

## Appendix D      Narrative Survey Results by Organization

### Central Intelligence Agency (CIA)

**Organization:** The CIA was established under the national Security Council Act of 1947, as amended (50 USC 401 et seq.). It now functions under that statute, Executive Order 12333 of 1981, and other laws, regulations, and directives. The CIA collects, evaluates, and disseminates vital information on political, military, economic, scientific, and other developments abroad needed to safeguard national security. The CIA is working with the Intelligence Community to revamp HRM systems. The data below includes both current and planned HRM systems.

**Merit Principles:** The CIA representative stated that the agency is not covered by the Merit System Principles but generally follows them. The CIA Director Tenet articulated the organization's core values to be integrity, objectivity, challenging conventional wisdom, taking risks, partnership, and diversity (July 21, 1997—as shown on a slide presentation on HRM transformation).

**Hiring and staffing:** The CIA is not covered by Title 5 but has a rank in person system similar to the Foreign Service and the Veteran's Health Administration. They do not apply veterans preference. Evaluation panels recommend individuals for promotion. Internal regulations bar prohibited factors in panel rankings and in selections and promotions. There is an internal assignments policy where internal vacancies are advertised and current employees can make known their interest. Employees compete for promotions with everyone in their same occupation and grade.

The CIA as of the date of the survey was changing/developing a new personnel system. The new system while still a rank-in-person system is to be based on job analysis, skills analysis, and workforce analysis. They are considering increasing the trial period from 3 to 5 years and proposing an initial appointment that is time limited. They will move to an "open" assignment process once the job analysis project is complete.

***Classification and compensation:*** The CIA is not covered by Title 5 for classification and compensation. The HRM main office classifies jobs/duties with input from line managers. The position description system is a centralized system with generic position descriptions that are automated through the HRM staff members in the line units. Senior managers can approve classification actions using generic position descriptions. For compensation, the CIA generally follows Title 5 because it has met the needs of the organization. Pay progression is based on time-in-grade, performance, and new skills (as viewed by promotion panels). There has been a broadbanding system in place for secretary and telecommunications officer positions since the late 1980s based on difficulty in hiring and there are also special pay rates for some occupations (still follow GS but with special rates for some).

The CIA is now making major changes to the classification and compensation systems. They are engaged in a major job analysis process, using DoL “basic and cross-functional skills” and “generalized work activities” and may be moving to broadbanding in conjunction with this project. In 2000, the Agency will move to a new system that will separate skills development from results evaluation and tie directly to pay based on growth in skills, abilities, and accomplishments. The new systems will stay with the GS ranges but may vary by occupation and may have additional special pay scales. The job analysis is collapsing occupations into 34 temporary groupings and building occupation-specific questionnaires. The skills analysis is based on 30 future scenarios; teams identified skills sets needed for the future. Pay will be based on merit not longevity.

***Employee protections:*** The CIA employees are not covered by employee protection laws. The CIA provides internal due process systems but employees do not have external appeal rights. The Director has authority to fire without due process; but they do generally follow such procedures. Internal appeal rights differ according to the action taken. They use a pre-employment clearance system and alternative dispute resolution process to reduce employee problems. Employees can sue agency. The Inspector General maintains oversight.

***Other features:*** The rank-in-person system proves needed flexibility within the CIA. It enables the CIA to put people anywhere regardless of whether there is a position open.

### **Department of Veteran Affairs, Veteran's Health Administration**

***Organization:*** The Department of Veteran Affairs was established as an executive department by the Veteran's Affairs Act (38 USC 201) to provide hospital, nursing home, domiciliary care, and outpatient medical and dental care to eligible veterans of military service in the Armed Forces. Employees work under the authority of Title 5, Title 38, or Hybrid Title 38. The Veterans Health Administration employees work under the two latter authorities.

***Merit Principles:*** The merit system principles do not apply to Title 38 health care workers; however, they are reflected in VA's Title 38 employment system as reported in the survey response. A comprehensive peer review process, both internal and external, is the primary mechanism that ensures this. Internal professional standards boards make recommendations regarding appointment, advancement and retention of Title 38 employees for each discipline. There are also several external bodies (e.g., Joint Commission on Accreditation of Health Care Organizations, College of American Pathologists and Dean's Committees from Affiliated medical schools) which ensure the maintenance of high clinical and administrative performance standards. Together, these processes foster a workplace that emphasizes fairness and equitability.

***Hiring and staffing:*** The VHA casts a wide net to attract healthcare professionals, including national advertising, internet, posted announcements, electronic mail, conventions, job fairs, and a highly publicized centralized placement service which is an automated inventory of applicants. Candidates are compared to the requirements of the position to ensure the best candidate is identified. When the qualifications of candidates are otherwise generally equal, preference in appointment and retention is given to veterans. Title 38 is a rank-in-person system; individuals are appointed and advanced to grades commensurate with their qualifications. Their performance is reviewed on an annual basis by a performance standards board of their peers to determine if their

qualifications warrant advancement to a higher grade. The peer review process ensures appointments and advancement are based on qualifications.

***Classification and compensation:*** Rank in person, not in position. Basic pay progression is based on performance and the acquisition of competencies/skills. Under the Nurse Locality Pay Act of 1990, VHA nursing staff received the first locality based pay in the Fed government for professionals.

***Employee protections:*** Hybrid Title 38 employees are covered by Title 5 for adverse actions, whistleblower and Hatch Act protections. Title 38 employees are not covered by Title 5 for adverse actions but have extensive procedures in place through the professional boards. All use ADR and peer review processes for grievances.

***Other features:*** Under Title 38, VHA delegates significant authorities to the field, such as, special salary rates, authorized deviations from qualification standards, variances of time-in-grade requirements. At the VA generally, there are 4 national unions, 6 national bargaining units and 20 different unions.

### **Farm Service Agency (FSA)**

***Organization:*** The FSA is a component of the Department of Agriculture. One third of the workforce is covered under Title 5 and two-thirds work under a separate county personnel system covered under Title 7 of the US Code. The FSA county office employee personnel system stems from the county committee system that has been in place for about 60 years. This system involves locally elected representatives who form a committee that sets policies and oversees various farm programs.

***Merit Principles:*** The merit principles are embedded in the county system directives based on equity, fairness, and open competition.

***Hiring and staffing:*** The FSA announces vacancies but tends to rely on recommendation by current employees and candidates known by the local committee.

There is no rigid rating and ranking system but a comparison is made of relative qualifications based on education and experience in farming as an owner or employee. The county director groups candidates in a way that is analogous to the USDA demo project (3 categories). They do not apply veterans preference or the rule of three.

***Classification and compensation:*** The County system has a classification system tailored along the lines of the competitive system. Pay is equivalent to the Federal system. The basis for pay progressions is seniority/length of service, performance, acquisition of competencies/skills, and training completed.

***Employee protections:*** The employees are covered by Title 5 for adverse actions; but there are no appeal rights outside of the agency. County employees can appeal personnel actions through NASCO, the state director, to Headquarters. The organization administratively applies the Hatch Act. There are no whistleblower protections, except through NASCO and no Hatch Act coverage.

