

**DEPARTMENT OF COMMERCE
PERSONNEL MANAGEMENT
DEMONSTRATION PROJECT EVALUATION**

**OPERATIONAL YEAR
TECHNICAL REPORT**



Washington, DC
October 8, 2002

FINAL REPORT

Booz | Allen | Hamilton

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EXECUTIVE SUMMARY

This report presents Booz Allen Hamilton Inc.'s (Booz Allen) assessment of the Operational Year (i.e., Year Three) of the Department of Commerce Personnel Management Demonstration Project. This Executive Summary provides a summary of the purpose of the Demonstration Project, the current status of the personnel innovations, and recommendations for actions needed to continue operating the Demonstration Project successfully.

ES.1. The Department of Commerce is midway through a five-year Demonstration Project to test and evaluate a series of alternative personnel practices and to determine their generalizability to other organizations.

The Department of Commerce (DoC) initiated a Personnel Management Demonstration Project (hereafter referred to as the Demonstration Project) in March 1998 as a means of testing and evaluating a series of personnel interventions. It is scheduled to last for five years (March 2003). This effort was undertaken to determine whether alternative personnel practices are more successful in helping to achieve agency goals than traditional personnel practices. Based on the success of these interventions during the five-year Demonstration Project, it will be determined whether any or all of the interventions can be beneficially implemented elsewhere within DoC as well as government-wide.

The Demonstration Project was designed to apply some of the human resource interventions from an earlier DoC Demonstration Project at the National Institute of Standards and Technology (NIST). The NIST Project achieved highly successful results and, at its conclusion, the interventions were made permanent. The current project seeks to build on the success of the NIST Project and determine whether or not these interventions can be successfully implemented within DoC to a wider range of occupational areas and within organizations with different missions.

ES.1.1. The general objectives of this Demonstration Project emphasize the development of a higher performing workforce, as well as greater efficiency and flexibility of personnel processes.

This Demonstration Project is designed to foster improved organizational and individual performance. This is to be done by recognizing high quality performance and recruiting and retaining high performers. The stated project objectives are:

- Increased quality of new hires
- Improved fit between position requirements and individual qualifications
- Greater likelihood of getting a highly qualified candidate
- Increased recruitment and retention of high performing employees
- Improved individual and/or organizational performance

- More effective human resources management
- More efficient human resources management
- Increased delegation of authority and accountability to managers
- Better human resources systems to facilitate organizational mission and excellence
- Continued support for EEO/diversity goals in recruiting, rewarding, and retaining minorities, women, and veterans
- Continued provision of opportunities for a diverse work force
- Maximization of the contributions of all employees.

ES.1.2. As the evaluators of the five-year Demonstration Project, Booz Allen conducted the Year Three evaluation to determine progress toward its objectives.

The Office of Personnel Management (OPM) clearly defines processes for evaluating federally-funded Demonstration Projects. Following OPM guidelines, evaluators submit formal assessment reports at specified time intervals over the course of a Demonstration Project. As the evaluator of DoC's Demonstration Project, Booz Allen submitted an Implementation Year Report (i.e., the Year One Report) that assessed the initial implementation and operation of the Demonstration Project through the first twelve months of the project. Booz Allen also submitted a Year Two Report (not required by OPM) that served as a mid-course check on the actions taken related to Demonstration Project interventions; by design, the Year Two Report relied solely on objective personnel data pertaining to performance ratings, compensation, and demographics.

The purpose of the Year Three evaluation is to determine whether progress is being made toward the Demonstration Project's objectives. The evaluation's purpose is also to determine what, if any, mid-course revisions should be made to the Demonstration Project implementation.

The evaluation of the DoC Personnel Management Demonstration Project will attempt to answer the research questions identified by OPM as well as determine whether the project accomplished the specific objectives established by DoC. Table 1 shows the OPM research questions and answers based on the data collected during Year Three.

Table 1. Research Questions and Answers

<p>1. Did the project accomplish the intended purpose and goals? If not, why not?</p>	<p>While it is too early to assess the success of the Demonstration Project against long-term, ultimate outcomes, progress has been made. Most of the interventions have been implemented and are beginning to show evidence of success.</p> <p>For example, improvements have been demonstrated in the ability to link pay and performance, to retain high performers, and to expedite and delegate human resources processes.</p>	<p>Introduction Chapter 4 – Findings and Conclusions</p>
<p>2. Was the project implemented and operated appropriately and accurately?</p>	<p>It appears that the Demonstration Project is operating appropriately, as evidenced by its continued success in Year Three.</p> <p>Efforts are underway to make improvements to the Demonstration Project operations, such as by moving toward a web-based classification system.</p>	<p>Section 2.5.12 – Overview of the Automated Classification System Section 4.3 – Findings on the Automated Classification System</p>
<p>3. What was the cost of the project?</p>	<p>Not required until the Summative Report (Year 5).</p>	<p>Not required until the Summative Report (Year 5).</p>
<p>4. What was the impact on veterans and other EEO groups?</p>	<p>Consistent with Year One and Year Two findings, data indicate that the Demonstration Project has not had a negative impact based on race, gender, or veteran status.</p> <p>Survey and focus group findings provide employee opinions that the Demonstration Project interventions have not impacted how these groups are treated, compensated, recruited, or retained.</p> <p>Objective data also provide evidence that the pay-for-performance system did not reward participants differently based on race, gender, or veteran status; rather, increases appear to be linked to performance ratings.</p>	<p>Section 4.11 – Findings on the Interventions and Race, Gender, and Veteran Status Appendix D-1 – Analyses of the Linkage between Pay and Performance</p>
<p>5. Were Merit Systems Principles adhered to and Prohibited Personnel Practices avoided?</p>	<p>Survey and focus group results indicate that there have been no changes in either adherence to Merit System Principles or avoidance of Prohibited Personnel Practices with the implementation of the Demonstration Project.</p>	<p>Section 4.10 – Findings on the Merit System Principles and Prohibited Personnel Practices</p>
<p>6. Can the project or portions thereof be generalized to other agencies or government-wide?</p>	<p>While the Demonstration Project is not yet completed, initial findings indicate that trends are occurring in the right directions and that employees are demonstrating greater understanding the intent of the Demonstration Project. To date, it appears to be achieving some of its goals and may have broader potential and appeal elsewhere in DoC or in the Federal Government.</p>	<p>Chapter 4 – Findings and Conclusions</p>

ES.2. During Year Three of the Demonstration Project, DoC has made progress toward meeting its objectives.

In contrast to the Year One evaluation, when the Demonstration Project was newly implemented, progress toward objectives is evident in Year Three. While some interventions have not yet been fully utilized, others are working effectively. For example, some success has been demonstrated in the ability to link pay and performance, to retain high performers, and to expedite and delegate human resources processes. The Year Three evaluation also demonstrated that there has been a positive shift, albeit slight, in the perceptions of employees toward the Demonstration Project and its interventions.

ES.2.1. Demonstration Group participants are beginning to view greater potential for career progression, although the impact of career paths on career advancement is not yet clear.

For Demonstration Group participants in the Demonstration Project, comparable occupations that could be treated similarly for staffing, classification, pay, and other purposes were aggregated into career paths. The change to career paths, along with broadbands and Departmental broadband standards, were expected to simplify, speed up, and improve the quality of classification.

While survey data suggest that Demonstration Group participants are beginning to feel more positively about their potential for career progression under the Demonstration Project, focus group data indicate lingering employee concerns with career pathing and its impact on career progression.

ES.2.2. While the delegated classification authority to managers and automated broadband classification system interventions have achieved expected results in improving the classification process, supervisory employees continue to express some concerns about the effectiveness of these interventions.

During Year Three, DoC experienced several positive results that support the continued use of the delegated classification authority and automated broadband classification system. Year Three findings indicate that Demonstration Group supervisory employees report moderate, but increasing, satisfaction with their involvement in classification procedures. However, some concerns still surface regarding the automated system.

ES.2.3. Over time, acceptance of the new performance appraisal system has improved.

As part of the Demonstration Project, DoC implemented a new performance appraisal system. Although Demonstration Group participants who were first exposed to this process seemed to struggle with understanding and accepting it, Year Three data suggest that Demonstration Group participants have become more educated about how the new performance appraisal system works and have also become more accepting of the new process. However, provision of adequate performance feedback and employee misperceptions about ranking (while DoC is no longer ranking Demonstration Group

participants by performance scores, the perception exists that ranking still occurs) remain as issues within the Demonstration Project.

ES.2.4. The pay-for-performance system continues to exhibit a positive link between pay and performance.

As in Years One and Two, objective data indicated that financial rewards were tied to job performance during Year Three. Statistics revealed a positive relationship between job performance (measured through performance appraisal rating scores) and pay increases ($r = .42, p < .01$). While this statistic demonstrates a positive relationship, it represents a drop in the strength of the relationship from Year Two ($r = .52, p < .001$) and Year One ($r = .54, p < .001$).

Also consistent with previous findings, performance-based pay increases and bonuses/awards remained higher for the Demonstration Group than for the Comparison Group. Focus group and interview data illustrate that Demonstration Group employees recognize the impact of the pay-for-performance intervention.

ES.2.5. While employees have been hired under the three-year probationary period for scientists and engineers, it is still too early to assess the impact of this intervention.

The three-year probationary period for scientists and engineers intervention was designed to allow supervisors the ability to make permanent hiring decisions for research and development (R&D) positions based on employees' demonstrated capabilities. While the intervention was implemented in Year One, analyses of the effectiveness of this intervention remain limited given the limited number of employees hired under this intervention and that only three years have transpired. An analysis of the 45 employees who are currently under the three-year probation suggests that the majority is being retained under this special probationary status. More time and data will be needed to more fully examine the impact of this intervention.

ES.2.6. Some of the recruitment and staffing interventions under the Demonstration Project have had modest success.

The Demonstration Project has implemented a number of interventions geared toward attracting high quality candidates and speeding up the recruiting and examining process. Overall, these recruitment and staffing interventions are intended to attract highly qualified candidates and get new hires on board faster. In Year Three, our findings suggest that while some recruitment and staffing interventions offer more flexibilities (e.g., agency based staffing and flexible entry salaries) it is not yet clear whether these interventions attract more highly qualified candidates.

ES.2.7. Retention interventions are having varying impacts.

The series of retention interventions available to the Demonstration Project have the potential to motivate and retain high performing employees. In Year Three, the impact of the retention interventions was varied. By giving managers the latitude to raise the pay of high

performers, interventions such as broadbanding and more flexible pay increases upon promotion presumably help retention. However, other retention interventions still receive little use (e.g., retention payments) or have not appeared to impact retention (e.g., supervisory performance pay).

ES.2.8. The impact of the Demonstration Project on organizational performance is not yet clear.

Given the challenges of measuring organizational performance in a Demonstration Project that includes only parts of organizations, proxies were identified to serve as indirect measures of the Demonstration Project's organizational performance. Examination of these proxy measures (i.e., individual performance levels, perceived quality of the workforce) suggests that there have not yet been clear indicators of enhanced organizational performance.

ES.2.9. The Demonstration Project's interventions have not impacted DoC's adherence to the Merit System Principles or avoidance of the Prohibited Personnel Practices.

Implementation of the Demonstration Project's personnel interventions has not impacted the organization's adherence to the nine Merit System Principles and avoidance of the 12 Prohibited Personnel Practices. Booz Allen's findings in Year Three provide additional support that the administration of the Demonstration Project continues to be in line with these personnel guidelines.

ES.2.10. As was found in Years One and Two, the Demonstration Project interventions reflect a system in which there is no evidence of unfair treatment based on race, gender, or veteran status.

Consistent with Years One and Two, no subjective or objective data indicate that the Demonstration Project's interventions had a differential effect based on race, gender, or veteran status. Instead, pay interventions appear to be more closely linked to performance level than to demographic characteristics.

ES.3. While the Demonstration Project has experienced some success, DoC needs to take further actions to strengthen the effectiveness of the interventions.

The Year Three findings suggest that the Demonstration Project is operating effectively and should continue. A series of recommendations are offered to focus DoC on areas that need more attention to ensure the success of the Demonstration Project.

ES.3.1. DoC needs to take steps to strengthen the new performance appraisal process.

To achieve success with linking performance and pay, DoC needs to take steps to ensure that employees and supervisors alike have a full understanding about the performance appraisal process and that they are implementing all the necessary steps in the process. One, DoC should increase efforts to educate employees about how the performance appraisal process works. Two, DoC should continue to provide supervisor training on how to evaluate and

assign performance ratings. Three, DoC needs to develop a more formalized process to ensure consistency across ratings. And four, DoC should ensure adherence to performance feedback processes.

ES.3.2. DoC needs to closely evaluate the effectiveness of classification processes, given the changes to the automated system.

The Demonstration Project resulted in fundamental changes in how classification occurs by delegating classification authority to line managers. Furthermore, the automated classification system is being changed partway through the Demonstration Project. The new web-based system, which will be rolled out soon, will replace the previous automated system that had been in effect since the Demonstration Project began. The new web-based system is expected to better facilitate classification processes, thereby improving the efficiency and effectiveness of these processes.

ES.3.3. DoC needs to be attentive to high performing Demonstration Group participants who received no increase due to being at the top of their pay bands.

The Year Three results indicated that there continues to be a positive relationship between pay and performance. However, measuring the strength of this relationship is limited by attributes inherent in the pay and performance system. For example, data need to be maintained on Demonstration Group participants who receive high performance ratings but who receive no performance-based pay increases. The assumption is that these individuals are at the top of their pay bands and therefore cannot be awarded performance-based pay increases even though increases are justified by their performance ratings. (These individuals may be receiving bonuses as an alternate form of compensation; however, this approach does not facilitate drawing links between performance and pay and can impact subsequent pay increases.) By identifying these individuals (perhaps during the performance payout process) and tracking them in the data files, analyses can account for their impact on the performance-pay link. Moreover, DoC will want to consider the impact of receiving no increase for high performance on these individuals' future morale and performance levels, and will need to define alternative ways to reward and motivate them.

ES.3.4. DoC should develop more formal strategies to recruit high quality candidates and to reduce hiring time.

While there have been modest successes with the recruitment interventions, greater effort is needed in targeting high quality candidates and in reducing the amount of time it takes to hire. These efforts are needed to enhance DoC's ability to attract high quality candidates and increase their likelihood of accepting offers. As recommended in Year One, DoC needs to build a strategic approach for recruiting high quality candidates. DoC also needs to examine the Demonstration Project's recruitment process to identify areas in which 1) processes have been made more efficient and can be modeled elsewhere, and 2) efficiency can be improved. Furthermore, it is important to establish and communicate hiring time goals so that success can be measured.

ES.3.5. Greater emphasis needs to be placed on retention interventions.

One of the goals of the Demonstration Project is to retain high performers. This requires analyzing the factors that impact separations and taking advantage of all available retention tools. However, to date, DoC has not optimized its ability to comprehensively examine the impact of retention within the Demonstration Group.

Toward this goal, DoC should examine various methods for capturing information on why high performers leave. One method may be to capture information from departing high performers while another method is to capture information from the supervisors of departing high performers. DoC should evaluate the advantages and drawbacks of different methods.

DoC should also place more attention on the retention payment intervention. The limited use of retention payments in the Demonstration Project may reflect the trend within DoC where retention payments have not been used to a great extent since they were made available to government managers in 1990. However, anecdotal information also suggests that retention payments are not being used out of a lack of awareness about how they can be used to retain high performers. Given this, DoC should increase awareness among supervisors about this intervention and how it can be used. From an evaluation perspective, the lack of use of retention payments precludes testing it as a retention intervention.

ES.3.6. DoC should identify and communicate across the Demonstration Project systems and processes that are working well.

Focus group data revealed that certain work units across the Demonstration Group have created “homegrown solutions” that have been successful, such as effective processes for conducting performance assessments. DoC should seek to identify best practices that have emerged and seek ways to share these practices across the Demonstration Group. For example, DoC may want to convene monthly conference calls among Pay Pool Managers, or use another regular vehicle for communication, to encourage the sharing of ideas and strategies.

ES.3.7. Greater effort must be made to educate new hires on the Demonstration Project interventions.

At the start of the Demonstration Project, DoC conducted training to educate the workforce about its intent. DoC also has in place an Employee Guide, which is used to educate new hires as they enter the Demonstration Group. However, in focus groups, some new hires demonstrated a lack of understanding about the Demonstration Project, pointing to the need for greater effort in educating new hires. New hires to the Demonstration Project need to gain the same understanding about the interventions and how the interventions may affect their careers. Operating human resources offices may want to offer quarterly or twice yearly “training sessions” to educate and/or update managers, supervisors, and employees (new and current) on the project, its progress, and the interventions.

ES.3.8. A strong need continues for sufficient database management to effectively assess the Demonstration Project's interventions.

As was recommended in Year Two, the Demonstration Project needs a permanent database manager dedicated to managing Demonstration Project data. OPM's guidance on evaluating Demonstration Projects highlights the importance of accurate, thorough, and appropriate data analyses, which are predicated on the availability of good data. Given the size and scope of the Demonstration Project, there is a business need for DoC to dedicate one permanent staff to database management.

The Demonstration Project is currently tracking much of the data that are needed to monitor and evaluate the success of the interventions. However, these data are maintained in two separate databases. A need exists to develop strategies to ensure that data from these two databases are current and consistent. Doing so will enhance the quality and timeliness of future data analyses.

ES.3.9. DoC should communicate the Year Three results.

After the Year Three evaluation has been finalized, DoC should prepare a briefing to communicate the Year Three results. The briefing should present a fair assessment of the Demonstration Project's successes to date as well as areas that still need improvement. The briefing should be directed at a multitude of audiences who have an interest in the Demonstration Project, including senior leadership, managers, employees, union officials, and other stakeholders.

ES.3.10. DoC should continue the Demonstration Project.

Based on our evaluation of Year Three of the Demonstration Project, evidence supports its continuation. The Demonstration Project is starting to achieve the objectives set forth by OPM and DoC, and support for the Demonstration Project is growing among its participants. Furthermore, if DoC wants to have broader access to these interventions, there is no evidence to suggest that they should not expand. Our findings suggest that there is no indication of harm or detrimental outcomes of the Demonstration Project interventions.

* * * * *

DoC has demonstrated progress toward successfully operating its Personnel Management Demonstration Project. While not all interventions have been fully implemented, evidence exists that some of the interventions have achieved the desired results in the first three years.

The full report provides additional information as well as more detailed information about the Demonstration Project and the results of the operational year.

1. INTRODUCTION

This chapter presents a brief background on the Department of Commerce's (DoC) Personnel Management Demonstration Project as well as the purpose and structure of this report.

1.1. DoC is midway through a five-year Demonstration Project to test and evaluate a series of alternative personnel practices and to determine their generalizability to other organizations.

DoC initiated a Personnel Management Demonstration Project (hereafter referred to as the Demonstration Project) in March 1998 as a means of testing and evaluating a series of personnel interventions. This effort was undertaken to determine whether alternative personnel practices are more successful in helping to achieve agency goals than traditional personnel practices. Based on the success of these interventions during the five-year Demonstration Project, it will be determined whether any or all of the interventions can be beneficially implemented elsewhere within DoC as well as government-wide.

The Office of Personnel Management (OPM) clearly defines processes for evaluating federally-funded Demonstration Projects. Following OPM guidelines, evaluators submit formal assessment reports at specified time intervals over the course of a Demonstration Project. As the evaluator of DoC's Demonstration Project, Booz Allen Hamilton (Booz Allen) submitted an Implementation Year Report (hereafter referred to as the Year One Report) that assessed the initial implementation and operation of the Demonstration Project through the first twelve months of the project. Booz Allen also submitted a Year Two Report (not required by OPM) that served as a mid-course check on the actions taken related to Demonstration Project interventions; by design, the Year Two Report relied solely on objective personnel data pertaining to performance ratings, compensation, and demographics.

1.2. This report provides an assessment of Year Three of the DoC Personnel Management Demonstration Project.

This Operational Year Report (hereafter referred to as the Year Three Report) assesses the Demonstration Project's third year of operation, March 2000 to March 2001. The intended audience for this report is DoC Demonstration Project managers, OPM, and DoC managers in general who may benefit from keeping abreast of the current state of the Demonstration Project and who may be interested in tracking trends regarding the effectiveness of the personnel interventions. Interwoven throughout this report, Booz Allen presents:

- A brief review of the Demonstration Project
- An analysis of both objective data and perceptual/attitudinal data on the third performance year
- Trend data across performance years, where appropriate
- An assessment of the impact of the Demonstration Project on mission and organizational outcomes
- An assessment of the impact of the Demonstration Project on equal employment opportunity, veterans, Merit System Principles, and Prohibited Personnel Practices
- Organizational context based on site historian accounts of critical events occurring during Year Three
- Conclusions on the efficacy of the personnel interventions and the Demonstration Project
- Recommendations for improving the personnel interventions and the Demonstration Project overall.

In conjunction with this report, Booz Allen is also submitting an Operational Year Management Report. While this Technical Report serves as a comprehensive evaluation of the Demonstration Project, the Management Report is designed as a standalone summary-level report to help decision makers evaluate whether to extend, expand, or terminate the Demonstration Project.

1.3. The structure of this report parallels the Year One and Year Two Reports; it evaluates each personnel intervention and then recommends actions for continued operation.

This Year Three Report represents the third in a series of five that Booz Allen will prepare assessing the Demonstration Project (the first, third, and fifth are formal reports required under OPM evaluation guidelines). To facilitate cross-comparisons, all reports will follow a similar structure. This report contains the following chapters.

Chapter 2 of this report, titled “Demonstration Project and its Evaluation,” begins with a brief description of the Demonstration Project, including the objectives guiding the project, the organizations and types of employees included, and the project interventions. The second half of Chapter 2 describes the Demonstration Project evaluation. The research questions relevant to the project are covered, followed by a discussion of the project evaluation phases.

Chapter 3, “Evaluation Data Sources,” contains descriptive and methodological information on the data collection procedures used during the project evaluation. This chapter covers the use of interviews, focus groups, a survey, objective personnel data, and summary human resources (HR) data.

Chapter 4, “Findings and Conclusions,” focuses on the major interventions that are being tested during the Demonstration Project. Each section is dedicated to a set of interventions.

Each conclusion is explained and then followed by findings that are supported by interview themes, focus group themes, survey results, objective data, and/or summary HR data.

Chapter 5, “Answers to Research Questions,” gives explicit answers to each research question from both the OPM Demonstration Projects’ Evaluation Handbook and the DoC Demonstration Project Evaluation Model. The questions and our responses are presented in table form.

Chapter 6, “Recommendations,” contains recommendations for the interventions, as appropriate. We also provide general recommendations that may not pertain to a specific intervention, but address organizational issues that affect the Demonstration Project.

A series of appendices accompany this report, providing various reference and citation data, including results from the survey and objective data analyses.

Booz Allen wrote this report and the conclusions stated within represent our views based on the evidence collected during the evaluation.

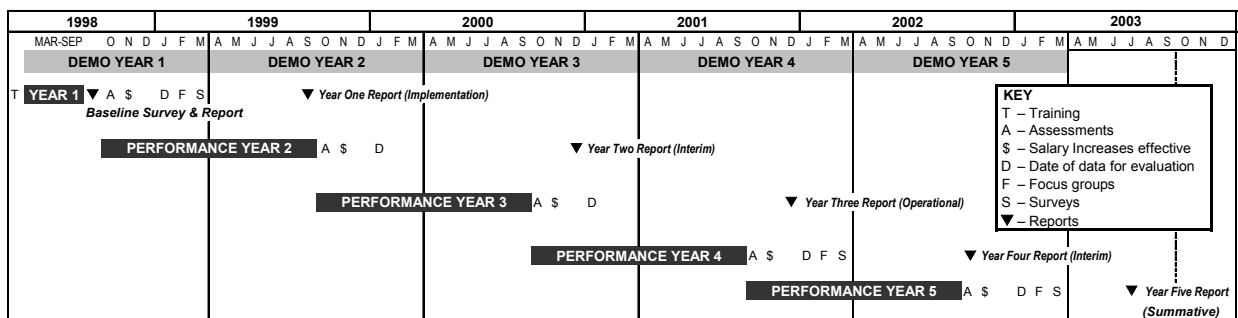
2. DEPARTMENT OF COMMERCE PERSONNEL MANAGEMENT DEMONSTRATION PROJECT AND ITS EVALUATION

This chapter, presented with only minor revisions from the Year One Report, presents background information concerning the Demonstration Project, including its objectives, scope, and evaluation.

2.1. The Demonstration Project is being conducted to test the effects of innovative human resources practices in different organizations with a variety of occupational groups.

The current DoC Personnel Management Demonstration Project was implemented on March 29, 1998, and is scheduled to last five years (March 2003) as shown in Figure 1. It was designed to apply several of the human resource interventions from an earlier DoC Demonstration Project at the National Institute of Standards and Technology (NIST). The NIST Project achieved highly successful results and, at its conclusion, the interventions were made permanent. The current project seeks to build on the success of the NIST Project and determine whether or not these interventions can be successfully implemented within DoC to a wider range of occupational areas and within organizations with different missions. With a few revisions, the interventions that comprise the current Demonstration Project are similar to the interventions made permanent at NIST. Included as part of this Demonstration Project are simplified recruiting, classification, and examining processes, as well as a shift to a pay-for-performance system within a pay-banding framework.

Figure 1. DoC Personnel Management Demonstration Project Timeline



2.2. The general objectives of this Demonstration Project emphasize the development of a higher performing workforce, as well as greater efficiency and flexibility of personnel processes.

This Demonstration Project is designed to foster improved organizational and individual performance. This is to be done by recognizing high quality performance and recruiting and retaining high performers. The stated project objectives are:

- Increased quality of new hires
- Improved fit between position requirements and individual qualifications
- Greater likelihood of getting a highly qualified candidate
- Increased recruitment and retention of high performing employees
- Improved individual and/or organizational performance
- More effective human resources management
- More efficient human resources management
- Increased delegation of authority and accountability to managers
- Better human resources systems to facilitate organizational mission and excellence
- Continued support for EEO/diversity goals in recruiting, rewarding, and retaining minorities, women, and veterans
- Continued provision of opportunities for a diverse work force
- Maximization of the contributions of all employees.

2.3. DoC organizations with a wide range of missions and occupations are included in the current Demonstration Project.

The current Demonstration Project is designed to include other organizations within DoC where the personnel interventions adopted at NIST might prove successful. DoC selected seven DoC organizations, with a range of missions and occupational groups, to participate in the current Demonstration Project. Some of these organizations (collectively referred to as the Demonstration Group) received the new personnel interventions. In an effort to determine whether Demonstration Project changes were actually effective, the results obtained from the Demonstration Group are compared with those results from a Comparison Group.

2.3.1. The Demonstration Group consists of seven organizations encompassing occupations in business, management, economics, computer science, statistics, physical science, and natural science.

Table 2-1 presents the organizations participating in the Demonstration Group, along with a statement of mission for each. Table 2-2 shows the major locations and occupations of the employees affected by the Demonstration Project's interventions.

