to sequestration and civilian furloughs, drove competing priorities. The human resources professionals in the Office of the Under Secretary of Defense for Personnel and Readiness (OUSD (P&R)) and the DoD Components⁴ who worked these high-priority, high-visibility, and time-sensitive initiatives are the same staff responsible for developing the personnel authorities identified in section 9902(a) and (b) of title 5, U.S.C. They were also among the vast majority of the DoD civilian workforce that was furloughed in July and August. Notwithstanding the above, the Department made progress on developing the personnel authorities, as discussed on the following pages.

⁴ The DoD Components are the Military Departments, Combatant Commands, and DoD Fourth Estate. The DoD Fourth Estate is comprised of the Office of the Secretary of Defense, the Office of the Chairman of the Joint Chiefs of Staff and the Joint Staff, the Office of the Inspector General of the Department of Defense, the Defense Agencies, the DoD Field Activities, and all other organizational entities that are not in the Military Departments or the Combatant Commands.

Semiannual Progress Report

This semiannual report describes the Department's progress on the design and implementation of its new performance management system, workforce incentives, and flexibilities relating to appointments. The Department's plans for these personnel authorities were described in a report submitted to the covered committees the end of March 2013, and a progress report was submitted the end of June 2013. As a consequence of several unprecedented events⁵, only modest progress has occurred on the personnel authorities during this six-month reporting period.

Progress on the New DoD Performance Management System and Workforce Incentives

The Department met in June on the multi-level performance appraisal system with the unions that have national consultation rights (NCR) with the Department. There continued to be discussion of the merits of a two-level versus a multi-level rating pattern, notwithstanding the Department's decision and announcement earlier this year to adopt a multi-level system as discussed in the plan submitted to the covered committees the end of March 2013. The Department will be meeting again in the near term with the NCR unions to flesh out the multi-level system.

⁵ Unprecedented Events: The human resources professionals who were heavily engaged on the activities associated with several high-profile, high-priority, time-sensitive events (including the administrative and shutdown furloughs) are the same staff responsible for developing the personnel authorities found in section 9902(a) and (b) of title 5, U.S.C., and for engaging with our unions on the authorities.

On May 14, 2013, Secretary of Defense Hagel announced the necessity to administratively furlough most of the Department's civilian workforce and directed the agency's senior managers to prepare to furlough civilian employees for up to 11 workdays due to major budget shortfalls resulting from sequestration and a dramatic reduction in available resources. The administrative furloughs were imposed in every military department as well as almost every defense agency and in the Department's working capital funds. Preparations, including contingency planning, guidance and information preparation and publication, requisite notifications, identification of affected employees, meeting local collective bargaining obligations, and preparing and delivering timely proposal and decision notices to the workforce, as required by applicable law, rules, regulations, and collective bargaining agreements, were the top priority of the human resources policy staff of the OUSD (P&R) and the operating human resources offices in the DoD Components that provided support to local managers in implementing the furloughs. Administrative furloughs were effected weekly throughout the Department beginning in July; most were concluded in August 2013. Along with the budget reductions, preparation for and execution of the administrative furloughs caused serious disruption to Department operations.

Another unprecedented event during the reporting period was preparing for and executing the shutdown furloughs due to a lapse in appropriations effective at midnight on September 30, 2013. By law and regulation, shutdown furlough is different from administrative furlough; thus, the human resources community was engaged in preparing guidance and information on shutdown furlough, requisite notifications, applying law and regulation to identify exempt and excepted employees, engaging appropriately with unions that represent DoD employees, and preparing and facilitating delivery of required notices to affected employees. Notwithstanding the enactment of the Pay Our Military Act (POMA) late on September 30, 2013, the attendant activities to prepare for shutdown were required and had been completed by then.

The staff members who accomplished the work associated with the above unprecedented events were themselves administratively furloughed in July and August. Notwithstanding all of the above, the Department made progress, albeit modest, on developing the personnel authorities, which progress is discussed in this report.

Demonstrations and user-testing of the prototype of the standardized automated tool designed to support the appraisal system that were anticipated to occur this past summer will be scheduled this winter with stakeholders, including line employees and managers and representatives from the DoD NCR unions. As discussed in the June 2013 progress report, feedback from these sessions will shape refinements to the tool, as appropriate, to ensure that it works as intended and is user-friendly and valuable in supporting the appraisal process.

