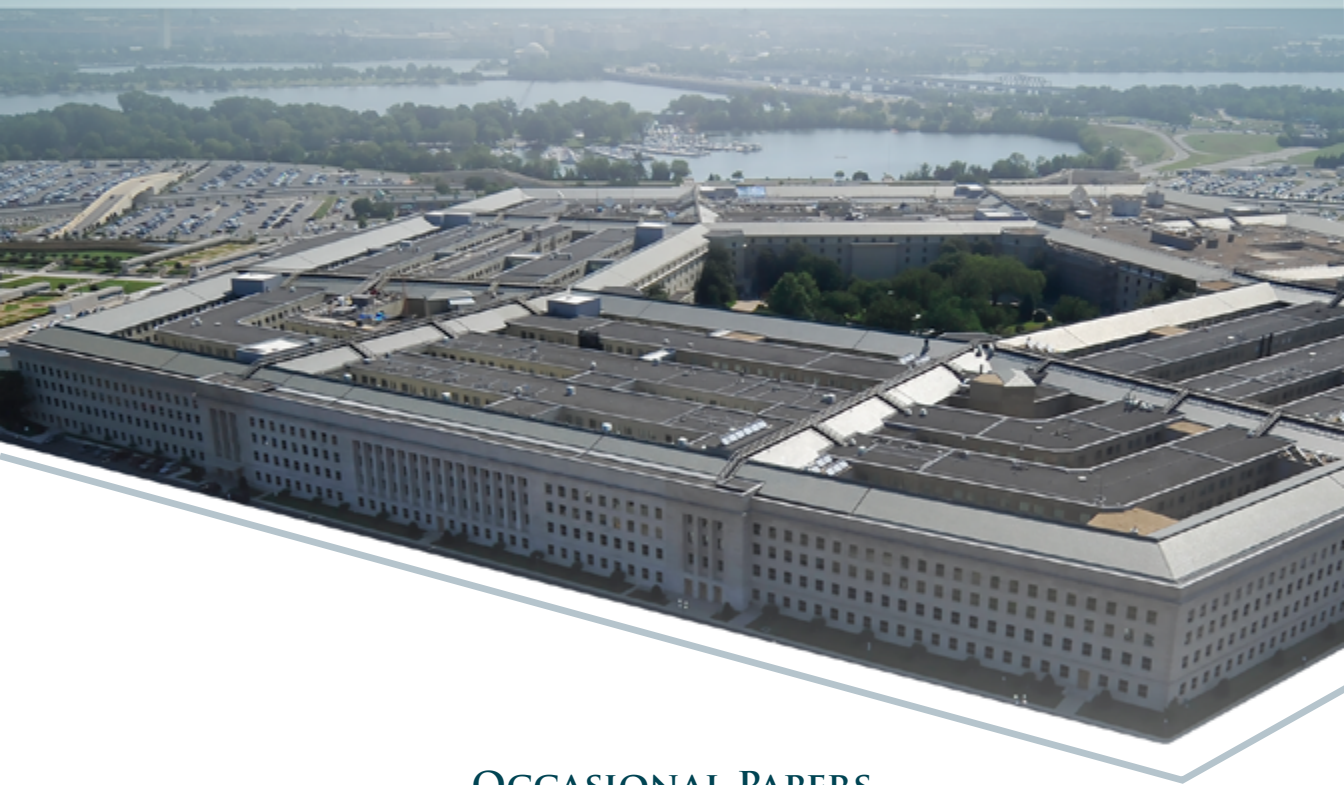
# NSPS

## The Brief, Eventful History of the National Security Personnel System

Anthony R. Crain



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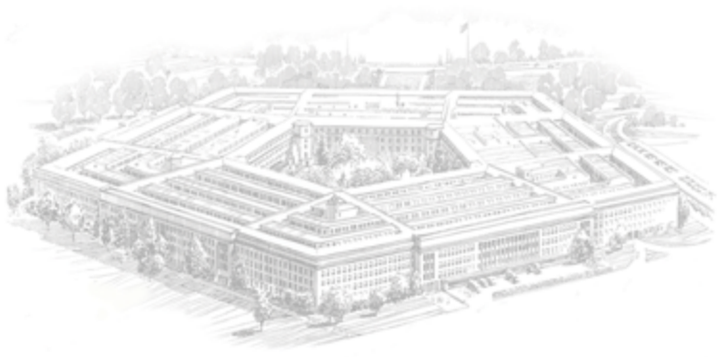

# Foreword

With the publication of this first occasional paper, the OSD Historical Office embarks on a new series that intends to provide scholarly perspectives on policy issues, offer a forum for our historians' papers presented at academic conferences, summarize office publications that are works in progress, or cover other discrete topics. All of our occasional papers will undergo rigorous peer review to help ensure that they meet high standards for research quality and objectivity.

In the course of doing research and shaping it into narratives, historians often catch glimpses of side avenues and byways diverging from their main route. The fortunate historians among us are able to bookmark these for later, and they often become their most interesting and meaningful projects. The National Security Personnel System (NSPS) is a case in point. The OSD Historical Office conducts and collects oral histories of Pentagon personnel at all levels. In the wake of Secretary Donald Rumsfeld's tenure, the National Security Personnel System was very much on the minds of Pentagon leadership and line workers alike. When we realized we had over 35 interviews that focused on NSPS, reflecting the opinions and accounts of its champions and its detractors, we decided to make an original contribution to a perennial discussion about how to strike the right balance between employee protections and managerial flexibility. As readers will learn in this short study, the discussion played out in spectacular fashion in the early years of the 21st century.

Years after the National Security Personnel System's dissolution, references to the system still evoke strong sentiments from those who engineered it, worked under it, and opposed it. The strength of protagonists' memories stems from the personnel system's importance to policymakers at every level. Personnel policy determines how individuals are hired, promoted, evaluated, compensated, reprimanded, and fired. At the top of the department, the secretary of defense is tasked with making DoD responsive to the president and accountable to Congress. When considering just the civilian side of the Department of Defense, the secretary manages a workforce larger than that of most corporations and which conducts a diverse array of missions. At the same time, the department must compete with the private sector to attract, retain, and promote the best and brightest civilian employees. Civilian personnel reform will remain a central concern for both Office of the Secretary of Defense (OSD) officials, who continually seek to attune management to ever-changing requirements, and those whose occupations and livelihoods are shaped by it.

Those who attempt future reforms will want to pay close attention to their precedents in order to address some fundamental questions. Is it better to gradually reform a longstanding system like the General Schedule? Or should it happen all at once? Is getting buy-in from all the constituencies (and within the Department of Defense, there are many) worth the effort, or does compromise weaken reform? Will memories of the NSPS effort linger, and how will those memories shape reaction to the next reform effort, be it large or small?

Anthony Crain's study of NSPS, based on dozens of oral histories, a newly acquired collection of archival material, and a careful reading of arguments for and against NSPS, won't settle these questions once and for all; history rarely provides clear-cut answers. But Dr. Crain elevates these questions and shows how each of the major stakeholders in the NSPS debate addressed them and shaped them. In taking on a controversial issue and taking all sides seriously, he's provided an auspicious start to the Occasional Papers series, which will showcase many of the surprisingly relevant topics that this office uncovers in the course of its broader research and service.

The author and I wish to acknowledge the many people who have provided invaluable advice and assistance. We are indebted to OSD Historical Office editor Allen Mikaelian for his meticulous review and thoughtful improvements. We also appreciate the astute critiques from OSD historians Glen Asner, Thomas Christianson, Joel Christianson, Richard Hunt, and Shannon Mohan and former OSD historian Jon Hoffman. And we are particularly grateful to Kathy Jones, OSD Graphics designer, for her artful design.

The occasional papers series as well as our other publications are available on the OSD Historical Office website. We invite you to peruse our collection at http://history.defense.gov.

Erin Mahan
Chief Historian
Historical Office,
Office of the Secretary of Defense
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## Introduction

In early 2003 Secretary of Defense Donald Rumsfeld attempted to transform civilian management in the Department of Defense by replacing the General Schedule (GS) system, the federal pay scale system that had governed most civil servants since 1949, with the new National Security Personnel System (NSPS). NSPS was a pay-for-performance system that established new regulations for civilian personnel compensation, promotion, discipline, reassignment, labor relations, and hiring. The system's creators within the Office of the Secretary of Defense (OSD) intended to give managers greater latitude to reward top performers with larger pay increases and bonuses than they had under the GS system. Because the Department of Defense employed about a third of all non-postal federal civilian personnel (roughly 660,000 civilians worked for DoD in 2003), NSPS was a significant challenge to the GS system that had implications far beyond the Defense Department. Rumsfeld's OSD successfully pushed the system through Congress but struggled to implement it effectively. At the system's zenith in 2009 over 200,000 civilians, less than one third of the total DoD workforce, were working under NSPS. After becoming a subject of great controversy, DoD wound down the system in the first years of Barack Obama's presidency.[1]

Since the formation of the Department of Defense, most DoD civilians have been governed by the rules and regulations of the Civil Service Commission or, after the Civil Service Reform Act (CSRA) of 1978, the Office of Personnel Management. NSPS was a reaction to, and even a rejection of, some of the precepts undergirding the civil service, such as the principle of "rank in job" and rigid job classifications, which stemmed from particular political and economic conditions of the late 19th and early to mid-20th century. In the minds of its architects, NSPS was an attempt to improve responsiveness, effectiveness, and efficiency with 21st-century management techniques. To accomplish these goals, the NSPS architects attempted to design, implement, and sustain a new system in a department that was managing complex military conflicts in Afghanistan and Iraq. They confronted a civil service culture deeply embedded in the federal workforce and fiercely guarded by members of Congress and public-sector unions, which had grown in prominence during the late 20th century. Ultimately, the ground beneath the reformers proved too unstable, the girders supporting NSPS too weak, and the effort too diffuse. NSPS collapsed in 2009.[2]

## The Winding Road from the 1978 Civil Service Reform Act to NSPS

The civil service system Rumsfeld wanted to replace was itself the product of a late 1970s push to bolster merit principles in government by reforming the General Schedule, a system widely viewed as inefficient and unmanageable. As Patricia Ingraham, a leading scholar of public administration reflects, "By the 1970s, the lack of internal consistency in the merit system, as well as the procedural baggage it had accumulated in the first hundred years of its history, created a system that was widely perceived to be broken." In a June 1977 Gallup poll, 67 percent of respondents believed that federal workers did not work as hard as private-sector employees—but 64 percent answered that government employees were better paid than private-sector workers, and 76 percent said that government employees received better benefits. The political atmosphere of the late 1970s was ripe for bureaucratic reform.[3]

*"Ask almost any government manager around the country about civil service, and you're likely to hear a long list of complaints: The system is enmeshed in a web of rules and regulations; tests of dubious validity are used for entry and promotion; exceptional government service goes unrewarded while mediocre performance is protected; civil service workers get virtual lifetime tenure."*

*Neal Peirce,* **Washington Post,** *17 December 1977*[4]

In 1977, responding to public discontent and seeking to assert greater executive control, President Jimmy Carter promised reform, claiming, "There is no merit in the merit system." He and his appointees concluded that regulations meant to protect the civil service from politicians had become so onerous that they impeded the president's executive authority. Carter hoped to enhance merit mechanisms with the Civil Service Reform Act (CSRA), which Congress, then controlled by Democrats, passed in October 1978. Rather than receive pay increases related directly to tenure, GS supervisors under CSRA received only half of their pay raises automatically. The other half were held in a pool and distributed to employees according to their performance. The CSRA also replaced GS grades 16 through 18 with the Senior Executive Service (SES), which gave top executives "rank in person," meaning that those executives could be reassigned throughout the government without losing rank. They faced more stringent but more rewarding performance evaluations than GS employees.[5]

Yet Congress dismantled much of the GS pay-for-performance apparatus in the following decades and many observers became increasingly convinced that the





CSRA had failed to strengthen civil service management. Critics claimed the CSRA pay pool system was unfair, lacked performance evaluation uniformity across agencies, failed to award high performers adequately, and did not improve performance. In 1984 Congress replaced the structure with the Performance Management and Recognition System (PMRS). PMRS standardized performance evaluations and made employees in the top two tiers of a five-tier appraisal system eligible for performance awards and competitive merit increases. Under PMRS, over 80 percent of midlevel managers received performance ratings that made them eligible for pay increases higher than the typical raise in the GS system. Nevertheless, managers complained the rating system was unfair. Moreover, the large number of pay increases caused personnel costs to rise steeply, and many claimed there was no commensurate improvement in performance. Congress scuttled the system in 1993.[7]

*"It gives managers more flexibility and more authority to hire, motivate, reward, and discipline employees to ensure that the public's work gets done. At the same time, it provides better protection for employees against arbitrary actions and abuses and contains safeguards against political intrusion."*

*Jimmy Carter, Statement on Civil Service Reform Act, 13 October 1978*[6]

The enactment of the CSRA and the federal government's subsequent difficulties in implementing widespread merit pay reform triggered a wave of public administration literature on pay-for-performance systems. Many scholars found that for merit pay to work effectively the system's employees had to be convinced that pay accurately reflected their performance. Others questioned the emphasis on pay as a motivator for improving performance. Jeffrey Pfeffer, professor of business theory and organizational behavior at Stanford University, found that pay-for-performance systems often motivated the wrong types of behavior. He stressed that the proliferation of pay-for-performance systems in the private sector did not constitute empirical evidence for the effectiveness of such systems but merely indicated a managerial fad. When examining the evidence, Pfeffer found that the pay-for-performance systems frequently "devolve into pay for ingratiation" or inadvertently incentivize cheating. Moreover, he argued that managers frequently chose to rely on monetary remuneration because it was simpler than an evidence-based management approach to improving an organization's culture. Pfeffer writes, "One might particularly question the relevance of financial remuneration compared to a public service motive in a work force that has chosen to work for the government instead, for instance, of going into investment banking." Rather

than emulate private-sector practices and focus primarily on pay as a motivating factor, Pfeffer argued for a broader improvement of organizational culture: "The often disdainful way in which various agencies and their employees are spoken about makes instilling a culture of pride in performance difficult. The continuing efforts to outsource, downsize, and cut governmental agencies sent not-so-subtle messages that the work, and the workforce, are not valued."[8]

Although establishing new methods of linking pay with performance throughout the government had proven difficult under CSRA, many small-scale pay-for-performance demonstration projects started under the act proved more lasting and provided lessons for future reform. Reorganization Plan No. 2 of 1978, which was passed along with the CSRA, created the Office of Personnel Management (OPM) and allowed it to experiment by operating up to ten different demonstration personnel projects simultaneously. Each could have a maximum of 5,000 employees and could last up to five years before Congress would decide whether to make the demonstration permanent. These experiments tested whether personnel policy changes might improve the performance of small and often specialized subsets (relative to the entire federal workforce) of employees and provide lessons for large-scale reform. The Naval Weapons Center (NWC) and the Naval Ocean Systems Center (NOSC) both started such systems. When OPM compared performance at these California-based labs with findings at two East Coast labs under the GS system, reviewers found that NWC and NOSC had better hiring results and higher performer retention results than their GS counterparts. Whether the means to success in small and relatively homogeneous organizations with specific missions could transfer to the entire DoD civilian workforce remained unclear. Yet, by the 1990s, budget decreases occurred as a private-sector technology boom heightened many policymakers' urgency for DoD civilian management reform. The department sought to do more with fewer resources.[9]

After concluding that CSRA had largely failed to achieve many of its architects' aims, Democratic and Republican policymakers in the 1980s and 1990s advocated new federal workforce personnel reforms inspired by the private sector. The resulting evolutionary changes would update rather than undo the GS system. One of the greatest changes came in 1987, when the Federal Employee Retirement System (FERS) replaced the Civil Service Retirement System, a generous defined-benefit plan that appeared increasingly archaic as the private





sector shifted to defined contribution plans. By combining a more modestly defined benefit pension plan with Social Security and a defined contribution plan, called the Thrift Savings Plan, FERS was intended to increase the flexibility of the federal workforce.

Nevertheless, reform initiatives were mostly limited to small demonstration personnel projects, blue-ribbon commissions, General Accounting Office (GAO) reports, and published books and articles that castigated the GS system. In 1989 the National Commission on the Public Service, chaired by former Federal Reserve Chair Paul Volcker, found that "even when the public sector finds outstanding candidates, the complexity of the hiring process drives all but the most dedicated away." Responding to these findings, Congress passed the Federal Employees Pay Comparability Act of 1990, which granted federal workers pay adjusted to local cost of living, sought to make private and public-sector pay comparable, and gave agencies new pay authority for critical positions.[10]

President Bill Clinton wanted further reforms to increase government efficiency and cut unnecessary regulations. Vice President Al Gore's National Performance


*President Bill Clinton and Vice President Al Gore present National Performance Review Awards for the Reinventing Government initiative on 1 June 1994. Gore's review sought to reinvigorate the federal government through streamlining and downsizing. The Bush administration later concluded that more needed to be done to enhance managers' authority. (FEMA Photo Library, Photograph by Andrea Booher)*

Review (NPR) concluded that taxpayers paid far too much for a "personnel quagmire," spending billions of dollars for 54,000 personnel staff to classify employees within a system of "459 job series, 15 grades, and 10 steps within each grade." Further, GS employees found themselves locked into particular job series, as their skills and experience could not be transferred. Succinctly damning the federal personnel system, Gore's reviewers wrote, "Does this elaborate system work? No."[11]

***"Fairness was achieved by treating everyone equally, but in a world full of compelling individual situations, 'fairness' became unresponsiveness. Bias was avoided by making sure local officials and front-line federal employees couldn't make discretionary decisions—even though they knew best what needed to be done—and by punishing them when they did. The result was a system that hobbled users and abusers alike, treated adults like children, and made everyone a suspect."***

***Al Gore in* Common Sense Government, *1995***[13]

Echoing the Volcker commission's findings, Gore's review found that the system had become so cumbersome that managers themselves often could not advise highly qualified aspirants on how to apply for positions. High performers felt unrewarded and underperformers suffered no consequences. In addition to recommending the decentralization of personnel management, the NPR concluded that some agencies would function better if many of their human resources practices were exempted from Title 5 of the U.S. Code, which codified civil service rules. In response, Congress exempted the Federal Aviation Administration in November 1995 from many personnel rules, including staffing, performance management, compensation, and reduction-in-force determinations. The Internal Revenue Service gained similar exemptions in 1998. Yet the vast majority of federal employees remained in the GS system.[12]

In 1998 Secretary of Defense William Cohen chartered the U.S. Commission on National Security for the 21st Century, which was cochaired by former Senator Gary Hart (D–CO) and former Senator Warren Rudman (R–NH) and became known as the Hart-Rudman Commission. In its final report, the commission warned that the nation faced "an unprecedented crisis of competence in government." It warned that the civil service faced a demographic calamity—as aging baby boomers retired, the government would need to recruit more talented young people: "Today's technological age has created sweeping expectations of speed, accuracy, and customization for every product and service…. Talented





people seeking careers where they can quickly make a difference see government as the antithesis to best management practices."[14]

The problems discussed in the Volcker Report, the National Performance Review, and the Hart-Rudman Commission continued to resonate with Defense policymakers in the ensuing decade. In 2000, in essays collected in *Keeping the Edge,* Defense officials with experience spanning multiple administrations urged a personnel management overhaul to prepare DoD for the 21st century. In his contribution to the volume, Ashton B. Carter, then professor of science and international affairs at Harvard University and codirector of the Preventative Defense Project, stressed:

> The current DOD Civil Service system is badly in need of reform. It is out of touch with the labor market that supplies its people; it inhibits professional development and innovation by its work force; and it is incapable of responding to the changing needs of the DOD. A new system is needed to attract and retain high quality, innovative people who can implement and manage the new DOD.