Table 2-1. Participating Demonstration Group Organizations and Their Missions

Organization	Mission
<p>Technology Administration (TA)</p> <ul style="list-style-type: none"> • Office of the Under Secretary • Office of Technology Policy (OTP) 	<p>TA works to maximize technology’s contribution to America’s economic growth.</p> <p>The Office of the Under Secretary is responsible for the management of TA agencies.</p> <p>OTP is the only office in the federal government with the explicit mission of developing and advocating national policies that use technology to build America’s economic strength.</p>
<p>Economics and Statistics Administration (ESA)</p> <ul style="list-style-type: none"> • Bureau of Economic Analysis (BEA) 	<p>Much of the statistical, economic, and demographic information collected by the federal government is made available to the public through the bureaus and offices of ESA.</p> <p>BEA is the nation’s accountant, integrating and interpreting a tremendous volume of data to draw a complete and consistent picture of the U.S. economy. BEA’s economic accounts—national, regional, and international—provide information on such key issues as economic growth, regional development, and the nation’s position in the world economy.</p>
<p>National Telecommunications and Information Administration (NTIA)</p> <ul style="list-style-type: none"> • Institute for Telecommunication Sciences (ITS) 	<p>NTIA is the Executive Branch’s principal voice on domestic and international telecommunications and information technology issues. NTIA works to spur innovation, encourage competition, help create jobs, and provide consumers with more choices and better quality telecommunications products and services at lower prices. In fulfilling this responsibility, NTIA is providing greater access for all Americans, championing greater foreign market access, and creating new opportunities with technology.</p> <p>ITS is the chief research and engineering arm of NTIA. ITS supports such NTIA telecommunications objectives as promotion of advanced telecommunications and information infrastructure development in the U.S., enhancement of domestic competitiveness, improvement of foreign trade opportunities for U.S. telecommunications firms, and facilitation of more efficient and effective use of the radio spectrum.</p>
<p>National Oceanic and Atmospheric Administration (NOAA)</p> <ul style="list-style-type: none"> • Units of the Office of Oceanic and Atmospheric Research (OAR) • Units of the National Environmental Satellite, Data, and Information Service (NESDIS) • Units of the National Marine Fisheries Service (NMFS) 	<p>NOAA’s mission is to describe and predict changes in the earth’s environment and to conserve and manage wisely the nation’s coastal and marine resources.</p> <p>OAR, the primary research arm of NOAA, conducts and directs research in atmospheric, coastal, marine, and space sciences through its own laboratories and programs, and through networks of university-based programs.</p> <p>NESDIS operates NOAA’s satellites and ground facilities; collects, processes and distributes remotely sensed data; conducts studies, plans new systems, and carries out the engineering required to develop and implement new or modified satellite systems; carries out research and development on satellite products and services; provides ocean data management and services to researchers and other users; and acquires, stores, and disseminates worldwide data related to solid earth geophysics, solar terrestrial physics, and marine geology and geophysics.</p> <p>NMFS administers NOAA’s programs, which support the domestic and international conservation and management of living marine resources. NMFS provides services and products to support domestic and international fisheries management operations, fisheries development, trade and industry assistance activities, law enforcement, protected species and habitat conservation operations, and the scientific and technical aspects of NOAA’s marine fisheries program.</p>

Table 2-2. Major Locations and Occupations in the Demonstration Group

Organization	Major Location(s)	Major Occupations
<p>TA</p> <ul style="list-style-type: none"> • Office of the Under Secretary • Office of Technology Policy (OTP) 	<p>Washington, DC</p>	<p>General Administration, Management Analyst, and Technology Policy Analyst</p>
<p>ESA</p> <ul style="list-style-type: none"> • Bureau of Economic Analysis (BEA) 	<p>Washington, DC</p>	<p>Economist, Accountant, Financial Administrator, Computer Specialist, Statistician, and Statistical Assistant</p>
<p>NTIA</p> <ul style="list-style-type: none"> • Institute for Telecommunication Sciences (ITS) 	<p>Boulder, CO</p>	<p>Electronics Engineer, Mathematician, Computer Scientist, and Engineering Technician</p>
<p>NOAA</p> <ul style="list-style-type: none"> • Office of Oceanic and Atmospheric Research (OAR) • National Environmental Satellite, Data, and Information Service (NESDIS) • National Marine Fisheries Service (NMFS) 	<p>Silver Spring, MD Boulder, CO Miami, FL</p> <p>Suitland, MD Silver Spring, MD Asheville, NC Boulder, CO</p> <p>Gloucester, MA Long Beach, CA Juneau, AK Silver Spring, MD Seattle, WA</p>	<p>Meteorologist, Physical Scientist, Physicist, Electronics Engineer, Computer Specialist, Electronics Technician, Physical Science Technician, and Mathematician</p> <p>Physical Scientist, Meteorologist, Computer Specialist, Oceanographer, Physical Science Technician, Electronics Engineer, Engineering Technician, Geophysicist, and Mathematician</p> <p>Fish Biologist, Fish Administrator, Biologist, Microbiologist, Biology Technician, Chemist, Oceanographer, Wildlife Biologist, Computer Specialist, and General Business Specialist</p>

2.3.2. The Comparison Group consists of four organizations that are reasonably similar to the organizations in the Demonstration Group.

In order to separate the impacts of the interventions from other influences, DoC identified four organizations to be included in the Demonstration Project as a Comparison Group. The Comparison Group organizations did not receive the interventions implemented in the Demonstration Group and were chosen because of their similarity to the organizations in the Demonstration Group. The purpose of the Comparison Group is to serve as a point of comparison when analyzing the impact of interventions on the Demonstration Group. If differences are seen between Demonstration and Comparison Groups, then the assumption that the interventions have made an impact can be made more confidently. Table 2-3 presents the Comparison Group organizations, along with their major locations and major occupations.

Table 2-3. Major Locations and Occupations in the Comparison Group

Organization	Major Location(s)	Major Occupation(s)
ESA <ul style="list-style-type: none"> Headquarters 	Washington, DC	General Administration
NOAA <ul style="list-style-type: none"> Office of Oceanic and Atmospheric Research (OAR) National Environmental Satellite, Data, and Information Service (NESDIS) National Marine Fisheries Service (NMFS) 	Ann Arbor, MI Princeton, NJ Seattle, WA Wallops Island, VA Woods Hole, MA Miami, FL Seattle, WA La Jolla, CA	Meteorologist (primary). Physical Scientist, Physicist, Electronics Engineer, Computer Specialist, Electronics Technician, Physical Science Technician, and Mathematician Physical Scientist, Meteorologist, Computer Specialist, Oceanographer, Physical Science Technician, Electronics Engineer, Engineering Technician, Geophysicist, and Mathematician Fish Biologist, Biologist, Microbiologist, and Biology Technician (primary). Chemist, Oceanographer, Wildlife Biologist, Computer Specialist, and General Business Specialist

2.4. The Demonstration Project encompasses over 4,000 employees in both the Demonstration and Comparison Groups.

All positions that would be classified as GS or GM positions are covered under the Demonstration Project. Positions that are classified as Senior Executive Service (SES) or Federal Wage System (FWS) were not covered.

Table 2-4 displays demographic characteristics of Demonstration and Comparison Group participants involved in the Demonstration Project during Year Three. As this table shows, there was a total of 2,781 Demonstration Group participants and 1,808 Comparison Group participants. In comparison, there were 2,697 Demonstration Group participants and 1,707 Comparison Group participants in Year One and 2,740 Demonstration Group participants and 1,928 Comparison Group participants in Year Two.

Table 2-4. Characteristics of Demonstration Project Participants by Agency/Comparison Group

# Participants	DEMONSTATION GROUP										COMPARISON GROUP	
	TA		ESA/BEA		NTIA/ITS		NOAA (OAR, NESDIS, NMFS)		TOTAL		#	%
	#	%	#	%	#	%	#	%	#	%		
	50	--	423	--	52	--	2256	--	2781	--	1808	--
Career Path (or the equivalent)												
ZA	32	78.0	67	16.0	5	9.8	374	17.2	478	18.0	150	9.1
ZP	0	0.0	289	71.0	41	80.4	1309	60.2	1639	61.2	1171	71.1
ZS	9	22.0	34	8.3	1	2.0	320	14.7	364	13.6	138	8.4
ZT	0	0.0	17	4.2	4	7.8	173	7.8	194	7.3	187	11.4
Pay Band (or the equivalent)												
1	0	0	9	2.2	0	0.0	43	2.0	52	1.9	14	0.9
2	7	17.1	61	15.0	7	13.7	237	10.9	312	11.7	301	18.3
3	4	9.8	176	43.2	16	31.4	713	32.8	909	34.0	696	42.3
4	14	34.1	130	31.9	21	41.2	990	45.5	1155	43.2	534	32.4
5	16	39.1	31	7.6	7	13.7	193	8.9	247	9.2	101	6.1
Race												
American Indian	0	0.0	0	0.0	0	0.0	9	0.4	9	0.3	7	0.4
Asian	4	8.0	31	7.3	1	1.9	89	3.9	125	4.5	90	5.0
Black	13	26.0	108	25.5	0	0.0	218	9.7	339	12.2	78	4.3
Hispanic	0	0.0	16	3.8	1	1.9	66	2.9	83	3.0	44	2.4
White	33	66.0	268	63.4	50	96.2	1874	83.1	2225	80.0	1589	87.9
Veteran												
Yes	1	2.0	41	9.7	8	15.4	339	15.0	389	14.0	237	13.1
No	49	98.0	382	90.3	44	84.6	1917	85.0	2392	86.0	1571	86.9
Gender												
Male	20	40.0	226	53.4	39	75.0	1359	60.2	1644	59.1	1150	63.6
Female	30	60.0	197	46.6	13	25.0	897	39.8	1137	40.9	658	36.4
Supervisor												
Yes	5	12.2	43	10.6	1	2.0	173	8.0	222	8.3	149	8.2
No	36	87.8	364	89.4	50	98.0	2003	92.0	2453	91.7	1659	91.8

Note: For the Demonstration Group, column totals within a demographic do not equal the total number of participants due to missing data on supervisory status, career path, and pay band for 106 Demonstration Group participants. For the Comparison Group, column totals within a demographic do not equal the total number of participants due to missing data on career path equivalent and pay band equivalent for 162 Comparison Group participants.

Source: These figures are based upon the objective data provided by DoC (as of March 31, 2001) and represent the composition of the Demonstration Project during Year Three.

2.5. A broad range of interventions have been implemented under the Demonstration Project.

The interventions implemented in the Demonstration Group focus on classification, pay, recruitment, retention, and an expanded probationary period. The fifteen interventions, listed below, are described in the following sections. Appendix A-1 displays the *Federal Register* notice on the Demonstration Project and its interventions (and Appendix A-2 displays the modified *Federal Register* notice).

1. Career paths
2. Pay bands (Broadbanding)
3. Performance-based pay increases (pay-for-performance)
4. Supervisory performance pay

5. More flexible pay increase upon promotion
6. Performance bonuses
7. Direct examination
8. Agency based staffing
9. More flexible paid advertising
10. Local authority for recruitment payments
11. Local authority for retention payments
12. Automated broadband classification system
13. Delegated classification authority to managers
14. Delegated pay authority to managers
15. Three-year probationary period for scientists and engineers (ZP employees performing research and development (R&D) activities).

2.5.1. Four career paths have been established that group occupations according to similar career patterns.

Under the Demonstration Project, Demonstration Group occupations have been reclassified into four broad career paths. Each career path consists of occupations that have similar career patterns and therefore can be treated similarly for classification, pay, and other personnel purposes. In contrast, under the GS system, occupations are grouped by similarities in content. The career paths developed for the Demonstration Group are:

- **Scientific and Engineering (ZP).** Consisting of professional technical positions in the physical, engineering, biological, mathematical, computer, and social science occupations; and student trainee positions in these fields.
- **Scientific and Engineering Technician (ZT).** Consisting of positions that support scientific and engineering activities through the use of skills in electrical, mechanical, physical science, biological, mathematical, and computer fields; and student trainee positions in these fields.
- **Administrative (ZA).** Consisting of positions in such fields as finance, procurement, personnel, program and management analysis, public information, and librarianship; and student trainee positions in these fields.
- **Support (ZS).** Consisting of positions that provide administrative support, through the use of clerical, typing, secretarial, assistant, and other similar skills; and student trainee positions in these fields.

The career paths are intended to make classification simpler, more understandable, and easier to automate.

2.5.2. Pay bands are composed of one or more GS grades and allow for flexibility in pay setting.

The change from the GS system to pay bands (broadbanding) is one of the major Demonstration Project interventions. The pay bands were created by collapsing the traditional GS salary grades (including locality rates) into five broad groups with much larger ranges (i.e., pay bands)¹. Figure 2 shows the four career paths, their corresponding pay bands, and GS system equivalents. The maximum rate of a pay band is equivalent to step 10 of the highest GS grade used to create that band. Each career path collapses GS grades into bands differently; therefore, the band ranges differ by career path. Only the ZP and ZA career paths have pay bands that correspond to the full spectrum of GS grades. One to six GS grades are consolidated into any given pay band, depending on the career path and level of the band.

Figure 2. Career Paths and Bands for Demonstration Group Participants

CAREER PATHS	BANDS														
Scientific and Engineering (ZP)	I					II				III			IV		V
Scientific and Engineering Technician (ZT)	I			II				III		IV		V			
Administrative (ZA)	I					II				III			IV		V
Support (ZS)	I	II		III		IV		V							
GS Grades	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15

Source: Federal Register Notice: Personnel Management Demonstration Project; Alternative Personnel Management System for the U.S. Department of Commerce (December 24, 1997).

Pay bands are intended to add flexibility in pay setting for attracting job candidates and rewarding high performing employees. Pay bands were also put in place to provide larger, more flexible classification ranges, aiding in the delegation of classification and pay authority to line managers. Pay bands are also meant to facilitate the provision of performance incentives for employees, in that they give employees the opportunity to receive raises more quickly.

¹ The way in which the pay bands were constructed for the Commerce Personnel Management Demonstration Project was based on advice from the Office of Personnel Management and was guided by twenty years of research on Demonstration Projects.

Together, career paths and pay bands are intended to simplify and accelerate the classification and pay processes, as well as facilitate pay-for-performance.

2.5.3. Pay-for-performance is a system meant to link pay increases directly to performance, resulting in a more competitively paid, higher quality workforce.

Another major intervention is the establishment of a pay-for-performance system. Pay-for-performance links pay raises directly to job performance. Under the Demonstration Project, three components were subsumed by pay-for-performance. The first component is an annual adjustment to basic pay, which includes an annual general increase and a locality pay increase approved by Congress and the President. The second component is an annual performance-based pay increase. Bonuses constitute the third component. Funds that were applied to within-grade increases, quality step increases, and promotions (from one grade to another when those grades are in the same band) are now being applied to performance-based pay increases. In contrast to the GS system, there is no one-to-three year waiting period between pay increases, and the pay increase amounts are potentially higher.

Pay-for-performance is meant to govern employee progression through the pay bands. Pay-for-performance is, of course, meant to tie pay raises to performance, in contrast to the GS system, which ties pay raises mostly to tenure. Its goal is to give higher pay raises to those whose performance is high. Because of the flexibility that the bands allow, the performance-based pay raises can, in theory, be substantial. The pay-for-performance system, along with the pay bands, is meant to improve performance and retain high quality employees.

Implementation of the pay-for-performance system also included the implementation of a new performance appraisal system. It is important to note that NOAA units outside of the Demonstration Group have also adopted a new performance appraisal system, independent of the Demonstration Project. Table 2-5 below outlines some of the major differences between the traditional, the new NOAA, and the Demonstration Project performance appraisal systems.

Table 2-5. Performance Appraisal Systems

TRADITIONAL SYSTEM (Comparison Group)	NEW NOAA SYSTEM (Comparison Group)	DEMO PROJECT SYSTEM (Demonstration Group)
<ul style="list-style-type: none"> Individual performance plans 	<ul style="list-style-type: none"> Individual performance plans 	<ul style="list-style-type: none"> Individual performance plans
<ul style="list-style-type: none"> Performance improvement plans 	<ul style="list-style-type: none"> Performance improvement plans 	<ul style="list-style-type: none"> Performance improvement plans
<ul style="list-style-type: none"> 500-point system 	<ul style="list-style-type: none"> Two-tier system 	<ul style="list-style-type: none"> 100-point, two-tier system
<ul style="list-style-type: none"> Critical and non-critical elements included 	<ul style="list-style-type: none"> Critical elements included; non-critical elements not included 	<ul style="list-style-type: none"> Critical elements included; non-critical elements not included

Each employee in the Demonstration Project has an individual performance plan that is composed of several critical performance elements. Under this performance appraisal

system, all of the performance elements are critical; if an employee gets an unsatisfactory rating on one element, there is no performance score and that person is deemed “unsatisfactory.” Employees who are deemed unsatisfactory are not eligible for pay-for-performance increases, bonuses, or annual adjustments to basic pay. These employees must be put on a performance improvement plan and given a chance to improve before a final rating is put on record. Demonstration Group employees who are not performing unsatisfactorily on any of the performance elements are rated using the 100 point scoring system. Supervisors report scores to the Pay Pool Manager who, during the first two years of the Demonstration Project, put the scores in rank order for all employees in the pay pool for administration of salary actions. Because many employees felt that the assignment of numerical rankings created a competitive environment, DoC has since eliminated the individual rankings and now arrays the data in numerical order to maintain the linkage between scores and pay actions without assigning a numerical rank.

In Year Three, an additional factor that may have impacted pay, but is not directly linked to performance, was a government-wide special pay rate for information technology (IT) workers. Demonstration Project Site Historians reported that this action took effect on January 1, 2001 and applied to all IT professional in grade 12 and below. In addition to increasing the pay of IT workers in the Demonstration Project, this event may impact the recruitment and retention of IT workers in the Demonstration Project and elsewhere in the government.

2.5.4. Supervisory performance pay is meant to help retain supervisors by giving them higher pay potential for high supervisory performance.

Supervisors in all career paths are eligible for supervisory performance pay. In each pay band that includes supervisory positions, there is a corresponding supervisory band (as shown in Figure 3). The supervisory bands have the same minimum levels as do the non-supervisory bands. The only difference is that the supervisory bands extend 6 percent above the maximum point of the corresponding non-supervisory band. The amount that a supervisor is paid above the maximum rate of his/her pay band constitutes supervisory performance pay. The range constituting supervisory performance pay (6 percent above the maximum) can be reached only through pay-for-performance increases gained through the regular performance appraisal process. Supervisory performance pay is meant to give the ability to raise the pay of high performing supervisors to more competitive levels, thus improving retention.

Figure 3. Pay Bands for Supervisory Employees

CAREER PATHS	BANDS																
Scientific and Engineering (ZP)	I					II					III			IV		V	
Scientific and Engineering Technician (ZT)	I				II				III			IV		V			
Administrative (ZA)	I						II					III			IV		V
Support (ZS)	I		II		III		IV		V								
GS Grades	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15		

2.5.5. Flexible pay increases upon promotion are intended to allow supervisors to tie pay to employee performance and to substantially reward excellent performance.

One intervention related to pay bands (broadbanding) and pay-for-performance is flexible pay increases upon promotion. High performing employees now have the potential to receive substantial pay increases when they are promoted. Because of the less restricting nature of pay bands, an employee’s salary, upon promotion, can be set anywhere within a band without being restricted by the small steps characteristic of the GS system. This intervention is meant to encourage the retention of high performers by making their salaries more competitive with the private sector.

2.5.6. Performance bonuses are payments meant to reward and encourage employee performance and improve retention.

Performance bonuses are cash awards given following a performance appraisal cycle, in conjunction with performance pay decisions. Pay Pool Managers can award a bonus to any employee with an “eligible” performance rating (i.e., individuals who have a satisfactory, or better, rating on all performance elements). Pay Pool Managers make decisions based on supervisor recommendations and the amount in the bonus pool. The maximum bonus amount that can be given is \$10,000 (greater amounts can be granted with the Departmental Personnel Management Board’s approval). Bonuses are meant to reward high performers, increasing their retention. Bonuses are also meant to act as a performance incentive to the workforce.

Performance bonuses can also be awarded to DoC employees who entered the Demonstration Project too late to receive a performance rating, but who have received a DoC performance

rating of record within the previous 13 months. In these situations, bonuses can be used to remove the disincentive of not receiving a pay increase.

- 2.5.7. For limited positions, direct examination allows DoC to hire candidates directly without using the OPM job register, thereby decreasing time to hire.

Direct examination, a recruitment intervention, allows DoC to immediately hire candidates who present specific credentials, provided an open announcement exists. Direct examination can be used for shortage categories only. Direct examination gives managers the ability to hire individuals with shortage skills as they find them. Occupations covered by direct examination will usually be filled through direct recruiting by hiring officials. A search of the operating unit applicant supply file is required, and veteran's preference must still be taken into account for these positions.

The Demonstration Project incorporates two direct examination authorities. The first is direct examination for critical shortage occupations and the second is direct examination for critical shortage highly qualified candidates. Direct examination for critical shortage occupations is used for occupations requiring skills in short supply. These include occupations for which there is a special rate under the General Schedule (GS) system and some occupations at band three and above in the ZP career path. Direct examination for critical shortage highly qualified candidates is used for positions where there is a shortage of highly qualified candidates. An example of a critical shortage highly qualified candidate is a person qualified for band one or two of the ZP career path who has:

- A bachelor's degree and at least a 2.9 GPA in a job-related major, or
- A master's degree in a job related field.

Since January 1996, all federal government agencies have had direct examination authority. No critical shortage occupations have been identified under the Demonstration Project.

- 2.5.8. Agency based staffing, which can be used for positions not covered by direct examination, gives DoC the ability to certify its own candidates; this is expected to decrease time to hire.

Agency based staffing, another recruitment intervention, is used to fill vacancies not covered by direct examination. At a minimum, positions eligible for agency based staffing will be advertised through OPM's automated employment information system. Agency based staffing gives DoC the ability to examine and certify its own candidates instead of having OPM certify them. It allows DoC to create its own candidate registers, and to rate and rank the candidates independent of OPM. Agency based staffing, in conjunction with flexible paid advertising, was meant to be used to help hiring officials focus on more relevant recruiting sources and to accelerate the hiring process.

Since January 1996, all federal government agencies have had agency based staffing authority. It is used in several DoC organizations.

In Year Three, the effectiveness of the recruitment interventions was likely impacted by the Presidential hiring freeze. This freeze was enacted in late January 2001 to allow for the transition in political leadership. Demonstration Project Site Historians reported that the freeze delayed some hires and also impacted the speed of hiring.

2.5.9. Flexible paid advertising allows DoC to use more specialized advertising sources to attract highly qualified candidates.

Flexible paid advertising is an intervention that allows DoC to utilize paid advertising sources as a first step in recruiting, without having to utilize unpaid sources first. Hiring officials can now use a wider scope of advertising sources, as well as concentrate on more specialized sources. More flexible paid advertising is meant to allow hiring officials to make greater use of alternative recruitment sources.

2.5.10. Local authority for recruitment payments allows DoC to grant payments for the purpose of recruiting high quality candidates.

Local authority for recruitment payments allows operating units to independently grant recruitment payments in an amount not to exceed the greater of \$10,000 or 25 percent of base pay. Payments are based on market factors such as salary comparability, turnover rate, salary offer issues, relocation issues, programmatic urgency, special qualifications, shortage categories, or scarcity of positions. All scientific, engineering, and hard-to-fill positions are eligible. The main purpose for the recruitment payment is to increase the quality of the workforce by attracting high quality performers.

The current Demonstration Project modeled many of the features of the NIST Demonstration Project, which began in 1988, and thereby adopted “local authority for recruitment payments” as an intervention. However, through the Federal Employees Pay Comparability Act of 1990 (FEPCA), this intervention is also available elsewhere in the federal government. FEPCA allows recruitment bonuses to be paid in a lump-sum up to 25 percent of an employee’s base pay, with a one-year service commitment.

2.5.11. Local authority for retention payments allows DoC to grant payments for the purpose of retaining high quality candidates.

Similar to local authority for recruitment payments, local authority for retention payments allows operating units to grant retention payments not to exceed the greater of \$10,000 or 25 percent of base pay. These payments also are based on market factors. All scientific, engineering, and hard-to-fill positions are eligible. The main purpose for the retention payments is to increase the quality of the workforce by retaining high quality performers.

FEPCA also allows retention payments up to 25 percent of an employee’s base pay. Similar to the recruitment payment intervention, while the current Demonstration Project modeled this intervention after the NIST Demonstration Project, retention payments are also available elsewhere in the federal government.

2.5.12. The classification system was automated to make the classification process easier to use and more efficient.

Under the Demonstration Project, the classification system has been automated. Position descriptions can be created, accessed, classified, and altered electronically. A DOS-based software program was originally built for these purposes. In Year Three, efforts were underway to transition to a web-based system that is expected to be a major improvement by making the process far more user-friendly. Specifically, supervisors can use the system to:

- Create a new position description
- Create a new position description based on another
- Delete a position description
- Edit an unofficial position description
- Print a position description
- Review a position description
- Run queries
- Delete, edit, print, or view a position description by action number
- Export a position description
- Import a position description
- Maintain the position description system.

The purpose of the automation is to make the classification system easier to use and more expedient. Automation of the system is also meant to minimize the resources needed for operation and to minimize the classification decisions that need to be made.

2.5.13. Delegated classification authority places classification responsibility with the managers.

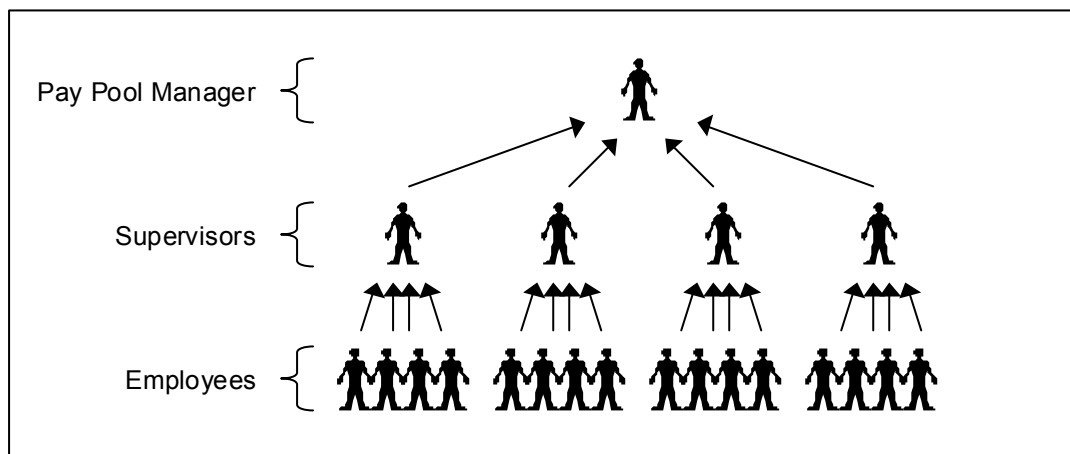
Delegated classification authority gives line managers the authority to classify positions. Each agency's Operating Personnel Management Board (OPMB) has the responsibility for overseeing the delegation of classification authority. Human resources personnel have the responsibility to monitor and review classification decisions. Delegated classification authority is meant to give managers more control over classifying the work they supervise. Managers must understand their organization's mission and the work they supervise to be effective classifiers.

2.5.14. Delegated pay authority allows line managers to direct and administer pay functions.

Delegated pay authority gives line managers (i.e., supervisors) the authority to direct and administer pay procedures. Under the GS system, federal employees receive increases in salary in accordance with their grade and step. Under the Demonstration Project, supervisors evaluate the performance of their subordinates and communicate their recommendations to the Pay Pool Manager. Supervisors may also make recommendations for performance-based pay increases and/or bonuses. The Pay Pool Manager, however, makes the final decisions regarding the dollar amounts for both performance-based pay increases and bonuses.

The purpose of delegated pay authority is to improve the effectiveness of human resources management by having line managers more involved as managers of the human resources in their units. Managers have a first hand view of employee performance and therefore can make the most effective pay recommendations. Line managers' involvement is increased significantly under the Demonstration Project because they now have responsibility and authority for managing pay and making pay decisions. Figure 4 displays the delegated pay authority relationship within the Demonstration Group. These newly delegated authorities are subject to oversight by the Operating Personnel Management Boards at the local level, and by the Departmental Personnel Management Board, which ensures adherence to Departmental policy and procedure.

Figure 4. Pay Authority Relationship



2.5.15. The three-year probationary period gives managers more of an opportunity to observe ZP employees performing R&D duties for the full R&D cycle.

Under the three-year probationary period intervention, employees in the scientific and engineering (ZP) career path who perform R&D work are subject to a three-year probationary period. (Other employees within the Demonstration Project serve the same one-year probationary period as employees throughout the government.) Managers have the authority to end the three-year probationary period of an R&D subordinate at any time after a year. Near the end of the first year of probation, a manager decides whether to 1) change the employee to non-probationary status, 2) remove the employee, or 3) keep the employee on probationary status. If the employee remains on probationary status, then the manager must choose between these three options near the end of the second year. If the employee remains on probation into the third year, then the manager must make a final decision on whether to remove or keep the employee.

2.6. A valid evaluation of the Demonstration Project is critical in determining whether to continue the tested interventions and whether to make them a part of other government organizations.

OPM requires that every Demonstration Project be rigorously evaluated. The purpose of the DoC Demonstration Project evaluation is to determine if the Demonstration Project’s objectives were met. The evaluation’s purpose is also to determine what, if any, mid-course revisions should be made to the Demonstration Project implementation, and whether the project interventions can be applied in other federal government organizations. The Demonstration Project evaluation is driven by a number of research questions.

2.6.1. The research questions for the Demonstration Project were derived from both the OPM Demonstration Projects Evaluation Handbook and the DoC Demonstration Project objectives.

Evaluation of the Demonstration Project interventions seeks ultimately to answer several research questions. The OPM Demonstration Projects Evaluation Handbook (Batten, Goehrig, and Jorgenson, 1998) states that the research questions that must be answered will differ from project to project. However, six general research questions (presented in Table 2-6) must be answered for every Demonstration Project.

Table 2-6. Research Questions from OPM Demonstration Project Handbook

OPM Research Questions	Timing of Answer
1) Did the project accomplish the intended purpose and goals? If not, why not?	Years 3 & 5
2) Was the project implemented and operated appropriately and accurately?	All years
3) What was the cost of the project?	Year 5
4) What was the impact on veterans and other EEO groups?	All years
5) Were Merit Systems Principles adhered to and Prohibited Personnel Practices avoided?	All years
6) Can the project or portions thereof be generalized to other agencies or government-wide?	Year 5

In addition, research questions are based on six objectives specific to the DoC Demonstration Project. These objectives stem from major concerns within DoC in regards to hiring restrictions, a complex job classification system, and poor tools for rewarding and motivating employees (*Federal Register* notice, December 1997; displayed in Appendix A-1). The Demonstration Project was implemented to address these types of issues. Accordingly, the evaluation also seeks to address the six additional research questions specified in Table 2-7.