A DoD-wide instruction on training, education, and professional development that establishes policy, assigns responsibilities, and establishes procedures for programs, administration, and evaluation of training, education, and professional development activities for DoD civilian employees was published in September. Included in this DoD instruction were policies on performance assistance plans described in the legislation.

The Department announced the deployment of the Defense Competency Assessment Tool (DCAT) in October. DCAT is the system that will help validate enterprise occupational competency models and assess civilian employees' proficiency levels in the technical and nontechnical competencies within their job series. In addition, DCAT can support assessments by individuals and their supervisors to inform development and planning. The first DCAT deployment phase, which began in November and will be phased in through May 2014, will validate Mission Critical Occupation (MCO) competency models, assess civilian workforce competency gaps, and determine future workforce competencies in 28 MCO occupational series identified in the Department's strategic workforce plan for Fiscal Years 2013-2018. As competencies are identified, validated, assessed, and rolled out, functional communities will be encouraged to develop enterprise career paths that outline education, training, and experiential opportunities for individual career progression. These career paths will also help to improve mission-readiness of the civilian workforce.

Several proposals for performance and other workforce incentives continue to move through the Department's legislative process.

Progress on Flexibilities Relating to Appointments

The Department has been under hiring controls since early 2013, with hiring freezes in effect in the Military Departments and Office of the Secretary of Defense as a consequence of sequestration and major budgetary shortfalls. During the reporting period, the Department continued to evaluate hiring flexibilities and identify the appropriate avenue (for example, internal regulation, operational guidance, Federal Register notice) for implementing flexibilities, notwithstanding that the hiring controls and curtailed resources limit use of many available and potential flexibilities.

As discussed in the June progress report, development of hiring flexibilities is complementary to workforce planning, and vice versa. The Department's strategic workforce plan through Fiscal Year 2018, which was published in September, may be used in recruitment and hiring processes; for example, competency-based selection assessments, job analysis, and job announcements. The Department's functional communities continued their work on identifying competencies, and DCAT was deployed for 28 MCO occupational series as discussed above. The strategic processes and procedures that are being established and refined, such as competency identification,

validation, and assessment and gap analysis, are tools that may be used to complement resource decision making and whole-of-force shaping.

Initiatives to improve the skills, proficiency, and advisory capabilities of the Department's human resources practitioners continue. To best assess any staffing gaps and more clearly identify human resources specialties requiring recruitment or retention focus, the Department undertook a standardized titling project for the DoD human resources functional community. The Department has also undertaken an aggressive campaign to promote enrollment in OPM's Human Resources University (HRU) with the result that registration increased since April 2013 to more than 5,000 (approximately 51 percent of) DoD human resources practitioners in the 201 and 203 occupational series.

Conclusion

In spite of the unprecedented events, some of which are discussed above, faced by the Department in 2013, modest progress was made on initiatives relating to DoD personnel authorities. If similar events do not occur in 2014, staff with primary responsibility for dealing with the human resources implications of sequestration and the churn created by operating in a climate of fiscal uncertainty will be able to make real progress on the design and implementation of the Department's personnel authorities.

The next semiannual report on the progress on the design and implementation of the Department's personnel authorities, due the end of June 2014, will cover progress through April 2014. As the Department moves forward on the design and implementation of the personnel authorities, it will continue to involve employees through their labor representatives at the DoD Labor-Management Roundtable and coordinate with OPM.



Report to Congress:

Department of Defense Progress on Design and Implementation of the New DoD Personnel Management System and Appointment Procedures

As Authorized by
Section 9902(a) and (b) of
Title 5, United States Code,
As Amended by

Section 1101(a) and (b) of the
National Defense Authorization Act
for Fiscal Year 2012

(Public Law 112-81, December 31, 2011)

June 2014

The estimated cost of this report for the Department of Defense (DoD) is approximately \$7,990 for the 2014 Fiscal Year. This includes \$0 in expenses and \$7,990 in DoD labor.