He wrote that a new system, severed from the General Schedule, could "attract the right people because it would have more flexible pay and hiring rules, portable pensions, contracts for limited periods of government service as well as easier entry, exit, and re-entry into the system." John White, deputy secretary of defense from 1995 to 1997, and David Chu, assistant secretary of defense and director for program analysis and evaluation from 1981 to 1993, concluded that "the Civil Service has to be judged a failure in its ability to adjust to changing requirements and encourage the innovation and continuous improvement needed."[15]

In February 2000 the Defense Science Board's Task Force on Human Resources Strategy also concluded that the civilian personnel system desperately needed a redesign and recommended that DoD reform its personnel system to adopt contemporary private-sector practices. Recognizing other agencies' successful breaks from OPM and anticipating the NSPS architects' early hopes, the reviewers recommended legislation amending Title 10 and Title 5 of the U.S. Code in order to transfer civilian management authority from OPM to the secretary of defense and permit the "Secretary to establish policies and develop force-shaping tools for all components of the new 'total force' and in doing so meet changing DoD requirements." With such authority, the reviewers believed, the secretary

could craft a more flexible system that could compete with businesses for the best employees. Many of these ideas would be put into action during the presidency of George W. Bush.[16]

## The Cabinet Secretary as CEO

In 2001 shortly after Bush entered office, the Office of Management and Budget (OMB) published *The President's Management Agenda*, which called for "freedom to manage" and encouraged agencies to make greater use of existing authorities while the administration sought statutory authority to reform management practices. Richard Falkenrath, special assistant to the president, later reflected that Bush intended "to treat department and agency heads like CEOs, and let them control their agencies."[17]

*Donald Rumsfeld escorts President Bush and Vice President Dick Cheney as they depart the Pentagon on 19 June 2001. President Bush wanted his agency heads to act as CEOs and aimed to give them greater management flexibility. (DoD photo by Helene C. Stikkel)*

Gradually, administration officials concluded that the General Schedule, created in 1949 when most government employees performed routine, standardized tasks, was unsalvageable. Believing that previous incremental reform efforts had failed to improve the personnel system, they concluded that attempts to save it would be overly burdensome, time consuming, costly, and ineffective.[18]

In April 2002 OPM Director Kay Coles James released a white paper recommending the total elimination of the GS, arguing that it had become top-heavy, failed to link pay to performance, and did not attract the best and brightest. Its passing should not be mourned, she wrote, as "the fact that a system like the General Schedule may be at the end of its useful life is nothing new in modern post-industrial organizations, as the Federal Government must become." OPM officials planned to replace what they saw as a moribund system with a modern meritocratic scheme. OPM officials wanted departments to work with them to transform their personnel systems rather than allow individual agencies





to unilaterally craft personnel systems that suited their purposes. The cabinet secretaries would gain greater flexibility by collaborating with OPM, which offered personnel expertise and experience, for the writing of enabling legislation and regulations.[19]

Such a plan anticipated someone with the background and temperament of Donald Rumsfeld. President-elect Bush wanted "a tenacious, innovative secretary" to transform DoD to reflect the geopolitical shifts brought by the Cold War's end, overcome bureaucratic resistance to changes, and create an "agile, lethal, readily deployable" military. He picked Rumsfeld, who had served as Gerald Ford's secretary of defense, to "run the bureaucracy, not let it run him." After leaving the Pentagon following Ford's defeat by Jimmy Carter, Rumsfeld had proved an effective CEO of two Fortune 500 companies. In both cases, he increased profits drastically by cutting costs, focusing the business operations on core missions, and hiring a close-knit, loyal team of skilled operators capable of influencing the government to ensure regulations did not become overly onerous. He regarded laying off surplus employees, or "pruning" as he termed it, as central to success and even good for those who had lost their jobs, as they could pursue careers more appropriate to their skills and interests.[20]

***"The system did not move people into the positions for which they were best suited, nor did it reward good performance. As I knew well, the ability to hire and reward the most talented and move underperformers into other lines of work was essential to success in the private sector. Yet due to congressional restrictions and the influence of government labor unions, it was nearly impossible for senior DoD officials to recruit, promote, transfer, or replace civilian workers efficiently."***

***Donald Rumsfeld reflecting on the General Schedule in his memoir,* Known and Unknown**[21]

Returning to the Pentagon in 2001, Rumsfeld attempted to bring his private-sector management methods to DoD to make the department more flexible and effective. Early in his tenure, one of his short and frequent memos, known as "snowflakes," revealed his distaste for what he considered an antiquated system: "Grade and rank systems [are] more than 100 years old and … were rejected years ago by the for-profit sector in favor of flatter, more nuanced organizations and compensation arrangements." In a 10 September 2001 Pentagon speech to the civilian workforce, he called the DoD bureaucracy "an adversary that poses a threat, a serious threat, to the security of the United States of America.… With brutal consistency, it stifles free thought and crushes new ideas." He stressed DoD's need to "employ the tools of modern business—

more flexible compensation packages, modern recruiting techniques and better training." As with other aspects of Rumsfeld's transformation drive, the successful legislative push for a personnel system change became possible only after the September 11 terrorist attacks, when Bush's popularity soared and Congress became receptive to legislation justified in national security terms. Rumsfeld's Quadrennial Defense Review, released on 30 September 2001, stressed DoD's need for "new tools to manage … and an overhaul of existing approaches."[22]

***"We talked to members and those on the Government Affairs Committee in the Senate and Government Reform in the House. They were a little territorial about it: 'Why are you divorcing from civil service? We have Homeland Security,' which they have just given some unique authorities, 'Why can't you just do the Homeland Security thing?' And my response was, 'You did good work with Homeland Security. We just want to go the next step,' so we tried to make it logical. I said, 'Use the Department of Defense as a laboratory. Let us try some of these things,' and we earned over months of hearings and meetings and sessions some degree of credibility where we could enjoy some confidence that it was going to move forward."***

***Charlie Abell, 16 September 2014 interview[24]***

After 11 September 2001 the White House began the largest U.S. government restructuring since the 1947 National Security Act. Bush announced plans for a new Department of Homeland Security (DHS) on 6 June 2002. The department's formation provided the administration with an opportunity to challenge the GS system and government unions. DHS and OPM worked together to institute Max-HR, a short-lived pay-for-performance civilian personnel management system at DHS that overrode collective bargaining requirements. Public-sector unions eroded Max-HR through lawsuits before the Democratically controlled Congress ended it altogether. OSD officials later viewed Max-HR as a cautionary tale that warned against close collaboration with OPM. They reasoned that, unlike DHS, DoD was an established agency and the secretary of defense already managed military personnel. With a proven executive at the helm, OSD could craft a transformational system on its own.[23]

Upon reviewing DoD personnel practices, Rumsfeld and his team concluded that the department faced considerable barriers to building a workforce with the proper set of skills to meet emerging technological challenges. Rumsfeld picked David Chu to serve as his under secretary of defense for personnel and readiness (P&R). Chu had earned a Ph.D. in economics from Yale University and had served as assistant secretary of defense and director for program analysis and





evaluation from 1981 to 1993. His first day on the job was 1 June 2001, nearly six months into Rumsfeld's tenure. Chu believed that the 1990s post-Cold War reduction of civilian personnel contributed to a demographic imbalance weighted heavily toward older employees that had to be addressed for DoD to operate effectively as the baby boom generation retired from the workforce. P&R officials concluded that the Pentagon had been hemmed in by rigid civil service rules and consequently relied primarily on hiring freezes, voluntary turnover, retirements, and buyouts to achieve this downsizing.[25]

But since civilian billets were simply eliminated after retirements, these methods had the unintended consequence of leaving the department with an older workforce. Between FY 1987 and FY 2002, the department reduced its direct-hire U.S. civilian personnel from 1,050,541 to 655,746, a reduction of almost 400,000 billets. The Office of the Under Secretary of Defense for Personnel and Readiness found that 73 percent of the DoD workforce was over 40 years old in May 2001 versus 54 percent in 1989. By the early 2000s, P&R officials concluded that the Defense workforce had more seniority, but managers lacked sufficient means to reward talent, competency, and performance, which made it difficult to ensure that the best employees would fill positions opened by retirement. Responding to the 1990s information revolution and correcting the missteps of the 1990s post-Cold War military drawdown, they believed, required the flexibility to change job categories in order to alter the demographic composition of the civilian workforce.[26]

***"The human resource challenges facing DoD have changed rapidly over the last decade as a result of many factors. A robust economy, civilian sector competition to fill high-technology positions, declining American public interest in public service, major changes in the Department's missions and operational tempo, and a significant downsizing of the Department's workforce are a few examples. Reducing the size of the overall workforce by more than a million personnel, from a high in 1987 of 4.1 million, has left in place a very different force distribution—in age, education, and skill."***

***Craig Fields,* Final Report of the Defense Science Board Task Force, *February 2000[27]***

Chu's P&R team concluded that DoD was struggling to compete with technology business juggernauts which had swept away long-established personnel practices. As the economy boomed, employers competed fiercely for the best college graduates and technical workers. P&R officials surmised that as the "Generation Xers are maturing into the mainstay of the workforce for future decades," the

imminent mass retirements of the baby boomers would mean that DoD would need to fill a talent and experience vacuum with the best and brightest of the "Digital Generation." To do so effectively, they would need to implement personnel practices to ensure that the best were hired, retained, and promoted, as "Digital Generation" candidates differed substantially from earlier generations that prized long-term job security. Rumsfeld's personnel team concluded that DoD faced great disadvantages in this competition; its hiring processes averaged five months and entry-level pay in some fields was inflexible and uncompetitive, while private companies often could hire promising graduates immediately and better match pay with skills. The secretary's team argued that because the Pentagon was at a disadvantage when it came to hiring technology-savvy workers, it increasingly had to rely on private contractors. Rather than navigating the myriad rules and regulations surrounding civilian hiring and management, managers increasingly decided, according to Chu, "I'm not going to bother hiring somebody; I'm just going to write a check to a contractor." The belief that the DoD civilian workforce faced a demographic and managerial crisis and needed more flexibility to deal with 21st-century challenges was the core assumption behind the creation of the National Security Personnel System.[28]

## The Best Practices Task Force

Responding to Rumsfeld's request for additions to DoD's 2003 legislative agenda, Chu emphasized, "If you're willing to take on a big issue, Mr. Secretary, the civilian personnel system ought to be one such issue." Rumsfeld was more than willing. When Deputy Under Secretary of Defense (Civilian Personnel Policy) Ginger Groeber told Rumsfeld that it was politically possible to institute pay banding, which would condense GS grades and steps into larger bands and give managers greater pay flexibility, he responded: "Is that all there is? Are you kidding me? Is this all you guys want to change?" Baffled by the numerous restraints on civilian management, he tasked personnel officials to come up with more comprehensive reforms.[29]

In response, Chu and Under Secretary of Defense for Acquisition, Technology, and Logistics Edward Aldridge launched the Best Practices Task Force to determine what they could learn from the demonstration projects operating under personnel rules substantially different from the GS system. Not wanting to lose momentum, Chu asked Groeber in March 2002 to conclude the study by





September, a turnaround "which was pretty sporty in terms of major bureaucratic reviews." In addition to assessing the demonstration projects, Groeber's reviewers collected evidence to address potential objections to a new pay-for-performance system, as they knew the department could not implement a transformative personnel system uncontested.[30]

*Under Secretary of Defense for Personnel and Readiness David Chu at a Pentagon media roundtable on 8 August 2001. Chu launched the Best Practices initiative and promoted the legislation necessary to implement NSPS. (DoD Photo by R. D. Ward)*

The speed of the review resulted in friction between OSD reviewers and the services. Although Chu and Groeber contended that the task force obtained service support for management change, many of those officials later remembered it differently. The military services and OPM also felt excluded from the review, according to some. Mary Lacey, then technical director of the Naval Surface Warfare Center and later NSPS program executive officer, recalled, "The thing that was troublesome was that the opinions and experiences of the people that had been operating under these alternative personnel systems, and in some cases for as long as 25 years, were really discounted." Moreover, although P&R made OPM aware of the Best Practices Task Force, the reviewers did not solicit the personnel agency's counsel. Personnel and Readiness also excluded OPM from the initial crafting of legislative proposals stemming from the study, believing that such collaboration would delay its implementation and result in incremental rather than wholesale reform. They wanted the system rolled out quickly, as they felt a quick launch would give the secretary the control over civilian personnel he needed to wage a global war on terrorism more effectively.[31]

## OSD's Initial Goals

In line with Rumsfeld's pursuit of military transformation, OSD personnel officials initially developed ambitious goals for NSPS. They wanted a system that rewarded top performers quickly, encouraged poor employees to improve or leave, and freed managers from impediments to promote, demote, or

reassign employees. They emphasized the need to appeal to the best college graduates, considered reducing the importance of veterans' preference to hiring and retention, and hoped to accelerate hiring and disciplinary actions. Most important, speed remained the architects' top priority as they considered a department-wide civilian personnel transformation.

In November 2002 Chu told Rumsfeld that after reviewing DoD's personnel practices, he and his staff recommended a system similar to AcqDemo, the acquisition demonstration project, for all Defense civilians. Implemented in 1999, AcqDemo sought to simplify and expedite hiring and replaced GS grades and steps with pay bands. What worked for acquisition personnel would work for the entire department, they reasoned. Rumsfeld agreed. Groeber named the proposed pay-for-performance system the "National Security Personnel System," stating that the name best described the system's raison d'être. Despite the NSPS architects' attempts to mimic the best practices of successful demonstration projects, lab directors with alternative personnel systems mostly wanted to continue running their own systems rather than subordinate themselves to an untested department-wide structure and successfully lobbied Congress to remain out of NSPS. As a consequence, the new system was deprived of many who had positive experiences with personnel reform.[32]

Key officials within the Office of the Under Secretary of Defense for Personnel and Readiness initially discussed limiting veterans' preference, reasoning that since the Pentagon looked favorably on those familiar with the military, it had already staffed itself with proportionally more veterans than other agencies. Moreover, because older veterans were mostly male and DoD recruited veterans heavily, the Defense workforce had become male-dominated, especially at the top of the GS scale. In 1998 less than 15 percent of GS-15 DoD civilian employees were female. P&R officials concluded that veterans, because of the preference, often received scores higher than better-qualified applicants, causing supervisors to reject entire applicant lists, restart hiring processes, and rework job postings in the hope of attracting more qualified candidates. OSD officials feared that the preference placed veterans in jobs for which they were underqualified, causing supervisors to work around them by hiring contractors.[33]

The NSPS architects also sought to sever DoD civilian employees from OPM. Rumsfeld came to believe, to his consternation, that OPM could successfully





stymie personnel decisions, making it difficult to select employees quickly to accomplish certain unique tasks. Thus, although Deputy Secretary of Defense Paul Wolfowitz recommended, for politically pragmatic reasons, emulating the DHS personnel legislation language regarding coordination with OPM, he also suggested providing the secretary with a "magic bullet" to overrule the agency: "On personnel matters that affect the ability of the Department of Defense to perform essential national security functions," the proposed legislation read, "the Secretary may overrule the [OPM] Director, subject to the appeal to the President." The secretary could of course interpret such essential functions broadly. Moreover, OSD wanted civilians entirely exempted from Title 5 of the U.S. Code, which codifies civil service policies, and placed instead under Title 10, which codifies armed forces personnel laws. OSD's original NSPS proposal read, "Notwithstanding all other titles, the Secretary of Defense may create his own human resources management system." OPM soon discovered and attempted to derail DoD's separation efforts, forcing Rumsfeld to assume a greater role in defending the proposed system.[34]

The system architects also excluded government employee unions from the initial stages of NSPS development. OSD officials feared that bargaining with the unions would result in numerous delays and a far less transformational system. Nevertheless, Groeber recalled that she had repeatedly tried to meet with union officials, who studiously avoided her. Moreover, she stated that union officials told her they wanted no part in formulating NSPS concepts but would wait for OSD to present them before commenting. She viewed unions' avoidance of early cooperation as a stratagem to quash NSPS by allowing union leaders to later claim that OSD had acted alone. Conversely, union officials viewed DoD's apparent willingness to meet with them as a ploy to allow OSD to later claim to Congress that they had sought union officials' input when they had not. The American Federation of Government Employees (AFGE) Chief of Staff Brian DeWyngaert and General Counsel Mark Roth believed that Groeber and her team had little genuine interest in working with the unions.[35]