***Other features:*** The FSA is not unionized but has a strong and involved professional association National Association of State and County Employees (NASCO) that works closely with management to address personnel issues, especially RIFs. Almost 90 percent of management and non-management employees are members.

### **Federal Aviation Administration (FAA)**

***Organization:*** The FAA was established by the Federal Aviation Act of 1958 (49 USC 106) and became a component of the Department of Treasury in 1967. In section 347(b) of the 1996 Department of Transportation Appropriations Act, Congress directed the FAA to develop and implement a new personnel management system that addresses the unique demands on the agency's workforce. The authorization exempted the FAA from Title 5 requirements except for whistleblower protection, veterans preference, limitations on the right to strike, antidiscrimination, suitability and conduct, workers compensation, and retirement, unemployment, and insurance coverage.

***Merit Principles:*** While exempt from the merit system principles of Title 5, the FAA has determined that its personnel management system will be implemented consistent with those principles. Policies are checked against them for consistency. There is also internal evaluation to ensure adherence. The National Employee's Forum acts as a check against undesirable practices. This body allows employees, through employee associations and special emphasis groups to address issues affecting them. For the FAA, merit requires balancing fairness and the flexibility needed to achieve results.

***Hiring and staffing:*** Increased use of automation and the Internet is reducing time to fill positions internally and externally while maintaining a merit-based competitive system. Use of the Internet for advertising vacancies to internal and external candidates ensures a wide market for competition and information. The system has reduced the number of different appointing authorities to three: permanent, temporary with a time limit, and temporary without a time limit.

There are three methods for applicants to apply for positions. (1) Candidates can get themselves placed on a central register for positions for which there are many openings. This is the Centralized Applicant Pool System (CAPS) and can serve as a source of well-qualified candidates whom managers can hire without actually advertising a vacancy. This practice is known as automatic consideration. The CAPS system reviews qualifications and assigns ratings and rankings to simplify and speed up the review process. (2) Applicants can respond to vacancy announcements. (3) Applicants can be hired on the spot if the FAA has special program needs or the positions are "hard to fill," but this is used infrequently (similar to Title 5-shortage category direct hire authority). The FAA currently uses traditional Title 5 methods to rate and rank including crediting plans, KSAs, etc., and applies additional points for veterans preference. For promotions, the new personnel system has eliminated time-in-grade requirements and has developed new qualifications standards for some positions. When promoting an internal candidate to his/her first supervisory position, the promotion must be made competitively and the vacancy announced formally. Managers may choose to

automatically consider eligible employees within the area of consideration rather than advertise a vacancy.

For any selection, managers have considerable authority. They can choose to interview or not, all qualified candidates. The reasons for interviewing some and not others must be job-related and documented. Temporary employees can be converted to permanent status if they competed for the temporary job and the permanent job is in the same occupation and not at a higher-grade level.

***Classification and compensation:*** The FAA classification system has fewer and shorter position descriptions, an automated library of standard pre-classified position descriptions, and delegated classification authority for those organizations that request it. There is more flexibility in setting pay. Lines of business can propose recruitment, relocation, or retention bonuses and develop gainsharing plans. The Administrator can allow military retirees to receive dual compensation and can recommend similar waivers for civilian retirees. New premium pay rules include overtime only for hours worked in excess of 40 hours per week, 80 hours per pay period, or in excess of an employee's scheduled tour. Compensation systems for employees in bargaining units are negotiated with as required under the FY-96 Reauthorization Legislation (Public Law 104-264). A new compensation framework has been developed for non-bargaining unit employees. It is a pay for performance system. This means different parts of the organization may have different compensation schemes reviewed and approved by the Compensation Committee.

***Employee protections:*** Under the new personnel system, FAA supervisors have more flexibility to use corrective tools that fit the situation. Employees are still protected by due process procedures. A simpler and faster grievance and appeals procedure covers all employees not covered by a negotiated agreement. The grievance procedure follows the traditional pattern – first level supervisor tries to resolve the issue informally, the second level is the second level supervisor for a formal decision. At most the process may take 50 days. The Guaranteed Fair Treatment system provides for a panel consisting

of an employee representative, arbitrator, and management representative to hear and decide on employee appeals of disciplinary actions, demotions, or removals.

Whistleblower complaints are received through a special hot line set up for that purpose and is investigated by the Inspector General. (Since the interview, Congress and the President have legislatively restored appeal rights to the MSPB.)

***Other features:*** The adoption of the Merit System Principles and the Prohibited Personnel Practices demonstrates that there is no tolerance for discriminatory hiring and firing practices. Also, the FAA remains under the jurisdiction of the EEOC. The FAA is heavily unionized. There is significant effort in the reform process to include the unions and/or incorporate labor in the various HRM systems and services.

### **Federal Deposit Insurance Corporation (FDIC)**

***Organization:*** The FDIC is a mixed-ownership government corporation established in 1933 to secure bank and thrift deposits, provide deposit insurance, regulation and examination. The Board has the power to hire and fire officers and employees, define their duties, and set their compensation (12 USC 1819 (a)(fifth)). When establishing and adjusting the compensation and benefit schedules, the heads of the other agencies and Congress are to be informed to maintain comparability (12 USC 1833b). A report was provided to Congress to continue equal employment opportunities (12 USC 1833e(a-b)).

***Merit Principles:*** The FDIC is covered by the Merit System Principles, which are incorporated into the merit promotion plan and pay setting practices. The respondent indicated that they are also included in the 12 competencies identified for executive success; however, the only ones I found that addressed HRM issues were: demonstrate and promote teamwork; show respect and concern for others; manage performance effectively.

***Hiring and staffing:*** The FDIC is covered by Title 5 for recruitment and staffing, which includes applying veterans preference and the rule of three. There is competition for all vacancies and the rating and ranking of applications for employment is done by subject



matter experts. Selections are sent to the Office of Diversity and Economic Opportunity for clearance.

***Classification and compensation:*** The FDIC is not covered by Title 5 for classification and compensation but generally follows the GS system. They have a GG (general graded) based schedule with 15 grades and 19 steps instead of 10 so employees get some increase each year. The overall pay scale is 10% higher than the GS and a regional pay differential program is designed to accommodate cost of living variations in different geographic locations. The basis of pay progression is seniority/length of service and performance based on ratings. For the first time, they have negotiated a change in the compensation and performance management system for FY 99. Executive competencies will be linked to performance management system and pay and organizational goals in FY 99.

In January 1998, they converted to an open pay range system (a form of pay banding) that retains 15 grades but eliminates QSIs (Quality Step Increases) and SSPs (Sustained Superior Performance awards). (The respondent indicated the FDIC conducts salary surveys, as required by applicable legislation, in concert with other Federal banking agencies. These surveys are conducted for the most populous job series.) The parties negotiated that “fully successful” ratings will receive some payout that may limit differentiation in pay based on performance. The goal is to move to a pay for performance system while still supporting union concerns about fairness to all employees and funding availability; however, management sees this as limiting funding available to reward exceptional performance. Pay is to be linked to the performance management system in FY99.