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Introduction

The National Defense Authorization Act (NDAA) for Fiscal Year (FY) 2010, Public Law 111-84, enacted on October 28, 2009, repealed the statutory authority for the Department of Defense (DoD) National Security Personnel System and amended section 9902 of title 5, U.S. Code, to provide the Secretary of Defense authority to:

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Section 1102(b) of NDAA FY 2012, Public Law 112-81, enacted on December 31, 2011, required the Secretary of Defense to submit plans for a new performance management system and workforce incentives, as authorized by section 9902(a)¹ of title 5, U.S. Code, and for flexibilities relating to appointments, as authorized by section 9902(b)² of title 5, to the "covered committees" as defined in section 1101(b)(3)³. Section 1102(b) also requires the Secretary to report semiannually, beginning the end of June 2013, until the personnel authorities are fully implemented, on the progress on the implementation of the authorities.

The Department submitted its plans for the new personnel authorities by letter dated March 29, 2013. Subsequent progress reports were submitted by letter on June 28, 2013, and December 12, 2013. This is the third progress report on the implementation of the authorities.

¹ Section 9902(a) of title 5, U.S. Code, as amended by section 1101(a) of NDAA FY2012, requires the Secretary of Defense, in coordination with the Director of the Office of Personnel Management (OPM), to promulgate DoD regulations providing for a fair, credible, and transparent performance appraisal system for linking performance bonuses and other performance-based actions to employee performance appraisals, a process for ensuring on-going performance feedback throughout the appraisal period, development of attractive career paths, and development of performance assistance plans, referred to in this report as the new DoD performance management system and workforce incentives.

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Progress Summary

The Department continues to make considerable progress on the personnel authorities. DoD representatives met with unions holding national consultation rights (NCR) in November 2013 on the implementation of the personnel authorities required by Section 1113(b) of NDAA for FY2010, Public Law 111-84. As a result, a joint labor-management Personnel Authorities Implementation Working Group was established to provide input in support of the implementation requirements associated with all of the approved personnel authorities. This Working Group met in January, March and May, 2014, along with Department subject matter experts to discuss implementation of the Department's decisions, in particular the DoD-wide performance management system, and to engage the unions in the development of key initiatives to promote cultural changes essential to successful implementation. The Department's progress on implementation of the personnel authorities is discussed in more detail on the following pages.

Department of Defense Personnel Authorities Integrated Product Team (IPT)

The Department established a multi-functional Integrated Product Team (IPT) charged with developing action plans, milestones, and progress reports. During the reporting period, the IPT was augmented with additional members who were dedicated full-time to developing the integrated plans. Additionally, the IPT serves as a central point of integration and collaboration to support the joint development of an implementation plan and strategy for the Department. This IPT has assisted the Department in focusing on the overarching goals required to meet its objectives, while retaining visibility over each of the initiatives and identifying the steps needed to achieve the intent of the authorities.

Progress on the New DoD Performance Management System

As reported in the Department's plan for the DoD-wide performance management system and workforce incentives, the system will have a multi-level rating pattern characterized by a uniform appraisal period for covered employees, linkage between mission and organizational goals and individual performance plans, regular feedback during the appraisal cycle between employees and rating officials, and the ability to make meaningful distinctions in levels of performance. The appraisal process will be supported by an integrated, automated tool that will facilitate performance planning, communication, and the appraisal cycle processes.

The Department has notified key stakeholders, including the NCR unions, of the decision to implement a 3-level rating pattern that will support a fair, credible, and transparent system for linking employee bonuses and other performance-based actions to performance appraisals of employees. The Department made significant progress in planning for the implementation of the performance management system with the establishment of the joint Labor-Management Personnel Authorities Implementation Working Group. This Working Group convened for two week-long sessions during the months of January, March and May 2014, to discuss strategies related to changing the performance culture across the Department to support a high-performing organization, and will continue this engagement to further the implementation of the system.

Training is an additional requirement stipulated by legislation. The DoD Managerial and Supervisor (M&S) Training Program responds to the legislative (NDAA FY 2010, Section 1113(b)) and regulatory (5 CFR Part 412) requirements for the Department. This program provides current, relevant, and applicable training to supervisors and managers. The Department devised an implementation strategy, convened an intra-agency working group, and established dedicated resources to manage the training and programmatic aspects of this holistic undertaking.