Table 2-7. Research Questions Related to DoC Demonstration Project Objectives

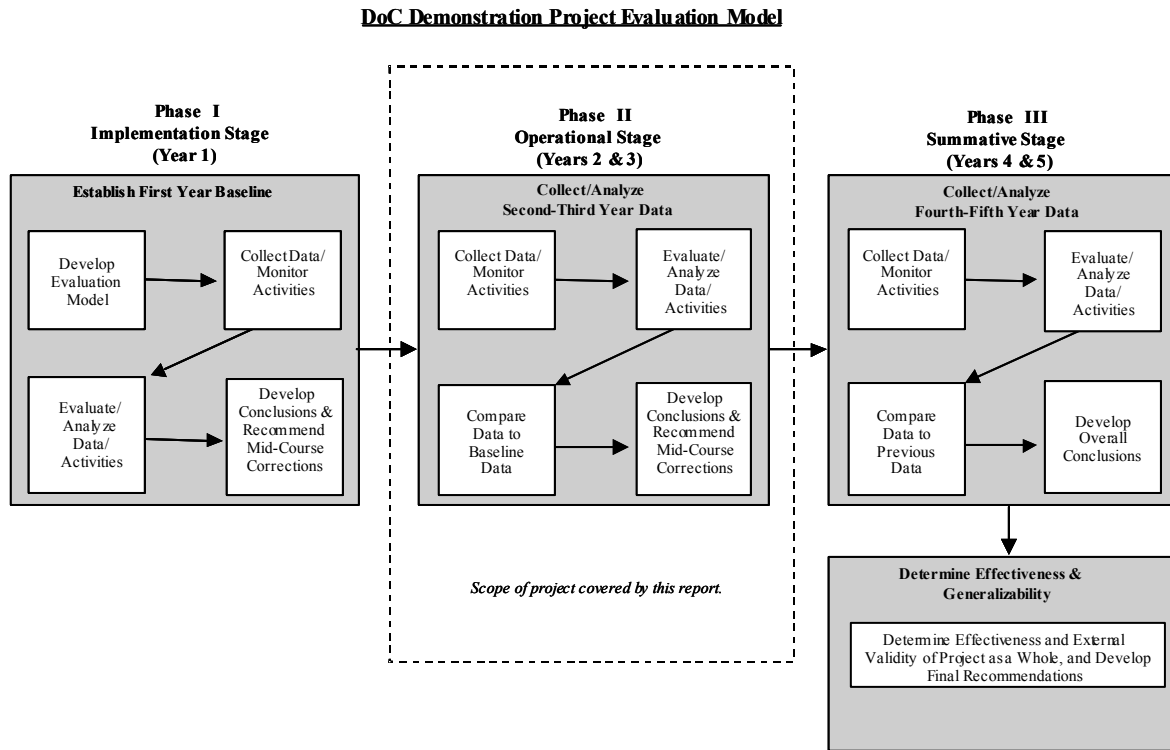
DoC-Specific Research Questions	Timing of Answer
1) Has the quality of new hires increased; has there been an improved fit between position requirements and individual qualifications; has there been a greater likelihood of getting a highly qualified candidate?	Years 3 & 5
2) Has retention of good performers increased?	Years 3 & 5
3) Has individual and organizational performance improved?	Years 3 & 5
4) Is Human Resources management more effective?	Years 3 & 5
5) Is Human Resources management more efficient?	Years 3 & 5
6) Is there improved support for EEO/diversity goals in recruiting, rewarding, paying, and retaining minorities; are opportunities for a diverse workforce being provided; are the contributions of all employees being maximized?	All Years

The 12 research questions above will be tracked during all three phases of the Demonstration Project evaluation and are the ultimate questions to be answered by the evaluation. Chapter 5 of this report provides a high-level summary addressing these questions based on data available after three years of operation (which are presented throughout Chapter 4).

2.6.2. The Demonstration Project evaluation is being conducted in three phases and compares a Demonstration Group to a Comparison Group, across time.

A non-equivalent comparison group, quasi-experimental, research design is being used to evaluate the Demonstration Project. Quasi-experimental design is used when it is not possible to control for all variables, or when it is not possible or practical to randomly assign subjects to equivalent groups. The non-equivalent comparison group design seeks to control for confounding variables by tracking a Comparison Group that is reasonably similar (though not necessarily identical) to the experimental (Demonstration) group. The DoC Demonstration Project evaluation is being conducted in three phases, shown in Figure 5, and will compare the Demonstration Group to the Comparison Group across time.

Figure 5. DoC Demonstration Project Evaluation Model



In general, the three phases of the evaluation will focus on project implementation and project effectiveness, but to different degrees. The evaluation will also serve to produce mid-course correction recommendations as the project progresses. The three phases will differ slightly in their focus and will complement each other. An evaluation report will be produced at the end of each of the three phases.

This Operational Year Report presents the opportunity to compare data from midway through the Demonstration Project with data obtained at the project's implementation. This report presents data on the state of the Demonstration Project in Year Three and also, as appropriate, provides trend analyses to examine any changes that occurred over time.

3. EVALUATION DATA SOURCES

Multiple data collection methods were used to gather the information needed for Booz Allen's assessment of the effectiveness of the Demonstration Project interventions. These methods included interviews with key program staff and managers, focus groups, a survey, a review of objective data obtained from the National Finance Center (NFC) Payroll/ Personnel System and the Demonstration Project's Performance Payout System (PPS), and a review of human resources (HR) summary data. Each data collection method is described in detail below.

3.1. Booz Allen conducted 25 interviews with staff in the DoC organizations participating in the Demonstration Group to determine their perceptions of the project.

Booz Allen conducted individual, face-to-face interviews with senior managers and human resources staff from agencies operating under the Demonstration Project's personnel interventions. Interviewees were selected based on the relevance of their roles and/or positions to the Demonstration Project. The intent of the interviews was to acquire more detailed information about processes and procedures than can be gained from documentation. Furthermore, Booz Allen was interested in obtaining the perspectives of employees who are in some way involved with administering and/or monitoring the Demonstration Project interventions.

Interviews were conducted using a structured interview format, with questions tailored to the individual’s area of expertise. The responses to the interview questions were then analyzed to identify themes, trends, and discrepancies. (See Appendix B-1 for the interview protocol; a summary of the interview results has been provided to DoC under separate cover.) In total, 25 interviews were conducted (see Table 3-1).

Table 3-1. Interviews Conducted

Interviewees	Number
Directors and Administrative Officers	4
Pay Pool Managers	8
Rating Officials	5
Human Resources and EEO Staff	8

3.2. A total of 16 focus groups were conducted with employees from the Demonstration and Comparison Groups to help assess the Demonstration Project’s impact.

Focus groups were conducted to obtain in-depth perceptual data from employees in the Demonstration and Comparison Groups. Several key purposes drove our decision to use focus groups as a source of data. Focus groups:

- Provide a means of capturing rich, qualitative data on employee perspectives of the Demonstration Project
- Trigger ideas or research questions that can then be analyzed with our survey or objective data
- Convey to Demonstration Project participants our interest in hearing their opinions.

Booz Allen-trained facilitators used four structured focus group protocols to guide the focus group sessions. Separate protocols were used for Demonstration and Comparison Groups, and for non-supervisor and supervisor groups. Prior to presenting the focus group questions for discussion, Booz Allen facilitators provided introductory information including the purpose of the session, how individuals were selected to participate, and how focus group responses would be used. Table 3-2 lists the topics that were covered by the focus group protocols.

Table 3-2. Focus Group Topics

• Performance Management	• Employee Retention
• Career Progression	• Quality of the Workforce
• Classification	• Organizational Excellence and Workforce Diversity
• Hiring/Recruitment	• Minority/Gender Issues
• Employee Turnover	

Prior to recruiting participants, Booz Allen worked with DoC to identify locations in which the focus groups and interviews would be held. Site visit locations were determined by considering a number of criteria:

- Balance of Comparison and Demonstration Group participants
- Inclusion of all participating organizations
- Inclusion of some locations not visited as part of the Year One evaluation
- Input from the Project Team members
- Budget constraints.

The majority of the focus groups (14 out of 16) were structured as supervisory or non-supervisory groups; there was also one all-female group and one all-minority group. The latter groups allowed Booz Allen to assess whether certain categories of employees felt differentially impacted by the Demonstration Project interventions. The breakdown of the 16 focus groups conducted was:

- 4 Demonstration Group supervisory groups
- 5 Demonstration Group non-supervisory groups
- 1 Demonstration Group all-female group
- 1 Demonstration Group all-minority group
- 1 Comparison Group supervisory group
- 4 Comparison Group non-supervisory groups.

Once the locations and composition of the focus groups were established, employees were randomly selected to participate. Lists of alternates were drawn and used in those cases where a selected individual could not attend.

Focus groups were conducted during March and April 2001. The data from the focus groups were organized and analyzed to identify trends, themes, and discrepancies. (Appendix B-2

contains the focus group protocols; a complete summary of focus group results has been provided to DoC under separate cover. Appendix B-3 lists the focus group sites by location, focus group type, and organization).

3.3. A survey of Demonstration and Comparison Group employees provided a key data source for our assessment.

The survey drew responses from 1,725 Demonstration and Comparison Group employees and garnered opinions on a wide range of human resources issues and practices relevant to the Demonstration Project. The items included in the survey included all of the items from the Implementation Year Survey (administered in Year One). In addition, the survey included three new items; the first two items related to survey administration and the third item resulted from a Year One recommendation:

- *In the future, I would be interested in taking this survey electronically on the Internet (item 122)*
- *In the future, I expect to have sufficient computer access to be able to take this survey electronically on the Internet (item 123)*
- *I have met with other supervisors and/or our pay pool manager to establish standards to ensure that supervisors are using performance ratings in a consistent manner with one another (item 126).*

All other survey items were retained from the original survey without modification to wording or order to allow for comparisons over time. This consistency helps ensure that any differences that may appear are attributable to changes in opinion or perception rather than a change in the survey instrument.

After the survey instrument was developed and formatted, copies were disseminated to all Demonstration Project participants. Employees were asked to return the survey within two weeks of receiving it. Completed surveys were returned to Booz Allen, entered into a database, and then analyzed. (See Appendix C for survey materials.) In total, 1,725 Demonstration Group and Comparison Group participants returned surveys for a response rate of 38 percent; 1,721 surveys were usable.

3.3.1. Demonstration Group and Comparison Group survey respondents were reasonably similar.

Table 3-3 illustrates the similarity in the demographic characteristics of survey respondents in the Demonstration and Comparison Groups. The demographic characteristics considered include gender, race/ethnicity, supervisory status, and pay grade or pay band. The table confirms the basic similarity in the demographic profiles of the Demonstration and Comparison Groups, which is important for establishing the validity of the Comparison Group used in this evaluation.

Table 3-3. Demographic Characteristics of Operational Survey Respondents and All Demonstration and Comparison Group Participants

	Demonstration Group		Comparison Group	
	Participants	Respondents	Participants	Respondents
OVERALL	2,781	1,112 (39%)	1,808	609 (34%)
GENDER				
Male	1,644 (59%)	686 (62%)	1,150 (64%)	394 (66%)
Female	1,137 (41%)	418 (38%)	658 (37%)	206 (34%)
RACE/ETHNICITY				
White	2,225 (80%)	904 (83%)	1,589 (88%)	513 (85%)
Black	339 (12%)	72 (7%)	78 (4%)	27 (4%)
Asian	125 (5%)	56 (5%)	90 (5%)	30 (5%)
Native American	9 (0.3%)	15 (1%)	7 (0.4%)	10 (2%)
Hispanic	83 (3%)	38 (4%)	44 (2%)	23 (4%)
SUPERVISORY STATUS				
Non-Supervisory Employee	2,453 (92%)	912 (82%)	1,659 (92%)	504 (83%)
Supervisory Employee	222 (8%)	200 (18%)	149 (8%)	105 (17%)
PAY GRADE – GS & GM SCHEDULE				
1			0 (0%)	1 (0%)
2			1 (0.1%)	0 (0%)
3			9 (0.5%)	0 (0%)
4			29 (2%)	7 (1%)
5			43 (2%)	12 (2%)
6			61 (3%)	11 (2%)
7			181 (10%)	48 (9%)
8			33 (2%)	9 (2%)
9			220 (12%)	60 (11%)
10			13 (0.7%)	5 (1%)
11			350 (19%)	100 (18%)
12			337 (19%)	120 (21%)
13			267 (15%)	85 (15%)
14			169 (9%)	62 (11%)
15			95 (5%)	41 (7%)
CAREER PATH				
ZP	1,639 (59%)	730 (67%)		
ZT	194 (7%)	70 (6%)		
ZA	478 (17%)	207 (19%)		
ZS	364 (13%)	87 (8%)		
PAY BAND				
I	52 (2%)	20 (2%)		
II	312 (11%)	84 (8%)		
III	909 (33%)	337 (32%)		
IV	1,155 (42%)	482 (45%)		
V	247 (9%)	141 (13%)		

Notes:

1. Based on data as of March 31, 2001.
2. For some demographic items on the survey (e.g., gender), not all respondents provided a response. Percentages are based on the number of respondents who provided responses.
3. Survey data on race/ethnicity are self-reported and therefore may exceed the numbers contained in the objective data file.
4. In the objective data file, 106 Demonstration Group participants were missing data for supervisory status, career path, and pay band.

The strength of the survey data is that they provide information on employee attitudes and opinions that can be generalized to all Demonstration and Comparison Group employees. This generalization is possible due to the large number of surveys returned in each group, (Demonstration Group: 1,112 surveys; Comparison Group 609 surveys) and the close similarity between survey respondents and the populations of DoC Demonstration Project employees they represent. The response rates for the Operational Year Survey were an improvement over the Implementation Year and Baseline² surveys, as shown in Table 3-4.

Table 3-4. Survey Response Rates

Operational Year Survey (Year Three)			
Demonstration Group		Comparison Group	
Participants	Responses	Participants	Responses
2,781	1,112 (40%)	1,808	609 (34%)

Implementation Year Survey (Year One)			
Demonstration Group		Comparison Group	
Participants	Responses	Participants	Responses
2,697	935 (35%)	1,707	503 (29%)

Baseline Survey			
Demonstration Group		Comparison Group	
Participants	Responses	Participants	Responses
2,649	1,024 (39%)	1,633	512 (31%)

3.3.2. Survey results are presented throughout the report, highlighting between group and across time findings.

In the “Findings and Conclusions” section, Year Three survey data are presented in table format to facilitate understanding. These tables show the percentage breakdown of responses from Demonstration and Comparison Group survey respondents, with a column indicating whether there is a statistically significant difference in their responses. In addition, responses of supervisory and non-supervisory employees are reported separately where there are statistically significant differences between them.

For the preliminary data analyses, Booz Allen generated cross-tabulations and performed statistical tests (e.g., t-tests) to determine whether differences between groups (Demonstration Group versus Comparison Group, supervisors versus non-supervisors) were statistically different. This information is presented in table format throughout the report.

For selected survey items, Booz Allen performed trend analyses, which are displayed as line charts in the appropriate sections of the “Findings and Conclusions.” Overall, we found few

² The Baseline Survey was administered by another firm prior to the start of the Demonstration Project. The Implementation Year Survey was administered during the first year of the Demonstration Project.

substantial differences on survey items from Year One to Year Three. However, we display trend analyses for items for which: 1) the topic is particularly salient, 2) we had indicated in Year One that we would track a particular topic over time, or 3) the amount of change from Year One to Year Three in Demonstration Group survey responses was larger than for most other items.

3.4. Booz Allen used objective personnel data to conduct a series of analyses pertaining to performance and pay.

Booz Allen collected and analyzed objective personnel data for both the Demonstration and Comparison Groups. The data included performance, compensation, and demographic information for the time period April 2000 to March 2001. Data were obtained from the NFC's Payroll/ Personnel System and the Demonstration Project's Performance Payout System (PPS).³ Table 3-5 shows the objective data elements that were included in these analyses.

³ For each analysis, Booz Allen included only those records where the relevant data were complete (insufficient data were available for some records); therefore the number of cases is different in different analyses.

Table 3-5. Objective Data Elements

Objective Data Elements	
<ul style="list-style-type: none"> • Social security number • Gender • Race • Age • Education • Veterans status • Organization/unit • Occupational series • Hire date (start date with DoC unit) • Date entered Demonstration Project (Demonstration Group) • Career path (or equivalent for Comparison Group) • Pay band (or equivalent for Comparison Group) • Interval (or equivalent for Comparison Group) • Supervisory status (supervisory employee/non-supervisory employee) • Base pay/salary as of 11/30/00 (Demonstration Group) • Base pay/salary as of 3/31/01 (Comparison Group) • Eligibility for performance rating in Year Three (Demonstration Group) • Performance appraisal score (rating) • Performance-based pay increase (Demonstration Group) 	<ul style="list-style-type: none"> • Step increase (Comparison Group) • Quality step increase (Comparison Group) • Increase from promotion to grade within band (or equivalent for Comparison Group) • Performance bonus/award amount • Performance bonus/award date (month and year) • Retention payment amount • Retention payment date • Recruitment payment amount • Recruitment payment date • Eligibility for 3-year probation • Probationary beginning date • Probationary end date • Made permanent after 3-year probation • Promotion during Year Three • Promotion date • Pay band after promotion (equivalent for Comparison Group) • Interval after promotion (equivalent for Comparison Group) • Salary increase at promotion • Salary after promotion • Switched career paths during Year Three • Separation date out of Demonstration Project • Type of separation

Wherever possible, comparisons were drawn between the Demonstration and Comparison Groups as a means of assessing the degree to which the interventions appear to be having an impact. Moreover, where possible, Booz Allen conducted analyses comparing personnel data across time. For some issues, three data points are now available (Years One, Two, and Three) and begin to demonstrate trends.

Descriptive and inferential statistics were used to analyze the objective personnel data. Descriptive statistics (e.g., frequencies, crosstabulations, means, medians, and correlations) were used to present information about performance ratings, pay increases, and bonuses. Inferential statistics were used to test differences in mean pay increases and bonuses across different groups of employees, such as high and low performing employees. Inferential statistics were also used to test differences in mean performance payouts to members of protected classes (minorities, females, and veterans). The specific inferential statistics used were ANOVA (analysis of variance—used to test differences in means) and ANCOVA (analysis of covariance—used to test differences in means while controlling for other factors). Appendix D-1 presents a full description of the ANCOVA process and results as

they relate to protected classes. To facilitate comparisons across years, Appendix D-2 presents objective data tables presented in the Year One and Year Two reports.

3.5. Booz Allen collected HR summary data from the participating organizations as an additional means of tracking and analyzing data on the use of the Demonstration Project interventions.

In addition to collecting and analyzing objective personnel data, Booz Allen also collected summary level HR data from the participating organizations as an additional source of information regarding the use of the Demonstration Project interventions. Each participating organization in the Demonstration Group and the Comparison Group was asked to submit data pertaining to classification actions, performance rating grievances, and hiring methods used.

3.6. Booz Allen collected site historian logs, which provide context for the experiences and perceptions of Demonstration Project participants.

Site historians were designated in all the Demonstration Group and Comparison Group organizations. The site historians provided information on events that occurred during the specified timeframe (April 1, 2000 to March 31, 2001) that may have impacted the interventions implemented under the Demonstration Project. Appendix E provides a summary of the information reported by site historians during Year Three.

When performing analyses, we considered how the information conveyed in the site historian logs may impact findings. As an example, we considered the Presidential hiring freeze when assessing the impact of recruitment interventions. However, we found that the Demonstration Project achieved similar hiring rates, over the course of the year, despite the hiring freeze. As another example, we considered whether analyses needed to be adjusted to account for the rate increase granted to information technology workers but determined that the IT pay increase was a constant across the Demonstration and Comparison Groups and therefore would not skew the results. (While the IT pay increase was not automatic for Demonstration Group participants, the Departmental Personnel Management Board agreed to grant it). As a final example, we were mindful that, while the Demonstration Project will soon be instituting a new web-based classification system, reported perceptions about the classification pertain to the previous system.

4. FINDINGS AND CONCLUSIONS

This chapter presents Booz Allen's findings and conclusions regarding the major interventions that are being tested during the Demonstration Project. Each section is dedicated to a set of interventions. Each conclusion is explained and then followed by findings that are supported by interview themes, focus group themes, survey results, objective data, and/or summary HR data.

4.1. Similar to Year One, there were few differences between the Demonstration Group and Comparison Group participants' perceptions of their work environment; however, contrary to Year One, more pronounced differences between Demonstration Group supervisory and non-supervisory perceptions of the work environment were found to exist in Year Three.

A series of survey items evaluated the impact of the Demonstration Project on employee satisfaction. Both Year One and the Year Three survey data found no differences between Demonstration Group and Comparison Group participants' perceptions of their work environment. However, supervisory employees were found to be more satisfied with their work environment overall than were non-supervisory employees. The findings below demonstrate how the Demonstration Project has begun to have an impact on employee perceptions of their work satisfaction.

4.1.1. More similarities than differences were found between the Demonstration Group and Comparison Group responses regarding their perceptions of the general work environment.

As shown in Table 4-1, the survey response patterns of the Demonstration and Comparison Group participants in Year Three were found to be very similar, as was found in Year One. This suggests that the Demonstration Project interventions have not created significantly different levels of satisfaction or dissatisfaction for Demonstration Group participants as compared with Comparison Group participants. Overall, the majority of employees in both the Demonstration and Comparison Groups indicated they were satisfied with their jobs. In addition, supervisory employees in the Demonstration Group appear to be the most satisfied with their jobs.

Demonstration and Comparison Group participants' opinions differed on items 120 and 121. In contrast to Comparison Group participants, Demonstration Group participants were less likely to agree that employees "lose out" when organizational changes are made and were more likely to agree that they are in favor of the Demonstration Project.

Table 4-1. Survey Results – Employee Opinions of the Work Environment⁴

		Demo. Group			Comp. Group			Demo. vs. Comp. 5
		Total	(N)	(S)	Total	(N)	(S)	
114. I have trust and confidence in my supervisor.	Disagree	22%			25%			No Sig. Diff.
	Neither disagree nor agree	16%	No Significant Difference			16%		
	Agree	62%			59%			
115. In general, I am satisfied with my job.	Disagree	15%	16%	9%	19%			No Sig. Diff.
	Neither disagree nor agree	15%	15%	13%	13%	No Significant Difference		
	Agree	70%	69%	78%	68%			
116. My job is a good match for my skills and training.	Disagree	12%	14%	6%	16%	18%	7%	No Sig. Diff.
	Neither disagree nor agree	10%	11%	5%	10%	11%	5%	
	Agree	78%	75%	90%	74%	71%	89%	
118. My organization is able to attract high quality employees.	Disagree	26%	28%	20%	22%	No Significant Difference		No Sig. Diff.
	Neither disagree nor agree	30%	30%	27%	32%			
	Agree	44%	42%	53%	47%			
119. Competition for jobs here is fair and open.	Disagree	19%	22%	10%	23%	24%	18%	No Sig. Diff.
	Neither disagree nor agree	30%	33%	16%	30%	33%	13%	
	Agree	46%	50%	75%	48%	43%	70%	
120. When changes are made at my organization, the employees usually lose out in the end.	Disagree	31%	27%	48%	26%	23%	39%	Sig. Diff.
	Neither disagree nor agree	42%	44%	35%	44%	47%	30%	
	Agree	27%	29%	18%	30%	30%	32%	
121. I am in favor of the Demonstration Project.	Disagree	29%	30%	23%	24%	24%	25%	Sig. Diff.
	Neither disagree nor agree	24%	26%	14%	53%	56%	42%	
	Agree	48%	44%	63%	23%	20%	34%	

(N) = Non-Supervisors; (S) = Supervisors; Total = Responses of non-supervisory and supervisory employees combined
Percentages may not add to 100 due to rounding

⁴ In this table and those that follow, non-supervisory (N) and supervisory (S) percentages are shown only when differences in the distribution of responses between these two groups were found to be statistically significant at the $p < .05$ level. (This means that, with 95 percent confidence, these differences are real and not due to chance.)

⁵ In this table and those that follow, this column reports whether there was a statistically significant difference between the total responses of the Demonstration Group and the total responses of the Comparison Group. The customary $p \leq .05$ level was used to test for a statistically significant difference. "Sig. Diff." indicates that we can be reasonably certain that a difference exists between the two groups.

- 4.1.2. In both the Demonstration Group and the Comparison Group, supervisory employees had more positive views of the work environment than did non-supervisory employees.

Within the Demonstration Group, supervisory employees and non-supervisory employees continued to hold different opinions. Items 115, 116, 120, and 121 above demonstrate that Demonstration Group supervisory employees generally express a more positive perception of their work environment than did non-supervisory employees. This pattern was similar for supervisory and non-supervisory employees in the Comparison Group.

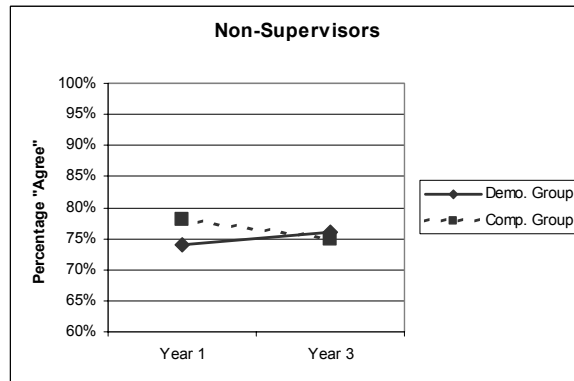
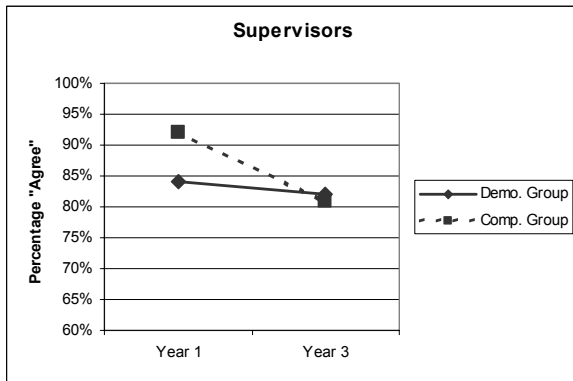
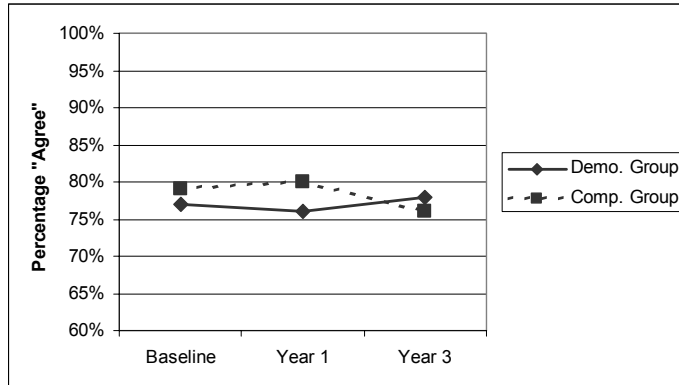
During Year Three, one-third more non-supervisory than supervisory employees were likely to report that when changes were made within their organization, the employees usually lose out in the end (see Item 120 above). Nevertheless, this negative view toward change and the Demonstration Project, which may have influenced non-supervisory employees' perceptions of the work environment and the Demonstration Project's interventions, is down from Year One. In Year One, non-supervisory employees were twice as likely to report that when changes were made within their organization the employees lose out in the end. While this appears to be a change in the positive direction, these findings suggests that concerns with change must still be addressed.

- 4.1.3. Over time, Demonstration Group participants' satisfaction with their work environment and jobs has remained stable and their favorability toward the Demonstration Project has increased.

Over time, more than three quarters of the Demonstration Group participants have consistently indicated that they enjoy their work environments. Comparison Group participants have reported similar satisfaction levels. While these levels of satisfaction with the work environment are reasonably high, Item 117, shown in Table 4-2, shows that only Demonstration Group non-supervisory employees increased in satisfaction levels from Year One to Year Three.