Personal and Readiness officials worried most about opposition from AFGE, the largest union representing DoD employees. Chu appealed to AFGE President Bobby Harnage in January 2003, well before OSD publicized its legislative proposals: "If we don't change this system, the civilian workforce of this department is slowly going out of business because the rules are so cumbersome. When a

new function arises, no one wants to turn to civil servants. It's too hard to hire. It's too hard to pay competitively. It's too hard to manage." Harnage, however, felt that OSD exaggerated managerial problems and wanted to use the national security imperative as a pretext to degrade workers' rights and weaken the unions. Later, Chu concluded that the union leader refused compromise because he faced AFGE presidential reelection, and any concession to the Bush administration would doom his prospects. Despite his resistance, Harnage lost the election in August 2003 to John Gage, a more voluble foe of the administration's policies who had made opposition to NSPS a campaign centerpiece.[36]

Harnage's early opposition presaged the fierce battle unions would wage as Congress considered the NSPS proposal. Union leaders bitterly opposed the authorizing legislation at congressional hearings, attacking every aspect of the proposed system and accusing the Pentagon of nefarious motives and methods. On 29 April 2003 the AFGE president warned that the Pentagon was now directing the "shock and awe" approach it employed against Saddam Hussein's regime in Iraq on Congress in a quest to eradicate "decades of social progress" and punish "a workforce that has just made a crucial and extraordinary contribution to our victory in Operation Enduring Freedom." He accused OSD of "arrogance," "bully[ing]," mounting a "disinformation" campaign, issuing "the not-so-veiled threat that if they don't get the power they demand they'll simply privatize everything," moving "money and jobs to political favorites and cronies," and seeking "unchecked authority" for the secretary. He decried the pay-for-performance concept, asserting: "Expert opinion is unanimous that individualized pay-for-performance schemes, if they make any effort whatsoever to be fair and based on measurable factors, eat up an enormous amount of managerial resources and make everyone unhappy. They do not improve productivity and they do not accomplish organizational goals." Although Harnage exaggerated when he claimed expert unanimity, his warnings that NSPS would consume excessive managerial resources proved prophetic.[37]

## The National Defense Authorization Act for Fiscal Year 2004

In early 2003, as the Pentagon prepared for war with Iraq, Rumsfeld pursued White House backing for NSPS after it became evident that OPM had successfully attacked a key part of the proposal. OSD had submitted the legislative proposal directly to the OMB without prior consultation with OPM. Officials from OPM took up their cause with OMB, stating that exempting DoD from Title 5 would





give it an unfair advantage in personnel recruitment and retention over the rest of the government, allowing DoD to poach employees from other departments and agencies. OMB successfully pressed DoD to drop its exemption proposal.[38]

Forced to readjust tactics, OSD went after exemption authority through other means. Rumsfeld believed his cabinet-level status would allow him to convince White House Chief of Staff Andrew Card to arbitrate differences over NSPS legislation in DoD's favor. Rumsfeld, Wolfowitz, and Chairman of the Joint Chiefs of Staff General Richard Myers met with Card and the director of OPM at the White House. To Chu's surprise, Myers had offered to join them, explaining, "I think this is important. This is critical for the Department." After learning about NSPS, the chairman became an enthusiastic supporter of personnel system reform to better support the military. Card thought Rumsfeld brought along the coterie of top Pentagon officials to express DoD's earnestness but was concerned that OPM viewed the attendance of such a high profile group for an HR matter as indicative of DoD's hubris. In a tense meeting, the Defense leaders argued that the department already managed over 1.4 million active and 1.2 million guard and reserve military personnel. It could handle DoD civilians, both the GS employees and members of the Senior Executive Service. Card balked at DoD operating independently and refused to allow the Pentagon to drop veterans' preference or manage its own SES cadre. Nevertheless, the White House supported a national security waiver in the proposal to grant the secretary authority to prescribe NSPS regulations without the OPM director. OPM and DoD leaders both believed they had lost vital parts of their arguments and continued to promote contrasting agendas: the former attempted to link NSPS to the administration's

*Rumsfeld applauding President George W. Bush during his remarks before signing the National Defense Authorization Act at the Pentagon on 24 November 2003. In addition to funding the Department of Defense, the act authorized the secretary to implement the National Security Personnel System. (DoD photo by Helene C. Stikkel)*

wider personnel reforms while the latter moved to sever the system from the rest of the government.[39]

After gaining the administration's support, Rumsfeld allowed his P&R team to test congressional receptivity, which had improved markedly after the 2002 midterm election. For the first time since 1934 the incumbent president's party gained seats in both houses. With Bush's popularity rating at 63 percent prior to the congressional elections and the Global War on Terrorism preoccupying voters, the Republicans gained a majority in the Senate and retained their majority in the House.[40] Republican leaders were eager to give DoD authority to revamp its civilian personnel system. "I was knocking on an open door from their perspective," Chu recalled.[41] He found the chairman of the House Government Reform Committee, Thomas Davis (R–VA), and the Chairman of the House Armed Services Committee, Duncan Hunter (R–CA), particularly sympathetic to NSPS and critical allies. He and Groeber also tried to enlist congressional Democrats and met with those who privately expressed support for or interest in NSPS. Groeber recalled that after taking a seat in Senator Edward Kennedy's (D–MA) office, the senator's two Portuguese water dogs walked to her and lay on her feet. Kennedy told her that his dogs can detect the character of a person, and he had never seen his dogs do that. He said they trusted her and he would trust her. Although he would not support NSPS, he would not oppose it. But with many skeptical about its feasibility and others privately conscious of the need to maintain labor union support, most Democrats opposed the system.[42]

Throughout the months of legislative deliberations, Defense leaders repeatedly stressed the national security imperative heightened by the terrorist attacks of 9/11 to reform civilian management. Speaking in June 2003 before the Senate Armed Services Committee, Rumsfeld argued that 320,000 military personnel performed civilian functions. Replacing soldiers with civilians would relieve stress on military manpower while troops fought in Afghanistan and Iraq. He contended that supervisors had "to be freed up so they can make greater use of the Civil Service, rather than being forced to use military personnel or contractors because they cannot efficiently manage the DoD civilian workforce." He explained that 83 percent of civilians supporting Operation Iraqi Freedom were contractors and a mere 17 percent were civil servants: "Why? Because in most cases, the complex web of rules and regulations prevents us from moving DoD civilians to new tasks quickly. As a natural result, managers in the Department turn to the military or to private contractors to do jobs that DoD civilians could and should be doing."





Of course, the DoD's increasing reliance on contractors in the late 20th and early 21st centuries was not merely a result of cumbersome rules and regulations—DoD relied on privatization to maintain critical functions while official civilian and military personnel numbers stagnated or dropped, especially after the end of the Cold War. Yet, rather than just relying more directly on the private sector, Rumsfeld argued that DoD must emulate it.[43]

Democrats' strong opposition required OSD and congressional Republicans to resort to creative legislative maneuvering to push NSPS through Congress. Continued White House backing proved helpful since Bush's popularity was still high. Rumsfeld also enlisted Vice President Richard Cheney. David Chu recalled that OSD officials had explained to Cheney by video conference the merits of NSPS, about which he had heard "evil things." According to Chu, the vice president responded, "This is a sensible thing to do." The president's legislative team helped convince a sufficient number of House and Senate Republicans to support the enabling legislation. After four months of deliberation, the Senate and the House agreed on a final National Defense Authorization Act (NDAA) for fiscal year 2004 that granted DoD authority to implement NSPS. The labor relations sunset provision, which granted DoD the right to curtail collective bargaining until after November 2009 unless Congress authorized an extension, proved critical for compromise and later crucial for allowing DoD to parry the unions' legal attacks on the system. The House and Senate passed the conference report on 11 and 12 November, respectively, and Bush signed the authorization act on 24 November 2003. The act gave the defense secretary authority to develop and deploy NSPS, but because Congress did not approve his desired national security waiver, he had to do so in coordination with the OPM director. The secretary had gained enactment authority, but still needed a feasible implementation plan and had to work out what coordination with OPM would entail.[44]

## First Attempt at Implementation

Initially, the Defense Civilian Personnel Management Service directed NSPS implementation. On 1 December 2003 OSD established the NSPS implementation office; Bradley Bunn headed the office and reported to Groeber. The implementation team aggressively pursued ambitious goals, agreeing to convert the entire department within two years and stating that there would be one DoD civilian personnel system rather than separate systems for OSD and the services. By 11 February 2004 the team decided to migrate 300,000 DoD

employees to NSPS by October 2004, focusing primarily on white-collar employees. Rumsfeld and Chu set the tempo. With an emphasis on a speedy rollout and a desire to create the most transformational system possible, OSD developed NSPS plans without soliciting input or "buy-in" from demonstration personnel system leaders, the services, government employee unions, or the Office of Personnel Management. The lack of input helped cause the initial implementation drive to falter.[45]

***"The CPMS office at DoD was sharing information with OPM, but it was after the fact—'This is what we're going to do tomorrow.' … It wasn't 'Let's talk about what we might do next week.'"***

***George Nesterczuk, 26 August 2008 interview*** [46]

Groeber later spurned the notion that OSD had snubbed the services and argued that OPM tried to maintain excessive control over DoD personnel. Her actions were guided by the idea that too much cooperation, at too early a stage, would blunt the system's transformative edge and delay its rollout. Instead, OSD planned to present a fait accompli quickly, then persuade or pressure others to accept the system. She thus restricted planning for the transformation of the entire Defense Department's civilian workforce system to OSD. She believed, for reasons of national security, that the secretary should have the same authority to manage civilians as he did when managing the military and should not be forced to spar frequently with OPM over civilian management.[47]

Many military service human resource officials found this approach authoritarian. William Navas, assistant secretary of the Navy for manpower and reserve affairs, felt that Groeber "was under the impression that she could take the law into her own hands with a small group of her people in OSD—draft the implementing regulations, and issue them to the services … and the DoD agencies, and that they would be implemented in a very short period of time." Sharon Seymour, then associate director of personnel policy on the Air Staff, stressed that OSD demanded a quick rollout. She was of the opinion that Groeber "was not a particularly democratic person when it came to these things. [The political appointees] were in charge and we weren't.… [Groeber] was a hard case, she was hard to get along with." Seymour felt that the OSD's haste was meant to allow it to maintain design control and "jam" the system through DoD before the unions could mobilize against it. Yet union mobilization proved rapid enough to effectively resist the initial implementation attempt.[48]





Union leaders reacted soon after Congress passed NSPS enabling legislation. They agreed to a meeting with OSD and OPM officials on 26 and 27 February 2004. Prior to the meeting, OSD presented the unions with a paper that laid out NSPS concepts, including replacement of collective bargaining with union consultations. Even before the meeting took place, union leaders castigated NSPS in conversations with members of Congress and the media. And at the meeting, Groeber told union representatives: "The law says that DoD can put in place an NSPS, and the means for your participation, unions, is this process. It is meet and confer; it is not bargaining." Both her tone and the proposals infuriated union officials. In particular, they took exception to the proposed Defense Labor Relations Board, described by OSD as a third party that would resolve labor-management disputes. The unions assumed that the defense secretary would handpick compliant board members. According to the AFGE meeting minutes, one union leader complained at the conclusion of the second day: "I take exception because it is as if you are speaking to us like we are children." Another exclaimed: "I have sat here for the last two days listening to your bullshit. I represent over 600,000 DoD employees. We are not going to be a part of this dog and pony show anymore. We will leave our labor relations [people] and attorneys here to finish this."[49]

OSD's concepts also distressed officials at OPM and OMB. OMB questioned why OSD opted not to follow the personnel regulations established by the Department of Homeland Security and warned that the proposal threatened to diminish veterans' preference, which would contradict the administration's policy. On 9 March 2004 OPM Director Kay Coles James sent Rumsfeld a critique of the NSPS design proposals. She argued that the Pentagon's overreach endangered congressional support for the DHS system, NSPS, and the Bush administration's attempt to transform the entire federal personnel system. OPM officials found particularly alarming proposals designed to diminish veterans' preference, which they felt must remain "sacrosanct" in the new system. The proposed regulations would limit veterans' preference in reduction-in-force layoffs to only those with the most severe disabilities and would practically end veterans' preference for hiring decisions, she wrote. Moreover, under NSPS, veterans would no longer have the right to a pretermination notice and hearing after one year of federal service but would need three years like nonveteran employees.[50]

George Nesterczuk, the senior advisor to James on NSPS who had drafted the letter, recalled that OPM officials reasoned that DoD could not afford to have powerful veterans' groups joining the unions in opposition. If united, such forces

might kill not only NSPS but also other aspects of the administration's legislative agenda. The letter warned that the NSPS proposals were too specific and cautioned that poor execution could undermine their shared goal of transforming personnel management. OPM found the unions' negative response "predictable." Although OPM concurred with OSD's efforts to avoid being hamstrung by collective bargaining, the letter warned:

> The proposal may be contrary to law, insofar as it attempts to replace collective bargaining with "consultation" and eliminate collective bargaining agreements altogether. In addition, other elements of the proposal—for example, those dealing with union elections and dues withholding—lack a clear and defensible national security nexus and jeopardize those parts that do.

*Secretary of the Navy Gordon England addressing U.S. sailors aboard the USS* Theodore Roosevelt *in Norfolk, Virginia, before they deployed on 19 September 2001. In early 2004, Secretary Rumsfeld turned to England to review and overhaul the implementation of NSPS. (Photo by PHC Dolores L. Parlato)*

The letter recommended that OSD concern itself less with establishing deadlines and regulations and more with getting the support of the civilians who would be converted into the system. Although OPM was attempting to be helpful, the letter indicated just how far apart OPM and OSD remained on NSPS.[51]

Having sensed growing opposition, even before receiving James' letter, Rumsfeld asked Secretary of the Navy Gordon England to review the system on 12 February 2004. England had vast managerial experience as a senior executive at General Dynamics and viewed addressing civilian personnel matters as essential to DoD's long-term effectiveness. England had developed good rapport with James while working with her to implement the DHS personnel system when he briefly served as deputy secretary of homeland security. He concluded that the P&R implementation team's approach, widely perceived as unilateralist, would end in debacle. England reflected that their "approach was just not sound in terms of their expectations, what they could accomplish." He stressed, "I just couldn't





imagine we could implement a system this fast in the federal government without OPM." England later reflected, "That was not an appropriate way to do a new personnel system." Members of Congress who helped pass NSPS enabling legislation fulminated at DoD's approach and intimated that they would revoke NSPS authority if OSD did not change course.[52]

England persuaded Rumsfeld that implementation would require support from OPM and those who felt insulted and snubbed. He remembered telling the defense secretary that implementation would fail: "There was no possible way of implementing this in the Department the way it was being approached, and… ongress wasn't going to let us do it anyway, and, therefore, you'd better stop what's doing and recreate a whole new process for the National Security Personnel System." England warned that NSPS would end in a fiasco if rolled out without the backing of those who would implement it. OPM had already expended much political capital driving the new Department of Homeland Security personnel system through Congress. White House officials feared that if DoD veered too far from the course DHS had already set, the administration's efforts to reform management in the entire federal government would derail. England felt Chu's personnel staff had "let him down." He explained that "Their approach…was just not sound in terms of their expectations, what they could accomplish," and stressed: "Look…this thing that you want to implement might be the best thing since sliced bread. But in this town, the process for implementing it is as important, if not more important, than the end product."[53]

> ***"There was much trepidation… about moving forward in the manner and the speed that we were intent upon going. And Gordon England, who was then Navy Secretary, specifically was very upset with this. He went to Rumsfeld, so Rumsfeld moved authority over deployment from my office to England, as a person, in early 2004."***
>
> ***David Chu, 25 March 2009 interview***[55]

England argued for mounting a more significant effort over a longer period of time to achieve acceptance among all parties with an interest in the system. He presented his case to the Senior Level Review Group, an assemblage of top uniformed and civilian officials who met regularly during the Rumsfeld era. Groeber strongly disagreed, arguing that the implementation goals were carefully considered and realistic. England prevailed and advised a strategic pause along with a comprehensive redesign to allow OSD to address the system's shortcomings while gaining the trust

of those whose support was needed. Rumsfeld agreed. He opted for England, rather than Chu's office, to direct implementation, even while serving as secretary of the Navy. Groeber, no longer spearheading NSPS implementation, left the federal service shortly after England took charge.[54]

## The Secretary of the Navy Assumes Control

The change meant that the secretary of the Navy was directing a department-wide transformation—a rather unconventional arrangement. On 19 May 2004 England was designated the NSPS senior executive. The implementation team now answered directly to him, and the Office of Personnel and Readiness would assist the effort. England shifted the implementation focus to achieving broad support and preparedness for the new system through consultation and compromise. Moreover, he promised to work with OPM to implement the system and attempted to achieve union agreement. He accomplished far greater success with the former. Principal Deputy Under Secretary of Defense for Personnel and Readiness Charles Abell recalled:

> When Secretary England was tasked to oversee this, boy, that was Sir Galahad riding to the rescue. He came in. He said: Let's establish a workgroup, multiservice, which was a great idea, and, also, if he said it once he said it a thousand times, "The soft stuff is the hard stuff," and once we learned that, then we knew we had to focus on the soft things. It wasn't: "Get the pay grade out there." It was: "Get the performance management system right, and everything else would follow."… I was too close to the forest, and Secretary England brought that perspective in. He'd run a factory and he knew unions, he knew workforce, and he just had the temperament to sometimes tap me on the shoulder and say: "Take a break," and sometimes kick me in the butt and say: "Get going on this." I really appreciated it.[56]