The Department's approach for complying with the legislative and regulatory mandates commenced with a focus on new supervisors, who, under the Department's definition, have less than two years of experience supervising Federal government civilian employees. The Department held a cross-Component working group to establish corporate topics and affiliated learning standards for training new supervisors. This comprehensive curriculum included, but also far exceeded, the requirements codified in the 2010 NDAA and 5 CFR 412. Training categories

encompassed critical transitions, hiring talent, developing talent, managing performance, and managing the workplace.

During calendar years 2011 through 2013, the Department conducted a pilot and then implemented training events with supervisors, subject matter experts, and Human Resource (HR) professionals. The feedback received on the quality of content and the effectiveness of training delivery methods were evaluated and revised, as appropriate. The revised training delivery has transitioned to the DoD Components, which were required to use the enterprise training topics and learning standards but were also afforded flexibility to develop and customize content (e.g., local procedures) and to determine the most appropriate training delivery vehicle(s). The Department focused attention on fine-tuning the refresher supervisory training course, which was piloted in 2013.

Progress on Flexibilities Relating to Appointments

The Department has made significant developmental efforts in preparing and promoting a better skilled human resources workforce. These efforts will be instrumental in meeting mission needs and enhance responsiveness to the needs of managers and applicants.

The Department continues to promote enrollment in OPM's Human Resources University (HRU) as a means to enhance and improve the skills, proficiency, and advisory capability of the HR practitioner workforce. Steady progress is being made towards having 80% of the HR Practitioner workforce enrolled by September 30, 2014. At the end of FY2013, nearly 51% of the workforce had enrolled. The numbers continue to increase, and as of April 2014, nearly 67% of the workforce has enrolled. Additionally, roughly 60% of the registered Staffing and Employee Relations Specialists have completed a HRU course.

The continued growth in enrollment and course completion supports the ongoing efforts to close skills and competencies gaps as well as address the recruitment and retention concerns of the HR workforce. This upward progress is an encouraging indicator and a direct result of the aggressive promotion of HRU and its potential as a platform to enhance the capability of the workforce and ultimately the quality of current and future HR products and services provided.

Conclusion

As the Department moves forward with the implementation of the personnel authorities, we will continue to involve employees through their labor representatives at the DoD Labor-Management Roundtable and coordinate with OPM.

The next semiannual report on the progress on the implementation of the Department's personnel authorities, due at the end of December 2014, will cover progress through October 2014.



Report to Congress:

Department of Defense Progress on Design and
Implementation of the New DoD
Personnel Management System and
Appointment Procedures

As Authorized by
Section 9902(a) and (b) of
Title 5, United States Code,
As Amended by

Section 1101(a) and (b) of the
National Defense Authorization Act
for Fiscal Year 2012

(Public Law 112-81, December 31, 2011)

December 2014

The estimated cost of this report or study for the Department of Defense is approximately \$8,420 in Fiscal Years 2014 - 2015. This includes \$0 in expenses and \$8,420 in DoD labor.

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Introduction

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- Promulgate agency rules and regulations, in coordination with the Director of the Office of Personnel Management, providing for:
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- Establish, at the Secretary's discretion, a fund to be known as the DoD Civilian Workforce Incentive Fund to incentivize DoD employees based on team or individual performance and to attract or retain employees with particular or superior qualifications or abilities.

Section 1102(b) of NDAA FY 2012, Public Law 112-81, enacted on December 31, 2011, required the Secretary of Defense to submit plans for a new performance management system and workforce incentives, as authorized by section 9902(a)¹ of title 5, U.S. Code, and for flexibilities relating to appointments, as authorized by section 9902(b)² of title 5, to the "covered committees" as defined in section 1101(b)(3)³. Section 1102(b) also requires the Secretary to report semiannually, beginning the end of June 2013, until the personnel authorities are fully implemented, on the progress on the implementation of the authorities.

The Department submitted its plans for the new personnel authorities by letter dated March 29, 2013. Subsequent progress reports were submitted by letter on June 28, 2013, December 12, 2013, and July 24, 2014. This is the fourth progress report on the implementation of the authorities.

¹ Section 9902(a) of title 5, U.S. Code, as amended by section 1101(a) of NDAA FY2012, requires the Secretary of Defense, in coordination with the Director of the Office of Personnel Management (OPM), to promulgate DoD regulations providing for a fair, credible, and transparent performance appraisal system for linking performance bonuses and other performance-based actions to employee performance appraisals, a process for ensuring on-going performance feedback throughout the appraisal period, development of attractive career paths, and development of performance assistance plans, referred to in this report as the new DoD performance management system and workforce incentives.