Table 4-2. Change Over Time – Employee Satisfaction with the Work Environment

117. In general, I like working here.



	Demo. Group			Comp. Group		
	Total	(N)	(S)	Total	(N)	(S)
YEAR THREE						
Disagree	10%	10%	8%	11%	12%	11%
Neither disagree nor agree	13%	13%	10%	13%	13%	9%
Agree	78%	76%	82%	76%	75%	81%
YEAR ONE⁶						
Disagree	10%	11%	7%	10%	11%	4%
Neither disagree nor agree	14%	15%	9%	10%	12%	4%
Agree	76%	74%	84%	80%	78%	92%
BASELINE						
Disagree	9%			8%		
Neither disagree nor agree	14%		NA	14%		NA
Agree	77%			79%		

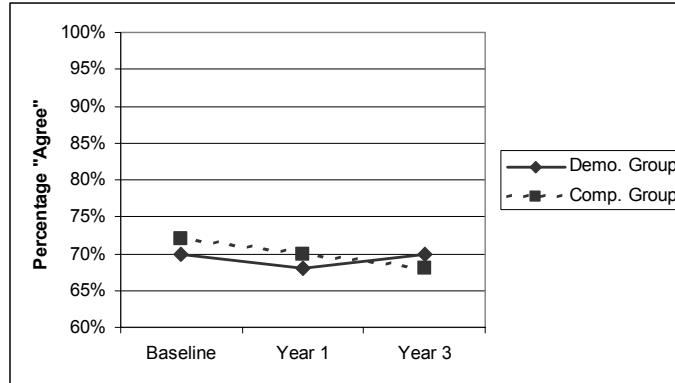
(N) = Non-Supervisors; (S) = Supervisors; Total = Responses of non-supervisory and supervisory employees combined
 NA = Baseline data were not available broken out by supervisor and non-supervisor
 Percentages may not add to 100 due to rounding

⁶ In this table and those that follow in which we present data across years, every effort has been made to ensure consistency in data reporting. Minor inconsistencies may have occurred as a result of standard data management and cleaning procedures; however, we do not believe that any changes have had a meaningful impact on the results presented.

With regard to job satisfaction, overall survey responses were consistent across time and across the Demonstration and Comparison Group respondents. Perhaps the most notable change was a twelve percentage point increase in job satisfaction levels among Demonstration Group supervisory employees, which resulted in Year Three satisfaction levels that considerably exceeded those of the Demonstration Group non-supervisory employees.

Table 4-3. Change Over Time – Job Satisfaction

115. In general, I am satisfied with my job.



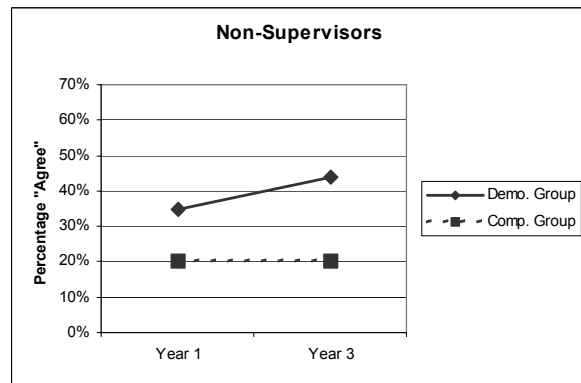
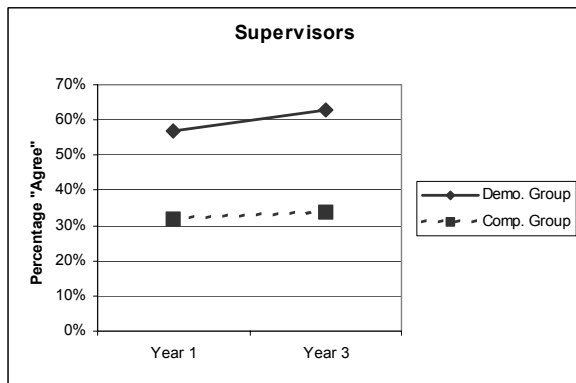
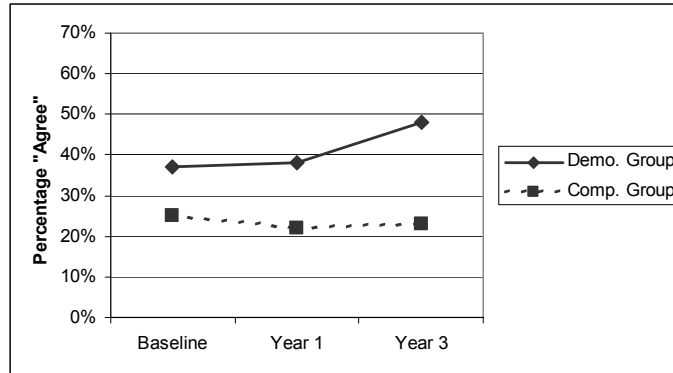
	Demo. Group			Comp. Group		
	Total	(N)	(S)	Total	(N)	(S)
YEAR THREE						
Disagree	15%	16%	6%	19%	No Significant Difference	
Neither disagree nor agree	15%	15%	5%	13%		
Agree	70%	69%	90%	68%		
YEAR ONE						
Disagree	18%	19%	10%	17%	No Significant Difference	
Neither disagree nor agree	14%	15%	12%	13%		
Agree	68%	66%	78%	70%		
BASELINE						
Disagree	15%			15%	NA	
Neither disagree nor agree	15%	NA		13%		
Agree	70%			72%		

(N) = Non-Supervisors; (S) = Supervisors; Total = Responses of non-supervisory and supervisory employees combined
 NA = Baseline data were not available broken out by supervisor and non-supervisor
 Percentages may not add to 100 due to rounding

Among Demonstration Group participants, favorability toward the Demonstration Project increased from Year One to Year Three (shown in Table 4-4). This was most notable for non-supervisory employees, a trend that is promising and that will be closely tracked in future Demonstration Project years. Comparison Group participants remained relatively stable in their perceptions. These findings may indicate increased acceptance of the Demonstration Project by both supervisory and non-supervisory employees and may suggest that those who have first-hand knowledge about the Demonstration Project interventions are increasing their understanding of the benefits that may result.

Table 4-4. Change Over Time – Favorability Toward the Demonstration Project

121. I am in favor of the Demonstration Project.



	Demo. Group			Comp. Group		
	Total	(N)	(S)	Total	(N)	(S)
121. I am in favor of the Demonstration Project.	YEAR THREE					
	Disagree	29%	30%	23%	24%	25%
	Neither disagree nor agree	24%	26%	14%	53%	42%
	Agree	48%	44%	63%	23%	34%
	YEAR ONE					
	Disagree	32%	34%	18%	17%	20%
	Neither disagree nor agree	30%	31%	25%	61%	47%
	Agree	38%	35%	57%	22%	32%
	BASELINE					
	Disagree	26%			13%	
Neither disagree nor agree	37%	NA		63%	NA	
Agree	37%			25%		

(N) = Non-Supervisors; (S) = Supervisors; Total = Responses of non-supervisory and supervisory employees combined
 NA = Baseline data were not available broken out by supervisor and non-supervisor
 Percentages may not add to 100 due to rounding

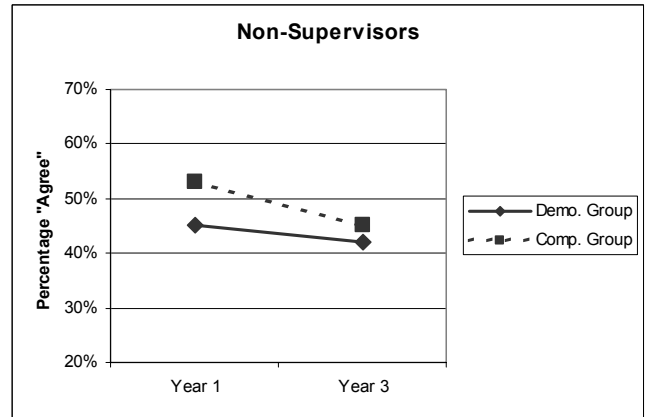
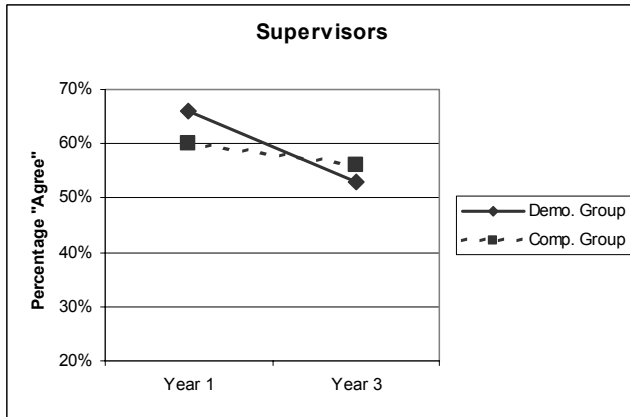
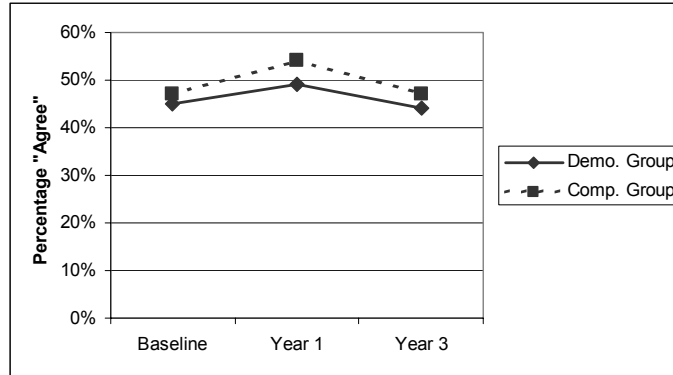
4.1.4. Over time, Demonstration Group participants' opinions regarding the organization's ability to hire high quality candidates have decreased.

When asked about another marker measuring the impact of the Demonstration Project on the work environment, the organization's ability to attract high quality candidates, survey results show a decline in employee opinion. One explanation may be that this decline reflects external factors that made hiring more challenging in Year Three, such as the Presidential hiring freeze. Regardless, this remains an interesting indicator of the impact of the Demonstration Project and will continue to be tracked over time.

Also to note, as depicted in the "Supervisors" graph in Table 4-5, in Year One, Demonstration Group supervisory employees were more positive about attracting high quality employees than were supervisory employees in the Comparison Group. Conversely to Year One, Year Three supervisory employees in the Comparison Group were more positive about attracting high quality employees than were supervisory employees in the Demonstration Group. Although the difference between the two groups in Year Three was not large, this difference will also be tracked over time.

Table 4-5. Change Over Time – Organization’s Ability To Attract High Quality Employees

118. My organization is able to attract high quality employees.



	Demo. Group			Comp. Group		
	Total	(N)	(S)	Total	(N)	(S)
YEAR THREE						
Disagree	26%	28%	20%	22%	23%	16%
Neither disagree nor agree	30%	30%	27%	32%	32%	29%
Agree	44%	42%	53%	47%	45%	56%
YEAR ONE						
Disagree	21%	22%	15%	20%	20%	16%
Neither disagree nor agree	30%	33%	19%	26%	27%	24%
Agree	49%	45%	66%	54%	53%	60%
BASELINE						
Disagree	24%			25%		
Neither disagree nor agree	31%	NA		28%	NA	
Agree	45%			47%		

(N) = Non-Supervisors; (S) = Supervisors; Total = Responses of non-supervisory and supervisory employees combined
 NA = Baseline data were not available broken out by supervisor and non-supervisor
 Percentages may not add to 100 due to rounding

4.2. Demonstration Group participants are beginning to view greater potential for career progression, although the impact of career paths on career advancement is not yet clear.

For Demonstration Group participants in the Demonstration Project, comparable occupations that could be treated similarly for staffing, classification, pay, and other purposes were aggregated into career paths. The change to career paths, along with broadbands and Departmental broadband standards, were expected to simplify, speed up, and improve the quality of classification.

While survey data suggest that Demonstration Group participants are beginning to feel more positively about their potential for career progression under the Demonstration Project, focus group data indicates lingering employee concerns with career pathing and its impact on career progression.

4.2.1. Demonstration Group participants feel more favorably about their own career progression than do Comparison Group participants.

As presented in Table 4-6, survey results indicate differences between Demonstration Group and Comparison Group opinion regarding career progression. Demonstration Group respondents were generally more favorable about their potential for career advancement than were Comparison Group respondents. For example, a higher percentage of Demonstration Group respondents than Comparison Group respondents feel their jobs provide them with the opportunity to progress in their careers. Moreover, Demonstration Group participants were less likely to indicate that job classification had limited their career progression.

Table 4-6. Survey Results – Career Progression/Career Paths

		Demo. Group			Comp. Group			Demo. vs. Comp.
		Total	(N)	(S)	Total	(N)	(S)	
23. The current job classification system at my organization has limited my career progression.	<i>Disagree</i>	48%	43%	68%	39%	36%	55%	<i>Sig. Diff.</i>
	<i>Neither disagree nor agree</i>	27%	29%	20%	24%	26%	13%	
	<i>Agree</i>	25%	28%	12%	37%	38%	31%	
24. The current job classification system at my organization has enhanced my career progression.	<i>Disagree</i>	30%	32%	20%	41%	<i>No Significant Difference</i>	<i>Sig. Diff.</i>	
	<i>Neither disagree nor agree</i>	45%	45%	50%	41%			
	<i>Agree</i>	25%	24%	31%	19%			
25. I am satisfied with my chances of getting a promotion.	<i>Disagree</i>	42%	44%	33%	52%	<i>No Significant Difference</i>	<i>Sig. Diff.</i>	
	<i>Neither disagree nor agree</i>	21%	20%	23%	18%			
	<i>Agree</i>	37%	36%	44%	31%			

(N) = Non-Supervisors; (S) = Supervisors; Total = Responses of non-supervisory and supervisory employees combined; Percentages may not add to 100 due to rounding

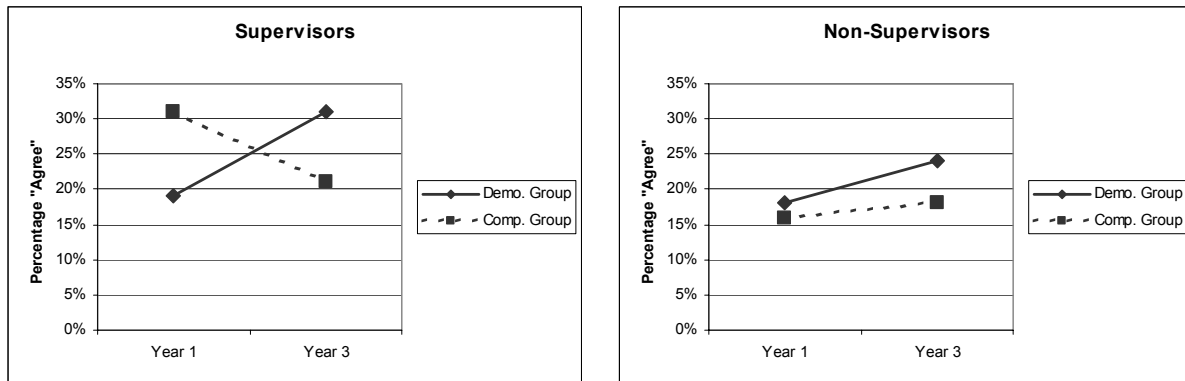
4.2.2. Demonstration Group participants’ perceptions of the impact of the job classification system on their career progression have improved over time.

A comparison of survey results from Year One to Year Three indicates a positive trend in Demonstration Group participants’ perceptions (both non-supervisory and supervisory employees) about the impact of the classification system on their career enhancement. Year One survey data indicated that Demonstration Group and Comparison Group participants felt

similarly when asked about the impact of the classification system on their career enhancement (see Table 4-7). However, Year Three survey data produced a different response pattern between the Demonstration Group and Comparison Group overall, with Demonstration Group respondents improving their perceptions while Comparison Group respondents remained stable. Most striking was the difference for supervisory employees, with perceptions among Demonstration Group supervisory employees increasing and perceptions among Comparison Group supervisory employees declining. This may reflect a positive finding that Demonstration Group supervisory employees are recognizing the benefits of the new classification system for their own career progression. This difference may also suggest that Comparison Group supervisors are increasingly feeling the constraints of the traditional job classification system on their career progression.

Table 4-7. Change Over Time – Impact of Classification System on Career Progression

24. The current job classification system at my organization has enhanced my career progression.



		Demo. Group			Comp. Group			
		Total	(N)	(S)	Total	(N)	(S)	
YEAR THREE								
24. The current job classification system at my organization has enhanced my career progression.	Disagree	30%	32%	20%	41%	42%	38%	
	Neither disagree nor agree	45%	45%	50%	41%	40%	41%	
	Agree	25%	24%	31%	19%	18%	21%	
	YEAR ONE							
	Disagree	35%	36%	28%	42%	44%	30%	
	Neither disagree nor agree	47%	45%	53%	39%	40%	38%	
Agree	18%	18%	19%	19%	16%	31%		

(N) = Non-Supervisors; (S) = Supervisors; Total = Responses of non-supervisory and supervisory employees combined
 Percentages may not add to 100 due to rounding
 This item was not on the baseline survey

4.2.3. Demonstration Group focus group participants reported that career paths have not had a profound impact on their ability to progress in their careers.

In supervisory and non-supervisory employee focus groups, Demonstration Group participants were asked a related question concerning whether career paths have improved their career progression opportunities. The strongest theme that emerged was that employees' opportunities for career progression is no different under the Demonstration Project in comparison to when they were under the traditional GS system. No other single theme emerged; however, a number of individual comments were recorded and captured.

The majority of these individual comments focused on employee concerns regarding career paths. For instance, one Demonstration Group non-supervisory employee focus group felt the career paths are too broad. Another Demonstration Group non-supervisory employee focus group expressed a lack of understanding with how positions were grouped into career paths. Despite these concerns, no Demonstration Group employee focus group indicated that the career paths limit their career flexibility.

When asked whether there are personnel practices that affect their career progression, the majority of the Comparison Group focus group participants reported that they are unaware of any personnel practices that promote career progression. However, in contrast to the Demonstration Group focus groups, one Comparison Group non-supervisory employee focus group reported that the narrow range of activities allowed under the traditional job classification system limits employees' abilities to excel in their positions by limiting the tasks that they are able to perform. These focus group participants reported that detailed job descriptions limit career progression. This sentiment was not heard from employees in the Demonstration Group focus groups, where position descriptions are developed by managers under the Demonstration Project's automated broadband classification system.

4.3. While the delegated classification authority to managers and automated broadband classification system interventions have achieved expected results in improving the classification process, supervisory employees continue to express some concerns about the effectiveness of these interventions.

During Year Three, DoC experienced several positive results that support the continued use of the delegated classification authority and automated broadband classification system. The delegated classification authority to managers and automated broadband classification system interventions were introduced to streamline and improve the efficiency of the classification process. The delegated classification authority is intended to give managers more control over classifying the work they supervise. The purpose of the automated broadband classification system is to make the classification process easier, more expedient, and minimize the resources needed for classification. Year Three findings indicate that Demonstration Group supervisory employees report moderate, but increasing, satisfaction with their involvement in classification procedures. However, some concerns still surface regarding the automated system.

- 4.3.1. The delegated classification authority to managers intervention has accomplished expected results of improving the effectiveness of classification decision-making, requiring fewer resources, and speeding up the classification process.

Under the Demonstration Project, delegated classification authority was intended to accelerate the classification process by strengthening the role of line managers as human resource managers of their work units. Delegated classification authority gives line managers the authority to classify positions, including those that are and are not in the position description library (PD library), while each organization’s Operating Personnel Management Board (OPMB) has the responsibility for overseeing the delegation of classification authority. For the delegated classification authority intervention to be successful, it must improve the effectiveness of classification decision-making, require fewer resources, and speed up the classification process. Table 4-8 provides key themes that emerged from interviews with Human Resources Directors and Staff concerning classification. Overwhelmingly, the themes from these interviews indicated that the delegated classification authority has been successful in meeting its objectives of effectiveness, efficiency, and expediency. In addition, human resources servicing offices in the Demonstration Group reported that it took an average of 21 minutes to produce and classify a position and an average of 23 minutes to process a classification action, further supporting the finding that the classification process is expedient.

Table 4-8. Interview Results – Classification

DEMONSTRATION GROUP
<p>HR Directors and Staff</p> <ul style="list-style-type: none">• Delegated classification authority eliminates back-and-forth paperwork with HR• Classification system requires fewer resources to operate due to HR performing in an advisory role• Number of classification decisions has been reduced• Due to the automated classification system, there is no need for HR to create position descriptions

4.3.2. While supervisors are using the automated classification system within the Demonstration Project, its effectiveness remains in question.

Consistent with the Year One findings, supervisory employees are using the automated classification system, albeit with mixed reactions. Supervisory employees continue to agree that the automated classification system allows for autonomy in the classification process; however, a concern was expressed that the ease of use of the system was largely based upon frequency of use, which may be sporadic in nature depending upon the rate of hiring. In addition to the issues raised about the system’s user-friendliness, supervisory employees raised concerns about the ability to recognize non-standard job requirements within the system’s template approach to the creation of position descriptions. Table 4-9 provides key themes for relevant focus group questions posed to supervisory employees during focus groups.

Table 4-9. Focus Group Results – Classification

DEMONSTRATION GROUP
Supervisory Employees <ul style="list-style-type: none">• Position descriptions are too generic and do not recognize unique position requirements• Classification system software is cumbersome• Classification process is quicker

While some concerns were raised about the automated classification system, it is important to note that the system is being converted from a DOS-based to a web-based application. Demonstration Project Site Historians noted that the web-based system will be a major improvement by making the process far more user-friendly. For example, managers will be able to review other managers’ position descriptions and quickly revise them to fit their needs. This question will need further analysis in future years to draw a final conclusion.

4.3.3. Supervisory employees in the Demonstration Group continue to share many of the same perceptions of the classification process as do supervisory employees in the Comparison Group.

As shown in Table 4-10 supervisory employees in both the Demonstration Group and Comparison Group responded similarly to survey items pertaining to influence on classification decisions, time devoted to classification procedures, time needed for classification decisions, and whether or not the current pay system requires fewer classification decisions. Some of the similarities in responses may also reflect that supervisors in the Comparison Group now also have some delegated classification authority. Supervisors in the Comparison Group are able to classify positions in the PD library; however, their human resources offices retain authority to classify non-PD library positions.

In contrast, supervisory employees in the Demonstration Group and the Comparison Group differed on items such as getting position descriptions approved and satisfaction with classification procedures. These differences in perception may reflect differences in processes when classifying non-PD library positions.

Table 4-10 also shows that, among Demonstration Group respondents, supervisory employees were more likely to report satisfaction with position classifications than were non-supervisory employees. The Demonstration Project’s automated job classification system allows supervisory employees more involvement in the classification process. This increased role has likely improved their understanding and awareness of the process, which non-supervisory employees do not have, and may be related to higher satisfaction levels.

Table 4-10. Survey Results – Classification

		Demo. Group			Comp. Group			Demo. vs. Comp.	
		Total	(N)	(S)	Total	(N)	(S)		
22. The position description for my job is clear and accurate.	Disagree	17%	No Significant Difference			18%	No Significant Difference		No Sig. Diff.
	Neither disagree nor agree	16%							
	Agree	67%				68%			
26. In my organization, jobs are classified fairly and accurately.	Disagree	27%	29%	15%	33%	34%	28%	Sig. Diff.	
	Neither disagree nor agree	34%	36%	26%	35%	38%	23%		
	Agree	40%	35%	59%	32%	28%	50%		
27. All in all, I am satisfied with the position classifications used in my organization.	Disagree	26%	27%	20%	34%	No Significant Difference		Sig. Diff.	
	Neither disagree nor agree	30%	33%	19%	29%				
	Agree	44%	40%	61%	37%				
127. I have enough authority to influence classification decisions.	Disagree			21%			31%	No Sig. Diff.	
	Neither disagree nor agree			19%			20%		
	Agree			60%			49%		
128. Getting a position description approved tends to be an adversarial process.	Disagree			65%			50%	Sig. Diff.	
	Neither disagree nor agree			24%			26%		
	Agree			11%			24%		
129. I have to devote too much time to position classification procedures used in my organization.	Disagree			63%			51%	No Sig. Diff.	
	Neither disagree nor agree			28%			31%		
	Agree			9%			19%		
130. It takes too long to get classification decisions made in my organization.	Disagree			53%			38%	No Sig. Diff.	
	Neither disagree nor agree			34%			39%		
	Agree			14%			23%		
131. All in all, I am satisfied with the position classification procedures used in my organization.	Disagree			16%			32%	Sig. Diff.	
	Neither disagree nor agree			31%			29%		
	Agree			54%			39%		
152. The current pay system requires few classification decisions.	Disagree			13%			20%	No Sig. Diff.	
	Neither disagree nor agree			41%			43%		
	Agree			46%			38%		

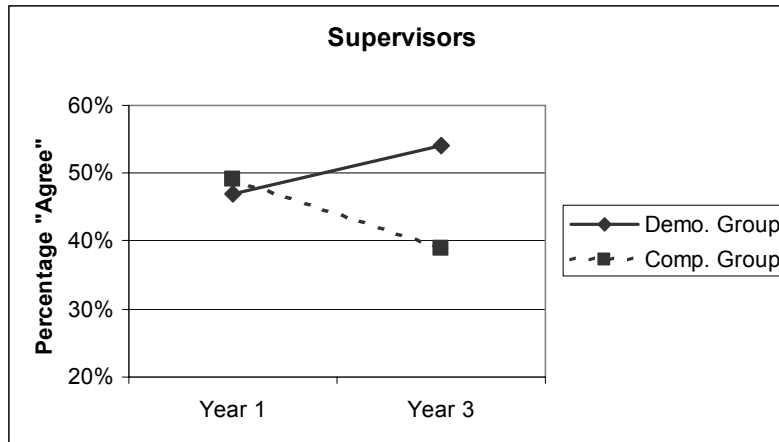
(N) = Non-Supervisors; (S) = Supervisors; Total = Responses of non-supervisory and supervisory employees combined; Percentages may not add to 100 due to rounding; Items 127-152 were addressed of supervisory employees only

4.3.4. From Year One to Year Three, satisfaction with the classification procedures has increased for Demonstration Group supervisory employees, as opposed to declined for Comparison Group supervisory employees.

From Year One to Year Three, supervisory employees in the Demonstration Group indicated growing satisfaction with their classification procedures. In comparison, supervisory employees in the Comparison Group indicated growing dissatisfaction with classification procedures employed. The change in responses over time may indicate that supervisory employees in the Demonstration Group are readily accepting and enjoying greater autonomy in the classification process as opposed to their peers in the Comparison Group who are still employing traditional classification procedures (see Table 4-11).

Table 4-11. Change Over Time – Satisfaction With Classification Procedures

131. All in all, I am satisfied with the position classification procedures used in my organization.



		Demo. Group (S)	Comp. Group (S)
		YEAR THREE	
<i>Disagree</i>		16%	32%
<i>Neither disagree nor agree</i>		31%	29%
<i>Agree</i>		54%	39%
		YEAR ONE	
131. All in all, I am satisfied with the position classification procedures used in my organization.	<i>Disagree</i>	20%	25%
	<i>Neither disagree nor agree</i>	33%	26%
	<i>Agree</i>	47%	49%

*This item was addressed by supervisory employees only
 Percentages may not add to 100 due to rounding
 This item was not on the baseline survey*

4.4. Over time, acceptance of the new performance appraisal system has improved.

As part of the Demonstration Project, DoC implemented a new performance appraisal system. Although Demonstration Group participants who were first exposed to this process seemed to struggle with understanding and accepting it, Year Three data suggest that Demonstration Group participants have become more educated about how the new performance appraisal system works and have also become more accepting of the new process. However, provision of adequate performance feedback and employee misperceptions about ranking (while DoC is no longer ranking Demonstration Group participants by performance scores, the perception exists that ranking still occurs) remain as issues within the Demonstration Project.

4.4.1. Demonstration Project participants understand and trust their performance appraisal systems.

Across the Demonstration Project, survey respondents shared similar beliefs regarding the efficacy of their performance appraisal systems (see Table 4-12). The majority of Demonstration Group and Comparison Group respondents understand the approach DoC uses to evaluate their performance and more than half believe that their performance ratings are an accurate representation of their work. Nearly two-thirds indicated that they feel that their performance ratings are based on the most important aspects of their job.

Survey results also highlight distinctions between supervisory employees and non-supervisory employees. For instance, supervisory employees demonstrated a greater understanding and awareness of the performance appraisal system than did non-supervisory employees. This trend is consistent across the Demonstration Group and the Comparison Group; however, it was even more evident within the Demonstration Group. This suggests that supervisory employees have greater knowledge of the new system, perhaps related to their increased role in the administration of the new system.