England's management of NSPS gave it greater legitimacy throughout the department, as the system appeared less like the concoction of a single office and more like a broad DoD initiative that had to be taken seriously. The reform effort's standing increased further after England succeeded Wolfowitz, first as acting deputy secretary of defense in May 2005, and then as deputy in January 2006. Chu later stressed that although some personnel officials were upset that P&R no longer directed NSPS autonomously, "being Deputy Secretary allowed England to drive it forward in a way that my office by itself might not have without constantly appealing to the Secretary."[57]

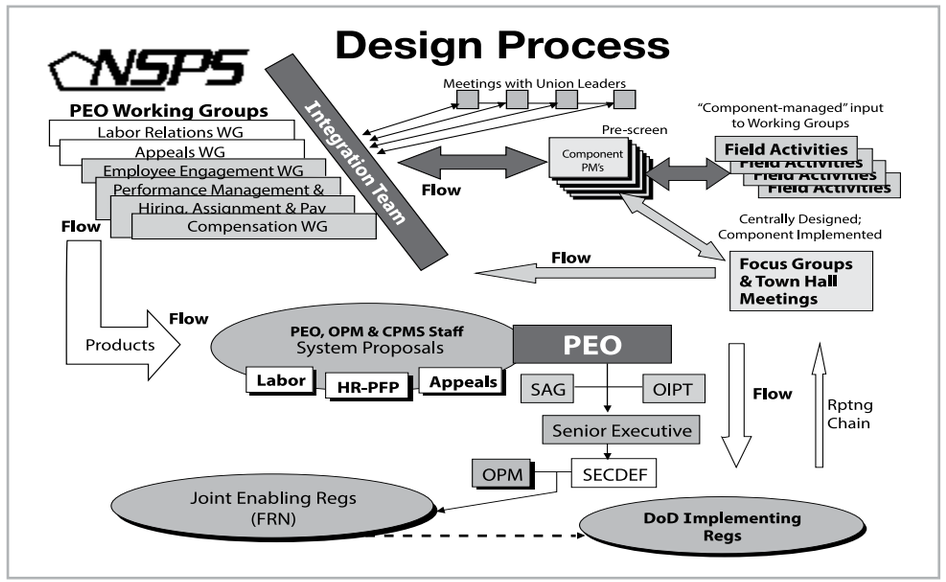




Once placed in charge of NSPS implementation, England created a Program Executive Office (PEO) that reported directly to him but was staffed by the Civilian Personnel Management Service, the agency that had previously led the implementation drive. He tasked the PEO with the "responsibility to design, develop, assess, and deploy a fully operational NSPS." On 8 June 2004 England appointed Mary Lacey, a mechanical engineer and experienced manager who had helped craft a broad pay band system at the Naval Surface Warfare Center as program executive officer of NSPS. England picked Lacey because of her experience managing the department's largest personnel demonstration project, her effectiveness at dealing with unions, and her enthusiasm for NSPS. Although Personnel and Readiness officials' feelings were "a bit bruised" because their implementation drive had been halted, the new NSPS leadership continued to rely on P&R staff to launch NSPS. Bradley Bunn, whom Groeber had initially tasked with implementation, became deputy to Lacey and served as the bridge between the new NSPS directors and the personnel and readiness staff, who continued to provide policy expertise. The PEO then started the work of implementing NSPS from scratch.[58]

*Gordon England outlines the processes used to develop the National Security Personnel System at a 7 July 2004 town hall meeting in the Pentagon. (U.S. Navy photo by Chief Journalist Craig P. Strawser)*

Review groups provided the PEO and the Navy secretary with thorough explications of every facet of launching an effective system rollout while integrating the views of service and OPM officials. Working groups, known as integrated product teams (IPTs), examined all aspects of NSPS implementation, including labor relations, public relations, and system rollout timelines. Above the IPTs, the Overarching Integrated Product Team (OIPT) sifted through the IPT reviewers' findings and briefed Chu and England. Demonstrating that OPM would now be treated as a partner, the OIPT was cochaired by Charles Abell and George Nesterczuk, the senior OPM advisor to DoD on NSPS, on matters




*NSPS had a rather elaborate design process after the strategic pause. Source: Image recreated from Patricia Adams' 21 October 2004 presentation, OSD Historical Office Reference Collection.*

related to DoD jointly prescribed regulations. The OIPT supported and advised both England and the PEO, making design recommendations for England to approve. Rather than establish NSPS regulations internally, as Groeber's team had planned, the new implementers opted to publish the rules in the *Federal Register* to bolster the system's legitimacy. OSD and OPM also collaborated closely in constructing new draft regulations and on plans for working with the unions.[59]

England decided to roll out the system in the same fashion that DoD introduced new weapons projects, staggering employee conversions in "spirals." He later reflected, "We piloted, launched it, learned from that spiral, the next spiral, incorporated the improvements.… Like you would turn a weapon system to the warriors, we would turn a new personnel system to the personnel community." The size of the spirals could then be adjusted based on the successes or flaws found in the earlier migrated groups.[60]

As a consequence of the new approach, OPM officials' tone changed markedly. Working with OPM, DoD dispensed with aspects of the system that the personnel





agency found most objectionable, such as the diminution of veterans' preference. An OPM concepts paper released in April 2004 mentioned Homeland Security's Max-HR and NSPS as "'designer systems'[that] represent the future of our civil service, flexible enough to fit an agency's unique mission and culture, yet inextricably connected to one another by the civil service values.…" Although OPM sought to allow agencies greater flexibility to engineer personnel systems best suited for their unique missions, James stressed the need for departments to rely on OPM's stewardship to ensure that the federal government did not become balkanized to the point where its leveraging power was jeopardized.[61]

Like Chu, England initially sought union acceptance of NSPS, meeting and dining with labor leaders in hopes of wooing them, while being careful to avoid giving them a say in the system's design. Like Chu, the Navy secretary found them implacable. He could not alter labor's staunch opposition, and meetings between OSD and union leaders remained hostile. OSD officials repeatedly stressed the need to break from the GS's rigidities and build a system that reflected 21st-century labor practices, technological changes, and the national security imperative for a flexible civilian workforce. Union leaders responded that NSPS was a thinly veiled, ideologically driven attempt to coerce DoD civilians into reverting to 19th-century conditions. England concluded that unions would never relent and later regretted that he had not initially excluded union members from NSPS altogether.[62]

Like OSD, the unions used the strategic pause, which they attributed to their own efforts, to reconsider strategy. In a press release, AFGE President John Gage triumphantly stressed, "Let us not forget, downplay, or even take for granted the fact that DoD's recent turn of direction is the result of the continuous and thunderous outpouring of outrage by federal employees (DoD and other agencies), AFGE, and our sister unions since DoD announced its concepts paper on February 6th." In February 2004 36 unions representing Defense Department employees had united in opposition to NSPS.[63]

The unions condemned NSPS before draft regulations had been published. Lacey had unintentionally given unions further ammunition by stating that the implementation team would "go dark" while drafting regulations. Her purpose had been to allow OSD and OPM to agree to regulations before presenting them to the unions, as many of the regulations would change through interagency negotiation and, she felt, union involvement would only create confusion and consternation. The unions, however, accused OSD of sinister secrecy. At

AFGE's Legislative and Grassroots Mobilization Conference in February 2005 Gage joined John Sweeney, president of the AFL-CIO, in denouncing the system. Gage said, "NSPS will put the squeeze on employees by enabling the agency to mess around with pay, work schedules, leave, and evaluations without any meaningful appeals rights." Sweeney added: "The Bush Administration is now stepping out way beyond any appropriate flexibility in work rules and into radically undermining good pay, decent workplace standards and workers' rights throughout the federal workforces.… We are here to tell the Bush administration that the attack on workers' rights ends here."[64]

On 14 February 2005 OSD published the outline of NSPS as draft regulations in the *Federal Register* for public comment, which resulted in a deluge of concerns. Over 57,000 citizens made public comments, expressing anxiety over the erosion of collective bargaining, the reduction of adverse actions and appeals rules, and the enormous power the system would give managers.[66] Although unions disagreed over specific objections, they united in overall opposition to the system. Simultaneous with the draft's publication, the AFGE sent a message to its members entitled, "The Valentine's Day Slaughter of DoD Civilians," which claimed that NSPS would give supervisors the arbitrary power to fire or relocate civilians and promised that the unions would "engage in what will become the biggest grassroots mobilizations of American workers ever seen." The United Defense Workers Coalition (UDWC) objected to the proposed system "in its entirety" and recommended against its implementation unless it was completely revised. The coalition stated that DoD officials had refused compromise and rejected the coalition's offer to create a system with components ensuring that employees' pay remained comparable to the private sector. Moreover, the UDWC stated that DoD refused to negotiate over linking fixed percentages to performance levels, or for guaranteeing collective bargaining for employees belonging to unions once the system was in place. Moreover, the coalition questioned the pay-for-performance system and the pay pools, arguing that they gave managers "excessive power to manipulate ratings and payout decisions"; that performance appraisals "notoriously" failed to evaluate performance accurately; and that the pay pool system, in which an

***"To me, with my Navy background, going dark is a term that means you are going silent. There is a period that a submarine goes down. It goes dark. Runs dark, runs deep. It is quiet. We had gotten all the input we were going to get from the unions. We had gotten lots of input, and it was time to sit down and write the draft regulations."***

***Mary Lacey, 16 January 2009 interview*** [65]





additional layer of supervisors reviewed whether managers' performance evaluations fairly determined pay, merely compounded the unfairness of the entire system. They objected to the "concept and legality of pay pool panels and pay pool managers with authority to manipulate the system." Moreover, the UDWC argued that DoD had failed to explain adequately how employee reassignment or promotion would affect pay, did not provide clearly defined performance measures, diminished the employee appeals process, provided the secretary with arbitrary power to institute force reductions, and unlawfully degraded the collective bargaining powers of unions.[67]

Just before the UDWC submitted its condemnation, the Senate held hearings on the proposed regulations. Abell and Nesterczuk both argued that the system neither infringed on employee rights nor on veterans' preference. Gage countered by stressing that by not allowing performance evaluations to be subjected to the union's negotiated grievance and arbitration process, the new system would allow political cronyism and personal favoritism. Moreover, he argued, the weight performance evaluations given in NSPS would lessen veterans' preference in retention decisions. He said that performance incentive tools existed in the GS system but were underutilized because of perennial budget constraints. He cited scholarship by Jeffrey Pfeffer to argue that that pay-for-performance did not measurably improve performance, consumed managerial resources, and caused most workers to lose pay and become increasingly discontented.[68]

In response to union comments, DoD adjusted aspects of its pay-for-performance system before DoD and OPM announced the submission of the final regulations to the *Federal Register* on 26 October 2005. DoD changed the system regulations to mandate that supervisors provide employees with performance expectations in writing, establish a 6 percent minimum pay increase for promotions, and permit bargaining unit employees to use negotiated grievance procedures to challenge performance ratings. It also limited the number of times DoD could reduce an employee's pay because of misconduct or poor performance to once per year.[69]

Despite DoD adjustments in response to public comments, the unions continued to criticize the system and used legal means to attempt to block implementation. AFGE filed suit against DoD (*AFGE v. Rumsfeld*) on 7 November 2005, causing DoD to further postpone implementation. The lawsuit accused DoD of a "failure to abide by the requirements of 5 U.S.C. § 9902(m)(3) in developing a labor relations system for the Department of Defense" and of establishing "a DoD

labor relations system and employee appeals process that are contrary to law." The U.S. District Court for the District of Columbia decided on 27 February 2006 in AFGE's favor on collective bargaining, the National Security Labor Relations Board, and adverse action appeals. The court ordered DoD to freeze NSPS labor relations regulation and employee appeals procedures but allowed nonbargaining employees in Spiral 1.1, the first group selected by OSD, to migrate into the system. The unions continued to object to the system as DoD appealed the district court ruling and proceeded to implement NSPS's performance management, compensation and classification, and workforce-shaping provisions for Spiral 1. DoD appealed to the U.S. Court of Appeals, which, citing the law's sunset provision, overturned the district court's ruling. The U.S. Supreme Court refused AFGE's filing of a writ of certiorari, which would have resulted in a Supreme Court Review of the U.S. Court of Appeals decision. Despite this legal victory, on 17 September 2007 DoD announced it would move ahead with NSPS human resources regulation for nonbargaining unit employees only.[70]

*England and Chu meet with media members to outline NSPS implementation plans on 14 April 2004. (U.S. Navy photo by Chief Journalist Craig P. Strawser)*

The strategic pause proved highly consequential. OSD had perhaps avoided a total debacle by postponing implementation and gained a powerful advocate in Gordon England. Yet the delay allowed union opposition to crystalize, resulting in a later rollout at a much slower pace than the architects had originally envisioned and giving the unions time to coordinate strategy for mounting a sustained attack on the system. Moreover, renewed efforts to reach out to unions failed, and union leaders simply viewed DoD's pause as an indication that their opposition had been effective. It had, after all, been the substance of NSPS proposed changes—not merely OSD officials' tone—that had provoked the unions.





## Implementation

It was not until spring 2006 that OSD finally began rolling out the most significant personnel change since the Civil Service Reform Act, but they did so on a far smaller scale than initially anticipated. England gave Lacey great leeway. Rather than require that she constantly seek his approval, he stressed that she should use her best judgment while keeping him informed and allowing him to give her "high cover" when needed. He told Lacey that implementation should be "event-driven" rather than "time-driven." Instead of requiring conversion to follow arbitrary deadlines, progress would follow capability. Earlier, on 15 December 2004, England had stated that DoD would begin converting 300,000 employees into NSPS as early as July 2005, with 60,000 personnel migrated in the first phase. Yet as a consequence of rollout preparedness difficulties and union legal challenges, just 11,000 employees were included in the 30 April rollout of Spiral 1.1.[71]

*Gordon England and Acting Director of the Office of Personnel Management Dan Blair at a joint press conference on 10 February 2005. England strove to work more closely with OPM. (U.S. Navy photo by Chief Journalist Craig P. Strawser)*

Lacey anticipated that early spiral success would convince those slated for later migration that NSPS was better than the old system. The system's architects hoped that eventually even some union members would clamor for admission after hearing of migrated employees' satisfaction. However, they also predicted that it would take years for those in the early spirals to become satisfied with NSPS as managers learned their new evaluation responsibilities and employees adapted to new performance expectations. To achieve early success, the PEO selected for the first group managers who most enthusiastically supported change and whose organizations were best prepared to adapt to a new pay-for-performance system, but implementers, Sharon Seymour recalled, also "twisted some arms" when employees were not so enthusiastic. Many who had their arms twisted were human resources personnel.[72]

OSD officials later gave Spiral 1.1 implementation mixed reviews, and early failures damaged managers' and employees' perceptions of NSPS. Bradley Bunn

later bemoaned early information technology (IT) problems, remembering the rollout as "a perfect storm of things devastating in the damage it really caused." He admitted, "We over-engineered the system." Early system glitches frustrated managers and employees alike, causing lasting damage to the system's repute. Participants found the process of establishing annual work objectives excessively cumbersome, as employees and managers would "ping pong" objectives back and forth. Even relatively simple issues such as setting passwords proved overly complex. Reflecting later on the early Performance Appraisal Application (PAA) rollout, Mary Lacey remembered thinking: "Oh my God. This is so bad." Michael Dominguez, Charlie Abell's successor as principal deputy under secretary for personnel and readiness, acknowledged the early IT problems but, nonetheless, called the system rollout a "case study in how to do it right." He credited the service secretaries' and England's leadership as well as the handpicked conversion group's talent and enthusiasm for overcoming early IT obstacles. He recalled that the group "bowled through" the "broken" performance management and evaluation IT system.[73]

***"Well, theoretically I should have had a lot of leeway because they were supposed to be working for me. I was the customer, but the truth of the matter was that generally they did not listen a whole lot to what I had to say. It was the way they were going to do it. It was very frustrating. I actually even brought in a systems engineer to be my person that was going to oversee the work, and they effectively would ignore him. The problem with the first version was it just was not user-friendly, and they made no attempt to really make it user-friendly."***

***Bradley Bunn, 12 September 2008 interview***[74]

## System Mechanics

Where implemented, NSPS substituted pay bands for the 15-grade GS pay system. Ideally, managers could use pay band flexibility to pay qualified hires at more appropriate levels than their GS counterparts. Equally important, performance bonuses and pay raises would be based on pay pools—numerically limited groups of similar employees—which would ensure fiscal discipline and discourage evaluation inflation. The funds for a given pay pool were equal to the amount of money that would have been allocated under the old system to near-automatic step increases within a grade, annual pay raises, quality step increases, and bonuses. By tying all this money more closely to performance, the rewards were greater for those employees deemed to be the best, while lower-





rated personnel saw their pay increase much more slowly than it would have under the GS system. To successfully implement NSPS, OSD had to shift the department's understanding of fairness. As Stephen Kreiser, a Department of the Army civilian, argued, the success of NSPS rested with managers' ability to shift the culture from one prizing consistency to one rewarding individual performance, emphasizing that "it is not fair to treat everyone as equals."[75]