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³ The term "covered committees" means the Committees on Armed Services of the Senate and House of Representatives, the Committee on Homeland Security and Governmental Affairs of the Senate, and the Committee on Oversight and Government Reform of the House of Representatives.

Progress Summary

The Department continues to make progress on implementation of the personnel authorities. Department representatives met with union officials holding national consultation rights at the DoD Labor-Management Roundtable in August 2014 on the implementation of the personnel authorities. The joint labor-management Personnel Authorities Implementation Working Group met in August, September and October 2014, along with Department subject matter experts, to discuss issues related to implementation of initiatives, to include the DoD-wide performance management system, hiring flexibilities relating to appointments, workforce incentives, training and development, and automation. The DoD Personnel Authorities Integrated Product Team continues to develop action plans, monitor progress toward implementation, and ensure achievement of the intent of the authorities.

The Department's progress on implementation of the personnel authorities is discussed in detail on the following pages.

Progress on the New DoD Performance Management System

The Department continues to engage with key stakeholders on the implementation of the DoD-wide performance management system through meetings with the DoD Component representatives and the joint labor-management working group. This engagement allows us to gather input for the performance management and appraisal program, and to identify cultural changes that are key to successful implementation. This collaborative process has provided the Department with significant perspectives of those most directly affected by the Department's personnel policies and practices - the employees. Collaboration on work products and pre-decisional labor union involvement in the implementation planning will contribute to the development of a fair, credible and transparent DoD-wide performance management system that contributes to a culture of high performance.

In support of the implementation of the DoD-wide system, the Department is developing an implementation strategy that will include training and communication plans to ensure our key stakeholders are fully engaged and supportive of their employees during the transition. The holistic approach to training will provide relevant training to supervisors, HR professionals, and employees in areas such as improved communications, successful feedback exchange, and the mechanics of the new system. In our view, the engagement of the unions and a strategy focused on linking employee performance to organization goals promotes the culture of change that is essential to successful implementation of a new performance management system. The Department tentatively plans to initiate a phased implementation of the new performance appraisal system in April 2016.

Progress on Flexibilities Relating to Appointments

The Department is making good progress on many of the hiring authorities designed to facilitate ease of hiring across the Department. One of the key initiatives is the development of a DoD Hiring Manager's Tool Kit. The Department restructured the existing DoD Hiring Reform Tool Kit to bring together a variety of hiring tools and information sources, and support the tenets of the design team initiative to serve as a one-stop-shop resource and centralized access to hiring guidance. The content of the DoD Hiring Manager's Tool Kit is in the final stages of evaluation, and is expected to be completed by Spring 2015. Many DoD issuances are under development to support new policies and processes, with several documents in the final stages of approval. The Department continues to move forward to improve the DoD hiring process and provide tools to assist managers.

Additionally, the Department submitted its latest Strategic Workforce Plan (SWP) to Congress on September 29, 2014. This plan, covering the period FY 2014-2019, supports the ongoing development of competency assessments, the identification of workforce skill and competency gaps, and recruitment and retention strategies to close gaps. Since the report was published, the functional community construct within the SWP has been expanded to fully integrate all occupational series, to include trade and apprenticeship occupations.

Progress on Training and Development

The Department is improving the general tenets of supervisory training by developing a holistic training program focused on supervisory and managerial competencies. Through a comprehensive review of the Component curricula, we will identify the prevalence of human resource and other

supervisory-unique training to discern where additional emphasis is needed. The Department is assessing an online situational judgment tool which, when implemented, will provide useful feedback to employees considering a future supervisory assignment. The automated tool's feedback will address both aptitude and motivational factors. Together, these efforts support the Department's imperative to effectively manage employee performance.

The Department is expanding training opportunities and increasing functional competency through a variety of means to include the OPM's Human Resources University (HRU), knowledge transfer programs, and an increased focus on Human Resources (HR) functional training. The Department continues to promote enrollment in HRU as a means to enhance and improve the skills, proficiency, and advisory capabilities of the HR practitioner workforce. Consistent with its strategy to close HR workforce skill gaps, the Department mandates yearly functional training. Human resources professionals receive training on an array of human resources competencies such as performance management, performance-based adverse actions, and a variety of appointment authorities, including authorities supporting veterans hiring and individuals with disabilities.