Table 4-12. Survey Results – Performance Appraisal System

		Demo. Group			Comp. Group			Demo. vs. Comp.
		Total	(N)	(S)	Total	(N)	(S)	
28. On my job I know exactly what is expected of me.	Disagree	17%	18%	13%	19%	20%	13%	No Sig. Diff.
	Neither disagree nor agree	13%	13%	9%	11%	12%	6%	
	Agree	71%	69%	79%	70%	68%	81%	
29. My supervisor gives me adequate information on how well I am performing.	Disagree	24%	No		26%	No		No Sig. Diff.
	Neither disagree nor agree	15%	Significant		15%	Significant		
	Agree	61%	Difference		59%	Difference		
30. I understand the performance appraisal system currently being used.	Disagree	20%	23%	8%	14%	16%	4%	Sig. Diff.
	Neither disagree nor agree	15%	17%	6%	16%	18%	8%	
	Agree	65%	61%	86%	70%	66%	89%	
31. It is important for me to know where I rank among my co-workers.*	Disagree	24%	No		30%	No		Sig. Diff.
	Neither disagree nor agree	28%	Significant		33%	Significant		
	Agree	48%	Difference		37%	Difference		
32. My supervisor tends to inflate the performance ratings of the employees he/she supervises.	Disagree	49%	48%	54%	47%	45%	61%	No Sig. Diff.
	Neither disagree nor agree	41%	43%	29%	45%	47%	35%	
	Agree	10%	9%	17%	8%	8%	5%	
33. My supervisor tends to deflate the performance ratings of the employees he/she supervises.	Disagree	42%	40%	52%	43%	No		Sig. Diff.
	Neither disagree nor agree	43%	46%	34%	48%	Significant		
	Agree	14%	15%	14%	9%	Difference		
34. My performance rating represents a fair and accurate picture of my actual performance.	Disagree	24%	No		25%	27%	15%	No Sig. Diff.
	Neither disagree nor agree	20%	Significant		22%	22%	18%	
	Agree	56%	Difference		53%	51%	66%	
35. My performance appraisal takes into account the most important parts of my job.	Disagree	18%	20%	13%	18%	19%	13%	No Sig. Diff.
	Neither disagree nor agree	16%	18%	11%	20%	21%	14%	
	Agree	65%	63%	76%	63%	61%	72%	
36. My supervisor and I agree on what "good performance" on my job means.	Disagree	17%	No		16%	No		No Sig. Diff.
	Neither disagree nor agree	22%	Significant		26%	Significant		
	Agree	62%	Difference		59%	Difference		
37. My supervisor evaluates my performance on things not related to my job.	Disagree	57%	No		61%	59%	71%	Sig. Diff.
	Neither disagree nor agree	26%	Significant		27%	28%	23%	
	Agree	17%	Difference		12%	13%	6%	

(N) = Non-Supervisors; (S) = Supervisors; Total = Responses of non-supervisory and supervisory employees combined
 Percentages may not add to 100 due to rounding

* Item 31 will be removed from the Summative Year Survey given that DoC eliminated the ranking process after the first two years of the Demonstration Project.

4.4.2. Performance-related feedback has not increased under the Demonstration Project.

As shown in Table 4-13, Demonstration Group and Comparison Group participants provided a range of responses regarding the frequency with which they receive feedback from their supervisors about their performance. Across years, there has been little change in responses from the Demonstration Group, suggesting that while a new performance appraisal system is in place, supervisory employees may not have changed the degree to which they offer feedback.

Table 4-13. Change Over Time – Performance Feedback

		Demo. Group			Comp. Group			
		Total	(N)	(S)	Total	(N)	(S)	
		YEAR THREE						
38. How often do you receive feedback from your supervisor that helps you to improve your performance?	Never	9%	10%	5%	10%	11%	9%	
	Rarely	29%	30%	28%	29%	30%	22%	
	Sometimes	39%	38%	43%	38%	38%	40%	
	Often	21%	21%	22%	21%	20%	25%	
	Always	2%	2%	2%	2%	2%	4%	
			YEAR ONE					
	Never	7%	8%	4%	10%	10%	7%	
	Rarely	32%	32%	29%	30%	31%	25%	
	Sometimes	39%	37%	50%	36%	36%	37%	
	Often	19%	20%	15%	21%	19%	29%	
	Always	3%	3%	3%	3%	3%	3%	
			BASELINE					
	Never	10%			8%			
	Rarely	28%			30%			
	Sometimes	41%	NA		36%	NA		
Often	19%			22%				
Always	3%			4%				

(N) = Non-Supervisors; (S) = Supervisors; Total = Responses of non-supervisory and supervisory employees combined
 NA = Baseline data were not available broken out by supervisor and non-supervisor
 Percentages may not add to 100 due to rounding

Similarly, in focus groups, Demonstration Group participants provided mixed responses regarding their satisfaction with the amount of feedback that they receive. While some participants indicated that they receive sufficient feedback, others identified areas for improvement such as the need for supervisor training on the performance appraisal system, further protection for employees from organizational politics and its influence on the performance appraisal system, and an increased emphasis (by management) on the performance appraisal system. Focus group participants also commented that the effectiveness of the feedback process is dependent upon the supervisor (e.g., more feedback is obtained from highly involved supervisors).

During focus groups with Demonstration Group participants, the most frequently cited method for providing feedback and gaining employee input was the mid-year review. Some Demonstration Group focus group participants indicated that a mid-year review is performed as part of the full year performance appraisal system while others suggested that the mid-year review only occurs when there are performance issues. Overall, focus group participants

indicated that the utility of the feedback process is reliant upon the individuals involved in the process (both employee and supervisor).

Based on interviews with Pay Pool Managers⁷ and Rating Officials⁸, employee feedback can be offered and input can be obtained via several methods throughout the performance appraisal process. In addition to the mid-year review, interviewees reported that other feedback mechanisms are available, including self-appraisals and face-to-face meetings (see Table 4-14).

Table 4-14. Interview Results – Feedback and Input Mechanisms Utilized

DEMONSTRATION GROUP
<p>Pay Pool Managers and Rating Officials</p> <ul style="list-style-type: none"> • Mid-year review • Employees provide written self-appraisals • Meet with supervisor at the time of appraisal • Informal meeting with supervisor throughout the year • Three formal meetings per cycle – performance appraisal, progress review, and evaluation feedback meeting

4.4.3. While ranking no longer occurs, some Demonstration Group participants perceive that they are still being ranked.

During the first two years of the Demonstration Project, Pay Pool Managers put employees’ performance scores in rank order for administration of salary actions. Because many employees felt that the assignment of numerical rankings created a competitive environment, DoC has since eliminated the individual rankings and now arrays the data in numerical order to maintain the linkage between scores and pay actions without assigning a numerical rank.

However, while the ranking process no longer occurs, survey and focus group data indicate that some Demonstration Group participants perceive that they are still being ranked. Moreover, Demonstration Group participants continue to have mixed opinions regarding whether ranking is beneficial. Survey results suggested that approximately half of the Demonstration Group respondents are interested in knowing how they rank relative to other employees. More Demonstration Group respondents expressed an interest in knowing their ranking than did Comparison Group respondents. Consistent with the survey findings, Demonstration Group participants in focus groups expressed mixed opinions regarding whether they want to know their performance rankings in relation to other employees.

⁷ Per the Federal Register notice, 12/24/97, a Pay Pool Manager is “a line manager who manages his or her organization’s pay increase and bonus funds and has final decision authority over the performance scores, performance pay increases, and bonuses of subordinate employees.”

⁸ A Rating Official is a manager who rates employees and recommends pay increases and bonus to the Pay Pool Manager.

4.4.4. Rating Officials and Pay Pool Managers are working to reduce inconsistencies in performance ratings.

Some Demonstration Group focus group participants raised concerns with the consistency of performance ratings. When asked whether they attempt to increase the consistency of performance ratings across Rating Officials, Rating Officials and Pay Pool Managers provided a range of responses as shown in Table 4-15.

Table 4-15. Interview Results – Mechanisms to Avoid Inconsistent Performance Ratings

DEMONSTRATION GROUP	
Pay Pool Managers and Rating Officials	
•	Hold group discussions after employees have been rated
•	No mechanisms are used
•	Limit the range of scores available to Rating Officials
•	Appoint trusted/fair staff to position of Rating Official
•	The Division Chief deals with inconsistent ratings

As shown in Table 4-16, supervisors’ survey responses also indicated a concerted effort to reduce inconsistencies in scoring. More than half of the Demonstration Group respondents reported that they participate in meetings where the emphasis is on establishing performance rating standards. Since this survey item was added in Year Three, these results will represent a baseline against which future efforts to ensure standardization can be measured.

Table 4-16. Survey Results – Performance Appraisal System

		Demo. Group			Comp. Group			Demo. vs. Comp.
		Total	(N)	(S)	Total	(N)	(S)	
124. The performance appraisal system allows me to identify good and poor performers.	<i>Disagree</i>			9%			46%	<i>Sig. Diff.</i>
	<i>Neither disagree nor agree</i>			11%			12%	
	<i>Agree</i>			80%			42%	
125. The performance appraisal system is easy for me as a supervisor to use.	<i>Disagree</i>			33%			14%	<i>Sig. Diff.</i>
	<i>Neither disagree nor agree</i>			15%			13%	
	<i>Agree</i>			52%			73%	
126. I have met with other supervisors and/or our pay pool manager to establish standards to ensure that supervisors are using performance ratings in a consistent manner with one another.	<i>Disagree</i>			31%			51%	<i>Sig. Diff.</i>
	<i>Neither disagree nor agree</i>			14%			15%	
	<i>Agree</i>			55%			35%	

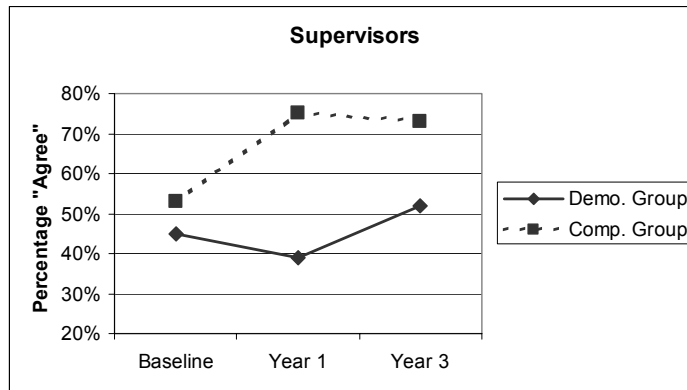
(N) = Non-Supervisors; (S) = Supervisors; Total = Responses of non-supervisory and supervisory employees combined
 Percentages may not add to 100 due to rounding
 These items were addressed of supervisory employees only

4.4.5. Over time, more of the Demonstration Project’s supervisory employees feel that the performance appraisal system is easy to use, and their understanding of the performance appraisal system has increased.

As Demonstration Group supervisory employees become more familiar with the new performance appraisal system (which went into effect in Year One), an increasing percentage of them report that the system is easy to use (see Table 4-17). Currently, more than half the respondents believe the performance appraisal system is easy to use. Comparison Group respondents remained stable in their perceptions about their performance appraisal system from Year One to Year Three. There also was a spike in agreement among Comparison Group from Baseline to Year One, which may reflect reactions to the other new system established at NOAA.

Table 4-17. Change Over Time – Ease of Use of the Performance Appraisal System

125. The performance appraisal system is easy for me as a supervisor to use.



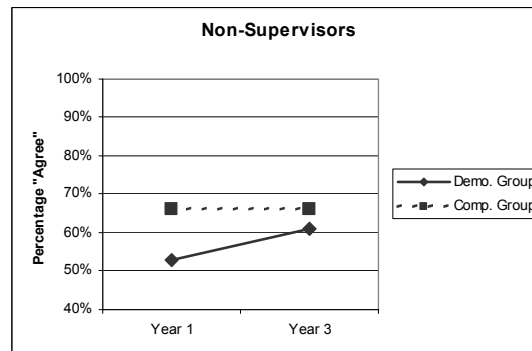
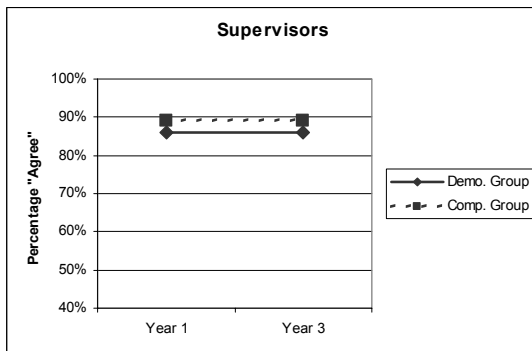
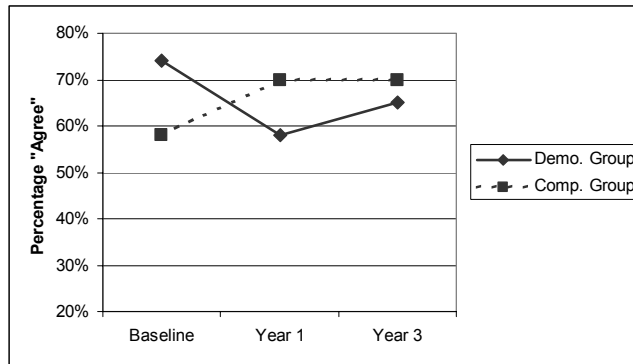
		Demo. Group	Comp. Group
		(S)	(S)
		YEAR THREE	
<i>Disagree</i>		33%	14%
<i>Neither disagree nor agree</i>		15%	13%
<i>Agree</i>		52%	73%
		YEAR ONE	
<i>Disagree</i>		35%	17%
<i>Neither disagree nor agree</i>		26%	8%
<i>Agree</i>		39%	75%
		BASELINE	
<i>Disagree</i>		33%	22%
<i>Neither disagree nor agree</i>		22%	24%
<i>Agree</i>		45%	53%

*This item was addressed by supervisory employees only
Percentages may not add to 100 due to rounding*

Similarly, across time, Comparison Group participants increased their understanding of their performance appraisal system from Baseline to Year One, and have remained relatively stable since then (see Table 4-18). Since the new system was implemented in Year One, Demonstration Group participants have increased their understanding and now are at nearly the same level as that of the Comparison Group participants (Demonstration Group participants were evaluating the former performance appraisal system at Baseline). At Year One and Year Three, supervisory employees had greater understanding than did non-supervisory employees. These findings suggest that understanding of the system is gaining but that a need may exist to further educate non-supervisory employees.

Table 4-18. Change Over Time – Understanding of the Performance Appraisal System

30. I understand the performance appraisal system currently being used.



	Demo. Group			Comp. Group		
	Total	(N)	(S)	Total	(N)	(S)
YEAR THREE						
Disagree	20%	23%	8%	14%	16%	4%
Neither disagree nor agree	15%	17%	6%	16%	18%	8%
Agree	65%	61%	86%	70%	66%	89%
YEAR ONE						
Disagree	25%	29%	8%	14%	15%	6%
Neither disagree nor agree	16%	19%	6%	17%	19%	5%
Agree	58%	53%	86%	70%	66%	89%
BASELINE						
Disagree	11%			21%		
Neither disagree nor agree	15%	NA		21%	NA	
Agree	74%			58%		

(N) = Non-Supervisors; (S) = Supervisors; Total = Responses of non-supervisory and supervisory employees combined
 NA = Baseline data were not available broken out by supervisor and non-supervisor
 Percentages may not add to 100 due to rounding

4.5. The pay-for-performance system continues to exhibit a positive link between pay and performance.

A series of interventions were implemented during the Demonstration Project to improve the relationship between high performance and financial reward. These interventions include performance-based pay increases, performance bonuses, more flexible pay increase upon promotion, delegated pay authority to managers, supervisory performance pay, and the three-year probationary period for scientists and engineers.

Consistent with previous years, a positive relationship between financial rewards and performance was found in Year Three. In addition, also consistent with previous findings, performance-based pay increases⁹ and bonuses/awards remain higher for the Demonstration Group than for the Comparison Group. Focus group and interview data illustrate that Demonstration Group employees recognize the impact of the pay-for-performance intervention.

⁹ *In our analyses, performance-based pay increases included pay that was directly linked to performance but did not include non-performance related elements of pay, such as cost-of-living adjustments (COLAs).*

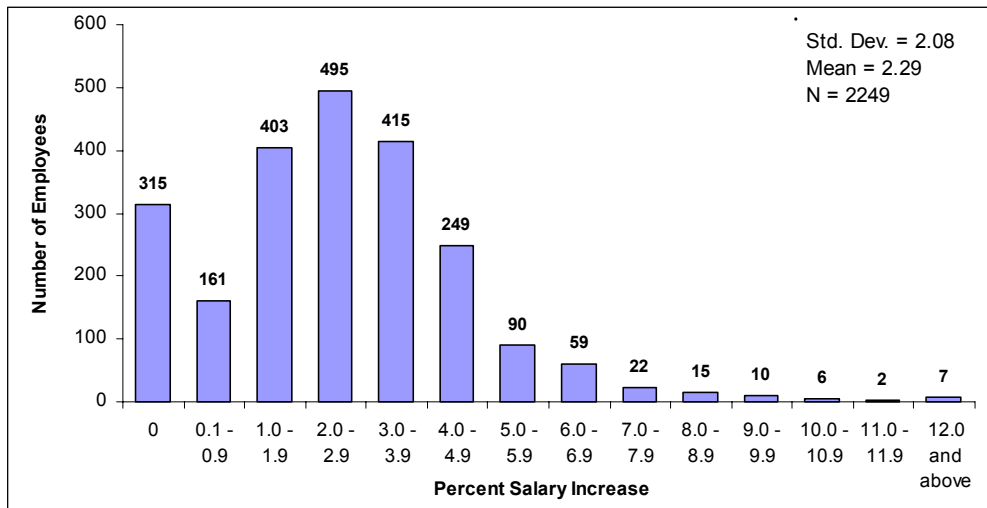
4.5.1. On average, Demonstration Group participants received larger salary increases than did Comparison Group participants.

Consistent with Year Two, objective data show that most Demonstration Group participants received salary increases ranging from 0.0 percent to 12.0 percent based on performance, with an average performance-based pay of 2.29 percent (shown in Figure 6). There were 526 Demonstration Group participants who were ineligible to receive a performance rating and nine participants for whom performance rating data were missing, and therefore were not included in these analyses. (Ineligibility includes people who were hired or promoted within 120 days prior to the end of the performance year, employees on performance improvement plans, employees who separated from the Demonstration Project during the performance year, and individuals in employment categories not eligible to be rated (e.g., students).)

During Year Three, 315 employees who were eligible to receive a salary increase were not awarded one. Eighty-seven of these employees were high performers (defined as those with performance ratings of 90 percent or higher), suggesting that lack of an increase may be due to being at the top of a pay band. (To note, 73 out of the 87 received bonuses – ranging from \$500 to \$5,000 – whereas the remaining 14 did not receive bonuses.) In contrast, it is assumed that the lack of an increase among low performers was driven by low performance levels.

Similar to Year Two, over three-quarters of the employees received increases of less than 4 percent. Over 5 percent of Demonstration Group participants received percent salary increases of 6 percent or above providing some indication that, along with the finding that pay and performance are moderately related, managers are taking advantage of their flexibility to award higher percentage increases to higher performing employees.

Figure 6. Range of Percent Salary Increases for Demonstration Group Participants



One of the features of the DoC Demonstration Project was to determine whether NIST Demonstration Project interventions can be successfully implemented to a wider range of occupational areas. Therefore, the DoC Demonstration Project was designed to include four

career paths: ZP (Scientific and Engineering), ZT (Scientific and Engineering Technician), ZA (Administrative), and ZS (Support). While each of these career paths includes a range of occupations, examining the differences across the career paths provides some indication of the impact of interventions on different occupational groupings.

For example, while the figure above indicates that the average performance-based pay increase across the Demonstration Project was 2.29 percent, results vary within each career path. These results are displayed in Table 4-19. These findings suggest that those in the ZA and ZP career paths have received higher than average performance-based pay increases and those in the ZT and ZS have received lower than average performance-based pay increases.

Table 4-19. Average Performance-Based Pay Increase by Career Path

CAREER PATH	AVERAGE PERFORMANCE-BASED PAY INCREASE
ZP	2.36%
ZT	1.86%
ZA	2.70%
ZS	1.63%
OVERALL	2.29%

Notes:

- 1. Average pay increase by career path were computed for Demonstration Project participants for whom pay band data were available.*
- 2. Overall average pay increase is a non-weighted average given that it is intended to represent the Demonstration Project as a single entity.*

For the Comparison Group, we identified the following categories of increases that would be comparable to the performance-based increases in the Demonstration Group:

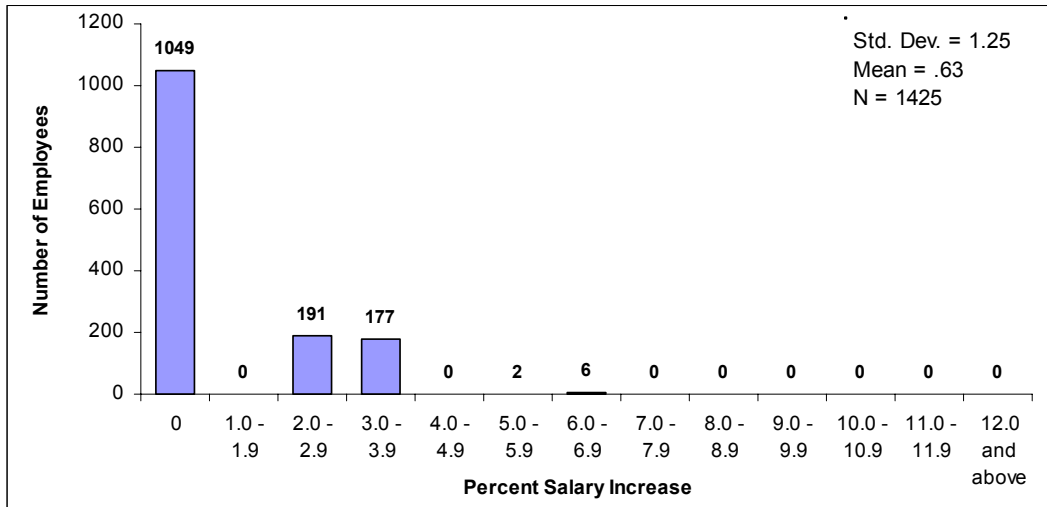
- Step increase
- Quality step increase
- Increase due to promotion to a grade within the equivalent pay band in the Demonstration Group.

The distribution of percent salary increases for the Comparison Group is shown in Figure 7. All Comparison Group participants were found to be eligible for salary increases in Year Three.

While percent increases in salary in the Comparison Group are not tied to the performance rating system, they are presented in this report to establish a pattern for comparison with percent increases in the Demonstration Group. The percent increases ranged from 0.00 percent to 6.34 percent, with an average percent increase of 0.63 percent. Among those receiving increases, almost all employees received amounts between 2 percent and 3.9 percent while only a very small percentage of employees received increases between 5 percent and 6.9 percent.

Over 75 percent of the employees did not receive a salary increase in Year Three (although they received a passing performance rating), which is likely a function of the GS system wherein employees at the higher steps of a grade wait two to three years between step increases. This helps explain why more employees in the Demonstration Group received salary increases (86 percent) than in the Comparison Group (26 percent) during this time period.

Figure 7. Range of Percent Salary Increases for Comparison Group Participants

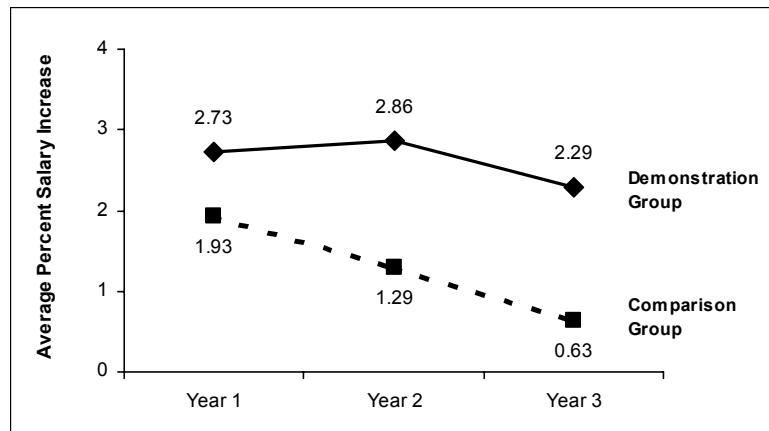


4.5.2. Salary increases declined from previous years for both the Demonstration and Comparison Groups.

Year Three objective data showed that average percent salary increase declined for both the Demonstration and Comparison Groups from previous years. The gap between the percent salary increase for Demonstration and Comparison Group employees widened in Year Three with Demonstration Group percent salary increases decreasing more gradually than the Comparison Group salary increases.

Figure 8 displays a trend analysis of the average percent salary increases in the Demonstration and Comparison Groups from Year One through Year Three. This figure shows that salary increases in Demonstration and Comparison Groups have decreased from Year One to Year Three. However, Demonstration Group average performance-based pay increases have remained higher than Comparison Group average “performance-based” pay increases.

Figure 8. Trend Analysis of Average Percent Salary Increases

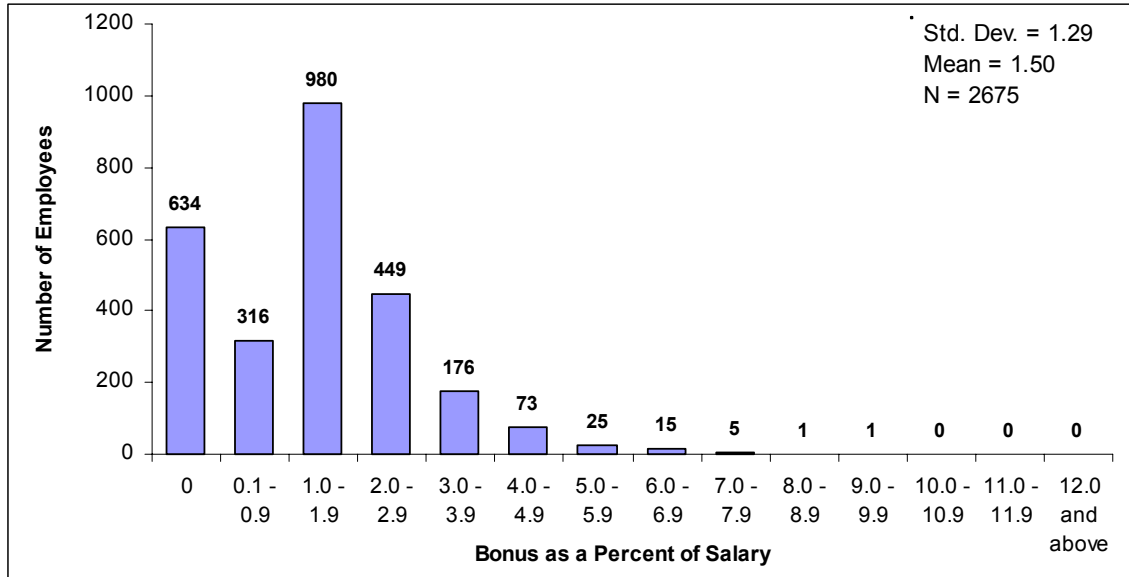


Note: The Comparison Group Year Two data point was revised in Year Three to reflect a correction in the formula used to calculate average percent salary increase.

4.5.3. A greater percentage of Demonstration Group participants received bonuses/awards than of Comparison Group participants; however, Comparison Group bonuses had a greater range.

In Year Three, 76 percent of Demonstration Group participants received bonuses. Among those who received bonuses, bonuses ranged from 0.0 to 9.0 percent of salary. Figure 9 displays these results.

Figure 9. Range of Bonus Percentages for Demonstration Group Participants



The figure above indicates that the average bonus percentage across the Demonstration Project was 1.5 percent. Table 4-20 displays the results vary within each career path. These findings suggest a different pattern than emerged for the analysis of average performance-based pay increase by career path in that those in the ZS and ZA career paths received higher than average bonuses and those in the ZP and ZT career paths received lower than average bonuses.

Table 4-20. Average Bonus by Career Path

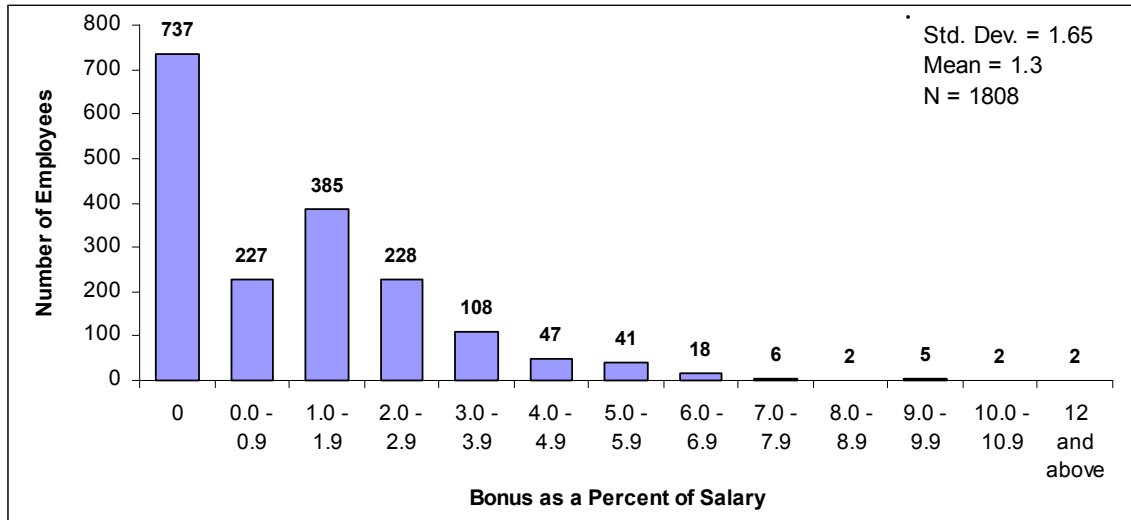
CAREER PATH	AVERAGE BONUS
ZP	1.42%
ZT	1.28%
ZA	1.63%
ZS	1.81%
OVERALL	1.50%

Notes:

1. Average bonus by career path was computed for Demonstration Project participants for whom pay band data were available.
2. Overall bonus is a non-weighted average given that it is intended to represent the Demonstration Project as a single entity.