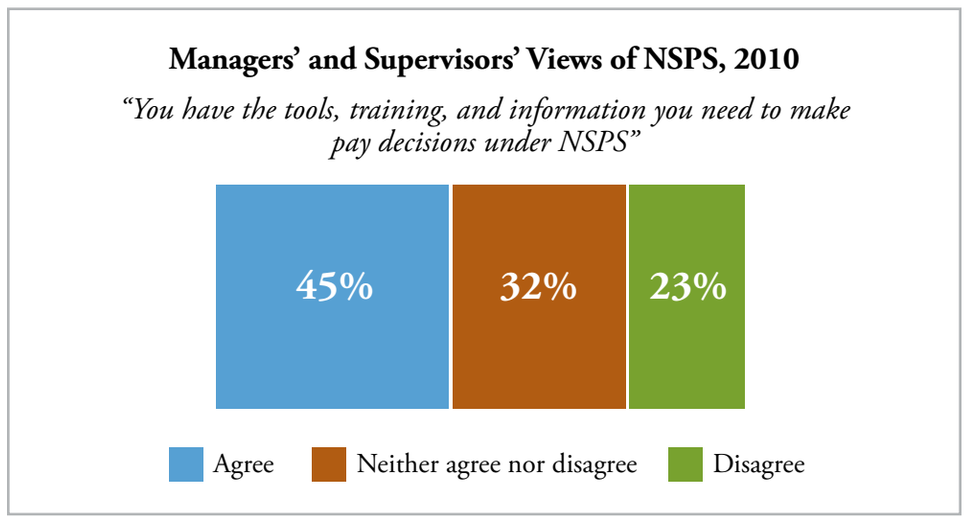
The system divided employees into four career groups: Standard Career Group; Investigative and Protective Services Career Group; Scientific and Engineering Career Group; and Medical Career Group. It further divided each career group into four pay schedules: Professional/Analytical; Technician/Support; Supervisor/Manager; and Student. Each pay schedule had from one to four pay bands, with most schedules containing three: Expert, Journey, and Entry/Development. Regardless of career group, most NSPS employees belonged to the second pay band, which collapsed numerous GS grades. On 30 April 2009, 68.5 percent of the NSPS workforce belonged to NSPS Pay Band 2 (PB2).[76] Starting salaries for new hires depended on the career group. Professional employees, for example, earned significantly higher entry-level pay than Technician/Support employees.[77]

*On 28 April 2006, England signed the document authorizing the first group of employees, Spiral 1.1, to be moved into NSPS. This launch came far later and was much smaller than the architects had initially planned. (DoD Photo by R. D. Ward)*

The system allowed for alternative forms of competition in order to, according to a manual given to employees to help them understand the system, "minimize paperwork while filling the position with the right person at the right time." For instance, a manager could select a subordinate for an "exceptional performance promotion," without that employee applying for a position in the same occupational code, or specific position type, if he or she had received the

highest performance rating in their most recent performance appraisals, and if the manager considered other candidates with the same performance scores. A manager could also use "alternate certification" to request an employee by name. A job offer could be made after the human resources office determined that the skills of the candidate named by the manager met the position's qualifications. NSPS allowed the components to establish boards to recommend and evaluate candidates for vacant positions. Managers could thus fill a position without advertising a vacancy.[78]

The system architects sought to give managers and, to a lesser extent, employees greater pay and reassignment flexibility while increasing the level of interaction between supervisors and employees. In the GS system, managers often cannot change job duties without reclassifying a position, but a supervisor in NSPS could simply assign new tasks to employees within the same pay band. If DoD management directed reassignments, an employee could receive up to a 5 percent base pay increase for each reassignment. As in the GS, NSPS employees' evaluation periods spanned the fiscal year. At the annual review, supervisors provided employees with narrative evaluations that they converted into numeric scores on a five-point scale (1: Unacceptable, 2: Fair, 3: Valued Performer, 4: Exceeds Expectations, 5: Role Model). In determining scores, supervisors considered "contributing factors" for each evaluation criteria. Such factors included critical




*Source: 2010 Status of Forces Survey of DoD Civilian Employees*

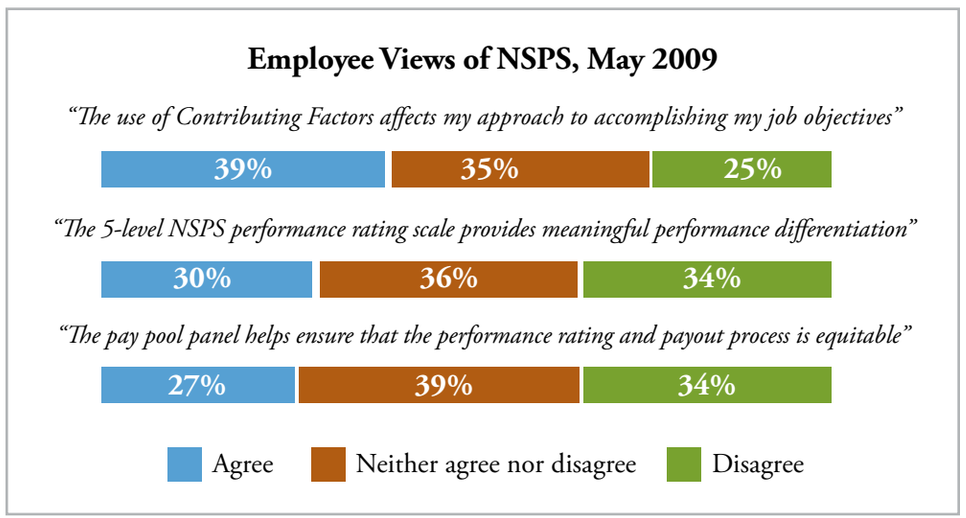




thinking, cooperation and teamwork, communication, resource management, customer focus, technical proficiency, and leadership. The manager could increase or decrease individual overall scores by one point on the basis of contributing factors. Employees had to attain an overall score of at least three to be eligible for a performance-based pay increase but would automatically receive an overall score of one if they received a one for any performance objectives.

Managers could issue corrective actions to underperforming subordinates. Such actions included remedial training, an improvement period, a reassignment, an oral or written warning, a letter of counseling, a written reprimand, and other adverse actions. Under NSPS, employees could have their base salaries decreased because of an adverse action by a maximum of 10 percent per year. Such a pay reduction could only occur once in a 12-month period.[79]

Employees could write requests for rating reconsideration to pool managers within 10 days of receiving their assessments. The pay pool manager had 15 days after receipt of the appeal to respond with a written explanation of his or her determination. If employees remained dissatisfied, they could submit requests, within five days of receiving the pay pool manager review, to the Performance Review Authority, which supervised pay pools across the department to maintain evaluation consistency. Workers belonging to bargaining units could




*Source: 2008 Status of Forces Survey of DoD Civilian Employees*

file grievances through the department's negotiated grievance procedure. In comparison with the GS system, NSPS significantly curtailed the effectiveness of employees' appeals against adverse actions by allowing DoD to modify the rulings of administrative judges on the Merit Systems Protection Board.[80]

Unfortunately for the implementers, the evaluation and payout process proved riddled with problems. In its review of the January 2008 payout, GAO, which was itself under a pay-for-performance system, found that managers were told to rate most employees at level three ("Valued Performer").[81] Most managers were hesitant to rate employees at the levels one or two, because low ratings required extra paperwork to justify; the pay pools could revise the initial performance appraisal if the documentation was not convincing and thorough. The ability of the pay pools to revise managers' ratings made both managers and employees afraid that poorly written documentation would affect employee payouts. Indeed, one pay pool panel member told internal reviewers that writing quality was a factor:

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

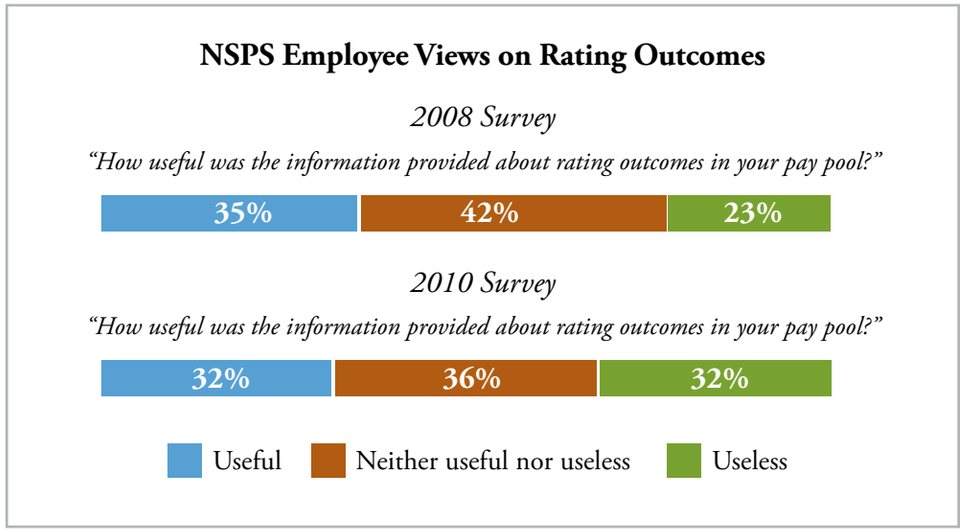
One discussion group told GAO examiners that, because of the extensive detail demanded in these discursive evaluations, it took an average of four hours to evaluate each employee.[82]

As with any new major personnel reform, system success ultimately depended upon managers evaluating employees fairly and competently, and supervisors were themselves assessed based on their performance management effectiveness. Temporary faults would appear whenever managers favored certain employees over others for nonwork reasons or when administrators gave all employees equally high evaluation scores, thereby forcing the pay pool panels to adjust numerous employee ratings. To ensure individual evaluations were fair and also to avoid across-the-board inflation, a panel of senior managers reviewed all evaluations in each pay pool. The pay pool panel compared all evaluations with the goal of ensuring that different managers were applying similar standards, and





that those employees who received the highest or lowest ratings truly deserved them. The panel could and often did send evaluations back to a manager to be rewritten or reranked. A pay pool manager made final decisions based on the panel's recommendations.[83]




*Source: 2008 Status of Forces Survey of DoD Civilian Employees*

Although NSPS banned evaluation quotas, the system was designed to be cost neutral. Since only a small portion of employees could be given the highest ratings for the system to remain fiscally sound, the pay pools were set at a fixed amount. Unlike in the GS system, an employee's pay raise would be determined by both the number of shares of the overall pay pool funds that a manager had at his or her disposal and the value of each share.

Since the number of shares would be divided by the fixed pay pool total, those pools with a high proportion of top-rated employees would receive shares with lesser value than those received by top employees in pay pools with a higher percentage of employees receiving lower ratings. The system sought to offset this phenomenon by creating a discretionary Organizational or Team Achievement Recognition Payout to boost base pay and/or bonuses in an entire pay pool in addition to individual increases. Advocates of the system claimed this rewarded top performers rather than prizing average performers. The portion of the pay increases allotted to bonuses versus base salary increases varied according to

**Performance Rating Scale and Associated Rewards in the National Security Personnel System**

| Performance Rating | "Shares" Received | Standard Salary Adjustments Received |
|---|---|---|
| 5 - Role Model | 5 to 6 | Performance-based pay increase<br>Rate range adjustments<br>Local market supplement increases |
| 4 - Exceeds Expectations | 3 to 4 | |
| 3 - Valued Performer | 1 to 2 | |
| 2 - Fair | 0 | Rate range adjustments<br>Local market supplement increases |
| 1 - Unacceptable | 0 | No increases |

*Source: CBO, A Review of the Department of Defense's National Security Personnel System (November 2008)*

numerous factors, such as the type of work performed, the compensation increase distribution in comparable labor markets, and the proximity of an employee's base pay to the pay band's upper limit. If an employee reached the pay band's maximum base salary, bonus pay would constitute the entirety of performance-based pay.[84]

The system's architects had created the pay pools to ensure evaluation and payout consistency, but instead, paradoxically, they raised fairness and efficiency concerns. To achieve evaluation flexibility across a diverse organization, NSPS operated a total of 1,600 pay pools. Yet the attempt to ensure flexibility sometimes resulted in different payouts for similar accomplishments. To lessen the chances of unfairness, senior leaders spent substantial time away from their normal functions to serve as pay pool panelists to appraise supervisors' evaluations. One pay pool manager told internal NSPS reviewers: "I spent two weeks with the sub-pay pool. This is undoable in the long term. It needs to be more efficient. We are going through each appraisal line by line and analyzing it." After receiving rating changes from pay pools, managers felt they received inadequate explanations, which further complicated management-employee rapport as supervisors struggled to explain why the employee received a lower than expected evaluation. Many supervisors and employees did not understand how the pay pool process worked, which



created suspicion and distrust. The system's architects and managers were never able to put these concerns to rest.[85]

Moreover, although most workers ranked as "valued performers" under the new system, demographic data indicated slight but important racial disparities in performance ratings and pay increases. A 2008 Congressional Budget Office review of NSPS found that the average performance rating given in that year was 3.45 on a five-point scale, pay increases averaged 3.46 percent, and the average bonus award was 1.77 percent. The average rating for white employees (3.5) was higher than the averages for black (3.30), Hispanic (3.38), and Asian (3.36) employees, and white employees also received higher percentages of incomes for

**How Shares Determined Base Pay**

$$\text{Share Value}(\%) = \frac{\text{Pay Pool Fund}(\$)}{\Sigma\,(\text{base salary of each pool member} \times \text{shares assigned each pool member})}$$

Employee Performance Payout = Base Salary × Shares × Share Value

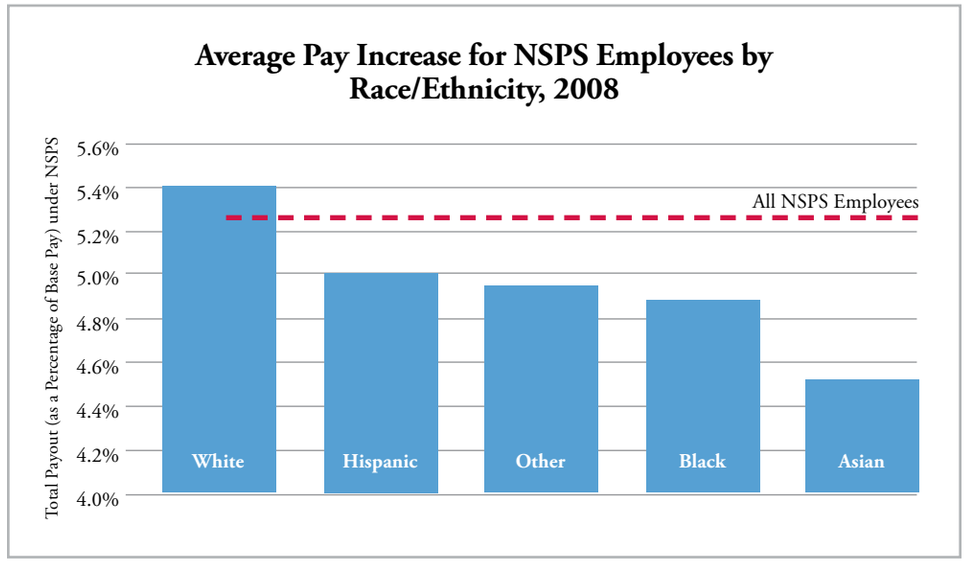
*Source: Performance Payouts, 5 C.F.R. § 9901.342 (1 January 2008)*

total payouts. The unions would point to white employees' higher ratings and payouts as further evidence of the system's inherent inequity and inadequacy.[86]

The architects thought several years of further training and acculturation would correct early problems, as supervisors came to better understand the consequences of failing to evaluate employees competently and fairly. They expected that managers would gradually adapt to new evaluation responsibilities and learn to better explain how poor performing employees could improve. Meanwhile, employees would improve their understanding of the standards that determined their pay and bonuses.[87]

However, survey results from Spiral 1.1 employees, the NSPS vanguard, provide a revealing depiction of growing disillusionment among those with the most time in the system. Just six months into implementation, DoD surveys revealed a spike

in employee dissatisfaction. The portion of Spiral 1.1 employees who believed the system would negatively affect DoD personnel practices rose from 25 percent in May 2006 to 42 percent in November 2006. Discontent only grew from there. By February 2008 just 22 percent of employees thought the system would improve the department and half concluded that the system was harmful to DoD.[88]

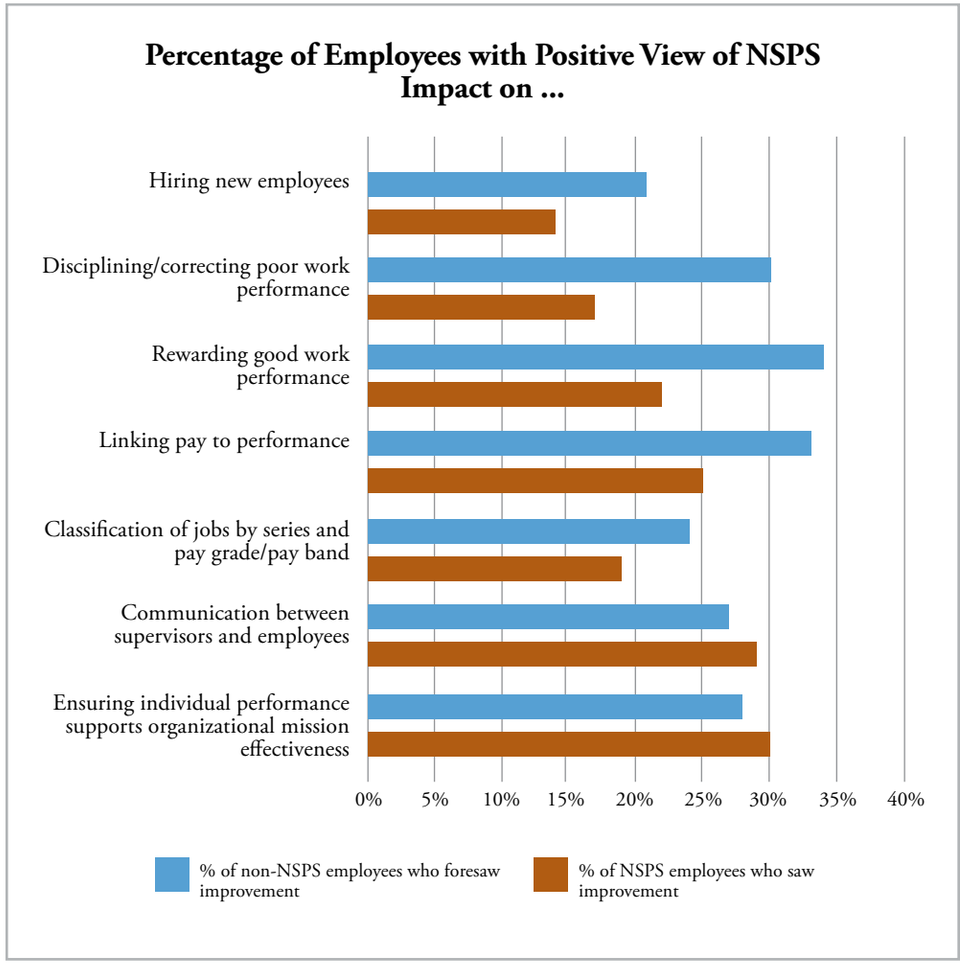



*Pay increase as a percentage of base pay, including bonus awards. If left unchecked, base pay increase disparities would have resulted in major pay disparities for minorities. Source: CBO, A Review of the Department of Defense's National Security Personnel System (November 2008)*