HRU provides a uniform platform with cross-Component access which allows individualized course completion tracking. Through continuous DoD-wide efforts, enrollment exceeded our established goal of having 80 percent of the HR practitioner workforce enrolled by September 30, 2014. At the end of FY 2014, nearly 93 percent of the HR workforce had enrolled. Additionally, nearly 77 percent of the enrolled HR Staffing and Employee Relations Specialists have completed a HRU course. This represents a 17 percent increase since the last reporting cycle.

To maximize knowledge transfer among senior and junior HR Specialists, the Department recently launched a pilot program, targeting GS-13 HR Specialists for further development. The program requires completion of a rotational/developmental assignment. Upon successful completion of the pilot, the program will be evaluated for possible expansion within the Department to serve as a venue for mentoring and knowledge sharing within the HR community.

Progress on Workforce Incentives

The Department is making progress towards increasing communication, promoting transparency, and streamlining and standardizing processes related to DoD reward and recognition programs. Emphasis is being placed on ensuring achievements and/or contributions are significant in nature and related to organization missions and goals. Policies and procedures are under review to ensure they are clearly defined, consistent, and readily available to the workforce.

Progress on Automation

Many of the hiring authority initiatives require expanded automated system capabilities. The Department is working closely with OPM to fully research and exploit technology to provide user-friendly systems that offer the latest technological advances. OPM is currently conducting an analysis of their existing system capabilities and identifying areas for improvement to enhance the overall job seeking experience for all employees, to include trade and apprenticeship occupations in the Wage Grade System.

The new performance appraisal automated tool is under development and designed to capture the mechanical aspects of a fair, creditable, and transparent performance management system. The tool will also facilitate improved communication by engaging the employee in the performance management process through increased opportunities for input and supervisory feedback during the performance appraisal cycle. Additionally, the performance appraisal tool is portable across the Department and provides a structure to support regular and reoccurring assessments throughout the performance management cycle. This new tool will help drive change in behavior and culture across the DoD.

Conclusion

As the Department moves forward with the implementation of the personnel authorities, it will continue to involve employees through their labor representatives at the DoD Labor-Management Roundtable and coordinate with OPM. The next semiannual report on the progress of the implementation of the Department's personnel authorities, due at the end of June 2015, will cover progress through April 2015.



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June 2015

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Section 1102(b) of NDAA FY 2012, Public Law 112-81, enacted on December 31, 2011, required the Secretary of Defense to submit plans for a new performance management system and workforce incentives, as authorized by section 9902(a)¹ of title 5, U.S. Code, and for flexibilities relating to appointments, as authorized by section 9902(b)² of title 5, to the "covered committees" as defined in section 1101(b)(3)³. Section 1102(b) also requires the Secretary to report semiannually, beginning the end of June 2013, until the personnel authorities are fully implemented, on the progress on the implementation of the authorities.

The Department submitted its plans for the new personnel authorities by letter dated March 29, 2013. Subsequent progress reports were submitted by letter on June 28, 2013, December 12, 2013, July 24, 2014, and December 31, 2014. This is the fifth progress report on the implementation of the authorities. This progress report covers the period of November 2014 through April 2015.

¹ Section 9902(a) of title 5, U.S. Code, as amended by section 1101(a) of NDAA FY2012, requires the Secretary of Defense, in coordination with the Director of the Office of Personnel Management (OPM), to promulgate DoD regulations providing for a fair, credible, and transparent performance appraisal system for linking performance bonuses and other performance-based actions to employee performance appraisals, a process for ensuring on-going performance feedback throughout the appraisal period, development of attractive career paths, and development of performance assistance plans, referred to in this report as the new DoD performance management system and workforce incentives.

² Section 9902(b) of title 5, U.S. Code, as amended by section 1101(b) of NDAA FY2012, requires the Secretary of Defense, in coordination with the Director of OPM, to promulgate DoD regulations to redesign the procedures used in DoD for making appointments to positions in the competitive civil service in order to better meet mission requirements, respond to selecting official and applicant needs, produce high-quality candidates, reduce fill-time, produce and promote competition in conformance with the merit system principles, referred to in this report as flexibilities relating to appointments.