***Employee protections:*** Employees are fully covered by Title 5. Employees have access to arbitration over grievances and to the MSPB for adverse actions but not to both.

***Other features:*** The National Treasury Employees Union represents FDIC employees, which is very involved in labor management partnerships at the national level.

**Federal Reserve Board (FRB)**

***Organization:*** The FRB was established in 1913 by the Federal Reserve Act (12 USC 221). The Federal Reserve System serves as the nation’s central bank with responsibility for the execution of monetary policy.

***Merit Principles:*** The respondent held that the FRB is not covered by the Merit System Principles; however, they do adhere to merit concepts and use civil service laws and executive orders as appropriate to guide their personnel practices.

***Hiring and staffing:*** The FRB hires based on individual qualifications rather than generic skills. Their goal is to hire the best-qualified person meeting the job-related selection criteria. Economists do targeted recruitment at highly ranked institutions. They have a database system that tracks economist Ph.Ds and quality of their dissertations. For some positions, they use open announcements. All jobs are posted and selecting officials must justify selections. There is no veterans preference or rule of three. The one-year probation can be extended. Grade increases can occur as a result of career ladder progressions, promotions, and reclassifications.

***Classification and compensation:*** The FRB created their own classification system using factor evaluation system as a model, developing minimum qualifications. Managers and supervisors prepare job descriptions using a guide the HRM staff prepared for their use. The Board has two “point-factor” job evaluation plans: nine characteristics for nonsupervisory jobs and seven for supervisory jobs. The compensation program consists of the job description, job evaluation, market analysis, and salary structure. The salary structure consists of a hierarchical grouping of all jobs consisting of grades and salary ranges, including a minimum, a midpoint, and a maximum.

In creating their compensation system, they benchmarked first then realigned occupations to fit scale. There is an exempt (9 grades) and non-exempt split (6 grades). They do salary surveys annually which include job matching with private sector and FIRREA organizations. The percentage of a merit increase depends mainly on the employee's performance but also considers where the individual's salary is within the salary range. Longevity and seniority are not the basis for awarding merit increases but are recognized through the cumulative effect of performance-based increases. The pay scale is divided into quintiles with definitions of performance tied to each. There is an annual budget authorized for pay and performance distribution. Cash awards can be granted to individuals or groups any time during the year. There are no bonus systems as in other federal agencies.

***Employee protections:*** The respondent indicated that employees are covered by the Hatch Act but was uncertain about coverage for adverse actions and whistleblower protections. They generally follow the spirit of and parallel the federal law and have due process procedures in place; however they try to avoid adverse actions through discussion of career transitions and encouraging employees move on. Workplace problems are resolved through the Adjusting Work-Related Problems Policy. The Mediation Program is a major element of that policy. Once voluntary mediation begins, the procedures under the Adjusting Work-Related Problems Policy to resolve a work-related problem are suspended until there is a settlement or the employee chooses to resume the procedures.

***Other features:*** The FRB is not unionized. Its HRM leadership took the position in the interview that the Board is independent of any external controls except Congress even though they cooperate with GAO and EEOC as needed. They try to follow as much of the Title 5 guidelines and executive orders as possible to reduce likelihood of scrutiny by organizations such as OPM, GAO, EEOC, and MSPB.

### **Foreign Agricultural Service (FAS)**

***Organization:*** The FAS has the primary responsibility for USDA's overseas market information, access, and development programs and administers USDA's export

assistance and foreign food assistance programs. The FAS personnel system is authorized under Title 22 of the US Code, Foreign Relations and Intercourse. Some employees are covered under Title 5 but most are under the Foreign Service Personnel System.

***Merit Principles:*** The service is not covered by the Merit System Principles; but the merit principles are embedded in the FAS personnel system, which is based on equity, fairness, and open competition.

***Hiring and staffing:*** The FAS Title 5-exempt personnel system is a rank-in-person system that is part of the Department of State Foreign Service Officer (FSO) system. Employees are hired as agricultural marketing specialists or economists into the FAS competitive service that serves as the labor pool from which the FSO positions of foreign and agricultural affairs specialists are filled under an agreement with State. Employees take an internal FAS exam and are interviewed for entrance into an FSO position with selections made by a Board. After a candidacy period of five years (similar to an extended probationary period), employees are certified by a tenuring board with a representative from State or they return to a competitive service position. For those who achieve FSO career status, there is an annual promotion/selection board process.

***Classification and compensation:*** The FAS is a rank in person system that follows the formal Foreign Service classification and compensation systems. Within FAS, a senior officer group reviews performance appraisals and ranks people for promotions and meritorious service awards, which are equivalent to a step increase.

***Employee protections:*** The FAS is not covered by Title 5 for adverse actions but has similar due process practices to those of the Foreign Service. Employees can appeal personnel decisions through the union. There is no whistleblower protection except through union grievances and no Hatch Act coverage.

**Other features:** The FAS employees are organized by the American Foreign Service Association (AFSA). The LMR partnership has increased the equity between civil and foreign service employees.

### **Foreign Service (FS)**

**Organization:** The Foreign Service is a component of the Department of State with the objective to promote the long-range security and well being of the United States.

**Merit Principles:** The FS, according to the respondent, is not covered by the Merit System Principles but falls under the requirements of the Foreign Service Act of 1980. Merit is incorporated into the HRM system, especially through the contracts negotiated between Foreign Service employees and the supervisors each year. The contract spells out the goals and objectives for the year. The transparency of HR policies for all employees helps ensure the system remains fair and equitable.

**Hiring and staffing:** The FS is a rank in person system exempt from Title 5 requirements. They use written and oral entrance examinations. The Bureaus determine where they need new employees. A panel of agency officials determines which applicants meet the needs of the jobs in terms of skills and personality traits. Candidates are then rank-ordered on a waiting list until a job offer is made; then the background checks and clearances are done. Veterans preference is applied. There is targeted recruitment for diversity and recruitment bonuses for medical doctors and nurses. During first two years, promotions are nearly automatic. After that, they are competitive and partially determined by the needs of the organization. Promotion panels comprise agency officials and at least one non-State Department member. Panel members are sworn in. Input for promotions comes from supervisors in the form of the Annual Efficiency Report, which includes the supervisor's evaluation of employee potential. Panelists use the precepts (set of criteria for promotion) to review the AERs of promotion eligibles. The panels make final decisions on rank-ordering people for promotions. Central management sets the actual number of promotions.

***Classification and compensation:*** Managers and supervisors have a great deal of authority to create position descriptions and classify jobs or duties in this rank-in-person system. Compensation is based on a person's rank; management can influence pay and differentials exist for different parts of the world for danger or hazards (cost of living, language proficiency). The salary scale has six grades -- FSO6 to FSO1. Each Bureau and post has a panel to approve awards for individual and/or team performance.