Although the early technology problems tarnished NSPS's reputation, managers and employees pointed to problems less tangible than IT user-unfriendliness. The system's architects found it difficult to craft effective evaluation criteria that both managers and employees understood and judged fair. Managers also reported frustration with excessive evaluation requirements, meetings, and training. Some directors received less money for employee performance raises and bonuses than others, which damaged managerial and employee morale. Employees complained that managerial favoritism and even racial and gender attitudes played greater roles than actual performance in determining pay. Ironically, a system meant to lessen the bureaucratic morass and create greater fairness seemed more bureaucratic to some managers and less fair to many employees.[89]








*Source: 2007 Status of Forces Survey of DoD Civilian Employees*

The system's reputation might have recovered had the evaluation and pay pool review process been more streamlined and transparent. Bunn later acknowledged that he would have implemented aspects of the pay pool process differently and would have focused more on preparing managers for their new NSPS evaluation responsibilities. He faced a difficult challenge, however. Many civil servants' notions about fairness had been formed by long careers in the GS system, where seniority carried great weight and technical competency sometimes mattered more than leadership potential for promotion to managerial positions. Moreover,

although NSPS made many changes, it had not abandoned the rigid insistence on evaluation consistency, or addressed its own flawed mechanisms for ensuring it. In essence, rather than managers gaining greater flexibility and autonomy to reward high-performing employees and punish underperformers, supervisors found that opaque pay pool panels might scrutinize every word of their evaluations, and even overturn them, thereby damaging employees' trust in their managers. The attempt by the NSPS architects to prevent managerial favoritism through uniform standards created new bureaucratic mire and caused many to see the system as

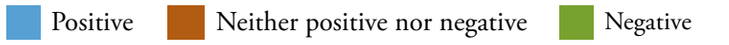
**Shifting Views of NSPS: 2007 and 2010 Employee Surveys**

*2007 Survey*

*"Overall what type of impact will NSPS have on personnel practices in the DoD?"*


*2010 Survey*

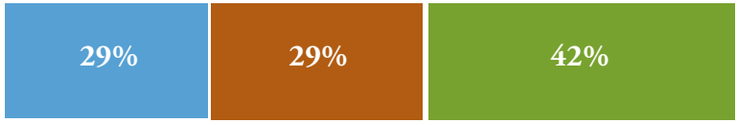
*"Overall what type of impact do you think NSPS has had on personnel practices in the DoD?"*

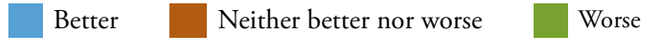




**Views of Employees and Supervisors**

*2010 Survey*

*"Compared with previous personnel system, NSPS is ..."*




*Source: 2010 Status of Forces Survey of DoD Civilian Employees*





worse than the General Schedule. The unions emphasized the system's flaws and mounted a legal and political attack that would ultimately doom NSPS.[90]

## System Collapse

Following the 2006 midterm elections, in which the Democrats gained control of both the House and Senate, Rumsfeld resigned. Believing Rumsfeld's exit portended the end of NSPS, the AFGE rejoiced. The UDWC called for the complete abolishment of the "Donald Rumsfeld Personnel System" that was "based on bad science" and "contaminated" by the former secretary. The new Congress began dismantling parts of the system. The National Defense Authorization Act for fiscal year 2008 reduced pay scale flexibility and removed the adverse actions, labor relations, and appeals aspects of NSPS. Moreover, members of Congress from districts with heavy concentrations of defense civilians increasingly expressed outrage with the system's performance-based raises. In a letter to the new secretary of defense, Robert Gates, three representatives from Northern Virginia, Tom Davis (R–VA), Frank Wolf (R–VA), and James Moran (D–VA), stated their anger over 110,000 NSPS employees receiving less than 50 percent of the annual GS pay increase. Top performers were making more than they did under the GS system, but to prevent labor costs from mushrooming, NSPS pay pool managers had lessened salary increases for average and above average performers and cut them altogether for underperformers. Those accustomed to higher routine raises were angered by the change.[91]

Opponents of NSPS viewed the 2008 presidential election as pivotal and were hopeful that Democratic candidate Barack Obama would abolish the system if elected. Obama gave opponents of NSPS reason to hope. He wrote to John Gage that he found it "inappropriate and unwise for DoD to implement such a highly contentious, ill-conceived program so late in this administration, particularly following the vast revisions to the program included in the FY 08 National Defense Authorization Act." He stated his concern about race, gender, and age bias and said that he would "substantially revise these NSPS regulations, and strongly consider a complete repeal." On 10 September 2008 House Armed Services Committee Chairman Ike Skelton (D–MO) and Senate Armed Services Committee Chairman Carl Levin (D–MI) asked England not to finalize new NSPS rules before a new administration could review the system. They also expressed concern that certain regulations would violate

Congress' intent to restore collective bargaining rates to DoD employees. England responded by stating that DoD would finalize the NSPS regulations to bring policy stability to a system that then included 183,000 DoD civilians. Moreover, he stressed that only nonbargaining employees had been and would be converted into the system, and DoD "only forecasted roughly 200,000 in the system over the next year."[92]

On 20 January 2009 President Obama froze all pending programs from the last administration. Because NSPS's final regulations, which had been published in the *Federal Register* four days before, had not yet gone into effect, DoD could not further expand the system. Yet the new administration did not immediately seek to end NSPS. Bunn, who had replaced Mary Lacey as program executive, later recalled that the new political appointees wanted to understand the system and how to make it work more effectively.[93]

On 16 March the new deputy secretary of defense, William Lynn, announced a system review and a pause in new NSPS conversions pending a determination of whether NSPS was "fair, transparent, and effective." The system covered 205,000 Defense Department civilians when the review began. Prior to the announcement, Gage met with Lynn and told him that the system should be terminated. The PEO shifted from expanding implementation to responding to reviewers and congressional requests.[94]

On 14 May, Lynn and OPM Director John Berry asked the Defense Business Board, an independent federal advisory committee, to establish an NSPS review task group to examine whether the system fairly, effectively, and transparently achieved its original goals. Former Deputy Secretary of Defense Rudy de Leon served as chair, and the group heard from a wide range of participants and stakeholders unhappy with the system.[95] Gage, for example, made his feelings about the NSPS clear in his statement to the AFGE: "NSPS is a tainted, fatally flawed system, created in a poisonous atmosphere by ideologues seeking to destroy collective bargaining, federal unions and employee rights and protections.… Despite its short existence, unlawful discriminatory practices are already coming to light. NSPS must be killed. No amount of rehabilitation can make it acceptable or workable."[96]

De Leon's task group found numerous fundamental flaws in NSPS and recommended a complete "reconstruction." The evaluators based conclusions on the 2008 NSPS





Evaluation Report commissioned by the NSPS PEO in May 2009, public comments about the system, interviews of NSPS administrators and employees, interviews of members of the United Defense Workers Coalition, GAO reports, and meetings with experts. The reviewers concluded that DoD sought to do too much, too quickly, without the requisite infrastructure for pay-for-performance to operate successfully or the support of managers, employees, and unions. Consequently, the system destroyed trust among managers and employees, burdened supervisors with time-consuming evaluation duties, used software that confused managers and employees alike, created an overly broad Pay Band 2 that caused career rank disarray, developed unequal pay pools that fostered ill will, and shattered relations between DoD and unions. The group recommended reforming rather than eliminating NSPS and using lessons from NSPS to change the GS system, replacing GS grades with pay bands smaller than those in NSPS to give the GS system greater hiring flexibility.[97]

Despite administration officials concerns about NSPS, they still wanted to reform the performance management system in DoD and throughout the government. In June 2009 OPM Director John Berry said that "the current federal pay system "is straining and … balkanized to the point that it risks failure" and recommended a government-wide performance management system, one that improves hiring and "weeds out the dead wood." He hoped to work with unions and use the White House's political clout to usher in reforms. Yet administration officials avoided use of the words "pay for performance," as the label had become anathema to unions and congressional Democrats and synonymous with the previous administration. Instead he called for a "fair performance-appraisal system." Berry even stressed to an AFGE convention: "I didn't say 'pay for performance' … that [new proposal] is not NSPS, not NSPS." Gage was not convinced, stating, "We've got to kill the underlying concept" of pay for performance and cautioned, "even our friends who may be taken in by the phrase must feel our wrath." He warned that if any new personnel management reform effort "smells of pay for performance … this union will go nuclear." The NSPS Task Group's recommendations to reform but keep NSPS infuriated Gage, who wrote that the reviewers had "miscalculated the intensity of hatred toward this system and its name—'NSPS'.… We wonder why DoD isn't holding those responsible for NSPS accountable and terminating them for this colossal failure."[98]

Outside observers noted serious system flaws but recommended correcting them rather than abolishing NSPS. The *Federal Times* found that NSPS successfully addressed gender discrepancies in the ratings that appeared early on and stressed:

"Don't confuse 'reason for concern' with 'reason for cancellation.' Federal unions would argue the system should be scrapped. Far from it—the answer is certainly not to return to a General Schedule system that rewards slackers at the expense of the nation's most productive employees."[99]

After the administration ordered a system review, union leaders mounted a vigorous public defense of the GS system, arguing that despite the system's flaws, it outperformed NSPS. In July 2009 National Treasury Employees Union President Colleen M. Kelley told an Excellence in Government conference at the Ronald Reagan Building: "It is a system that is fair. It is understandable.… It is transparent." Gage claimed, "You can be very creative in the GS system," and urged officials to make better use of the performance rewards available. At the conference, OPM Director John Berry stressed the need for internal reform and harangued politicians who denigrated civil servants for political gain.[100]

On 7 October 2009 the House-Senate NDAA Committee report, going against the task group's recommendations, called for NSPS's complete dissolution and the transfer of all NSPS employees out of the system by 1 January 2012. President Obama signed the NDAA on 28 October. The system's termination moved over 200,000 NSPS personnel back into the GS and other systems. When Congress ended the system, just 10,000 employees had received three NSPS performance-based payouts while 70,000 had experienced only one round. Union leaders celebrated the repeal. William Dougan, president of the National Federation of Federal Employees, declared that the eradication of the NSPS "cancer" would help heal management and labor wounds remaining from the past administration.[101]

In January 2010 the NSPS PEO became the NSPS Transition Office, and many of those responsible for implementing NSPS began orchestrating the system's dissolution. Lynn selected John James Jr., an experienced senior executive who served as executive director, logistics, maintenance, and industrial operations at Naval Sea Systems Command, to head the transition office (which reported to the deputy under secretary of defense for civilian personnel policy). The department began moving employees from NSPS positions to corresponding GS grades and steps. [102]

Although Congress mandated that no employee lose pay because of the transition, some employees who had benefited from NSPS were angered over their conversion to the GS system. Employees earning pay between two GS steps received the pay of the higher step. However, while those who received higher pay under NSPS





than the corresponding GS grade allowed would continue to receive the higher NSPS pay, these employees would receive only half of the annual pay increase until the rate of step 10 in their grade again matched their NSPS-enhanced salary. Thus some high-performing employees who had advanced under NSPS felt punished by their return to the General Schedule, since they would have lower future pay raises than the average employee.[103]

The tight deadline created another issue. By 9 June 2010 over 53,000 Defense civilians had moved out of NSPS. An additional 165,000 employees transferred by 6 October 2010.[104] The reconversion's speed overwhelmed some offices, leading human resources departments to improperly downgrade some employees, which resulted in lawsuits.[105]

Despite NSPS's termination, many administration officials remained convinced that the General Schedule needed an overhaul. In November 2009 John Berry lauded the GS system's principle of equal pay for equal work, but warned that when it "prevents managers from adapting their job responsibilities to the ever shifting responsibilities of their departments, it becomes a millstone. Classification today has become so stilted, and our HR staffers have become so used to manipulating it, that in the words of one of them, 'a good classifier could make a Dixie cup a GS-14.'" AFGE staunchly disagreed with this assessment, as their vice president, Joseph Flynn, made clear before the House Armed Services Committee: "Despite much rhetoric to the contrary, the General Schedule pay system is simple, transparent, flexible, and particularly adept at rewarding high performance among employees when proper funding is available. Within-grade step increases, quality step increases, and individual performance bonuses are all designed to promote individual excellence."[106]

The NSPS architects and implementers later lamented their system's collapse. Groeber viewed NSPS as a case study of how difficult it is to enact good ideas in government. She believed that bureaucratic politics stifled innovation because too many compromises were required to enact such designs. She found the strategic pause unnecessary, felt the second push to implement NSPS had ceded too much authority to OPM, and that it moved too slowly. Charlie Abell thought the strategic pause had been necessary to prevent Congress and the unions from killing the system but regretted that even the readjustments had failed to salvage it. Nevertheless, he believed the system could have survived had the Obama administration done more to prevent Congress from abolishing it.

Bunn concluded that while he wished he had done more to prepare managers for their new responsibilities and done a better job designing the pay pool process, he was convinced that revisions to civilian personnel management should take place across the government and needed broad bipartisan congressional support. OSD was simply not equipped to produce, implement, and defend a major alternative to the General Schedule.[107]

Other reviewers concluded that the combination of design flaws, implementation setbacks, union legal attacks, and Democratic electoral victories in 2006 and 2008 doomed the system. Howard Risher, a pay and performance consultant, found greatest fault with the pay pool process:

> The pay pools violated one of the primary tenets of salary management—employees need to know what they can expect. According to reports, immediate supervisors had no control and were unable to explain how an increase was determined. The pay pool process was far more time-consuming than industry would ever tolerate.

Robert Tobias, who had served on the Defense Business Board task force that had reviewed NSPS, faulted the "one-size-fits-all" nature of the system. He argued that DoD's attempt to impose one performance management system over such a large and diverse workforce inevitably led to a disconnect between first-line managers and NSPS's overarching goals. Nevertheless, many reviewers have expressed dismay that rather than seek to learn from NSPS and reform the General Schedule, little has been done to improve the flexibility of the current system.[108]

## Conclusion

NSPS collapsed for several reasons. After the September 11 attacks, congressional openness to changes justified in national security terms allowed OSD to drive the system through Congress. Rapid implementation theoretically would have given the administration more time to shift the DoD's culture to accepting pay-for-performance and to correct early flaws. However, the first implementers sought to do too much without the requisite infrastructure or widespread acceptance across DoD and the administration. By spring 2004 Secretary of the Navy Gordon England had convinced Rumsfeld that the system would collapse if rolled out as Groeber's team intended. He mounted a salvage campaign to ensure the system would receive sufficient support and DoD would be prepared adequately for a successful launch.





Yet valuable time had been lost and it would not be until April 2006 that the first employees migrated into the system. The unions had successfully unified in opposition and would help precipitate the system failure that England warned against in 2004. By summer 2006 violence in Iraq escalated, public approval for the Bush administration was plummeting, and the top leadership's attention became focused heavily on combating the rising insurgency. Rumsfeld resigned in November 2006 after Democrats swept the midterm congressional elections. The political climate favorable to NSPS had vanished. In such an environment, the early IT glitches, the excessive time managers had to devote to evaluation responsibilities, and the inability to quickly change civilian attitudes to favor pay-for-performance raises and bonuses all appeared symptoms of an unsound scheme rather than mere setbacks to be overcome. President Obama's election in November 2008 and his subsequent freezing of the NSPS rollout made it even less likely that DoD could fix the system.

The Department of Defense civilian workforce was at once too big and too small for NSPS to work. When dealing with the byzantine evaluation, pay pool, and payout processes, many managers and employees found that NSPS had increased rather than lessened bureaucratic mire and unfairness. Moreover, legislation and implementation design adjustments and upheavals that potentially affected the livelihood and work patterns of several hundred thousand employees gave public-sector unions ample opportunities to cast NSPS as a failed system and major threat to workers' rights. After the flawed system was in place, public-sector unions proved too strong and partisanship too fierce for adaptation. Yet the DoD civilian workforce was also too small, in the sense that it alone was designing, implementing, and defending a controversial personnel management transformation while the rest of the government largely continued with the familiar GS system. Ultimately, the system's foes proved too numerous and the political terrain too inhospitable for NSPS to be reformed and not dissolved.

## List of Abbreviations

| | |
|---|---|
| AFL-CIO | American Federation of Labor-Congress of Industrial Organizations |
| C.F.R. | Code of Federal Regulations |
| CSRA | Civil Service Reform Act |
| DHS | Department of Homeland Security |
| DoD | Department of Defense |
| FERS | Federal Employee Retirement System |
| GAO | Government Accountability Office (formerly the General Accounting Office) |
| GS | General Schedule |
| IPT | Integrated Product Team |
| NHHC | Naval History and Heritage Command |
| NPR | National Performance Review |
| NSPS | National Security Personnel System |
| OASD | Office of the Assistant Secretary of Defense |
| OIPT | Overarching Integrated Product Team |
| OMB | Office of Management and Budget |
| OPM | Office of Personnel Management |
| OSD/HO | Office of the Secretary of Defense/Historical Office |
| OUSD (P&R) | Office of the Under Secretary of Defense (Personnel and Readiness) |
| P&R | Personnel and Readiness |
| PAA | Performance Appraisal Application |
| PEO | Program Executive Office |
| PMRS | Performance Management and Recognition System |
| SES | Senior Executive Service |
| U.S.C. | U.S. Code |
| UDWC | United Defense Workers Coalition |

# Notes

1. Memo, Chu for Rumsfeld, 15 Aug 2003, subj: DoD manpower by category, Rumsfeld Papers, <http://papers.rumsfeld.com/library>, accessed 14 Aug 2015; Wendy Ginsberg, *Pay-for-Performance: Lessons from the National Security Personnel System* (Washington, DC: Congressional Research Service, 2009), 1.