³ The term "covered committees" means the Committees on Armed Services of the Senate and House of Representatives, the Committee on Homeland Security and Governmental Affairs of the Senate, and the Committee on Oversight and Government Reform of the House of Representatives.--

Progress Summary

The Department continues to demonstrate considerable progress toward full implementation of the personnel authorities, and has continued to involve national-level unions in the implementation process. The Department is in the process of developing and disseminating policies, regulations, and programs for a DoD-wide performance management system, hiring flexibilities relating to appointments, training and development, and workforce incentives. Department representatives met with unions holding national consultation rights at the DoD Labor-Management Roundtable in November and December of 2014, and January and April of 2015, on the implementation of the personnel authorities. The joint labor-management Roundtable Implementation Working Group met monthly between November 2014 and April 2015 to discuss issues related to implementation. As indicated in the December 2014 Congressional Report, a DoD Personnel Authorities Integrated Product Team has been established to manage efforts, and continues to develop action plans, monitor progress toward implementation, and ensure achievement of the intent of the authorities.

The Department's progress on implementation of the personnel authorities is discussed in detail on the following pages.

Progress on the New DoD Performance Management System

The Department continues to utilize the established labor-management forums to collaboratively work toward the implementation of the new DoD Performance Management and Appraisal Program, which will begin phased implementation in April 2016. Cooperative partnerships with the DoD Components and national-level labor representatives provide important insight on the Department's planned policies and practices associated with the new program, and the Department has made great strides in creating an environment of collaboration and trust through the DoD Labor-Management Roundtable and the Roundtable Implementation Working Group.

In preparation for implementation, the Department has engaged labor representatives on the proposed major tenets of the new DoD Performance Management and Appraisal Program. The new program is proposed to consist of a 3-level rating pattern; a rating cycle of April 1 through March 31; a minimum period of 90 days required to be eligible for a rating; and a minimum of three performance review discussions required between the supervisor and employee. Emphasis will be placed on linking individual performance to DoD values and organizational mission.

Significant progress has been made on the DoD Performance Management and Appraisal Program's automated tool, MyPerformance, which will accompany the new program. In March 2015, Component and labor representatives participated in formal testing of the MyPerformance tool, providing valuable feedback on its content and functionality.

Progress continues on the performance management implementation plan, including a holistic approach to ensure the Department effectively communicates and trains all stakeholders on the mechanics of the new system, and also the associated culture changes that will be required for successful implementation. We are planning train-the-trainer events prior to the Department's phased implementation, to ensure DoD Components are fully prepared to disseminate training and messaging that is consistent across the Department.

Progress on Flexibilities Relating to Appointments

The Department continues to show progress on many of the hiring initiatives designed to streamline the hiring process throughout the Department, particularly on enhancing existing automated hiring tools and the DoD Hiring Manager's Toolkit. Work is underway in implementing other specific hiring flexibilities and initiatives addressing the ability to attract quality applicants and improve the overall hiring experience for both managers and applicants.

The Hiring Manager's Toolkit has been revised and enhanced to serve as a consolidated "one stop shop" to address the four key phases of the hiring process and promote collaboration between the hiring manager and Human Resources professionals. The toolkit provides an all-encompassing resource for hiring managers, and is comprised of an online collection of guides, checklists, quick references, pamphlets, and tip sheets for the hiring manager and Human Resources staff. As mentioned in the December 2014 report to Congress, the Hiring Manager's Toolkit was projected for Spring 2015, and was launched in May 2015 on the Defense Civilian Personnel Advisory Service (DCPAS) website. The tool will be continually improved as more resources are developed.

The Department has also incorporated new automated enhancements into the DoD hiring process, successfully implementing the majority of the automation initiatives. The Department has now fully migrated to USA Staffing for its hiring processes, with automation improvements now available, to include additional status notifications to applicants, and improved ways in which applicants can navigate to and view job vacancy announcements. The Department is also making full use of the robust USAJOBS synonym dictionary to assist with keyword searches and a map search capability to assist with location searches, improving the job seeker experience for DoD's Federal Wage System (FWS) applicants.