In Year Three, 59 percent of Comparison Group participants received performance awards comparable to the bonuses provided under the Demonstration Project. Among those who received performance awards, the majority of awards ranged from 0.0 percent to 7.0 percent of salary, as shown in Figure 10. The range of bonuses/awards for the Comparison Group was greater (0 to 12 percent) than the range of bonuses/awards for Demonstration Group employees (0 to 9 percent).

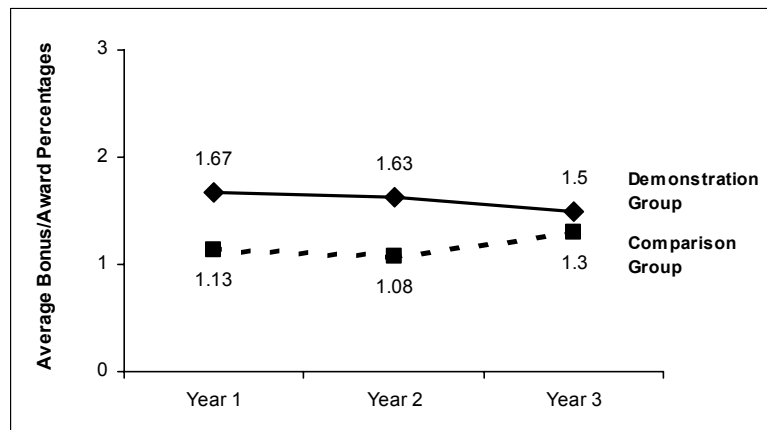
Figure 10. Range of Award Percentages for Comparison Group Participants



4.5.4. Over time, the gap between the Demonstration Group and Comparison Group for average bonus/award percentages has decreased.

Figure 11 displays a trend analysis of the average bonus/award percentages in the Demonstration and Comparison Groups from Year One to Year Three. Average bonus percent increases in the Demonstration Group have remained constant over the past three years and continue to be higher than in the Comparison Group. However, the gap between the Demonstration Group and Comparison Group average bonus/award percent increase is smaller in Year Three than in previous years. This is due to the fact that the average bonus percent increase in the Demonstration Group remained relatively the same while the average award percent increase in the Comparison Group increased.

Figure 11. Trend Analysis of Average Bonus/Award Percentages



4.5.5. Performance scores have steadily increased over the first three years of the Demonstration Project.

Employee performance is measured in the Demonstration Group on a weighted 100-point scoring system. These scores are then used as the basis for performance-related decisions for pay and rewards.

Table 4-21 displays the average performance appraisal scores in the Demonstration Group over the past three years. These data show that the average score has steadily increased. This finding can be interpreted in two alternative ways. It may suggest that employee performance has improved over the years. Alternatively, it may be indicative of score inflation rather than true performance improvement.

Table 4-21. Average Performance Appraisal Scores Across Years

DEMONSTRATION PROJECT YEAR	AVERAGE PERFORMANCE APPRAISAL SCORES
Year One	82.0 points
Year Two	83.4 points
Year Three	84.3 points

While average performance appraisal scores have increased, average percent salary increases have decreased. Still, 5 percent of the Demonstration Group employees received salary increases of 6 percent or more. Thus, the top rated performers were recognized with larger than average performance-based pay increases. To note, 289 Demonstration Group participants have met the definition of “high performer” for all three years.

We also examined average performance appraisal scores in Year Three by career path. As displayed in Table 4-22, the results suggest a small range of average scores.

Table 4-22. Average Year Three Performance Score by Career Path

CAREER PATH	AVERAGE PERFORMANCE APPRAISAL SCORES
ZP	85.0 points
ZT	83.0 points
ZA	85.8 points
ZS	81.9 points
OVERALL	84.3 points

Notes:

1. Average scores by career path were computed for Demonstration Project participants for whom pay band data were available.
2. Overall score is a non-weighted average given that it is intended to represent the Demonstration Project as a single entity.

4.5.6. The link between performance and pay (as measured by performance-based salary increases) remains evident in the Demonstration Group.

The link between performance and pay is fundamental to the Demonstration Project. Employee awareness that better performance results in better rewards is intended to motivate employees and enhance overall performance. Given the criticality of this issue, objective data, survey data, and focus group results were examined from several angles.

4.5.6.1. As in previous years, objective data continue to show a positive relationship between pay and performance.

As in Years One and Two, objective data indicated that financial rewards were tied to job performance during Year Three. Statistics revealed a positive relationship between job performance (measured through performance appraisal rating scores) and pay increases ($r = .42, p < .01$). (Appendix D-1 provides a scatterplot of the data.) While this statistic demonstrates a positive relationship, it represents a drop in the strength of the relationship from Year Two ($r = .52, p < .001$) and Year One ($r = .54, p < .001$).

We also examined the link between job performance and performance-based pay increase in Year Three by career path. As displayed in Table 4-23, the results suggest that the pay-for-performance link is strongest among ZTs and weakest among ZAs.

Table 4-23. Correlation Between Performance Ratings and Pay Increases by Career Path

CAREER PATH	CORRELATION
ZP	.43
ZT	.48
ZA	.36
ZS	.45
OVERALL	.42

Notes:

1. All results are significant at the $p \leq .001$ level.
2. Correlation by career path was computed for Demonstration Project participants for whom pay band data were available.
3. Overall correlation is a non-weighted average given that it is intended to represent the Demonstration Project as a single entity.

In theory, under a pay-for-performance system, better performers receive higher percentage pay increases. Conversely, lower performers are more likely to receive a low increase or none at all. Table 4-24 shows support that this is indeed happening in the Demonstration Group. In Year Three, participants with higher performance ratings were more likely to receive pay increases than were those with lower performance ratings. Moreover, participants with higher performance ratings received larger pay increases than those with lower performance ratings.

Table 4-24. Performance Score Category and Performance-Based Pay Increases Among Demonstration Group Participants

PERFORMANCE SCORE CATEGORY	NUMBER OF EMPLOYEES	PERCENT OF EMPLOYEES RECEIVING PAY INCREASES	AVERAGE PERFORMANCE-BASED PAY INCREASE PERCENTAGE
90-100	816	89.3%*	3.5%
80-89	1,001	88.5%	2.6%
70-79	323	83.3%	1.5%
60-69	57	49.1%	0.6%
50-59	14	21.3%	0.2%
40-49	42	0.0%	0.0%

* Some, if not all, of the 10.7% of employees in the highest performance score category but with no pay increases may be employees at the top of their paybands.

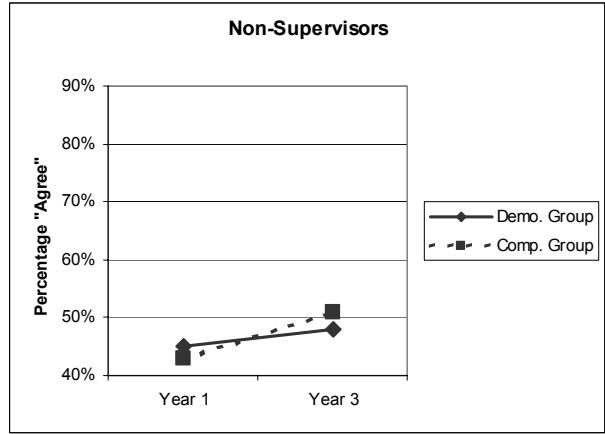
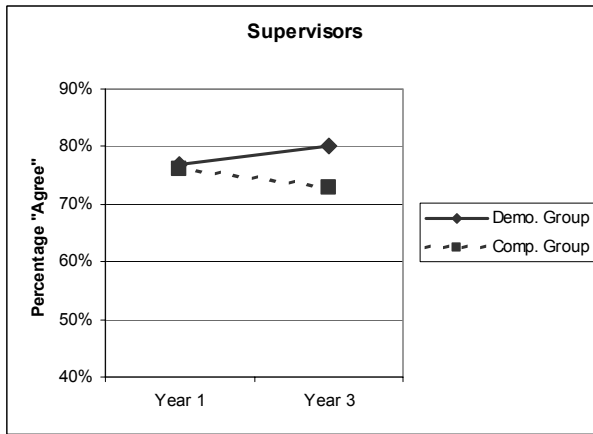
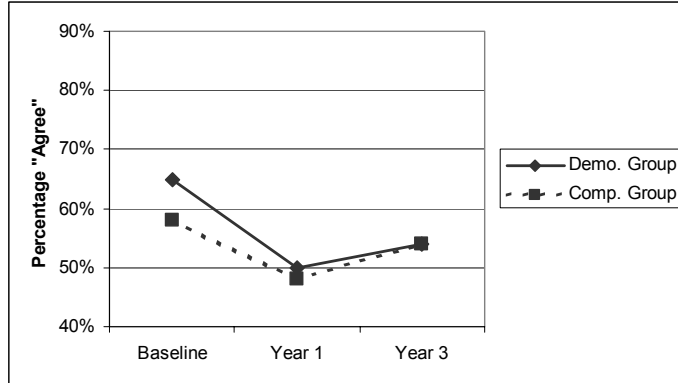
4.5.6.2. Survey data show a moderate level of understanding among Demonstration Group participants about the link between pay and performance; understanding has increased over time.

As a result of their increased participation in the determination of pay, supervisory employees likely have more knowledge about the distribution of pay, and have greater awareness of their role within the process. In addition, supervisory employees typically are the most accurate source of information regarding employee performance. By implementing a different performance appraisal system and using supervisory ratings to determine pay, DoC has taken a large step toward its goal of a pay-for-performance system. Given their exposure to pay and performance decisions, supervisors are more likely to see this connection than non-supervisory employees, as is demonstrated in the survey data in Table 4-25.

Over time, Demonstration Group and Comparison Group participants overall demonstrated an increased understanding of how pay increases are given. However, the pattern of responses differed for supervisory versus non-supervisory employees. Demonstration Group supervisory employees demonstrated a slight increase in understanding from Year One to Year Three whereas Comparison Group supervisory employees demonstrated a slight decrease. It is important to note that these changes may be too small to be meaningful; it will be useful to track over time. In both the Demonstration and Comparison Groups, non-supervisory employees demonstrated a slight increase in understanding from Year One to Year Three. This may be due to the fact that over time as new employees enter the organization, they have a need to receive more information about the pay system.

Table 4-25. Change Over Time – Understanding of Pay Raises

42. I understand how pay raises are given in my organization.



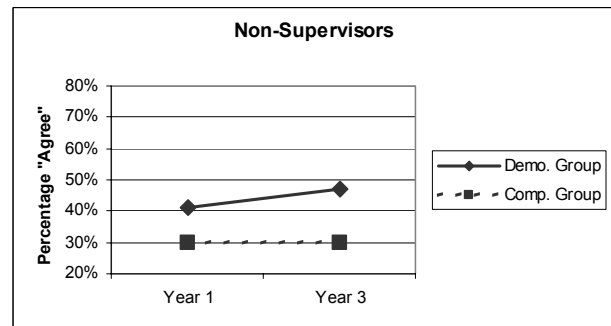
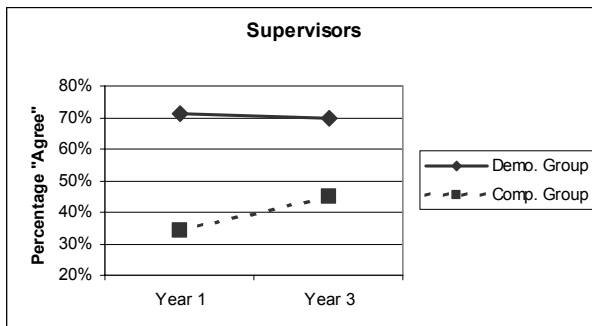
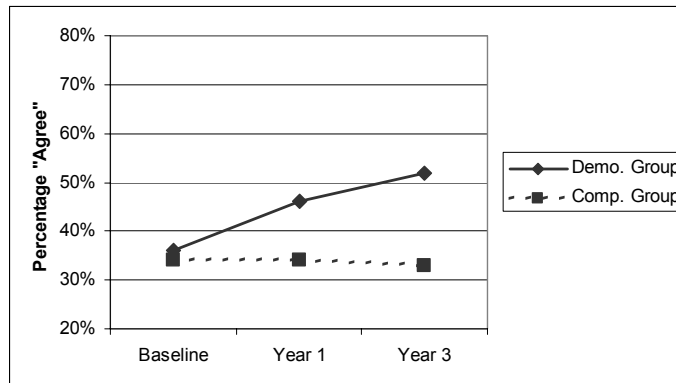
	Demo. Group			Comp. Group			
	Total	(N)	(S)	Total	(N)	(S)	
YEAR THREE							
42. I understand how pay raises are given in my organization.	Disagree	29%	33%	13%	26%	29%	12%
	Neither disagree nor agree	17%	19%	8%	20%	20%	15%
	Agree	54%	48%	80%	54%	51%	73%
YEAR ONE							
42. I understand how pay raises are given in my organization.	Disagree	31%	35%	12%	32%	36%	15%
	Neither disagree nor agree	19%	20%	11%	20%	22%	9%
	Agree	50%	45%	77%	48%	43%	76%
BASELINE							
42. I understand how pay raises are given in my organization.	Disagree	18%			26%		
	Neither disagree nor agree	17%		NA	15%		NA
	Agree	65%			58%		

(N) = Non-Supervisors; (S) = Supervisors; Total = Responses of non-supervisory and supervisory employees combined
 NA = Baseline data were not available broken out by supervisor and non-supervisor
 Percentages may not add to 100 due to rounding

As shown in Table 4-26, survey results revealed that Demonstration Group respondents recognize the link between pay and performance more so than Comparison Group respondents. Over time, Comparison Group participants' understanding of the link between pay and performance has remained relatively stable overall (although Comparison Group supervisory employees have shown a marked increase). In contrast, Demonstration Group participants' has steadily improved, with greater change evident among non-supervisory employees. This result is striking, since the Demonstration Group participants' responses on the Baseline Survey (administered before the Demonstration Project interventions were implemented) were very similar to those of the Comparison Group participants.

Table 4-26. Change Over Time – Pay and Performance

43. Pay raises depend on how well you perform.



	Demo. Group			Comp. Group		
	Total	(N)	(S)	Total	(N)	(S)
YEAR THREE						
Disagree	28%	31%	16%	40%	42%	32%
Neither disagree nor agree	21%	22%	15%	27%	28%	23%
Agree	52%	47%	70%	33%	30%	45%
YEAR ONE						
Disagree	29%	32%	16%	39%	40%	39%
Neither disagree nor agree	25%	27%	13%	27%	30%	27%
Agree	46%	41%	71%	34%	30%	34%
BASELINE						
Disagree	39%			44%		
Neither disagree nor agree	26%		NA	22%		NA
Agree	36%			34%		

(N) = Non-Supervisors; (S) = Supervisors; Total = Responses of non-supervisory and supervisory employees combined
 NA = Baseline data were not available broken out by supervisor and non-supervisor
 Percentages may not add to 100 due to rounding

4.5.6.3. Focus group data show mixed opinions about the effectiveness of pay-for-performance.

Focus group data revealed that Demonstration Group supervisory employees and non-supervisory employees had varying opinions about the effectiveness of a pay-for-performance system (See Table 4-27). In particular, concerns were raised regarding whether there are clear differences in pay for high and low performers. Opinions were also mixed regarding the degree to which performance ratings impact pay increases (see Table 4-28).

Table 4-27. Focus Group Results – Linkage Between High Performance and Larger Pay Raises

DEMONSTRATION GROUP	
<p>Non-Supervisory Employees</p> <ul style="list-style-type: none"> • It is hard for employees to determine if performance is related to raises due to lack of information provided to employees • The pay difference for high and low performers is not great due to the size of the pay pool • No, sometimes employees who don't perform well are rewarded the same as those that do perform well • It is hard to compare people in terms of effort and productivity • There are other factors affecting raises; people who are undeserving get pay raises all the time 	<p>Supervisory Employees</p> <ul style="list-style-type: none"> • Yes, high performing employees do get larger pay increases • Money is not distributed fairly across the career paths • The pay difference for high and low performers is not great due to the size of the pay pool

Table 4-28. Focus Group Results – Importance of Performance Rating in Determining Pay Increase

DEMONSTRATION GROUP
<p>Non-Supervisory Employees</p> <ul style="list-style-type: none"> • Supervisors might try to keep everyone happy by rewarding high and low performers equally • Do not have enough information to understand how performance affects pay • Performance ratings are linked to pay • At the top of the pay band, performance does not influence the pay increase • Distribution of scores does not allow employees to feel that they have been rewarded for good performance • Pay increases can be affected by the budget rather than performance in any given year

4.5.7. The link between performance and pay (as measured by bonuses/awards) remains evident in the Demonstration Group.

The link between performance and pay, as measured by bonuses/awards, continues to be evident based on objective data. However, perceptions about the distribution and motivational appeal of bonuses are mixed.

4.5.7.1. *As in previous years, there is objective evidence that bonuses are tied to performance.*

As was found for pay increases, objective data indicate that employee bonuses were tied to performance during Year Three. Statistics reveal a positive relationship between job performance (as measured by performance appraisal rating scores) and performance bonuses ($r = .46, p < .01$). (Appendix D-1 provides a scatterplot of the data.) This correlation in Year Three is similar to the correlation of $r = .46 (p < .01)$ from Year One and $r = .41 (p < .01)$ from Year Two, suggesting that the performance–bonus link has been sustained in the Demonstration Project.

We also examined the link between job performance and bonuses in Year Three by career path. As displayed in Table 4-29, the results suggest that the link between performance and bonuses is strongest among ZSs and weakest among ZTs.

Table 4-29. Correlation Between Performance Ratings and Bonuses by Career Path

CAREER PATH	CORRELATION
ZP	.46
ZT	.44
ZA	.48
ZS	.60
OVERALL	.46

Notes:

1. All results are significant at the $p \leq .001$ level.
2. Correlation by career path were computed for Demonstration Project participants for whom pay band data were available.
3. Overall correlation is a non-weighted average given that it is intended to represent the Demonstration Project as a single entity.

4.5.7.2. Survey data suggest that Demonstration Group participants are mixed regarding the relationship between performance and bonuses/awards.

As shown in Table 4-30, survey data revealed that there were no significant differences between Demonstration Group and Comparison Group respondents regarding how bonuses/awards are granted and the link between performance and bonuses/awards. Nearly half of the respondents reported that they have a good understanding. However, there are marked differences between supervisory employees and non-supervisory employees, with supervisory employees reported a much greater degree of understanding. These results suggest a need for greater education among non-supervisory employees.

Table 4-30. Survey Results – Performance and Awards

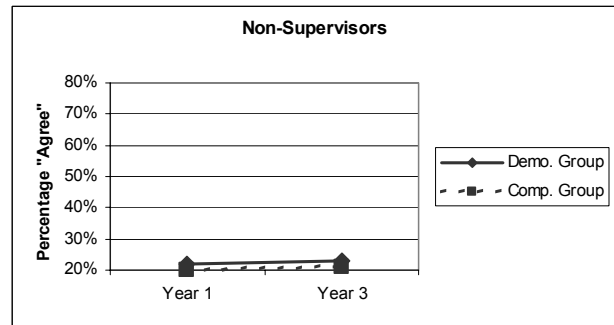
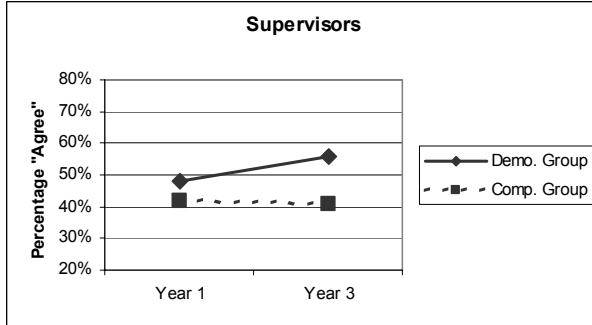
		Demo. Group			Comp. Group			Demo. vs. Comp.
		Total	(N)	(S)	Total	(N)	(S)	
44. I understand how awards are given in my organization.	<i>Disagree</i>	30%	34%	14%	30%	33%	18%	<i>No Sig. Diff.</i>
	<i>Neither disagree nor agree</i>	23%	24%	17%	23%	26%	9%	
	<i>Agree</i>	47%	43%	69%	47%	42%	73%	
45. Cash awards depend on how well you perform.	<i>Disagree</i>	28%	30%	14%	29%	31%	16%	<i>No Sig. Diff.</i>
	<i>Neither disagree nor agree</i>	24%	26%	15%	26%	28%	17%	
	<i>Agree</i>	49%	44%	71%	46%	41%	66%	

(N) = Non-Supervisors; (S) = Supervisors; Total = Responses of non-supervisory and supervisory employees combined
 Percentages may not add to 100 due to rounding

Over time, perceptions about the equitable distribution of bonuses/awards have increased very slightly (see Table 4-31). The increase is most notable for Demonstration Group supervisory employees. Overall, there has been a discrepancy in the perceptions of supervisory as compared to non-supervisory employees, with supervisory employees indicated greater agreement that performance bonuses are awarded equitably. This is true in both the Demonstration Group and the Comparison Group.

Table 4-31. Change Over Time – Equitable Distribution of Bonuses/Awards

46. Bonuses for performance are awarded equitably.



		Demo. Group			Comp. Group		
		Total	(N)	(S)	Total	(N)	(S)
YEAR THREE							
46. Bonuses for performance are awarded equitably.	Disagree	36%	38%	25%	37%	40%	26%
	Neither disagree nor agree	35%	39%	19%	38%	39%	33%
	Agree	29%	23%	56%	25%	21%	41%
YEAR ONE							
	Disagree	37%	40%	20%	38%	40%	25%
	Neither disagree nor agree	37%	38%	32%	39%	40%	33%
	Agree	26%	22%	48%	24%	20%	42%

(N) = Non-Supervisors; (S) = Supervisors; Total = Responses of non-supervisory and supervisory employees combined

NA = Baseline data were not available

Percentages may not add to 100 due to rounding

This item was not on the baseline survey

4.5.7.3. Focus group data suggest mixed reactions regarding the motivational power of bonuses.

In focus groups, some Demonstration Group participants expressed skepticism about the ability of bonuses to motivate employees to perform better (see Table 4-32). While some people view performance bonuses and awards positively, others raised concerns that bonuses are not good motivators. Comparison Group participants had a similar range of reactions about awards.

Table 4-32. Focus Group Results – Effectiveness of Bonuses for Motivating Employees to Perform Better

DEMONSTRATION GROUP	COMPARISON GROUP
<ul style="list-style-type: none"> • Yes, employees look forward to receiving bonuses for performance recognition • Bonuses are too small to motivate people • Integrity of supervisors who give out bonuses is a concern • Employees who do not feel that they have been treated fairly will not be motivated to perform • Some employees will work hard no matter the bonus size • No, performance bonuses do not motivate employees • Bonuses are a short-term motivator 	<ul style="list-style-type: none"> • Yes, employees look forward to receiving awards for performance recognition • Awards are too small to motivate people • Some employees will work hard no matter the award size • No, performance awards do not motivate employees • Awards are a short-term motivator • Awards are not as much of a motivator as pay increases • Lack of an award can also be as much of a motivator as receiving an award • Awards always seem to be distributed to the same employees

Moreover, while some Demonstration Group focus group participants reported the bonuses are awarded fairly, others expressed concern that bonuses are not distributed consistently (see Table 4-33. For example, focus group participants raised a concern that employees on high profile projects tend to receive more bonuses for good performance than do employees who work on projects not considered high profile. They also indicated that bonuses might be distributed for purposes of rewarding employees who have reached the top of their pay band, due to the fact that bonuses will provide the only financial increase for these employees.

Table 4-33. Focus Group Results – Demonstration and Comparison Group – Fairness in Distribution of Performance Bonuses

DEMONSTRATION GROUP	COMPARISON GROUP
<ul style="list-style-type: none"> • Yes, performance bonuses are distributed fairly • Performance bonus can be influenced somewhat by other issues • Relationship with supervisor affects bonus size • In some cases bonuses can be used to reward employees who have reached the top of their pay band • No, there is inconsistency • Bonuses can depend on the degree to which a project is considered high profile 	<ul style="list-style-type: none"> • Relationship with supervisor affects award size • No, there is inconsistency • Awards can depend on the degree to which a project is considered high profile • In some cases awards can be decided based on financial decisions rather than on performance

4.5.8. To some extent, Demonstration Group participants are satisfied with the pay system; however, there is room for improvement.

As shown in Table 4-34, survey respondents in the Demonstration Group offered mixed responses regarding the degree to which the pay system is fair; Demonstration Group and Comparison Group respondents provided similar responses. However, among the Demonstration Group, supervisory employees expressed consistently higher support for the pay system than did non-supervisory employees. This suggests that pay interventions have not yet impacted perceptions about pay held by non-supervisory employees in the Demonstration Group. The responses from Demonstration Group supervisory employees, however, indicate better knowledge of the pay system.

Table 4-34. Survey Results – Satisfaction with Pay System

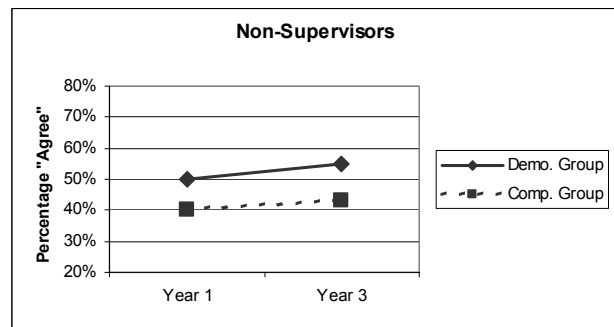
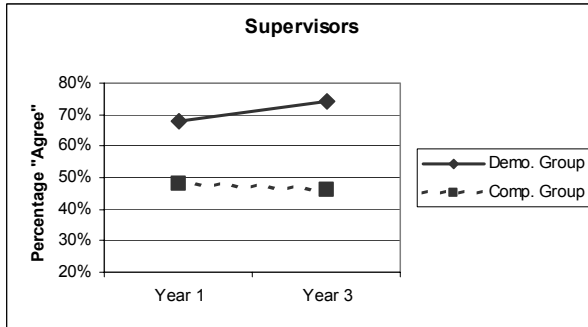
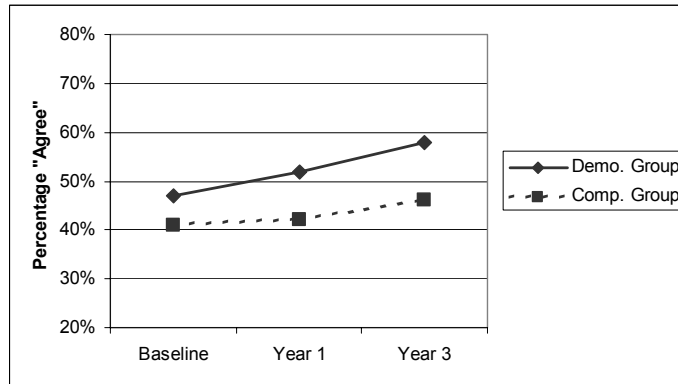
		Demo. Group			Comp. Group			Demo. vs. Comp.
		Total	(N)	(S)	Total	(N)	(S)	
105. Differences in pay at my organization represent real differences in level of responsibility and job difficulty.	<i>Disagree</i>	47%	48%	38%	48%	<i>No Significant Difference</i>	<i>No Sig. Diff.</i>	
	<i>Neither disagree nor agree</i>	23%	23%	19%	22%			
	<i>Agree</i>	31%	28%	43%	30%			
106. My pay is fair considering what other people in my organization are paid.	<i>Disagree</i>	32%	34%	21%	36%	<i>No Significant Difference</i>	<i>No Sig. Diff.</i>	
	<i>Neither disagree nor agree</i>	25%	27%	15%	24%			
	<i>Agree</i>	43%	39%	64%	41%			
107. Pay progression (the way I move up within my grade/band) is fair.	<i>Disagree</i>	33%	35%	23%	36%	<i>No Significant Difference</i>	<i>No Sig. Diff.</i>	
	<i>Neither disagree nor agree</i>	22%	24%	14%	25%			
	<i>Agree</i>	45%	41%	63%	39%			
108. Other employers in this area pay more than the government does for the kind of work I am doing.	<i>Disagree</i>	12%	<i>No Significant Difference</i>		13%	<i>No Significant Difference</i>	<i>No Sig. Diff.</i>	
	<i>Neither disagree nor agree</i>	34%			29%			
	<i>Agree</i>	54%			58%			

(N) = Non-Supervisors; (S) = Supervisors; Total = Responses of non-supervisory and supervisory employees combined
 Percentages may not add to 100 due to rounding

In addition to fairness of pay, Demonstration Group participants indicated greater satisfaction with their pay than did Comparison Group participants (see Table 4-35). In most cases, supervisory employees expressed greater satisfaction than did non-supervisory employees. Over time, there have been slight increases in pay satisfaction in both the Demonstration and Comparison Groups, with the exception of Comparison Group supervisory employees.