***Employee protections:*** The FS is not covered by Title 5 for adverse actions; but employees have the right to appeal cases or file grievances with the agency. The rules in place are similar to Title 5 and the process for handling these actions is long and time-consuming. Officers are rarely dismissed once they receive tenure; at lower ranks, before employees receive tenure, it is generally easier to dismiss poor performers. If junior level officers do not receive tenure after 3 appraisal reviews, they are dismissed. The IG Hotline handles whistleblowing on unfair or illegal practices. The FS is covered by the Hatch Act.

***Other features:*** The American Foreign Service Association (AFSA) represents the Foreign Service employees. Management consults with union at beginning of every annual assignment cycle to reach agreement on job descriptions and consult on the transparency and fairness of the assignment process and other issues. Neither pay nor discipline is negotiable. Benefits are negotiable and union has some influence on hiring, qualifications, and employee selection criteria.

### **Library of Congress (LoC)**

***Organization:*** The Library of Congress is an arm of the legislative branch and is not covered by the employment laws of Title 5; however, the Library at different times chose to follow Title 5 classification and compensation and adopted more equitable personnel systems under court order in 1995. The national library of the United States offers diverse materials for research including the world's most extensive collections in many areas such as, American history, music, and law. They operate under the authority of Title 2 of the US Code – Librarian Personnel Authority.

***Merit Principles:*** The LoC is not covered by the Merit System Principles but has developed eight core values developed along with performance and staffing plans that generally follow the Merit System Principles.

***Hiring and staffing:*** The LoC is not covered by Title 5 but as a result of the 1995 employee lawsuit, the new hiring system meets the requirements of the uniform guidelines for selection. They do not use the rule of three but have devised a statistically valid natural break to identify the most qualified for referral to the selecting official. They use targeted recruiting to maintain diversity of workforce, especially to meet language requirements. They do not have to follow the OPM X-118 qualifications requirements and were thus able to create an Affirmative Action Internship Program to select and train support staff without a degree for professional librarian positions. There is no veterans preference. Vacancies are posted and rating and ranking is based on the use of crediting plans. There are five levels of review to ensure no discrimination. Promotions are made through competition or career ladders. Successfully used MARS for library tech position. Would like to apply it to more occupations.

***Classification and compensation:*** The LoC elected to be covered by the Title 5 classification and compensation systems, which they feel serves as a protection against employee complaints. OPM is conducting a major job analysis for them to ground position descriptions from which the skills, knowledges, and abilities and selective placement factors are drawn. Pay adjustments are based on performance ratings. The SES has a performance-based pay system. All start at Level 1; for each outstanding rating (4 elements), there is a \$2000 award with an addition \$2000 potential if outstanding in all 4 (rarely happens). Managers at grades 15 and below opted for the Civil Service system of QSIs and cash awards.

***Employee protections:*** The LoC employees are not covered by Title 5 protections; however, according to the respondent, the Librarian Code of Regulations mirrors the Code of Federal Regulations in the area of adverse actions. Terminations are appealed

through the Librarian, who serves in a capacity similar to the MSPB. Employees whose appeals are not upheld can go to court as a final remedy. There is a standard one-year probationary period. Employees can go to the inspector general in cases of whistleblower or Hatch Act-type violations. The LoC uses ADR and last chance agreements. Uses the IG to investigate complaints under the Hatch and Whistleblower Protection Acts.

***Other features:*** Since the LoC personnel system was built in conjunction with OPM under court review, their use of targeted recruitment and no veterans preference or rule of three must be seen as acceptable to OPM and the court. The LoC is actively unionized. The union was involved in leading the lawsuit.

### **Metropolitan Washington Airport Authority (MWAA)**

***Organization:*** The MWAA functions as a landlord for the two airports, Reagan National and Dulles, including managing contracts for parking and concessions. [FAA staff manages air traffic and maintains equipment and the like.] All employees are under the transfer legislation (1987), approved by DC and the state of VA, which authorizes its own personnel system. The MWAA resides in the executive branch but reports solely to a Board of Directors comprising non-sitting politicians appointed by the Governors of VA and MD and the Mayor of DC and one appointee (confirmed) of the White House (in the future will have three appointees). The Authority receives no appropriations from Congress but does get grants from the Department of Transportation.

***Merit Principles:*** The MWAA is not covered by the Merit System Principles but generally follow OPM regulations except for whistleblower protection. They have no comparable regulation.

***Hiring and staffing:*** The MWAA is not covered under Title 5 but has created its own merit-based system. Before a job is announced, managers must ensure the position description is accurate then identify the KSAs of the position. Applicants complete a form similar to the SF-171 so staff can do a good analysis of qualifications. The rating and ranking is a paper review only. There is no rule of three or veterans preference. The



selecting official gets a list of candidates and must justify selection. Up to the grade 13 equivalent, managers can designate the scope of competition, i.e., limited to the Authority. Managers have the option for two separate lists – inside candidates and outside. Once interested in anyone on either list, entire list must be interviewed. Decision to go with two lists was to level the playing field for internal candidates. When ranked with external candidates, employees did not usually rise to the top. They use validated tests for police officer, police sergeants, and new firefighters as well as validated physical requirements for firefighters (were also validating them for police); reduces discrimination charges.

***Classification and compensation:*** The Authority is not covered by Title 5 for classification or compensation. The organization started out following the federal classification system. However, in 1990, they created a broadbanding pay system. HR conducted a comprehensive review of all hourly and salaried positions because managers felt the federal system held them back. Salaried employees completed a lengthy Position Analysis Questionnaire (PAQ) and HR did 50% of job observations on-site to fine out what the job duties were. They rewrote all position descriptions. The hourly jobs were based on a tailored factor evaluation system based on work at airports. A rank-in-man system is used for police and firefighters. Hourly pay consists of steps; movement through steps is based on seniority/length of service and receipt of a fully successful rating. Salaried employees have a pay for performance system – very sophisticated way of awarding money based on ratings: fully successful, exceptional, outstanding. The ratings over time determine how quickly an employee moves from the minimum to the maximum range of the band. The dollar distribution consists of a finite amount of money based on the number of employees and where they are in the band. No more than 10 percent can be outstanding, 25 percent exceptional, and the rest (less than one percent) are fully successful. The manager has some flexibility in determining percent of the award at the outstanding and exceptional levels. The percentages are fixed at the fully successful, presumptively fully successful and needs improvement levels. The problem is the validity of the adjectival rating on which the pay-for-performance system is built.

**Employee protections:** Since they are not covered by Title 5, legal counsel would handle whistleblower and Hatch Act type violations. Under the transfer legislation, the MWAA is not covered by either the National Labor Relations Board or the Federal Labor Relations Authority. They have set up their own Employee Relations Council made up of administrative law judges to address third party issues in quasi-judicial proceedings. Employees have a grievance process with appeal rights to the General Manager and, conceivably, at least informally to the Board.