2. "Rank in job" meant that an employee's rank was tied to one specific position and the qualifications for it. The Classification Act of 1923 established the principles of equal pay for equal work and rank in job. Its passage followed a wave of academic theories and business practices on scientific management of industrial workplaces designed to increase efficiency. The act standardized pay throughout organizations but sacrificed flexibility. Industrial-era reformers concluded that most government positions, like factory work, required few skills and duties and thus could be rigidly organized and measured. Although the system would change, the concepts of rank in job, standardized pay, and rigidity of tasks found in the 1923 act continued to guide most government work well into the 21st century and would be the primary target of NSPS. Patricia Ingraham, *The Foundation of Merit: Public Service in American Democracy* (Baltimore: The Johns Hopkins University Press, 1995), 38–39.

3. Ingraham, *Foundation of Merit,* 71; George Gallup, "Federal Workers Held In Low Public Esteem: The Gallup Poll," *Washington Post,* 12 Jun 1977, 10.

4. Neal R. Peirce, "Civil Service: Reform Is Spreading," *Washington Post*, 17 Dec 1977, A19.

5. Ingraham, *Foundation of Merit,* 71; James Pfiffner and Douglas A. Brook, *The Future of Merit: Twenty Years after the Civil Service Reform Act* (Baltimore: The Johns Hopkins University Press, 2000), 3. See also Jeffrey L. Brudney and Stephen E. Condrey, "Pay for Performance: Explaining the Differences in Managerial Motivation Source," *Public Productivity & Management Review* 17, no. 2 (Winter 1993): 130. The rewards, however, failed to approximate private-sector executive compensation and SESs proved less mobile than the CSRA architects had hoped. Members of the SES became increasingly disillusioned with bonuses. James Q. Wilson, *Bureaucracy: What Government Agencies Do and Why They Do It* (New York: Basic Books, 1989), 143–145; Peter H. Schuck, *Why Government Fails So Often: And How It Can Do Better* (Princeton, NJ: Princeton University Press, 2014), 323; Ingraham, *Foundation of Merit,* 84–85. The CSRA also codified employees' rights into law under Chapter 71 of Title 5 of the U.S. code, which further strengthened government unions.

6. Jimmy Carter, Civil Service Reform Act of 1978: Statement on Signing S. 2640 Into Law, 13 Oct 1978, The American Presidency Project, <http://www.presidency.ucsb.edu/ws/?pid=29975>, accessed 29 Sep 2016.

7. The initial CSRA pay pools went into effect in October 1981. Brudney and Condrey, "Pay for Performance," 130; Government Accounting Office, *A 2-Year Appraisal of Merit Pay in Three Agencies* (Washington, DC: Government Printing Office, 1984); Ingraham, *Foundation of Merit,* 86. For critiques of later GS system pay-for-performance mechanisms, see Pfiffner and Brook, *Future of Merit,* 4–7; Patricia W. Ingraham and David H. Rosenbloom, "Political Foundations of the American Federal Service: Rebuilding a Crumbling Base," *Public Administration Review* 50, no. 2 (Mar–Apr 1990): 210–219; Bernard Rosen, "Crises in the U.S. Civil Service," *Public Administration Review* 46, no. 3 (May–Jun 1986): 207–214; Paul A. Volcker, *Leadership for America: Rebuilding the Public Service* (Washington, DC: National Commission on the Public Service, 1989); Frank A. Yeager, "Assessing the Civil Service Reform Act's Impact on Senior Manager Work Priorities," *Public Administration Review* 47, no. 5 (Sep–Oct 1987): 417–424; Mark D. Laponsky, "Use and Abuse of Performance Appraisals Under the Civil Service Reform Act," *Labor Lawyer* 3, no. 2 (Spring 1987): 287–298; Office of Personnel Management, *Biography of an Ideal: A History of the Federal Civil Service* (Washington, DC: OPM, 2003), 291–300; Ingraham, *Foundation of Merit,* 86–87.

8. Ingraham, *Foundation of Merit,* 86; Jeffrey Pfeffer, "Six Dangerous Myths about Pay," *Harvard Business Review* 76, no. 3 (May–Jun 1998): 109–119.

9. Pfiffner and Brook, *Future of Merit*, 2–4; Alan K. Campbell, "Civil Service Reform: A New Commitment," *Public Administration Review* 38, no. 2 (Mar–Apr 1978): 99–103; Gregory D. Foster, "The 1978 Civil Service Reform Act: Post-Mortem or Rebirth?" *Public Administration Review* 39, no. 1 (Jan–Feb, 1979): 78–86; OPM, *Biography of an Ideal,* 276–286; Wilson, *Bureaucracy,* 146–148; Ashton B. Carter and John P. White, eds., *Keeping the Edge: Managing Defense for the Future* (Cambridge, MA: MIT Press, 2001).

10. OPM, *Biography of an Ideal*, 292–296; Volcker, *Leadership for America*, 28. The commission included Donald Rumsfeld as a contributor and became known as the Volcker Commission after its chairman.

11. Al Gore, *From Red Tape to Results: Creating a Government That Works Better and Costs Less* (Washington, DC: Government Printing Office, 1993), 21.

12. Gore, *From Red Tape to Results,* 22. Government Accountability Office, *Federal Aviation Administration: Human Capital System Incorporates Many Leading Practices, but Improving Employees' Satisfaction with Their Workplace Remains a Challenge* (Washington, DC: Government Printing Office, 2009), 5.





13. Al Gore, *Common Sense Government: Works Better and Costs Less* (Washington, DC: Government Printing Office, 1993), 18-19, <http://govinfo.library.unt.edu/npr/library/nprrpt/annrpt/pdf/com01.pdf>, accessed 29 Sep 2016.

14. United States Commission on National Security/21st Century, *Road Map for National Security: Imperative for Change, the Phase III Report* (15 Feb 2001), <http://www.au.af.mil/au/awc/awcgate/nssg/phaseIIIfr.pdf>.

15. Carter and White, *Keeping the Edge,* 20.

16. Although OPM sought to ensure that the government recruited the best qualified applicants, the reviewers stressed that the processing time required to screen potential candidates often discouraged the best candidates from applying as they could obtain jobs faster in the private sector. John S. Foster Jr. and General Larry D. Welch, USAF (ret.), *Final Report of the Defense Science Board Task Force on Human Resources Strategy* (Washington, DC: Defense Science Board Task Force, 2000), <http://www.dtic.mil/get-tr-doc/pdf?AD=ADA374767>, xi, 33.

17. Office of Management and Budget, *The President's Management Agenda, FY 2002* (Washington, DC: Executive Office of the President, Aug 2001), <https://www.whitehouse.gov/sites/default/files/omb/budget/fy2002/mgmt.pdf>, 5; Falkenrath, quoted in Douglas A. Brook and Cynthia L. King, "Civil Service Reform as National Security: The Homeland Security Act of 2002," *Public Administration Review* 67, no. 3 (May 2007): 399–407.

18. In 1949, clerical occupations made up 70 percent of the federal Civil Service with 75 percent of employees at the rank of GS-7 or below. By 2003, clerical workers were a minority and a mere 30 percent of GS employees were at the GS-7 level and below. John F. Correll, "Rumsfeld Tackles the Civil Service," *Air Force Magazine* 6, no. 7 (Jul 2003).

19. See Kay Coles James, *A Fresh Start for Federal Pay: The Case for Modernization* (Washington, DC: Government Printing Office, 2002); George Nesterczuk, interview by Diane T. Putney, 26 Aug 2008, 20, Arlington, VA, OSD/HO.

20. George W. Bush, *Decision Points* (New York: Broadway, 2010), 83, 84; George W. Bush, "A Period of Consequences" (speech, The Citadel, Charleston, SC, 23 Sep 1999), <http://www.citadel.edu/root/pres_bush>, accessed 8 Jan 2014; Donald Rumsfeld, *Rumsfeld's Rules: Leadership Lessons in Business, Politics, War, and Life* (New York: Broadside Books, 2013), 62–63; Bradley Graham, *By His Own Rules: The Ambitions, Successes, and Ultimate Failures of Donald Rumsfeld* (New York: Public Affairs, 2009), 148.

21. Donald Rumsfeld, *Known and Unknown: A Memoir* (New York: Sentinel, 2011), 298.

22. Rumsfeld, *Known and Unknown,* 294; Draft memo, Donald Rumsfeld, 25 Jun 2001, subj: The DoD challenge, Rumsfeld Papers, <http://papers.rumsfeld.com/library>. To combat bureaucratic inertia, Rumsfeld issued numerous memos typed on plain white paper, called snowflakes by those upon whom they fell. The subjects covered in the snowflakes varied widely—from sweeping strategic concerns to the mundane. Graham, *By His Own Rules,* 215. Rumsfeld sent a copy of his 10 September speech to Bush and emphasized his effort to pursue the president's goal of gaining a greater freedom to manage. Memo, Rumsfeld for Bush, 10 Sep 2001, subj: Waste to warfighting, Rumsfeld Papers, <http://papers.rumsfeld.com/library>, accessed 28 Aug 2014. Rumsfeld himself acknowledged, "The 9/11 attacks provided an impetus to achieve many of the changes that were needed to meet the threats of the twenty-first century. Most of the previously intractable opposition yielded in the face of the new and uncertain threats to our national security." Rumsfeld, *Rumsfeld's Rules,* 143. The 2001 Quadrennial Defense Review emphasized the need for DoD human resources practices to stay abreast of those in the private sector. U.S. Department of Defense, *Quadrennial Defense Review Report* (Washington, DC: 30 Sep 2001), v, 51.

23. Tanya Ballard, "Unions Move to Block Implementation of New DHS Personnel System," *Government Executive,* 22 Jun 2005, <http://www.govexec.com/defense/2005/06/unions-move-to-block-implementation-of-new-dhs-personnel-system/19510/>, accessed 17 Aug 2014; AFGE News Release, 6 Feb 2007, "Homeland Security Union Applauds House Cut of Max-HR Funding," <https://www.afge.org>, accessed 15 Aug 2014; Stephen Barr, "DHS Withdraws Bid to Curb Union Rights," *Washington Post,* 20 Feb 2008, <http://www.washingtonpost.com/wp-dyn/content/article/2008/02/19/AR2008021902459.html>, accessed 20 Aug 2014; Ginger Groeber, interview by Thomas Christianson and Anthony Crain, 4 Sep 2014, Arlington, VA, untranscribed audio recording, OSD/HO.

24. Charlie Abell, 16 Sep 2014, interview by Thomas Christianson and Anthony Crain, 16 Sep 2014, 6–7, Washington, DC, OSD/HO.

25. Memo, Charles Abell, George Nesterczuk for Gordon England, 25 Sep 2004, subj: Requirements document for NSPS, 10, box 6, NSPS Initiative, OSD/HO. England approved the document on 25 Sep 2004. Discussing the effects of the 1990s drawdown, Chu stressed to Rumsfeld, "What is not reflected in these numbers is the growth in contracts over the years that offsets some of the manpower decreases." Memo, Chu for Rumsfeld, 15 Aug 2003, subj: DoD manpower by category, Rumsfeld Papers, <http://papers.rumsfeld.com/library>, accessed 5 Sep 2014; Office of the Under Secretary of Defense (P&R), *Department of Defense Civilian Human Resources Strategic Plan*, (Washington, DC: Defense Technical Information Center, Apr 2005), 1, 4, 8, <http://www.dtic.mil/dtic/tr/fulltext/u2/a497250.pdf>, accessed 14 Nov 2014. White and Chu, "Ensuring Quality People in Defense," in Carter and White, eds., *Keeping the Edge,* 230; Department of Defense OASD (Comptroller), Directorate for Management, Information Operations and Control, "Age Distribution of DoD Civilian Personnel," 1 Jun 1978, folder Civ. Pers. Statistics 1977–80, IX Manpower (1977–1980), Civilian





Personnel, 1977–1980, box 1107, Subject Files, OSD/HO; General Accounting Office, *Human Capital: Major Human Capital Challenges at the Departments of State and Defense* (Washington, DC: GAO, 20 Mar 2001), 8; David S. C. Chu, interview by Diane T. Putney and Alfred Beck, 25 Mar 2009, 28–29, Arlington, VA, OSD/HO; Gordon England and Robert Earl (former special assistant and chief of staff for Gordon England), interview by Diane T. Putney and Alfred Beck, 4 Jun 2009, 15–16, Arlington, VA, OSD/HO; Schuck, *Why Government Fails So Often*, 322.

26. Memo, Chu for Rumsfeld, 15 Aug 2003, Rumsfeld Papers; OUSD (P&R), *Civilian Human Resources Strategic Plan*, 1; White and Chu, "Ensuring Quality People in Defense," 230; Department of Defense OASD (Comptroller), Directorate for Management, Information Operations and Control, "Age Distribution of DoD Civilian Personnel," 1 Jun 1978, folder Civ. Pers. Statistics 1977–80, IX Manpower (1977–1980), Civilian Personnel, 1977–1980, box 1107, Subject Files, OSD/HO; GAO, *Human Capital: Major Human Capital Challenges,* 20 Mar 2001), 8; OUSD (P&R), *Civilian Human Resources Strategic Plan*, 4; Chu interview, 25 Mar 2009, 28–29; England interview, 4 Jun 2009, 15–16. See also Schuck, *Why Government Fails So Often*, 322; OUSD (P&R), *Civilian Human Resources Strategic Plan*, 8.

27. Memo, Craig Fields for Under Secretary of Defense (Acquisition, Technology and Logistics), Final Report of the Defense Science Board Task Force on Human Resources Strategy, 28 Feb 2000, <http://www.dtic.mil/get-tr-doc/pdf?AD=ADA374767>, accessed 29 Sep 2016.

28. College graduates increasingly motivated by the desire to do interesting work that helped others and less motivated by security viewed work in the federal government less favorably than employment in businesses or nonprofits. Paul C. Light, *A Government Ill Executed: The Decline of the Federal Service and How to Reverse It* (Cambridge: Harvard University Press, 2008); OUSD (P&R), *Civilian Human Resources Strategic Plan*, 4, 11; Foster and Welch, *Final Report*, iii; Senate, Governmental Affairs Committee, *Prepared Statement on the National Security Personnel System: Remarks as Prepared for Delivery by Secretary of Defense Donald H. Rumsfeld*, 4 Jun 2003.

Nesterczuk interview, 26 Aug 2008, 4–5; Chu interview, 25 Mar 2009, 44. Reliance on contractors expanded dramatically during the Bush administration's Global War on Terror. Paul Light estimated, "Between 2002 and 2005, the number of Defense Department contract employees jumped from 3.4 million to 5.2 million, with a mix of jobs in both 'hard contracts' for material and 'soft contracts' for services." Light, *Government Ill Executed,* 202.

Many scholars have argued that agencies rely on contractors to disguise their true size (Light, *Government Ill Executed*; Schuck, *Why Government Fails So Often*; Memo, Charles Abell, George Nesterczuk for Gordon England, 23 Sep 2004, subj: Requirements document for NSPS, box 6, NSPS Initiative, OSD/HO. The document was approved

by England on 25 September 2004. Remarks of Charlie Abell, 29 Mar 2003, <http://www.afge.org/Index.cfm?Page=Defense%20Conference&File-2003_03_29_Abell.htm&print=True>, accessed 11 Apr 2008.

29. Chu interview, 25 Mar 2009, 3; Douglas Brook and Cynthia King, "Enactment and Implementation of the National Security Personnel System: Policy Made and Policy Unmade," *Public Administration Review* 71, no. 6 (Nov/Dec 2011): 901.

30. Chu interview, 25 Mar 2009, 4–5. DoD had nine demonstration projects in operation, covering 30,000 employees. House, Committee on Government Reform, Subcommittee on Civil Service and Agency Organization, *Hearings: Transforming the Defense Department; Exploring the Merits of the Proposed National Security Personnel System*, 108th Cong., 1st sess., 29 Apr 2003; DoD Civilian Acquisition Workforce Personnel Demonstration Project: Operating Procedures, <http://acqdemo.dau.mil/docs/revised_op_proc.pdf>, accessed 2 Sep 2014; Groeber interview, 4 Sep 2014.

31. Mary Lacey, interview by Diane Putney, 16 Jan 2009, 8, Dahlgren, VA, OSD/HO; Bradley Bunn, interview by Diane Putney, 14 Aug 2008, 7, 39, OSD/HO; Groeber interview, 4 Sep 2014. For a discussion on the history of Veterans' Preference, see Ingraham, *Foundation of Merit,* 41–49.

32. Chu interview, 25 Mar 2009, 9; Lacey interview, 16 Jan 2009, 8; Nesterczuk interview, 26 Aug 2008, 15–16; Abell interview, 16 Sep 2014, 23; Barbara L. Schwemle, *DoD's National Security Personnel System: Provisions of Law and Implementation Plans* (Washington, DC: Congressional Research Service, 2006), 3. According to Groeber, the NSPS architects decided not to push the issue, reasoning that OSD would not interfere with already successful systems. Groeber interview, 4 Sep 2014.

33. White and Chu, "Ensuring Quality People in Defense," 209; Chu interview, 25 Mar 2009, 34–36; Groeber interview, 4 Sep 2014. OSD later decided against any modification to veterans' preference and retention policy, but only after OPM officials cautioned that any attempt to lessen veterans' preference would provoke fierce resistance from veterans groups and their congressional patrons.