Progress on Training and Development

Training, education, and professional development are important for DoD organizations, leaders, and employees, and the Department continues to emphasize improving our training and mentoring opportunities to develop a more dynamic workforce. Work is underway on several initiatives to better support our military and civilian supervisors, reinforce the need for on-boarding and coaching, and increase overall knowledge of the civilian personnel system, hiring processes, and performance culture. DoD prides itself on being a learning organization, and places high value on employee engagement and knowledge management to support mission readiness. To that end, we continue to make progress on reviewing and ensuring the Components are delivering effective training curricula to their employees that is consistent with overarching DoD training.

The Department has developed a supervisory training framework focused on supervisory, managerial, and leadership competencies. Through a review of the DoD Component curricula, we are working to identify subject matter gaps in those curricula and associated gap mitigation strategies.

To further emphasize the Department's need for a highly skilled workforce with the capacity to perform, DoD Instruction 1400.25, Volume 410, "DoD Civilian Personnel Management System: Training, Education, and Professional Development" was published. This Instruction covers performance assistance at the employee-level through Individual Development Plans. Volume 410 also addresses performance assistance in the aggregate, i.e., through Component-level training, education and professional development plans that will be established in tandem with the Department's 2016-2021 strategic workforce planning cycle.

The Department is expanding training opportunities and increasing functional competency through a variety of means to include the Office of Personnel Management's (OPM) Human Resources University (HRU), knowledge transfer programs, and an increased focus on Human Resources (HR) functional training. The Department continues to promote enrollment in HRU as a means to enhance and improve the skills, proficiency, and advisory capabilities of the HR practitioner workforce. Consistent with its strategy to close HR workforce skill gaps, the Department mandates functional training for HR professionals, such as training on appointment authorities supporting veteran hires and individuals with disabilities. HRU provides a uniform platform with cross-Component access which allows individualized course completion tracking. The Department has surpassed its initial goal of 80% enrollment by September 30, 2014, as we have now reached 98%

enrollment, representing a 5% increase since the December 2014 report.

Additionally, DoD is encouraging labor representatives to use existing online courses to enhance their HR knowledge. This can be accomplished by leveraging OPM's HRU which features training suitable for stakeholders to ensure their understanding of the HR subject matter. Much of the training is online and free of cost. As mentioned previously, another resource which may be useful is the Hiring Manager's Toolkit which was deployed in May 2015, and is now available on the DCPAS website.

Progress on Workforce Incentives

The Department is committed to implementing effective means of recruiting, compensating, and incentivizing the workforce in order to shape an effective workforce for today and into the future. The sound use of workforce incentives depends on a foundation that includes strategic planning for the organization and its workforce to ensure that incentives are used effectively to meet recruitment and retention needs. Strategic workforce planning enables management to reserve budget-constrained special incentives for priority needs. Any incentive program, whether to attract and retain people with certain skills or to reward performance, should be linked to mission-related outcomes informed by strategic workforce planning.

To that end, the Department continues to focus on its strategic workforce planning efforts, now fully integrating more than 600 occupations, including trades and crafts occupations, covering approximately 735,000 white collar and FWS employees into a Functional Community construct based on similar job and occupational families. Each of the 22 functional communities is led by an Office of the Secretary of Defense (OSD) Functional Community Manager: a Senior Executive Service member who is designated by his/her Principal Staff Assistant and who is responsible for ensuring workforce planning is a requisite management activity across the enterprise that is embraced throughout his/her functional community. The workforce planning process is outlined in DoD Instruction 1400.25, "DoD Civilian Personnel Management System: Volume 250, Civilian Strategic Human Capital Planning (SHCP)."

OSD Functional Community Managers for those functional communities with FWS employees oversee trades and crafts occupations that reside in areas such as Logistics, Facilities Engineering Management, Military Community and Family Support, Safety and Public Safety, and Information Technology. These occupations are functionally aligned along with all other pay plan occupations in order to achieve a holistic view of the workforce allowing for cohesive strategy development.

Conclusion

As the Department moves forward with the implementation and corresponding enterprise-wide communication of the personnel authorities, it will continue to involve employees through their labor representatives at the DoD Labor-Management Roundtable and coordinate with OPM. The next semiannual report on the progress of the implementation of the Department's personnel authorities, due at the end of December 2015, will cover progress through October 2015.