**Other features:** The MWAA has five bargaining units. Pay and benefits negotiations are restricted to impact and implementation only. EEO has an impact as the organization tries to balance the interests of internal employees in competition with external candidates for positions/promotions. When ranked with external candidates, employees did not usually rise to the top because external candidates are often federal or military retirees with 20 or more years of experience. This led to a special approach to the ranking and rating process.

### **National Security Agency (NSA)**

The NSA was not part of the full study. Their new personnel system changes were added based on its connection the CIA change process. The NSA is taking the lead in a process of creating complementary personnel systems among the intelligence organizations to enable better cross-community exchange programs. They are all looking at skills-based, competency driven performance systems.

**Organization:** The NSA was established in 1952 by presidential directive as a separately organized agency within the Department of Defense. It is responsible for centralized coordination, direction, and performance of highly specialized technical functions in support of U.S. government activities to protect U.S. communications and produce foreign intelligence information.

**Merit Principles:** The NSA is covered by the Merit System Principles and articulates in its 1995 document describing the redesign of the NSA occupational structure that any

changing HR structure “must be a vehicle for the application of the Merit System Principles.”

**Hiring and staffing:** This is a rank-in-person system. Veterans preference is not applied. Under the new personnel system, the manager selects tasks and computer defines skills needed, job title and grade/band. The skills listed become the qualification requirements and the performance guidelines. They plan to look at the skills required to do the job rather than classify the position by tasks. Employees will self-identify their skills using a software program. They are trying to streamline hiring process (takes a long time to do background checks and security clearance.) They still using the life-style polygraph.

**Classification and compensation:** The NSA has always had the authority to set pay; however, they chose to adopt and adapt the GS pay scale. They use some special pay rates for approximately 12 fields/occupations that return to the standard scale at the grade 12. They have used special pay for languages in the past. There is a technical pay track for senior staff as well as managerial one for executives.

They are looking at matching the occupation system changes with a broadbanding pay system. In addition, they plan to look at skills required to do the job rather than classifying positions by tasks. The job skills analysis being conducted identifies tasks and related skills and uses a weighting system to identify similarities in skill requirements between occupations.

**Employee protections:** Not discussed

**Other features:** Not discussed

### **Nuclear Regulatory Commission (NRC)**

**Organization:** Established in 1974 as an independent regulatory agency under the provisions of the Energy Reorganization Act of 1974 (42 USC 5801) and Executive

Order 11834 of 1975, the NRC licenses and regulates civilian use of nuclear energy to protect public health and safety and the environment.

***Merit Principles:*** The NRC is covered by the Merit System Principles which are incorporated into HRM by policies and practices that establish merit-based practices for hiring and advanced decision making and incorporated in their stated values -- Integrity in our working relationships, practices, and decisions, Excellence in both our individual and collective actions, Service to the public and others who are affected by our work, Respect for individuals' roles, diversity, and viewpoints, Cooperation in the planning, management, and work of the agency, Commitment to protecting public health and safety, Openness in communications and decision making.

***Hiring and staffing:*** While not covered by Title 5, the NRC has chosen to follow the general principles of Title 5 hiring and staffing in order to enter into an Interchange Agreement with OPM to allow their employees ease of transfer to other federal agencies. The NRC maintains an active applicant supply system supported by recruitment, advertising and on-site visits. Job vacancies are broadcast internally and externally with targeted recruitment for women and minorities.

Applicants are rated and ranked into three categories (similar to the USDA demonstration project) based on specified rating criteria (KSAs) and apply veterans preference as in Title 5. They post some jobs internally only and manage promotions through career ladders, competition, and accretion of duties. A panel reviews GS/GG 15 and SES candidates before selection. Line managers are responsible for hiring and promotion decisions.

A merit staffing course, "Effective Management Participation in Merit Staffing," has been recently developed to help selecting officials give constructive feedback to non-selected applicants to dispel the perception of pre-selection and to give supervisors training to participate fully in selection process: qualify, rate, rank, select and give feedback.

***Classification and compensation:*** The NRC is not covered by Title 5 for classification or compensation. Their classification system is benchmarked evaluation system based on graded position duties. Line managers have authority to classify position with HR approval. They administratively follow GS and FWS for ease of pay administration and to sustain interagency transfer options. Flexible pay setting for engineering and health physics entry and mid-levels based on results of salary surveys is used for tight labor positions as is extensive use of advanced hiring steps to attract entry and other levels. Title 5 provisions of the Executive Schedule apply.

***Employee protections:*** The NRC is covered by Title 5 for adverse actions, whistleblowing and Hatch Act protections. They are under a two-year pilot using mediation in EEO grievances (not complaints). At any point the employee can request mediation services (FMCS). Both labor and management must agree because they split the cost. Mediation is limited to 2 sessions then the case goes directly to arbitration.

***Other features:*** The NRC employees are represented by the NTEU. The union is active in supporting EEO issues and monitoring merit practices. The merit system is highly visible and continuously monitored by bargaining unit partnership representatives and EEO advisory committee members. The merit staffing course was created so that selecting officials (managers and supervisors) could give “constructive feedback” to non-selectees to help dispel the perception of pre-selection. The only way for officials to give constructive feedback was to participate fully in the selection process, i.e., job description, identification of fair rating factors, and structured interviews.

### **Office of Federal Housing Enterprise Oversight (OFHEO)**

***Organization:*** OFHEO is an independent agency under HUD, but it reports directly to Congress. It was established in 1993 and its function is to audit Fannie Mae and Freddie Mac. They are 100 percent reimbursed for their auditing services by those two organizations.

**Merit Principles:** They are covered by the Merit System Principles and operate under Title 5 for all but classification and compensation. There have been some complaints over the job structure, which has no promotion potential built in. At the point of the interview, they were planning to announce their first job with some non-competitive promotion potential.

**Hiring and staffing:** OFHEO is covered by Title 5 for hiring and staffing. They actively recruit minorities and disabled candidates through a variety of methods including participation in minority job fairs, visits to minority colleges and universities, and use of the Minority Online Information System for vacancy announcements. Managers participate in rating panels and interviews.

**Classification and compensation:** OFHEO is exempt from Title 5 for classification and compensation. Classification is based on 10 occupational groups, which each has three broad pay bands. The classification and pay bands are flexible to accommodate the hard-to-fill positions. OFEHO must compete with other financial entities for applicants. They also use retention bonuses on occasion (employee must have written offer). OFHEO is required by law to have comparable pay and benefits with other federal financial regulators (e.g., OTS, FDIC, FRB, etc.). There is a self-imposed cap of \$142,000. Hay group is doing a survey to look at current pay and band ranges. The Director has the authority to set pay, which is not capped at the ES level as is the norm. Pay increases are 100% merit-based, no longevity-based increases. They are based on employee performance and annual performance ratings. Payouts may be taken in cash or added to base pay. In the latter case, this causes problems with employees reaching the top of their pay band too quickly. They are trying to correct this by requiring employees to take some portion of the payout in cash depending on where they are in the pay band. Now, at the 4<sup>th</sup> quartile, payout must be paid in cash. They are looking at moving the 4<sup>th</sup> quartile to midpoint then breaking into tenths to slow down reaching maximum band. Because there have been some problems with the broad bands in terms of comparability at the minimum and maximum points, there is a strong likelihood that they will have to abandon the broad bands and incorporate some sort of

grade system, perhaps 17 grades to maintain comparability. The broad bands were very useful in the beginning to recruit the right people, but this may now have to change. They use an individual's current salary plus 10% to set initial pay. Most people are hired at or above the mid-point of the band. So far, Hay study is showing only executives are underpaid in comparability.