34. Groeber interview, 4 Sep 2014; Memo, Wolfowitz for Rumsfeld, 13 Mar 2003, subj: Steering guidance on transformational legislation, Rumsfeld Papers, <http://papers.rumsfeld.com/library>, accessed 3 Oct 2014.

35. Nesterczuk reflected, "Past experience with collective bargaining over relatively minor issues tied the department up in knots. At times it has taken three to four years to resolve even relatively straightforward management initiatives. Nesterczuk interview, 26 Aug 2008, 6; Groeber interview, 4 Sep 2014; Shane T. Prater and Eric W. Timmerman, "National Security Personnel System (NSPS): A History of Creation and Enactment of the Legislation Authorizing Its Establishment" (MS thesis, Naval Postgraduate School, 2008), 56.





36. Chu interview, 25 Mar 2009, 12; "Federal Employees Oust Union Leader," *Wall Street Journal*, 22 Aug 2003, B2; Christopher Lee, "Challenger Ousts AFGE Leader," *Washington Post,* 22 Aug 2003, A19.

37. House, Committee on Government Reform, Subcommittee on Civil Service and Agency Organization, *Transforming the Defense Department: Exploring the Merits of the Proposed National Security Personnel System*, 108th Cong., 1st sess., 29 Apr 2003, 90.

38. Chu interview, 25 Mar 2009, 25.

39. Chu interview, 25 Mar 2009, 7–8. Groeber interview, 4 Sep 2014; Andrew Card quoted in Prater and Timmerman "National Security Personnel System," 52; Brook and King, "Enactment and Implementation," 900–901.

40. Peter Baker, *Days of Fire: Bush and Cheney in the White House* (New York: Doubleday, 2013), 228; James E. Campbell, "The 2002 Midterm Election: A Typical or an Atypical Midterm?" *Political Science and Politics* 36, no. 2 (Apr 2003): 203–207; Jim VandeHei and Juliet Eilperin, "GOP Expands Its Majority; Midterm Gains Defy History," *Washington Post,* 6 Nov 2002, A23.

41. Chu interview, 25 Mar 2009, 11.

42. Chu interview, 25 Mar 2009, 12–13. Charlie Abell stated that many Democrats with private-sector managerial experience conveyed their understanding and sympathy toward NSPS and promised not to oppose it aggressively. Abell interview, 16 Sep 2014, 13–14.

43. Senate, Committee on Governmental Affairs, *Hearings: Transforming the Department of Defense Personnel System: Finding the Right Approach, Donald Rumsfeld Testimony*, 108th Cong., 1st sess., 4 Jun 2003; T. X. Hammes, *Private Contractors in Conflict Zones: The Good, the Bad, and the Strategic Impact* (Washington, DC: National Defense University, 2010).

44. Prater and Timmerman, "National Security Personnel System," 82; Chu interview, 25 Mar 2009, 15–22.

45. Steve Rodkey, NSPS Chronology, 3 Jan 2005, box 6, NSPS Initiative, OSD/HO; Groeber interview, 4 Sep 2014; Chu interview, 25 Mar 2009, 40–41; William Navas, interview by John D. Sherwood, 6 Jan 2009, Arlington, VA, Naval History and Heritage Command, 15. Pete Brown (former interim NSPS program executive officer), interview by John D. Sherwood, 12 Aug 2008, 34, NHHC.

46. Nesterczuk interview, 26 Aug 2008.

47. Sharon Seymour (former associate director, personnel plans and programs for NSPS), interview by Al Garver, 29 Jul 2008, 11–12, Springfield, VA, Air Staff History Office.

48. Seymour interview, 29 Jul 2008, 11–12; Navas interview, 6 Jan 2009, 6.

49. Timothy F. Curry, interview by Diane T. Putney, 30 Jul 2008, 38, Arlington, VA, OSD/HO. The unions and members of Congress objected to the document, "National Security Personnel System Pre-Collaboration Relations System options, NSPS Labor Relations Outline," 6 Feb 2004, box 14, NSPS Initiative, OSD/HO. Curry interview, 30 Jul 2008, 38–39; AFGE, "DOD's Conceptual Destruction of Collective Bargaining," 6 Feb 2004, <http://www.afge.org/Documents/DoD_Conceptual_Destruction_of_Collective_Bargaining.pdf>, accessed 18 Aug 2014. For AFGE meeting minutes, see AFGE, DOD-NSPS Meeting, 26 Feb 2004, <http://www.afge171.org/DEFCON/Docs/NSPS/20040226DoDNSPSMeeting.htm>, accessed 4 Aug 2014. The Groeber quote might not be exact. Rather, it is the message that Bunn remembers Groeber conveying to union officials. Bunn interview, 14 Aug 2008, 37–38.

50. Ltr, Kay Coles James to Rumsfeld, 9 Mar 2004, <http://www.afge171.org/DEFCON/Docs/NSPS/nspscomments/OL-10511803.pdf>, accessed 24 Aug 2014; OMB Comments on Mar 04 NSPS Proposal, undated, box 6, NSPS Initiative, OSD/HO.

51. The letter also urged OSD to publish the broad rules in the *Federal Register,* which would require DoD to open the rules up for 30 days for public comments. DoD would then have to respond to the comments before publishing the final rules. OSD normally did not publish rules in the *Federal Register* as OPM did. Ltr, James to Rumsfeld, 9 Mar 2004. Thus "these two competing worlds [were] running up against each other." Curry interview, 30 Jul 2008, 51–52.

52. Nesterczuk interview, 4 Jun 2009, 14. Moreover, several officials later concluded that OSD lacked the necessary resources to make such a quick rollout possible. Bradley Bunn, interview by Ryan Carpenter and Anthony Crain, 26 Sep 2014, untranscribed audio recording, Fort Belvoir, VA, OSD/HO; Abell interview, 16 Sep 2014. Groeber disagreed with this notion. Groeber interview, 4 Sep 2014.

53. England interview, 4 Jun 2009, 15–16, 30; Nesterczuk interview, 26 Aug 2008, 8–9. England's comment about the need to focus on the implementation process rather than just the end goal as recalled by Bradley Bunn. Bunn interview, 14 Aug 2008, 32.

54. Groeber interview, 4 Sep 2014; Seymour interview, 29 Jul 2008, 4. Bunn and Abell both later stated that the initial rollout plans had been overly ambitious, and implementation would have ended in a debacle had they adhered to the initial timeline. Bunn interview, 16 Sep 2014; Abell interview, 16 Sep 2014. For Rumsfeld's agreement with England's new approach, see Memo, Rumsfeld for Gordon England, 19 Apr 2004, subj: Personnel system reforms, Rumsfeld Papers, <http://papers.rumsfeld.com/library>,





accessed 1 Aug 2014. Rumsfeld's selection of England to handle a DoD-wide matter while still secretary of the Navy provoked some indignation within the department. England interview, 4 Jun 2009, 16; Navas interview, 6 Jan 2009, 6–9. Groeber later stated that Gordon England's assumption of the control of NSPS implementation became rather contentious. Groeber interview, 4 Sep 2014.

55. Chu interview, 25 Mar 2009, 42.

56. Abell interview, 16 Sep 2014, 14.

57. Chu interview, 25 Mar 2009; Memo, Wolfowitz for England, 19 May 2004, subj: Delegation of authority and assignment of duties pertaining to the National Security Personnel System, OSD 0710 5-04, box 3, NSPS Initiative, OSD/HO.

58. The NSPS PEO would not be formally chartered until 16 August 2004. Rodkey, NSPS Chronology, 3 Jan 2005; Program Executive Office, Charter, National Security Personnel System (NSPS) signed by Gordon England on 16 Aug 2004, box 14, NSPS Initiative, OSD/HO. On Lacey's appointment, see Lacey interview, 16 Jan 2009, 3–4; England interview, 4 Jun 2009, 27–29.

59. The Finance and Resources Integrated Product Team, for example, examined "the full range of financial management issues associated with the design, development, and implementation of the NSPS and to make recommendations on how to resolve them at the Departmental and/or Component level." Members of the IPT included financial and HR representatives from the NSPS PEO and the components. National Security Personnel System (NSPS) Finance and Resource Integrated Product Team (IPT), Charter, Approved by Mary Lacey on 11 Feb 2005, box 6, NSPS Initiative, OSD/HO; Memo, Office of the Secretary of the Navy for distribution, 27 May 2004, subj: NSPS overarching integrated product team (OIPT), box 6, NSPS Initiative, OSD/HO. Other members of the OIPT included the assistant secretaries of the Army, Navy, and Air Force (manpower & reserve affairs), a representative of the secretary of defense, and a representative of the NSPS senior executive representative. Memo, Charles Abell and George Nesterczuk for Gordon England, 10 Nov 2004, subj: Action memo: OIPT recommendations for NSPS design—human resources management, box 6, NSPS Initiative, OSD/HO.

60. Navas interview, 6 Jan 2009, 10.

61. Kay Coles James, OPM's Guiding Principles for Civil Service Transformation, 14 Apr 2004, 3, box 3, NSPS Initiative, OSD/HO.

62. NSPS PEO, Potential Options for the National Security Personnel System Human Resource Management System Presented to Department of Defense Unions, 2 Sep 2004, box 6, NSPS Initiative, OSD/HO; England interview, 4 Jun 2009, 16–17, 56; AFGE, "DOD's Conceptual Destruction of Collective Bargaining," 6 Feb 2004, <http://

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65. Lacey interview, 16 Jan 2009, 43–45.

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67. Timothy Curry, DoD's executive director, labor management and employee relations, recalled: "Some of them actually liked the idea of pay for performance, but only if you did collective bargaining on them. Others were completely against pay for performance no matter what, even if you did collective bargaining." Curry interview, 30 Jul 2008, 42; Memo, Don Hale to DoD employees, 14 Feb 2005, subj: The Valentine's Day slaughter of DoD civilians, AFGE website, <http://www.afge171.org/DEFCON/Docs/NSPS/20050214TOALLDODEMPLOYEES.pdf>, accessed 25 Aug 2014; Ltr., Byron Charlton to Bradley Bunn and Daniel Blair, "Joint Comments and Recommendations Submitted by the United Department of Defense Workers Coalition" in Program Executive Office of the National Security Personnel System, *NSPS: Comments on Proposed Regulations for the National Security Personnel System from Unions Representing DoD Employees* (Arlington, VA: Mar 2005), folder Tim Curry, box 9, NSPS Initiative, OSD/HO.

68. Senate, Committee on Homeland Security and Governmental Affairs, Oversight of Government Management, the Federal Workforce and the District of Columbia Subcommittee, *Hearing on the Status of Federal Personnel Reform,* 109th Cong., 1st sess.,15 Mar 2005; Jeffrey Pfeffer, "Six Dangerous Myths about Pay," 109–119.

69. Ltr, Rumsfeld and Linda M. Springer to Cheney, 26 Oct 2005, folder Nesterczuk, box 9, NSPS Initiative, OSD/HO. NSPS PEO, National Security Personnel System Fact Sheet, Oct 2005, box 3, NSPS Initiative, OSD/HO.





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71. Lacey interview, 16 Jan 2009, 19–20; DoD News Release, "DoD Selects First Group for National Security Personnel System," 15 Dec 2004, <http://archive.defense.gov/Releases/Release.aspx?ReleaseID=8069>, accessed 16 Jan 2015; Air Force National Security Personnel System Office, *NSPS Newsletter*, 26 Jan 2007, box 1, NSPS Initiative, OSD/HO; Barbara Haga, Roger Richman, and William Leavitt, "System Failure: Implementing Pay for Performance in the Department of Defense's National Security Personnel System," *Public Personnel Management* 39, no. 3 (Fall 2010): 220. The department estimated the implementation costs from fiscal years 2005 through 2008 would be $158 million. The NSPS Program Executive Office made this projection in November 2005. The NSPS PEO later updated the estimate to $165.8 million in March 2007. Congressional Budget Office, *A Review of the Department of Defense's National Security Personnel System* (Washington, DC: Nov 2008), 30–31.

72. England interview, 4 Jun 2009, 46. In requesting Component Nominations for Spiral 1, Lacey wrote, "Organizations included in Spiral One must have adequate resources and funding, have Component endorsement, and should: 1. Have an adaptable workforce climate and demonstrated acceptance of and readiness for change. 2. Have established methods to measure effectiveness in accomplishing their mission and a strategic and/or business plan which ties to their human resources plan." Memo, Mary Lacey for NSPS Component Program Managers, 28 Jul 2008, subj: Request for component nominations

for NSPS spiral one, box 6, NSPS initiative, OSD/HO. Wendy Ginsberg wrote, "Spirals 1.1, 1.2, and 1.3 were completed in March 2007. Spiral 2 began in October 2007, and was completed in April 2008, with more than 180,000 of roughly 670,000 DOD employees placed in NSPS. The final spiral began in October 2008 and was completed in March 2009, adding 14,000 additional employees to NSPS, bringing the total of DOD employees covered by NSPS to 211,000." Ginsberg, *Pay-for-Performance,* 5. See also OPM, *Creating a Foundation for the 21st Century Federal Workforce: An Assessment of the Implementation of the Department of Defense National Security Personnel System* (Washington, DC: Government Printing Office, 2007), 7; Seymour Interview, 29 Jul 2008, 14; PEO-NSPS, Spiral 1.1, 26 Jan 2006, box 1, NSPS Initiative, OSD/HO.

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Charles Abell, George Nesterczuk for Gordon England, 25 Sep 2004, subj: Requirements document for NSPS 10, box 6, OSD/HO, NSPS Initiative.

78. NSPS PEO, *HR Elements for Managers, Supervisors, and Employees, Spiral 1, Version 2,* 41, box 18, NSPS Initiative, OSD/HO; House, Armed Services Committee, Readiness Subcommittee, *Hearings: Department of Defense National Security Personnel System, Bradley Bunn Testimony,* 111th Cong., 1st sess., 1 Apr 2009, 133. For an NSPS position description form, see Defense Technical Information Center, NSPS Position Description form, <http://www.dtic.mil/whs/directives/forms/eforms/dd2918.pdf>, accessed 1 Oct 2014.

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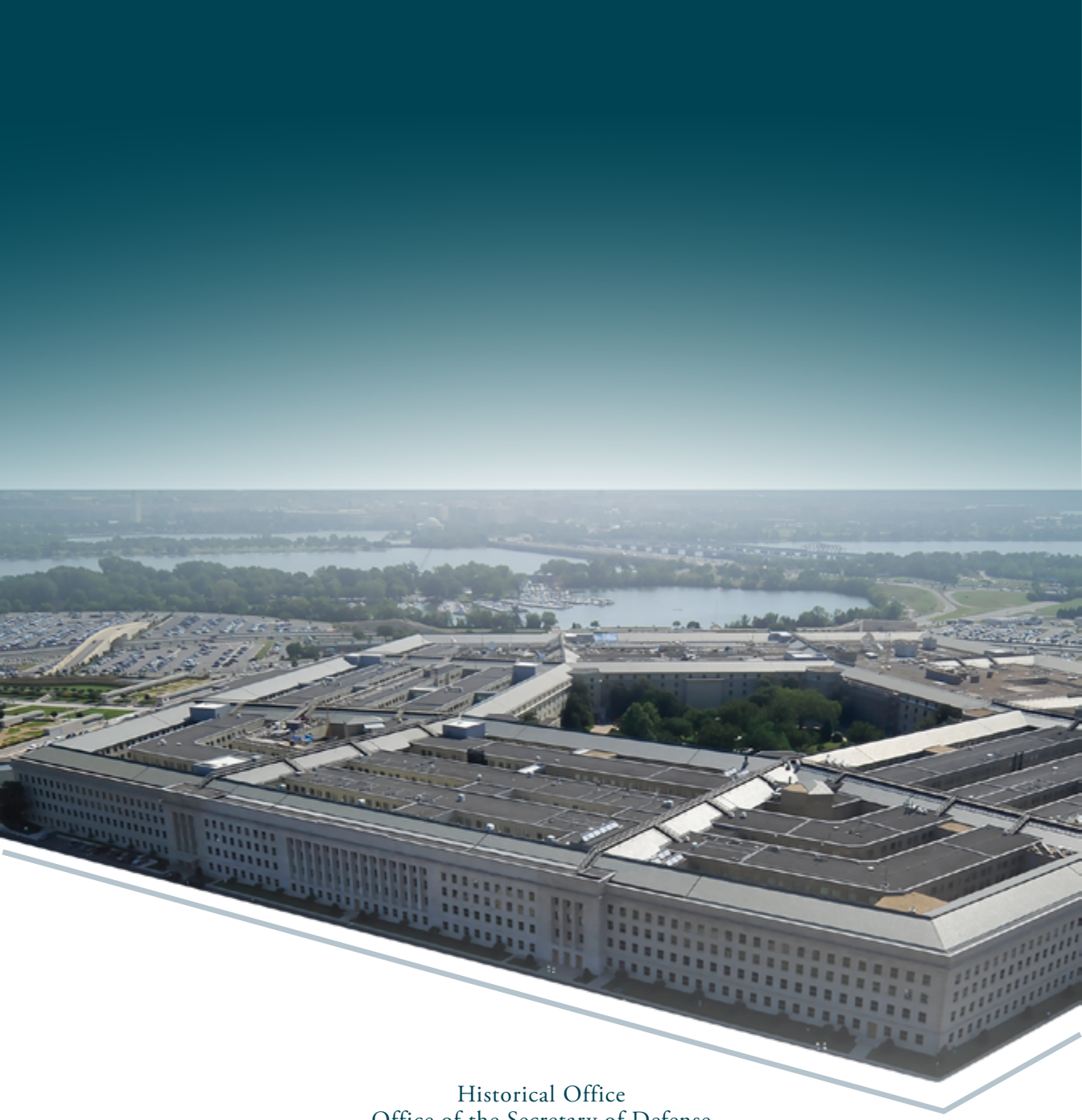

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