Table 4-35. Change Over Time – Pay Satisfaction

104. All in all, I am satisfied with my pay.



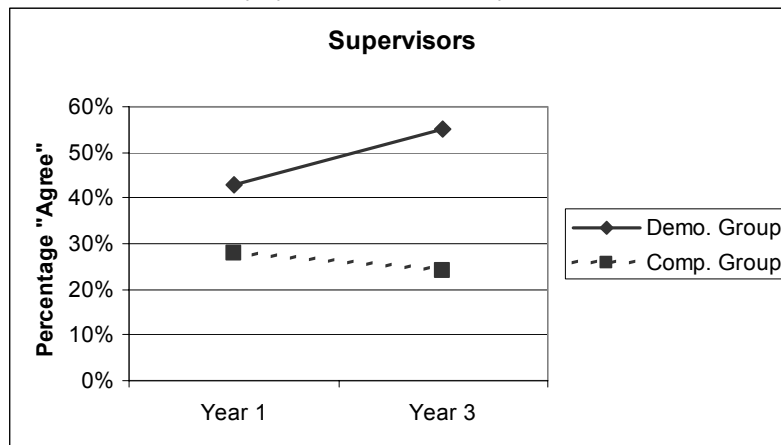
	Demo. Group			Comp. Group		
	Total	(N)	(S)	Total	(N)	(S)
YEAR THREE						
Disagree	30%	32%	19%	41%	41%	39%
Neither disagree nor agree	13%	14%	7%	14%	13%	18%
Agree	58%	55%	74%	46%	46%	43%
YEAR ONE						
Disagree	34%	37%	19%	43%	45%	36%
Neither disagree nor agree	13%	13%	13%	15%	15%	16%
Agree	52%	50%	68%	42%	40%	48%
BASELINE						
Disagree	35%			39%		
Neither disagree nor agree	18%	NA		21%	NA	
Agree	47%			41%		

(N) = Non-Supervisors; (S) = Supervisors; Total = Responses of non-supervisory and supervisory employees combined
 NA = Baseline data were not available broken out by supervisor and non-supervisor
 Percentages may not add to 100 due to rounding

Demonstration Group supervisory employees have improved in their perceptions toward the pay system. As shown in Table 4-36, a greater percentage of supervisory employees in the Demonstration Group than in the Comparison Group believe that their pay system is flexible, easy to use, and understandable. Over time, Demonstration Group supervisory employees increasingly rated the current pay system more positively than did the Comparison Group supervisory employees. In fact, in the Comparison Group, supervisory employees' perceptions of the ease of use of the pay system has declined. Consistent with these survey findings, Demonstration Group supervisory employees reported in focus groups that the flexibility in the pay system provides supervisory employees with the control that they need to set pay.

Table 4-36. Change Over Time – Pay System

149. The current pay system is flexible, easy to use, and understandable.



		Demo. Group	Comp. Group
		(S)	(S)
		YEAR THREE	
<i>Disagree</i>		28%	49%
<i>Neither disagree nor agree</i>		17%	27%
<i>Agree</i>		55%	24%
		YEAR ONE	
<i>Disagree</i>		35%	39%
<i>Neither disagree nor agree</i>		22%	33%
<i>Agree</i>		43%	28%

*This item was addressed by supervisory employees only
 Percentages may not add to 100 due to rounding
 This item was not on the baseline survey*

4.5.9. Evidence suggests that the flexible pay increase upon promotion intervention is being used.

The flexible pay increase upon promotion intervention provides managers with the flexibility to offer substantial pay increases when employees are promoted. Because of the less restricting nature of pay bands, an employee's salary, upon promotion, can be set anywhere within a band. This intervention is intended to reward high performing employees and encourage their retention by making their salaries more competitive with the private sector.

Table 4-37 suggests that this intervention is being utilized. By subtracting the smallest promotion amount from the largest promotion amount, we calculated the size of the range of pay increases upon promotion. Thus, the size of the range is used as an indicator of flexibility in granting pay increases upon promotion, such that larger ranges are equated with having greater flexibility.

At each level of promotion (e.g., from Band 1 to Band 2), managers in the Demonstration Group used a wider range of pay increases upon promotion than did those in the Comparison Group. This difference is particularly pronounced for promotions from Band 3 to Band 4 and from Band 4 to Band 5. For each comparison between the Demonstration Group and the Comparison Group, the wider range in pay increases upon promotion appears in bold.

Table 4-37. Range of Pay Increases Upon Promotion

Promotion by Band (or equivalent)	Demonstration Group		Comparison Group	
	Employees	Size of Range of Increase Upon Promotion	Employees	Size of Range of Increase Upon Promotion
Band 2	18	\$8,997	6	\$7,171
Band 3	60	\$10,206	26	\$9,727
Band 4	57	\$14,173	11	\$6,181
Band 5	21	\$17,537	4	\$1,985
Average Range		\$12,503		\$7,912

Notes:

Band (equivalent) and salary information was not available for two participants in the Comparison Group who were promoted. Promotions are reported for those cases in which employees were promoted across bands (or the equivalent in the Comparison Group).

Size of range was computed by subtracting the smallest promotion amount from the largest promotion amount.

Average range was computed by generating a weighted average to account for the different number of employees in each band.

4.5.10. Within a subset of the Demonstration Project, Demonstration Group high performers increased their income at a faster rate than others in the Demonstration Group and Comparison Group over three years, demonstrating the link between performance and pay.

To examine more fully the link between performance and pay, we analyzed the salary progression of a subset of the Demonstration Project participants. Specifically, we examined performance-based pay increases and bonuses/awards over three years (increases due to promotions were not included because insufficient data were available from previous years). Employees in the ZP career path, pay band 4, and interval 1 (or the Comparison Group equivalent) in Year One were selected for examination because they are the most populous group in the Demonstration Project’s ZP career path. We identified these individuals in the Year One datafile and then tracked the same individuals in the Year Two and Year Three datafiles to determine their progression.

We selected this one subset to serve as an example and therefore caution the reader about generalizing findings more broadly. However, given that the same decision rules regarding compensation apply across career paths and pay bands, we would expect that similar

outcomes would result if a different subset of the Demonstration Project were selected. To test this assumption, we replicated this analysis on the most populous band and interval within each of the ZT, ZA, and ZS career paths and found that the same pattern of results held true.

Table 4-38 shows that after three years in the Demonstration Project, high performers in the Demonstration Group in this analysis have experienced, on average, a \$12,610 increase, based on pay increases and bonuses. This amount exceeds the dollar increase of others in the Demonstration Group (of the same career path, pay band, and interval). This finding supports the hypothesis that higher performance is paying off, both on a year-over-year basis, as well as over the longer term.

Table 4-38. Progression Analysis – Demonstration Group Participants Who Started in ZP Career Path, Pay Band 4, and Interval 1 in Year One

		YEAR ONE	YEAR TWO	YEAR THREE	AFTER THREE YEARS
Demonstration Group With Performance Ratings of 90-100	Average Performance-Based Pay Increase	\$2,771	\$2,990	\$2,872	\$8,633
	Average Bonus Amount	\$1,336	\$1,287	\$1,354	\$3,977
	TOTAL	\$4,107	\$4,277	\$4,226	\$12,610
Demonstration Group With Performance Ratings of 40-89	Average Performance-Based Pay Increase	\$1,424	\$1,773	\$1,669	\$4,866
	Average Bonus Amount	\$782	\$806	\$963	\$2,551
	TOTAL	\$2,206	\$2,579	\$2,632	\$7,417

Notes:

1. *Demonstration and Comparison Group salary increases are based on valid data for all employees receiving zero or greater salary increases.*
2. *For this analysis, the number of participants in each group in each year ranged from 77 to 211.*
3. *These analyses were done in “then year dollars.” We considered normalizing the data to “constant year dollars,” but decided that the results would not differ to any significant degree.*

Similarly, Table 4-39 shows that after three years in the Demonstration Project, Demonstration Group participants in this analysis have experienced greater salary progression compared to their counterparts in the Comparison Group (of the same career path, pay band, and interval). This finding suggests that the Demonstration Project interventions are resulting in greater salary gains for those within the Demonstration Group.

Moreover, the frequency with which participants receive salary increases also affects their progression. Under the GS system, Comparison Group participants do not receive increases every year. Rather, step within grade determines whether they receive increases every year, two years, or three years.¹⁰ In comparison, Demonstration Group participants receive increases every year. This difference in the frequency of increases is accounted for in the analysis because the analysis is based on the average increase in any given year.

Table 4-39. Progression Analysis – Comparison of Demonstration Group and Comparison Group Participants Who Started in ZP Career Path, Pay Band 4, and Interval 1 in Year One (or the equivalent)

		YEAR ONE	YEAR TWO	YEAR THREE	AFTER THREE YEARS
Demonstration Group	Average Performance-Based Pay Increase	\$1,784	\$2,213	\$2,144	\$6,141
	Average Bonus Amount	\$930	\$976	\$1,117	\$3,023
	TOTAL	\$2,714	\$3,189	\$3,261	\$9,164
Comparison Group	Average Performance-Based Pay Increase	\$1,124	\$1,397	\$460	\$2,981
	Average Award Amount	\$1,217	\$1,279	\$1,406	\$3,902
	TOTAL	\$2,341	\$2,676	\$1,866	\$6,883

Notes:

1. *Demonstration and Comparison Group salary increases are based on valid data for all employees receiving zero or greater salary increases.*
2. *For this analysis, the number of participants in each group in each year ranged from 95 to 231.*
3. *These analyses were done in “then year dollars.” We considered normalizing the data to “constant year dollars,” but decided that the results would not differ to any significant degree.*

4.5.11. Delegated pay authority continues to provide a method for DoC to establish a link between employee performance and pay.

The rationale behind delegated pay authority is that line managers are in a better position to understand labor market forces and therefore are more effective in making salary decisions. This is in sharp contrast to the traditional GS system in which employee pay increases are a function of the pay table with no input from line managers.

¹⁰ *Given limitations of the datafiles, we were not able to identify the step of each individual in this analysis and whether each Comparison Group participant did or did not receive an increase in any given year. However, because we tracked the same individuals over the three years, we are able to determine overall outcomes.*

Survey data revealed that Demonstration Group supervisory employees were more likely than Comparison Group supervisory employees to indicate that they have enough authority to determine employee pay (see Table 4-40). Due to the nature of the relationship between supervisory and non-supervisory employees, Demonstration Group supervisory employees who feel that they have greater authority to make pay decisions can make salary recommendations that are more in line with the employee’s actual performance.

Table 4-40. Survey Results – Delegated Pay Authority

	Demo. Group			Comp. Group			Demo. vs. Comp.
	Total	(N)	(S)	Total	(N)	(S)	
133. I have enough authority to determine my employees’ pay.			31%			48%	Sig. Diff.
			19%			24%	
			51%			28%	

(N) = Non-Supervisors; (S) = Supervisors; Total = Responses of non-supervisory and supervisory employees combined
 Percentages may not add to 100 due to rounding
 This item was addressed to supervisory employees only

While levels of satisfaction with how management handles pay are reasonably similar across the Demonstration Group and Comparison Group, significantly more Demonstration Group respondents believe that management officials are qualified to make pay decisions. In addition, within both the Demonstration and Comparison Groups, supervisory employees are more satisfied than non-supervisory employees with the way in which management handles pay and have more confidence that management officials are qualified to make pay decisions (See Table 4-41).

Table 4-41. Survey Results – Management of Pay

	Demo. Group			Comp. Group			Demo. vs. Comp.
	Total	(N)	(S)	Total	(N)	(S)	
110. I am satisfied with the way management handles pay.			40%	43%	29%	41%	No Sig. Diff.
			23%	24%	18%	27%	
			36%	33%	53%	32%	
111. Management officials are qualified to make pay decisions.			27%	29%	18%	29%	Sig. Diff.
			27%	30%	18%	39%	
			45%	41%	64%	32%	

(N) = Non-Supervisors; (S) = Supervisors; Total = Responses of non-supervisory and supervisory employees combined
 Percentages may not add to 100 due to rounding

4.5.12. The supervisory performance pay intervention is not perceived as impacting supervisory performance.

In theory, the supervisory performance pay intervention facilitates paying supervisors at more competitive levels, with an intended outcome of motivating higher performance. However, data were mixed regarding whether this intervention works as intended.

4.5.12.1. Within the Demonstration Group, the supervisory performance pay intervention continued to be used at a similar rate in Year Three as in previous years.

Supervisory performance pay is meant to help retain supervisors by giving them higher pay potential for high supervisory performance. As designed, this intervention is used for supervisors who reach the maximum of pay for the pay band and therefore are placed in the

pay interval designated as supervisory performance pay. Supervisors receive performance ratings along with all other employees in the Demonstration Group and are given pay increases appropriate to the rating. Therefore, it is only when the supervisor reaches the top of the pay band that the intervention is enacted.

There were 222 supervisors (189 with performance ratings) in the Demonstration Group during Year Three. Of these, 41 received supervisory performance pay. (In comparison, 44 supervisors and 49 supervisors received supervisory performance pay in Year Two and Year One, respectively.) Mean scores indicate that there is not a meaningful difference in the performance ratings for these two groups: Supervisors receiving supervisory performance pay had an average rating of 91.1 (with a range of 72.0 to 100.0), while the average among all other supervisors was 89.2 (with a range of 40.0 to 100.0). This finding is not surprising since the criteria for entry into the supervisory performance pay interval of the pay band are not dependent upon sustained superior performance. Instead, the criteria are being at the top of the regular pay band and receiving a performance rating that warrants an increase above the top of the regular pay band.

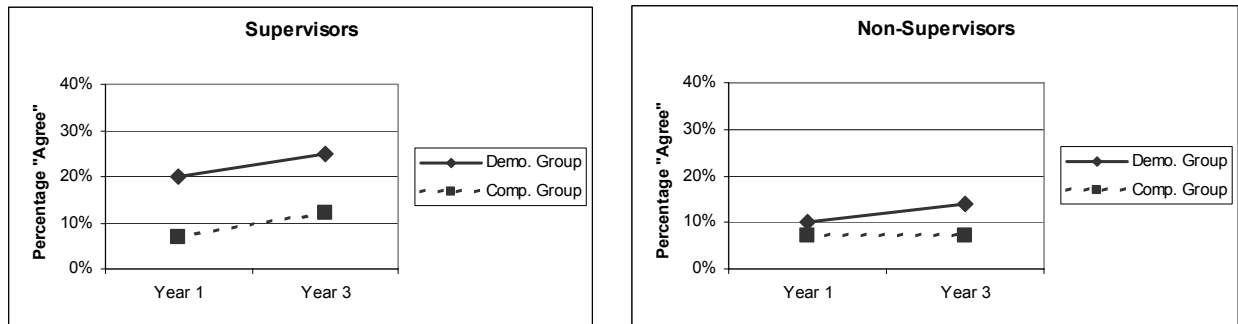
4.5.12.2. Demonstration Group survey respondents do not believe that the current pay system offers an incentive for improved supervisory performance.

While only 25 percent of Demonstration Group supervisory employee respondents believe that the pay system has led to improved supervisor performance, this percentage has increased slightly over time. Moreover, a greater percentage of Demonstration Group respondents see this relationship than do Comparison Group respondents. Table 4-42 displays these findings.

Among non-supervisory employees, this difference is more pronounced in the Demonstration Group than the Comparison Group. However, it is not clear from these data that Demonstration Group participants are attributing increased supervisory performance to the supervisory performance pay intervention. The perception of increased performance could also be due to, for example, non-supervisory employees' perceptions of their own reviews and interactions with supervisory employees under the Demonstration Project.

Table 4-42. Change Over Time – Improved Supervisor Performance

112. The current pay system has resulted in improved supervisor performance.



		Demo. Group			Comp. Group		
		Total	(N)	(S)	Total	(N)	(S)
		YEAR THREE					
112. The current pay system has resulted in improved supervisor performance.	Disagree	44%	46%	35%	49%	49%	53%
	Neither disagree nor agree	40%	40%	39%	43%	44%	36%
	Agree	16%	14%	25%	8%	7%	12%
	YEAR ONE						
	Disagree	47%	49%	39%	44%	42%	53%
	Neither disagree nor agree	42%	42%	42%	50%	52%	40%
Agree	11%	10%	20%	6%	7%	7%	

(N) = Non-Supervisors; (S) = Supervisors; Total = Responses of non-supervisory and supervisory employees combined

NA = Baseline data were not available

Percentages may not add to 100 due to rounding

This item was not on the baseline survey

Consistent with the survey results in which only 16 percent of Demonstration Group respondents overall in Year Three agreed that the pay system has improved supervisory performance, focus group and interview data do not provide evidence that supervisory performance pay motivates supervisors to perform better. In focus groups and interviews, respondents raised concerns with the effectiveness of the supervisory performance pay intervention. Table 4-43 and Table 4-44 display these findings.

Table 4-43. Focus Group Results – Supervisory Performance Pay as a Motivator for Supervisors to Perform Better

DEMONSTRATION GROUP
<p>Supervisory Employees</p> <ul style="list-style-type: none"> • Supervisory performance pay is not motivating due to no acknowledgement or compensation for supervisors not at the top of their pay band • Effective if supervisors are at the top of their band • Unaware of supervisor pay intervention • No effect on supervisor motivation to perform

Table 4-44. Interview Results – Demonstration Project Interventions That Encourage Supervisors to Perform Better

DEMONSTRATION GROUP
<p>Pay Pool Managers and Rating Officials</p> <ul style="list-style-type: none"> • Employees respond better to supervisors due to the fact that supervisors control salaries and bonuses, which increases responsibility and necessary communication between supervisor and non-supervisor • Salary increases are so small for supervisors so there is no motivation to perform better • Knowing that good performance leads to better future opportunities is more of a motivator than other interventions • Salary increases and bonuses encourage supervisors to perform better

4.6. While employees have been hired under the three-year probationary period for scientists and engineers, it is still too early to assess the impact of this intervention.

The three-year probationary period for scientists and engineers intervention was designed to allow supervisors the ability to make permanent hiring decisions for research and development (R&D) positions based on employees’ demonstrated capabilities in the full R&D cycle. While the intervention was implemented in Year One, analyses of the effectiveness of this intervention remain limited given the limited number of employees hired under this intervention and that only three years have transpired.

In Year Three, 15 employees were hired under the three-year probationary period. In Years One and Two, 22 and eight employees, respectively, were hired under the three-year probationary period.¹¹

An analysis of the 45 employees who are currently under the three-year probation suggests that the majority is being retained under this special probationary status. Since Year One, none of these employees were changed to non-probationary status early, as is permitted at the end of the first or second year of the probation. Three of the 45 were separated, though the data do not indicate whether these separations were voluntary or involuntary. Insufficient time has passed for employees to be transferred to non-probationary status after a full three years under the probation (the third option available to managers).

4.7. Some of the recruitment and staffing interventions under the Demonstration Project have had modest success.

The Demonstration Project implemented a number of interventions geared toward attracting high quality candidates and speeding up the recruiting and examining process. These interventions include agency based staffing, local authority for recruitment payments, flexible entry salaries, and flexible paid advertising. Overall, these recruitment and staffing interventions are intended to attract highly qualified candidates and get new hires on board faster. Agency based staffing, supported by flexible paid advertising, will allow hiring officials to focus on more relevant recruiting sources. Local authority for recruitment payments will provide extra incentives for hiring high quality candidates and flexible entry salaries is a recruiting tool that gives hiring officials greater flexibility to offer more competitive salaries to highly qualified candidates.

It is important to recognize, however, that some of the recruitment and staffing interventions are not unique to the Demonstration Project. For example, agency based staffing and merit assignments are recruitment methods that are also available elsewhere. Similarly, flexible paid advertising is not unique. Given this reality, we sought to examine whether the interventions appeared to be working effectively in the Demonstration Group and evidence of improvement over time. In Year Three, our findings suggest that some of these interventions are working effectively while others are not fully utilized.

4.7.1. DoC continues to make use of the hiring interventions available as part of the Demonstration Project; however, whether these interventions attract more highly qualified candidates has not yet been determined.

During Year Three, 280 new hires were brought into DoC's Demonstration Project; 162 new hires were brought into the Comparison Group.¹² (Individuals were designated as "new hires" if they were new to the Demonstration Project; they may or may not have been new to DoC.) In Year Three, hiring interventions such as agency based staffing and flexible entry

¹¹ The number of employees reported as being hired under the three-year probationary period during Year Two differs slightly from that which was reported in the Year Two report. The number reported here, eight, is considered a more reliable count.

¹² This year's decrease in the number of new hires likely resulted, in part, from the Presidential hiring freeze.

salaries continued to be successfully used. However, the link between the Demonstration Project's hiring interventions and the quality of new hires attracted and hired into the Demonstration Project remains unclear. In order to examine the relationship between hiring interventions and the ability to attract high quality candidates, DoC will need to capture objective measures about the quality of applicants. Without this information, it will not be possible to fully assess whether the hiring interventions draw a better applicant pool.

While they do not provide direct insight into the quality of applicants, performance ratings are one indication of whether high-quality candidates were hired. In Year Three, performance ratings for new hires ranged from 40 to 98 (for those who were hired in time to receive performance ratings). The average performance rating for new hires who did not receive recruitment payments was 84, which is consistent with the overall average performance rating in the Demonstration Project. The average performance rating for new hires who received recruitment payments, and presumably were considered strong applicants, was 86. While this is a small difference, it is in the right direction and worth tracking in the future.

4.7.2. Based on survey and focus group data, the Demonstration Project has not yet impacted the quality of new hires.

A series of survey items were addressed to those who have been personally involved in recruiting or hiring of permanent employees from outside of the agency during the past year. Their responses are displayed in Table 4-45. These results show that Demonstration Project participants do not perceive a significant difference in the quality of applicants nor the quality of new hires who join the Demonstration Group versus the Comparison Group. This finding is not particularly surprising, given that similar recruitment options are available to both Demonstration Group and Comparison Group hiring managers. Finding a greater distinction would likely require greater differentiation between the two groups of recruitment and/or selection procedures.

Table 4-45. Survey Results – Quality of New Hires

	Demo. Group			Comp. Group			Demo. vs. Comp.
	Total	(N)	(S)	Total	(N)	(S)	
66. What was your assessment of the overall capabilities of all the <u>applicants</u> for that position compared to your workforce?							
Top 1% (world class)	1%			0%			No Sig. Diff.
Top 10% (outstanding)	8%			10%			
Top 25% (very good)	39%	No Significant Difference		35%	No Significant Difference		
Average	42%			38%			
Below average	10%			16%			
Poor	2%			1%			
67. What was your assessment of the overall capabilities of the <u>person hired</u> compared to the rest of your workforce?							
Top 1% (world class)	5%	2%	7%	3%			No Sig. Diff.
Top 10% (outstanding)	28%	30%	27%	28%			
Top 25% (very good)	34%	26%	42%	40%			
Average	19%	24%	14%	16%	No Significant Difference		
Below average	1%	2%	0%	2%			
Poor	1%	0%	2%	2%			
Too early to tell	3%	5%	1%	0%			
No one was hired	9%	12%	6%	9%			

(N) = Non-Supervisors; (S) = Supervisors; Total = Responses of non-supervisory and supervisory employees combined
 Percentages may not add to 100 due to rounding

In focus groups, supervisory and non-supervisory employees alike stated that the quality of new hires has not changed since the implementation of the Demonstration Project. Table 4-46 provides themes from focus groups related to the perception of the quality of new hires and techniques that have been used to hire high-quality applicants.

Table 4-46. Focus Group Results – Perceptions on the Quality of New Hires

DEMONSTRATION GROUP	
<p>Non-Supervisory Employees</p> <ul style="list-style-type: none"> • There has been no difference in the work unit's ability to attract and hire high quality candidates in the past three years • Yes there is a difference in the ability to attract and hire because of the flexible starting salaries • The quality of new hires has changed; however, it may not be related to the Demo Project • They attract high quality candidates but then these candidates leave 	<p>Supervisory Employees</p> <ul style="list-style-type: none"> • The quality of new hires has not changed • Not that many new people are hired • People are attracted due to the nature of the work; the ability to use a hiring bonus was a plus • The ability to offer higher salaries was a huge help • Trying to hire someone from outside the government is very difficult; the supervisor should have more autonomy in hiring and setting pay

4.7.3. Supervisory and non-supervisory employees offered several suggestions for attracting and hiring high quality employees.

Demonstration Group focus group participants agreed that hiring interventions such as recruitment payments and flexible entry salaries were fair strategies for hiring high quality candidates. In addition to these strategies, both supervisory and non-supervisory focus group participants suggested several additional strategies that were similar in nature. Table 4-47 provides a summary of the suggested strategies.

Table 4-47. Focus Group Results – Hiring Strategies for High Quality Candidates

DEMONSTRATION GROUP	
<p>Non-Supervisory Employees</p> <ul style="list-style-type: none"> • Professional development training • Telecommuting • Flexi-time • Relocation assistance for new hires • Additional leave • Additional salary 	<p>Supervisory Employees</p> <ul style="list-style-type: none"> • Direct hire authority for management • Additional leave • Rotational program for new hires • Telecommuting • Flexi-time • Additional salary

4.7.4. In the Demonstration Group, local authority for recruitment payments and flexible entry salaries have been useful tools for attracting and hiring employees.

Based on the objective datafile, nine of the 280¹³ (3 percent) new hires in the Demonstration Group during Year Three received a recruitment payment. With a couple of exceptions, these payments ranged from \$500 to \$5,000.

Based on survey responses, new hires in the Demonstration Group believe that recruitment payments were instrumental in accepting their jobs, thus suggesting that the local authority for recruitment payments is an effective tool for attracting and hiring employees (see Table 4-48). Moreover, a significant difference exists between the responses of the Demonstration and Comparison Group respondents in regards to the competitiveness of their starting salaries, with a smaller percentage of Demonstration Group respondents indicating that starting salaries elsewhere are better. This suggests that the flexible entry salary intervention is providing sufficient salary to attract the desired candidates.

In addition, more Demonstration Group respondents than Comparison Group respondents indicated that they are amenable to pay more to get high quality new hires. Specifically, 60 percent of all Demonstration Group respondents felt that this practice was fair, compared with 48 percent of Comparison Group respondents. In both groups, supervisory employees were more likely to accept the concept of flexible starting salaries than were non-supervisory employees.

Table 4-48. Survey Results – Recruitment Payments and Starting Salaries

		Demo. Group		Comp. Group			Demo. vs. Comp.	
		Total	(N)	(S)	Total	(N)		(S)
58. My one-time recruitment payment was instrumental in accepting the job.	Disagree	14%			33%		*	
	Neither disagree nor agree	14%	No Significant Difference		0%	No Significant Difference		
	Agree	72%			67%			
59. How do starting salaries for similar positions at other organizations to which you applied compare with your starting salary at your current organization?								
	Much less than (less than 90% of) my starting salary	11%			6%		Sig. Diff.	
	Somewhat less than (90% to 95% of) my starting salary	18%			13%			
	About the same as my starting salary	26%	No Significant Difference		23%	No Significant Difference		
	Somewhat more than (5% to 10% higher than) my starting salary	11%			27%			
	Much more than (more than 10% higher than) my starting salary	16%			15%			
	I don't know	18%			17%			
55. Paying a high quality new hire more than other new hires is fair.	Disagree	20%	22%	12%	32%	34%	18%	Sig. Diff.
	Neither disagree nor agree	20%	22%	11%	21%	22%	18%	
	Agree	60%	56%	77%	48%	45%	64%	

(N) = Non-Supervisors; (S) = Supervisors; Total = Responses of non-supervisory and supervisory employees combined
Percentages may not add to 100 due to rounding

Items 58 and 59 were asked of respondents who indicated that they were hired since March 1999 and received a recruitment payment.

* Too few cases were available to test the statistical significance of item 58.

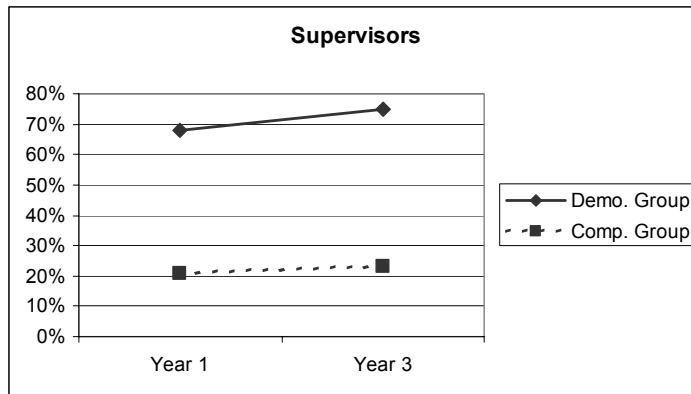
¹³ The number of new hires in the objective datafile varies slightly from that which was reported by the personnel offices. This difference may be attributable to different methods of reporting.