***Employee protections:*** They are covered by Title 5 for adverse actions, whistleblowing, and the Hatch Act.

***Other features:*** There is no union.

### **Office of Thrift Supervision (OTS)**

***Organization:*** The OTS was established as a bureau of the Department of the Treasury in 1989 under the FIRREA to regulate savings associations to maintain the safety, soundness, and viability of the industry and to support the industry's efforts to meet housing and other financial service needs. The FIRREA combined 14 organizations into the OTS, (the Home Loan Bank Board and 13 private organizations).

***Merit Principles:*** The OTS is covered by Merit System Principles. All HRM programs fall under Title 5 except for pay and benefits.

***Hiring and staffing:*** Covered under Title 5, the merit staffing system uses career ladders with full performance levels and follows the standard promotion concept.

***Classification and compensation:*** The FIRREA directed OTS and other bank regulatory agencies to seek pay parity with each other. Under the pay for performance system, designed in 1991 with an annual rating on a 5 level system, employees were to receive a percent of salary increase annually based on performance. There was no COLA but a cash payment was received as a bonus at ratings of 4 and 5. The system failed to live up to its expectations when funding was limited. Now, there are 5 levels with graduated flat increases based on the rating received. At ratings 3 - 5 there is a salary

increase with very limited bonuses. Sixty percent of the ratings fall at 4 and 5. An internal study several years ago recommended changes to the system but the union fought the changes and no major changes were made.

The classification system uses generic position descriptions based on KSAs and job requirements. The pay scale comprises grades 1 to 30 (highest) that cover all occupations; rates vary by geographic differentials. It is a nationwide system with adjustments to salary ranges annually. There are no official executive grade ranges but executives are in the top 5 grades. A 1993 FLRA decision excluded pay and benefits from negotiation.

***Employee protections:*** The OTS is covered by Title 5 for adverse actions, whistleblowing, Hatch Act protections. In their well-developed training planning system, EEO is built-in to provide data for the steering committee to use in approving overall training plan requests.

***Other features:*** The AFGE covers all non-supervisory position in the D.C. area. OTS uses a directive system for HRM policies and procedures; but the culture is informal and resists heavy formal documentation. It is more private sector oriented. The respondent wanted to add a perception that one size does not fit all in regulating HRM. A central Title 5 is no longer a viable model. Merit as a central guiding principle and concept is fine but centralized implementation rules are not -- not same benefits, or pay, or merit staffing. There are too many differences in culture and operations to create a rigid system.

## **Peace Corps**

***Organization:*** The Peace Corps was established in 1961 to promote world peace and friendship, help other countries in meeting their needs for trained manpower, and to help promote understanding between the American people and other peoples. The authorizing legislations are Public Law 7a (Title 7, Peace Corps Act) and Public Law 13 (expert employees such as agriculture specialists and education specialists).



***Merit Principles:*** The Peace Corps is not covered by the Merit System Principles but follows rules of merit similar to those in Title 5.

***Hiring and staffing:*** The Peace Corps has a unique five-year employment rule (maximum 2-21/2 year terms). It is not covered by Title 5 but generally follow its practices except that it does not give veterans preference in the rating and ranking of job applicants. They look at basic qualifications. Those who meet the qualifications are put on a roster and forwarded to the selecting supervisor or manager. The supervisor or manager either make a selection and justify it, interview all the people on the roster and make a selection and justify it, or create a panel to select a candidate from the roster. Managers and supervisors are responsible for differentiating among candidates and must justify their selections in a memo to HR. They advertise jobs and, as appropriate, maintain open continuous announcements. They will also often advertise in special publications if seeking candidates with special skills, use the internet and send cables worldwide to Peace Corps offices and other organizations to recruit for applicants, and maintain partnerships with educational institutions. They can usually bring on a new hire within two weeks.

Supervisors and managers are responsible for promotions. If they think an employee's skills and competencies are at a higher level and merit a promotion, then they must submit a request and justification for promotion to HR. In many cases, promotions are also advertised within the organization to allow other qualified employees to apply.

***Classification and compensation:*** The Peace Corps is exempt from Title 5 for classification and compensation purposes. They generally follow OPM classification standards but not GS pay. Given the nature of the work, they do not find it easy to classify jobs. The classifications are generally based on duties and required competency levels, although these can be difficult to determine. Descriptions of positions are often rather vague and there is little coordination between the HR office and managers to clarify the complexity of the jobs. Managers have full authority to write position

descriptions and classify positions; they often use the same position description repeatedly. There are two pay systems, a letter system for lowest 4 grades and a numbering system up to highest levels of management. There are a total of 14 steps in the pay scale, with one-year wait between each step. At the highest two steps, there is a two-year wait. Foreign Pay represents the highest grade possible, equivalent to GS 15. Pay progression is based on seniority/length of service. Employees generally get within grade increases for passing performance. Employees can earn more pay as they reach a certain level of language proficiency. The meritorious step increase is a kind of bonus for which an employee can become eligible after three months. No more than one MSI is allowed per year. The agency can negotiate salaries with new hires, offering up to 6% more than what they are currently making.

***Employee protections:*** The Peace Corps is not covered by Title 5 for adverse actions but general follows its provisions. It is covered for whistleblowing and Hatch Act protections. Few adverse actions are taken because there are few discipline problems in the organization, probably due to 5-year employment limitation. For the most part, employees and supervisors talk out any problems they might have and resolve them before they hit the adverse action phase. Nonetheless, employees have right to file a grievance through the union.

***Other features:*** The labor-management committee is very quick to address issues before they become serious problems. The Peace Corps Union has representational rights.

### **The Smithsonian Institution**

***Organization:*** The Smithsonian was created in 1846 by an act (20 USC 41) to carry out the terms of the will of James Smithson. It is an independent trust instrumentality of the U.S. that fosters the increase and diffusion of knowledge. For this study, the interest is in the Trust employees who are considered private sector, paid for out of trust funds.

***Merit Principles:*** The Smithsonian Trust side is not covered by the Merit System Principles but tends to mirror the Federal side, emphasizing fairness, equity, and open competition.

***Hiring and staffing:*** The Trust side is not covered by Title 5 but chooses to administratively follow Title 5 provisions to maintain a sense of equity between the two workforces. They treat the Trust side just like the Federal side in rating and ranking but do not apply veterans preference. However, managers may ask for exceptions to the rules. The EEO Office reviews selection and promotion actions on both sides. There is a peer review process for both Federal and Trust sides for senior research positions, using the Federal Research Evaluation Guide in reviewing and making selections for promotions.

***Classification and compensation:*** While exempt from Title 5 for classification and compensation, they administratively follow the classification system and GS pay to maintain sense of equity between the two groups (but call it IS pay). Pay progression is based on seniority/length of service, performance, acquisition of competencies/skills. One exception on the Trust side is that an employee can receive up to two steps or merit increases per year which means they can move more quickly up the step ladder. The second increase can only be given if the employee is rated outstanding. The Smithsonian Magazine staff with its own personnel system uses paybanding.

***Employee protections:*** The Smithsonian Trust personnel system is not covered by Title 5 for adverse actions, whistleblowing, or Hatch Act protections. They have an administrative appeals process (unions do not negotiate this) but nothing in place for whistleblower or Hatch violations. For terminations, they generally give 2-4 weeks notice but can fire on the spot; employees can appeal termination decisions to the Under Secretary. Trust employees can be separated with far less paperwork than Title 5 employees. The Equal Employment and Minority Affairs Office has had some success with a mediation process.

**Other features:** For the Trust system, HR policies are maintained and numbered to correspond to the CFR and the USC. The respondent noted that the Smithsonian was planning to make changes to Trust side to be even more flexible than the Title 5 side. The most unique component of the Smithsonian is the staff of the Smithsonian Magazine, which consists of about 50-60 people who work in a New York Office. They hired a contractor (Wyeth) to develop their own personnel system to be competitive in the industry. Their pay and benefits system is quite different.

### **Tennessee Valley Authority (TVA)**

**Organization:** The TVA is a wholly-owned independent, established in 1933 by the TVA Act, 48 Stat 58-59, 16 USC Sec. 831, to produce and market electric power. Under 16 USC 831 b and e, the TVA is not subject to classification and pay statutes but implements alternative mechanisms to attain the objectives of the statute. The Board hires and fires managers, assistant managers, officers and employees, attorneys and agents, fixes their compensation, defines their duties, and provides a system of organization without regard to provisions of Civil Service laws. Appointments, selections, and promotions must be non-political and based on merit and efficiency.

**Merit Principles:** The respondent was uncertain about MSP coverage, stating that the TVA is trying to move to a culture that emphasizes leadership rather than power. They derive their values including merit from their corporate values, which reflect merit and fairness. TVA tries to make selections fairly and afford all applicants an opportunity to apply. They look at each candidate's application to try to make the best selection based on their SKAs. They try to protect against abuse of the system by posting, competing and documenting. The new Star 7 (Strategic teamwork for action and results) initiative captures the seven core values.

**Hiring and staffing:** The TVA is not covered by Title 5. However, they generally apply Title 5 veterans preference requirements to trades and labor positions but not white collar. They fill jobs primarily through internal hiring/promotion. External recruitment is used primarily in the nuclear area. The respondent indicated that they offer only average

relocation bonuses and that caps on salaries limit ability to “buy” people. They use targeted recruitment, an internal vacancy announcement system (Intranet), an Internet announcement system, and they accept faxed resumes. They consider diversity and veterans preference to some degree in the rating and ranking process. In the final analysis comparable candidates can have a tie broken by veterans preference. The same holds true during a RIF.

They may use a management selection board in the hiring process. The selecting official identifies the hiring criteria then the board, composed of the selecting manager’s peers, customers, etc., interviews applicants for behavioral competencies while the selecting manager interviews for technical competencies. The board ranks the candidates from 1-3; the selecting official may also interview the top 3 candidates. This is now considered a good business practice and is improving the quality of candidates. In other cases, selecting officials make a selection from a Resumix list of candidates, usually after a structured interview. The TVA may use job reclassification for a promotion but generally all jobs are posted and competed. Probation varies by union.

***Classification and compensation:*** The TVA is moving from a Hay-based system to a market system to respond to the deregulation of utilities industry. The Hay system values power and authority and thus encourages the building of large staffs and technical skills, which is inconsistent with downsizing and movement toward softer skills like leadership and management. The Hay system also encourages internal equity within pay grades and job classes. TVA recognizes jobs are different even within the same classes and feel they need a classification and pay structure focused externally on the market where jobs are rated relative to the market not to points based on technical skills & knowledge. The surveys are difficult because the TVA jobs are only comparable in the utility industry; they have a problem getting good data for administrative jobs.

As directed by TVA legislation, blue-collar pay is based on prevailing rate surveys within the industry. TVA managers sit with unions to explain industry rates. Managers will be involved in validating the market data and classifications for their

areas. This is a big cultural change. Line managers will own and defend the survey data when challenged by employees. They must be able to understand and defend decisions on pay based on industry rates and not hide behind HR rules and pay structures. The unions can appeal rate decisions to Department of Labor. COLAs are negotiated.

The TVA currently has 11 pay grades soon to be replaced by 2 broad bands (starting with management at first). The point of reference will be market compensation not the mid-point of a pay scheme. Managers will be placed in the pay band based on a market survey, performance, and budget availability. TVA usually purchases market survey data from large survey firms. The system gives latitude for team performance and pay. Business plans contain strategic goals for the TVA; performance goals are tied to these. Pay increases are based on meeting org goals. For increases in base pay, managers have a pot of money for increases and must decide the distribution. Some employees may not receive an increase if deemed not warranted. Team-based pay is being considered. The gainsharing program is based on organization performance and profitability as a corporation. Represented employees get same payment (a flat share); managers can receive up to five percent.

***Employee protections:*** The TVA employees are covered by Title 5 for whistleblowing (not certain of appeal rights) and Hatch Act protections but not for adverse actions. They have progressive discipline procedures as well as a negotiated grievance process. Employees are covered by EEO laws. Employees have MSPB appeal rights only for RIFs.

***Other features:*** Most HR areas are negotiable but uncertain if staffing issues are negotiable or only grievable (hiring, qualifications, selection criteria).

### **Student Loan Marketing Association (Sallie Mae)**

***Organization:*** Established in 1965 by the Higher Education Act (20 USC 1087-2), Sallie Mae invests in education loans and extends credit to financial institution and others engaged in education lending in order to improve liquidity and enhance the availability of

education credit. It is considered a Government-sponsored enterprise (GSE). The president appoints 7 of the 21 board members. It must submit an annual report to the President and Congress and is also regulated by Treasury and Education Departments and reviewed by the General Accounting Office. Its employees are not considered federal employees for any purpose.

***Merit Principles:*** Sallie Mae is not covered by the Merit System Principles or any of the Title 5 employment policies. The respondent referred to all actions being consistent with corporate core values.

***Hiring and staffing:*** Sallie Mae reviews resumes received through employee referrals, newspaper ads, Internet postings and internal job postings. They do not rate and rank candidates. (There is no veterans preference or rule of three.) Jobs are posted internally for 3 days before being posted outside. Promotions occur through a career system, management determination, and competition (posting). Corporate policy dictates that candidates be considered for promotion/selection based on job qualifications with consideration given to any affirmative action goals for the year. No hiring or promotion decision is ever made based on any factor prohibited by applicable law (race, age, disability, etc). Personnel activity is analyzed at least annually to ensure compliance with corporate policy. There is a referral bonus available for all occupations, higher for IT referrals.

***Classification and compensation:*** The classification system is Hay point factor based with job slotting. There are 14 grades/pay ranges for non-executive employees. Pay progression is based on performance, position in range, and size of annual merit-pool. Annual merit increases are based on performance rating and where salary falls in the range. There is a variable pay system that includes an annual discretionary bonus for exempt and senior employees based on senior management recommendations.

***Employee protections:*** Progressive discipline is first handled through verbal coaching and the performance management system. The supervisor and employee may

establish a remedial plan. If the problem is not resolved, the manager/supervisor works with HR through the employee relations process. This can involve verbal and/or written warning, demotion, transfer, probation and/or termination. Employees can appeal adverse actions to higher level of management and to HR employee relations. Internal Audit acts as a neutral and confidential source where employees can take reports, complaints, or evidence of any illegal or unethical activity for investigation.

***Other features:*** The respondent reported they find it challenging to comply with extensive and sometimes vague state and federal regulations. There are no bargaining units.

### **United States Postal Service**

***Organization:*** The USPS was created in 1971 as an independent establishment of the Executive Branch of the U.S. government. It provides postal services to the nation, uses postal revenues and fees to provide mail and parcel delivery and other postal services. The USPS has specific authority to classify and fix the compensation and benefits of all officers and employees.

***Merit Principles:*** The USPS is not covered by the Merit System Principles but by the Federal Employee Code of Conduct. The respondent indicated the USPS has no set of values or principles at this time; however, they have a central mantra that guides their corporate interests: Customer Perfect!: 3 voices—customer, business, employees.

***Hiring and staffing:*** Title 5 covers the hiring and staffing process only in requiring the standard application of veterans preference which then requires the use of the rule of three. Rating and ranking is based on entrance exams with extra points for veterans preference. Collective bargaining agreements govern the filling of bargaining unit positions. Ninety percent of all craft employees are hired from competitive registers using entrance exams that have been validated and withstood legal challenge in the 1980s. They run registers out of each district office personnel shop, apply rule of three, and use structured interviews. The USPS does not actually post vacancies; instead, it



advertises for people to take the exam. They would like to move to a system where applicants get a score then apply for posted vacancies rather than sit indefinitely on a register. For the remaining ten percent of employee hires, they use rating and ranking and other merit practices. Management positions are usually filled from within and based on a merit promotion process. Candidates must identify their KSAs through a program named STARS (situation, task, and results). Applications are reviewed, and interviews and selections are made by an official or committee.

Internal promotions in the crafts are based on seniority; contracts are very clear about posting for bids on jobs and tours of duty. The selecting official provides written justifications for selection decisions. The USPS usually tries to promote from within. The language in the statute provides for “meaningful advancement” of its employees, which conveys idea of promoting from within. For non-bargaining unit employees positions are published every two weeks (hope to go on-line with this).

***Classification and compensation:*** The USPS is not covered by Title 5 for classification or compensation. Classification is the traditional Hay point-factor system based on the level of responsibility and the complexity of the position. The USPS used the Hay group to validate their classifications. The job evaluation unit does analysis for new positions and assigns a grade level with steps. Internal equity is a pressure point for grade parity.

There is a step system for bargaining unit employees, pay ranges for non-bargaining unit employees, and one broad band for executives. Bargaining unit pay rates and COLAs are subject to negotiation. Unions have at times bargained job security over COLAS but most union agreements build in COLA formulas.

Pay rates for EAS (executive and Administrative Schedule) non-bargaining unit employees are done in consultation with their employee organizations. EAS positions have 25 levels (grades), each with minimum, mid, and maximum points. For promotions, employees receive a certain percentage increase in moving to the new level. Increases in

pay for these employees is based on either the EVA payouts for exempt EAS employees or through performance evaluations for non-exempt EAS employees. Non-bargaining unit employees participate in a team-based, variable pay/bonus program for each of the Performance Clusters based on the 3 national goals of the Customer Perfect! Management system.

All non-bargaining union pay increases are merit-based--there are no step increases or COLAs. There are three types of merit increases:

1. Variable pay - EVA group award for the Performance Clusters based on meeting the national performance goals, areas goals and cluster goals set at the beginning of the year. All people within the cluster receive the same payout.
2. Merit increases are based on individual performance ratings. The increase is based on a combination of a matrix of increases plus the employee's location within the EAS pay level. He or she may get a cash payout (if at the upper end of the band) or an increase to base pay (if at the lower end of the band).
3. Individual Achievement Awards - like special act awards. May be monetary or non-monetary.

The EVA (Economic Value Added) bonus system is based on organizational financial performance. If the overall organization does not do well, there is no payout; to date, payouts have been lucrative and are therefore a motivator. They are using a Balanced Scorecard approach to accountability – financial, customer satisfaction, and employee development and productivity). The bonuses are a flat rate payout based on meeting organization goals. All eligible employees in a unit receive the same payout. EVA is based on the 3 components from the Customer Perfect Management System: voices of the customer, business, and employee.

Bargaining unit employee pay is negotiated with the unions. For pay progression there are step increases based on seniority. COLAs, which are tied to the CPI (agreed to by unions). Bargaining unit employees also have Special Achievement Awards, QSIs, and Meritorious Service Awards.

Executive and Officers have one broad pay band (salary cannot exceed ES1 under SES). These positions are evaluated and pay is set based on that evaluation (used contractors) to maintain parity with the private sector. All pay increases are merit-based. They are also included in the EVA award program. Pay for executives is capped at \$125,000 (internal cap). Pay for officers (vice presidents--approximately 40 throughout the USPS) is capped at \$148,400 including salary and bonuses (legislative cap); each job is classified at a certain salary. Because of the caps, variable pay is diminished. A major effort is underway to the bargaining unit employees more toward performance-based pay systems.

***Employee protections:*** The USPS is not covered for adverse actions or whistleblower protections but is covered for Hatch Act. Preference eligibles and all managers and supervisors have MSPB appeal rights for adverse actions. Preference eligibles also have MSPB appeal rights for RIF actions. Non-bargaining unit employees may receive warning letters and time-off suspensions. There is an internal appeal process for employees not covered by MSPB. Craft employees are covered by the collective bargaining agreement grievance/arbitration procedures. Whistleblower-type protections fall under established internal regulations and are investigated by the Inspector General. The General Counsel handles Hatch Act violations.

***Other features:*** The Postal Service has very strong and politically active unions. The relationship is highly adversarial. There are seven bargaining units and four major unions covering 95 percent of the employees. The Postal Service falls under the authority of the National Labor Relations Board not the Federal Labor Relations Authority.