4.7.5. Both survey data and objective data show that Demonstration Group supervisors are taking advantage of their ability to offer more flexible starting salaries.

As shown in Table 4-49, survey data revealed that considerably more Demonstration Group supervisory employees, compared to those in the Comparison Group, believe that the pay system provides for a competitive range of starting salaries. This difference reflects the Demonstration Group supervisory employees' awareness of the flexible starting salary intervention. This perception has gained in strength within the Demonstration Group, with the percentage of supervisory employees holding this opinion growing from 68 percent in Year One to 75 percent in Year Three.

Table 4-49. Change Over Time – Recruitment Payments and Starting Salaries

150. The current pay system provides a competitive range of entry salaries for managers to use in negotiating with applicants.



	Demo. Group (S)	Comp. Group (S)
YEAR THREE		
Disagree	12%	51%
Neither disagree nor agree	13%	27%
Agree	75%	23%
YEAR ONE		
Disagree	7%	62%
Neither disagree nor agree	25%	17%
Agree	68%	21%

*This item was addressed by supervisory employees only
Percentages may not add to 100 due to rounding
This item was not on the baseline survey*

Consistent with Year Two, objective data also show that managers in the Demonstration Group used a wider range of salaries for new hires than in the Comparison Group, as displayed in Table 4-50. Starting salaries were compared by sorting new hires by path and by band (or their equivalents for Comparison Group members). Out of 12 possible comparisons in starting salaries (categories in which both the Demonstration and Comparison Groups had at least two new hires), the range of salaries was wider in the Demonstration Group in eight of them (67 percent, which is consistent with Year Two when there were 64 percent). For each comparison between the Demonstration Group and the Comparison Group, the wider range in starting salaries appears in bold. It should be noted that the locality pay differentials have not been accounted for in calculating these ranges, though they contribute to the size of the ranges in starting salaries.

Table 4-50. Comparison of Starting Salary Ranges Among New Hires in the Demonstration and Comparison Groups

	Demonstration Group		Comparison Group	
	Number of New Hires*	Size of Range of Starting Salaries	Number of New Hires	Size of Range of Starting Salaries
ZA				
Band 1	1	\$0	0	\$0
Band 2	9	\$16,134	2	\$2,311
Band 3	9	\$15,502	3	\$27,009
Band 4	5	\$29,819	2	\$12,806
Band 5	7	\$25,390	0	\$0
ZP				
Band 1	6	\$8,438	3	\$6,486
Band 2	38	\$21,003	40	\$23,247
Band 3	18	\$19,040	34	\$28,427
Band 4	20	\$31,815	8	\$31,651
Band 5	6	\$8,000	1	\$0
ZS				
Band 1	6	\$4,763	0	\$0
Band 2	12	\$9,502	1	\$0
Band 3	16	\$11,411	6	\$11,154
Band 4	5	\$9,803	4	\$10,756
Band 5	1	\$0	0	\$0
ZT				
Band 1	13	\$8,889	5	\$2,850
Band 2	11	\$12,980	8	\$9,620
Band 3	3	\$12,690	1	\$0
Band 4	1	\$0	0	\$0
Band 5	0	\$0	0	\$0

Notes:

1. The number of cases used in this analysis is based on the number of new hires for whom starting salary, career path, and pay band data were available (i.e., 187 out of 280 new hires in the Demonstration Group and 118 out of 161 new hires in the Comparison Group).
2. Size of range of was computed as by subtracting the smallest starting salary from the largest starting salary.

4.7.6. The Demonstration Group and Comparison Group have used agency based staffing and merit assignment to varying degrees but with similar success.

Based on data provided by the participating organizations on the use of various methods for hiring, the Demonstration Group used agency based staffing for 130 candidates and merit assignment for 174 candidates, indicating a slightly lower use of agency based staffing. In contrast, the Comparison Group used agency based staffing for 89 candidates and merit assignment for 59 candidates, suggesting a slightly higher use of agency based staffing (see Table 4-51). While this variation is not surprising given that the Demonstration Group and Comparison Group have access to both recruitment methods, this finding demonstrates a reversal from Year Two. In Year Two, the proportion of candidates brought in through agency based staffing versus merit assignment was higher for the Demonstration Group than for the Comparison Group. The increased use of agency based staffing in the Comparison Group also reflects the deployment of a Demonstration Project intervention into the overall organization, given that agency based staffing (i.e., delegated examining) was requested from OPM after first being tested in the Demonstration Group.

Additionally, the data suggest that the Comparison Group is having a slightly greater level of success with the number of job offers accepted using both agency based staffing and merit assignment, experiencing a 100 percent success rate in both as opposed to a 98 percent success rate for the Demonstration Group using agency based staffing and a 97 percent success rate using merit assignment.

The organizations in the Demonstration Group reported that 16 candidates brought in through agency based staffing and 18 candidates brought in through merit assignment re-negotiated their job offers. This demonstrates the greater flexibilities permitted in the hiring process due to the Demonstration Project interventions. In these cases, managers were able to negotiate salaries, thereby increasing their ability to obtain competitive candidates.

The organizations also reported that the average number of calendar days required to fill a position (from initial posting of vacancy to selection) remains constant from the Demonstration Group to the Comparison Group. This suggests that the efficiency of recruitment processes is not greatly different under the Demonstration Project.

Table 4-51. Agency Data Request Results – Recruitment Methods

	DEMONSTRATION GROUP	COMPARISON GROUP
Agency based staffing		
Total number of offers made*	130	89
Total number of offers accepted	127	89
Total number of offers re-negotiated (per candidate)	16	0
Acceptance rate (offers accepted/offer made)	98%	100%
Merit assignment		
Total number of offers made	174	59
Total number of offers accepted	169	59
Total number of offers re-negotiated (per candidate)	18	0
Acceptance rate (offers accepted/offer made)	97%	100%
Average number of calendar days required to fill a position (from initial posting of vacancy to selection)	69 days	68 days

* The total number of offers made may appear lower than typical given the Presidential hiring freeze.

4.8. Retention interventions are having varying impacts.

The series of retention interventions available to the Demonstration Project have the potential to motivate and retain high performing employees. In Year Three, the impact of the retention interventions was varied. Interventions such as broadbanding and more flexible pay increases upon promotion, discussed in more detail in other sections, are thought to be having a direct impact on retention. For example, because of broadbanding and more flexible pay increases upon promotion, managers have more latitude to raise the pay of high performers, which presumably helps retention. However, other retention interventions still receive little use (e.g., retention payments) or have not appeared to impact retention (e.g., supervisory performance pay).

4.8.1. Among Demonstration Group participants, the relationship between performance ratings and turnover rates is in the desired direction.

One goal of the Demonstration Project is to retain higher performing employees. Ultimately, it is hoped that lower performing employees will separate at higher rates than will higher performing employees. Dividing Demonstration Group participants into performance rating groupings shows some evidence of the desired relationship, as displayed in Table 4-52. With the exception of those in the 40-49 performance rating grouping, turnover was higher in lower performance rating groupings than in higher performance rating groupings. For this analysis, turnover was defined as employees who retired, resigned, terminated, or otherwise separated from the Demonstration Project.

Table 4-52. Demonstration Group Turnover Rates by Level of Performance

PERFORMANCE RATING	NUMBER OF EMPLOYEES	NUMBER OF SEPARATED EMPLOYEES	TURNOVER RATE
All Ratings	2,253	339*	15%**
90-100	814	119	15%
80-89	998	127	13%
70-79	323	66	20%
60-69	57	17	30%
50-59	14	8	57%
40-49	42	2	5%

* Overall, 436 employees separated during Year Three. Valid Year Three performance ratings were available for 148 of the 436 who separated in Year Three. For an additional 191 of the 436 who separated in Year Three, valid Year Two performance ratings were available (presumably these employees separated prior to receiving a Year Two rating). This analysis is therefore based upon these 339 employees. This analysis does not include 97 employees who separated in Year Three but for whom neither Year Two nor Year Three performance ratings were available.

** 15 percent is the turnover rate among Demonstration Group participants for whom performance ratings were available. The turnover rate presented elsewhere, 16 percent, is the rate for all Demonstration Group participants.

4.8.2. In Year Three, turnover in the Demonstration Group was higher than in the Comparison Group.

Comparing Demonstration Group turnover to Comparison Group turnover can also be used as an indicator of the relative success of retention efforts. However, this analysis has its limitations because turnover can only be examined in the aggregate and not by performance levels (due to the fact that the majority of the Comparison Group is on a pass/fail performance rating system). Without information about performance levels, turnover rates can be interpreted in different ways. For example, lower turnover rates can be interpreted as a positive because more employees were retained. However, higher turnover rates can also be interpreted as a positive because they may suggest that lower performers are leaving, resulting in a stronger workforce overall. Given these limitations, we compare turnover between the groups but recognize that conclusions are difficult to draw.

Each year's turnover rate was calculated as the number of employees who retired, resigned, terminated, or otherwise separated from the Demonstration Project, divided by the total

number of Demonstration or Comparison Group participants. During Year Three, turnover was again somewhat higher in the Demonstration Group (16 percent) than in the Comparison Group (11 percent). While turnover was higher in the Demonstration Group, the reasons for the higher turnover are unclear. For example, this could be a warning sign or it could suggest that, through turnover, the Demonstration Group is reducing the number of lower performers, as evidenced by the finding (previously stated) that turnover is inversely related to performance ratings.

Cumulative turnover rate was calculated as the total number of separations in Years Two and Three divided by the average number of Demonstration or Comparison Group participants (the average number across Years Two and Three). (In Year One, data were not available on the number of separations and therefore could not be included in this calculation.) Over Years Two and Three, there has been a cumulative turnover rate of 29 percent in the Demonstration Group. In comparison, the cumulative turnover rate in the Comparison Group was 21 percent. Table 4-53 displays these results.

Table 4-53. Turnover Rates by Group

GROUP	YEAR TWO	YEAR THREE	CUMULATIVE OVER YEARS TWO AND THREE
Demonstration Group	13%	16%	29%
Comparison Group	10%	11%	21%

While the average turnover rate for Year Three across the Demonstration Project was 16 percent, results varied by career path, as displayed in Table 4-54. These findings show that turnover is lower in the ZP and ZA career paths and higher in the ZT and ZS career paths. Interestingly, the pattern of turnover rates is consistent with the pattern of average performance ratings across career paths.

Table 4-54. Average Turnover Rate by Career Path

CAREER PATH	AVERAGE TURNOVER RATE	AVERAGE PERFORMANCE RATING
ZP	13%	85.0 points
ZT	25%	83.0 points
ZA	18%	85.8 points
ZS	23%	81.9 points
OVERALL	16%	84.3 points

Notes:

1. Rates by career path were computed for Demonstration Project participants for whom pay band data were available.
2. Overall turnover rate is a non-weighted average given that it is intended to represent the Demonstration Project as a single entity.

In addition, turnover was discussed during focus groups with non-supervisory employees in both the Demonstration and Comparison Groups; non-supervisory employees appeared to have uniform perceptions about turnover and its antecedents. Overall, non-supervisory employees in the Demonstration and Comparison Groups stated that they observed very little turnover within their unit and organization; the turnover observed was most often cited as being attributable to retirement (see Table 4-55).

Table 4-55. Focus Group Results – Turnover Within the Work Unit/Organization

DEMONSTRATION GROUP	COMPARISON GROUP
<p>Non-Supervisory Employees</p> <ul style="list-style-type: none"> • There is very little turnover within the work unit and organization • Retirement accounts for the turnover in the work unit and organization • Turnover results from a lack of succession planning and planning to fund, hire, and train new staff • New political appointees lack knowledge about the Demo Project, which has resulted in turnover 	<p>Non-Supervisory Employees</p> <ul style="list-style-type: none"> • There is very little turnover within the work unit and organization • Retirement accounts for the turnover in the work unit and organization • Turnover results from a lack of succession planning and planning to fund, hire, and train new staff

Interestingly, the non-supervisory employees’ responses differed from the responses of supervisory employees in the Demonstration Group. Although some supervisory focus group participants indicated turnover was not a concern, the majority of supervisory employees stated more specific concerns related to the antecedents of turnover within their organization (see Table 4-56).

Table 4-56. Focus Group Results – Turnover Within The Work Unit/Organization

DEMONSTRATION GROUP
<p>Supervisory Employees</p> <ul style="list-style-type: none"> • Turnover has led to loss of corporate memory, low morale, and increased staff workload with less support in delegating and completing work • Turnover is not an issue of concern • Turnover is highest amongst entry level and scientific and engineering staff • Staff turnover occurs because government benefits are no longer competitive with private sector • Most turnover is with contractual employees

4.8.3. In the Demonstration Group, there was no significant difference in the average performance-based pay increases for those who separated and for those who remained.

In the Demonstration Group in Year Three, average performance-based pay increases among leavers (2.8 percent) were higher than for those who remained (2.6 percent). (The average for leavers is based on those leavers who left after receiving a rating and an increase.) While this finding is contrary to expectations, and differs from the Year Two findings, it is important to note that the difference is not statistically significant.

There was also no significant difference for average bonus awards. This may reflect the fact that there is less of a direct relationship between bonuses and performance ratings, since managers have more discretion in determining the relative size of bonuses. Average performance-based pay increases, bonuses, and total awards (increases and bonuses) expressed as a percent of salary appear in Table 4-57. Dollar figures for average performance-based pay increases and bonuses appear in Table 4-58.

Table 4-57. Stayers Versus Leavers: Percent Increases and Bonuses

Type of Award	Average Award (as a Percentage of Salary)
Performance-Based Pay Increase	
Stayers	2.6%
Leavers	2.8%
Bonus	
Stayers	1.7%
Leavers	1.7%
Total Awards	
Stayers	4.3%
Leavers	4.5%

Note: None of these differences were found to be statistically significant at the $p \leq .05$ level.

Table 4-58. Stayers Versus Leavers: Average Performance-Based Pay Increases and Bonuses

Type of Award	Average Award (in Dollars)
Performance-Based Pay Increase	
Stayers	\$1,551
Leavers	\$1,650
Bonus	
Stayers	\$1,037
Leavers	\$1,074

Note: Neither of these differences were found to be statistically significant at the $p \leq .05$ level.

4.8.4. Although Demonstration Group participants believe it is fair to use retention payments to keep employees with critical skills, retention payments are not widely used.

Retention payments are an intervention that has been proposed as a tool for retaining high performing employees, especially those with expertise in critical skill areas. As in Years One and Two, an analysis of objective data suggests that no Demonstration Group participants received retention payments during Year Three. One explanation is that retention payments are not widely used because of the restrictions on when they can be awarded (i.e., retention payments can only be paid to employees leaving the Federal Government, which occurs infrequently).

Although objective data indicate that management did not award any retention payments, 36 survey respondents responded that they have received one. Three percent of the Demonstration Group participants responding to the Year Three Survey reported that they have received a retention payment since March 1999. Further, of those who reported receiving a retention payment since March 1999, only approximately one quarter (28 percent) agreed that the payment was a strong incentive to remain within their unit.

The majority of respondents (56-65 percent) felt that giving retention payments to retain critically skilled employees was fair; however, only a small percent of respondents (11-12 percent) agree that current retention efforts can produce a higher performing workforce (see Table 4-59).

Table 4-59. Survey Results – Retention Payments

		Demo. Group		Comp. Group		Demo. vs. Comp.
		Total	(N) (S)	Total	(N) (S)	
47. Have you received a retention payment since March 1999?	Yes	3%	No Significant Difference	Asked of Demo Group Only		NA
	No	97%				
48. My retention payment was a strong incentive for me to remain within my unit.*	Disagree	39%	No Significant Difference	Asked of Demo Group Only		NA
	Neither disagree nor agree	33%				
	Agree	28%				
49. Giving a retention payment (extra money to keep an employee with critical skills from leaving) is fair.	Disagree	14%	No Significant Difference	18%	No Significant Difference	Sig. Diff.
	Neither disagree nor agree	21%		26%		
	Agree	65%		56%		
50. Current efforts toward employee retention have produced a higher quality, higher performing workforce.	Disagree	30%	No Significant Difference	26%	No Significant Difference	No Sig. Diff.
	Neither disagree nor agree	60%		63%		
	Agree	11%		12%		

(N) = Non-Supervisors; (S) = Supervisors; Total = Responses of non-supervisory and supervisory employees combined
 Percentages may not add to 100 due to rounding

*Item 48 was asked of respondents who indicated that they had received a retention payment since March 1999.

4.8.5. The supervisory performance pay intervention does not appear to be improving retention.

The supervisory performance pay intervention is intended to facilitate paying supervisors at more competitive levels, thus improving retention. However, because this intervention is only used for supervisors who reach the maximum of pay for the pay band, and not in response to high levels of performance, its impact as a retention tool may be diminished.

In general, turnover among supervisors was similar to all Demonstration Group participants (see Table 4-60). This rate was higher than the turnover rates for both Comparison Group supervisors and all Comparison Group participants. The turnover rate for Demonstration Group supervisors had remained constant in Years One and Two (13 percent) and increased by 5 percentage points in Year Three (18 percent). Furthermore, Demonstration Group supervisor turnover was constant in Year Three, whether or not supervisors received supervisory performance pay.

Factors such as retirement of senior managers should be taken into account when evaluating supervisor turnover. Among the supervisors who did *not* receive supervisory performance pay, six of the 30 separations, or 20 percent, were due to retirement. Among the supervisors who received supervisory performance pay, seven of the nine separations, or 78 percent, were due to retirements. This finding may reflect that supervisors in the supervisory performance pay band may be more senior and, therefore, retirement may inflate turnover rates.

Table 4-60. Turnover Among Supervisors

Group	Total Number	Number Who Separated	Turnover Rate
Demonstration Group			
All Employees	2781	436	16%
All Supervisors	222	39	18%
Supervisors Who Did Not Receive Supervisory Performance Pay	173	30	17%
Supervisors Who Did Receive Supervisory Performance Pay	49	9	18%
Comparison Group			
All Employees	1808	204	11%
All Supervisors	149	13	9%

The turnover rate was calculated as the number of individuals who separated divided by the total number of individuals.

4.8.6. Demonstration Group and Comparison Group participants are similar in that they are motivated to stay with the organization because of the work itself, are demotivated by lack of competent management and advancement opportunities, and might be enticed to leave to gain higher pay.

As shown in Table 4-61, Demonstration Group and Comparison Group survey respondents provided similar rankings on factors for staying with the organization. Both groups ranked “the work itself” as the biggest motivator for staying with the organization. One noticeable difference in the rankings is the rank order of “salary” as a motivator, with salary more highly ranked among Demonstration Group respondents than Comparison Group respondents.

Table 4-61. Survey Results – Factors For Staying With the Organization

		Demo. Group			Comp. Group		
		Total	(N)	(S)	Total	(N)	(S)
77. What are the factors that make you want to stay in your organization? (Rank the 3 most important reasons)	<i>The work itself</i>	69%	67%	77%	72%	70%	82%
	<i>Salary</i>	51%	50%	57%	36%	35%	40%
	<i>Job security</i>	37%	38%	33%	41%	42%	35%
	<i>The people I work with</i>	32%	32%	35%	33%	31%	44%
	<i>Location</i>	30%	30%	32%	38%	39%	33%
	<i>Benefits</i>	27%	29%	20%	25%	26%	21%
	<i>Convenient work hours</i>	16%	19%	5%	20%	22%	9%
	<i>The public reputation of this organization</i>	9%	8%	13%	8%	7%	16%
	<i>The chance for advancement</i>	8%	9%	6%	7%	8%	3%
	<i>No other job offers</i>	7%	7%	7%	7%	9%	1%
	<i>Competence of management</i>	5%	4%	8%	2%	2%	3%
	<i>Fair treatment</i>	5%	5%	5%	4%	4%	3%
	<i>Quality of facilities</i>	2%	2%	3%	5%	4%	7%
<i>Funding</i>	1%	1%	1%	2%	1%	2%	

Notes:

1. For this question, the reported percentages represent the percentage of people, among those who responded to this question, who ranked this factor as one of their three most important. Because respondents were allowed to provide multiple responses, the sum of the percentages exceeds 100 percent.
2. Options are presented in descending order, based upon the Demonstration Group Total responses.

As shown in Table 4-62, Demonstration Group and Comparison Group survey respondents provided somewhat similar rankings on factors for leaving the organization, although some differences emerged. Both groups ranked “lack of competence of management” and “lack of career advancement” as the top two reasons. Closer examination of this finding shows that supervisors in both groups ranked “lack of competence of management” as the number one reason for leaving and non-supervisory employees in both groups ranked “lack of career advancement” as the number one reason for leaving. In essence, these factors serve as demotivators.

Table 4-62. Survey Results – Factors For Leaving the Organization

		Demo. Group			Comp. Group		
		Total	(N)	(S)	Total	(N)	(S)
78. What are the factors that would make you want to leave? (Rank the 3 most important reasons)	<i>Lack of competence of management</i>	41%	40%	47%	41%	40%	48%
	<i>Lack of career advancement</i>	40%	43%	29%	46%	48%	34%
	<i>Unfair treatment</i>	38%	38%	37%	33%	34%	25%
	<i>Salary</i>	30%	32%	17%	32%	32%	36%
	<i>Other job offers</i>	28%	28%	29%	23%	25%	13%
	<i>The work itself</i>	26%	25%	31%	23%	22%	29%
	<i>Funding</i>	18%	17%	26%	22%	21%	27%
	<i>Location</i>	17%	17%	20%	16%	15%	19%
	<i>Job security/Potential RIF</i>	17%	18%	13%	18%	18%	19%
	<i>The people I work with</i>	16%	16%	19%	14%	15%	8%
	<i>Inconvenient work hours</i>	8%	8%	8%	9%	9%	9%
	<i>The public reputation of this organization</i>	6%	5%	8%	8%	7%	10%
	<i>Benefits</i>	6%	6%	4%	6%	6%	8%
<i>Quality of facilities</i>	5%	5%	7%	7%	6%	9%	

Notes:

1. For this question, the reported percentages represent the percentage of people, among those who responded to this question, who ranked this factor as one of their three most important. Because respondents were allowed to provide multiple responses, the sum of the percentages exceeds 100 percent.
2. Options are presented in descending order, based upon the Demonstration Group Total responses.

As shown in Table 4-63, Demonstration Group and Comparison Group survey respondents provided similar rankings on factors for taking a new job outside of the organization. Both groups ranked “better pay” as the top factor by a clear margin.

Table 4-63. Survey Results – Factors For Taking a New Job Outside the Organization

		Demo. Group			Comp. Group		
		Total	(N)	(S)	Total	(N)	(S)
79. If you were to take a new job outside of this organization, would you do so to gain: (Rank the 3 most important reasons)	<i>Better pay</i>	62%	64%	53%	63%	64%	60%
	<i>More interesting work</i>	42%	41%	44%	37%	37%	35%
	<i>Career advancement</i>	38%	39%	36%	38%	39%	34%
	<i>Better promotional opportunities</i>	29%	32%	12%	34%	37%	18%
	<i>Better geographical location</i>	27%	27%	28%	25%	25%	24%
	<i>Better supervisors</i>	17%	17%	17%	19%	19%	16%
	<i>Reduced administrative and paperwork burdens</i>	15%	10%	36%	12%	8%	30%
	<i>More responsibility</i>	14%	14%	15%	14%	15%	8%
	<i>Better working conditions</i>	12%	11%	16%	12%	12%	11%
	<i>Better benefits</i>	11%	13%	6%	12%	10%	19%
	<i>More important program</i>	10%	9%	14%	9%	7%	20%
	<i>More job security</i>	8%	8%	5%	8%	9%	5%
	<i>More convenient work hours</i>	8%	7%	10%	9%	8%	12%
	<i>More congenial colleagues</i>	5%	5%	5%	5%	5%	3%

Notes:

1. For this question, the reported percentages represent the percentage of people, among those who responded to this question, who ranked this factor as one of their three most important. Because respondents were allowed to provide multiple responses, the sum of the percentages exceeds 100 percent.
2. Options are presented in descending order, based upon the Demonstration Group Total responses.

4.8.7. Overall, Demonstration Group participants believe that retention interventions have improved retention efforts.

Demonstration Group participants’ perceptions of the impact of the retention interventions have been positive. During focus groups with Demonstration Group supervisory and non-supervisory employees, both groups of participants stated that performance-based increases and bonuses were good incentives for less experienced employees. Both groups agreed that in addition to retention interventions, high performing employees were also retained due to the type of research and work they were able to perform. Overall, supervisors appeared to express more awareness of the types of personnel changes that help retention compared to the non-supervisory participants. These results are displayed in Table 4-64.

Table 4-64. Focus Group Results – Personnel Changes That Have Helped Retain High Performing Employees

DEMONSTRATION GROUP	
Non-Supervisory Employees	Supervisory Employees
<ul style="list-style-type: none"> • Performance-based increases and bonuses are good incentives over the GS system for entry level employees • Have not observed and/or do not have information on any of the personnel changes utilized • Pay increases and bonuses are too small to motivate employees and too small to be competitive with private sector • High performers stay because of the specialized type of work they do 	<ul style="list-style-type: none"> • Performance-based increases and bonuses are good incentives over the GS system for entry level employees • High performers stay because of the specialized type of work they do • Have not observed and/or do not have information on any of the personnel changes utilized • Pay increases and bonuses are too small to motivate employees and too small to be competitive with private sector

4.9. The impact of the Demonstration Project on organizational performance must be measured with proxies and is unclear.

There are many challenges to evaluating performance at the organizational level. A typical method is to evaluate the degree to which an organization meets its mission and goals, which is being attempted through processes established in compliance with the Government Performance and Results Act of 1993 (GPRA). Within the Demonstration Project, an additional measurement challenge presents itself—the Demonstration Group consists of members from a number of different organizations, each with different missions and goals. Moreover, not all members of these organizations are part of the Demonstration Project (e.g., some NOAA work units are in the Demonstration Group, some are in the Comparison Group, and some are not involved at all in the Demonstration Project). Therefore, we are not able to use the GPRA performance measures for DoC because they were not developed for the people who are participating in the Demonstration Group or the Comparison Group.

We asked DoC managers how they determine their organizations’ success. We found no measures that could be applied across the Demonstration Project. In addition, we asked whether they perceived increased organizational performance and their response was that it

was difficult to see, and especially to attribute, any changes to the Demonstration Project rather than to other reasons.

We also researched how other Demonstration Projects had evaluated organizational performance. The available information indicates that no direct organizational performance measures have been used. Each study has used implied organizational performance improvements based on proxy measures.

Given these challenges, we identified proxies that could serve as indirect measures of the organizational performance of the Demonstration Project. These proxies are: individual performance levels and perceived quality of the workforce. By examining these measures, it is possible to describe outcomes of the Demonstration Project and their hypothesized affect on organizational outcomes.

4.9.1. Perceptions of the quality of employee performance have not changed substantially since the Demonstration Project’s inception.

When asked in focus groups whether individual performance has improved since the Demonstration Project began, most Demonstration Group participants indicated that there has been little change (see Table 4-65). This may suggest that the Demonstration Project interventions have failed to impact performance or it may be reflective of difficulties in assessing performance improvements. Given the limitations of this data source, these findings should be viewed cautiously. The issue of individual performance, and the implications of aggregating individual performance as a measure of organizational performance, should be tracked over time.

Table 4-65. Focus Group Results – Employee Performance Since the Beginning of the Demonstration Project

DEMONSTRATION GROUP	
<p>Non-Supervisory Employees</p> <ul style="list-style-type: none"> • No change in employee performance <ul style="list-style-type: none"> – stayed the same – Demo Project cannot influence performance • Marginally increased • Worsened (due to poor management not the Demo Project) 	<p>Supervisory Employees</p> <ul style="list-style-type: none"> • No change in employee performance <ul style="list-style-type: none"> – stayed the same – no change because low performers are not pressured to improve performance (e.g., they will not get fired if they do not improve) • Improved <ul style="list-style-type: none"> – employees are volunteering for projects because of the incentives • High and low performers are motivated to increase their pay potential

In interviews, Directors and Administrative Officers were asked to provide their perceptions on whether individual performance has improved (see Table 4-66). Their perspectives were somewhat more positive than that of the focus group participants. Most of the interviewees reported that performance had improved because employees are motivated by performance-based pay and bonuses.

Table 4-66. Interview Results – Improvements in Individual Performance

DEMONSTRATION GROUP
Directors and Administrative Officers <ul style="list-style-type: none">• Yes, there have been improvements<ul style="list-style-type: none">– employees feel their performance is recognized and rewarded– bonuses motivate performance– bonuses, performance-based pay, and broadbanding have been effective in ensuring that good performers move up faster• No, there have not been improvements<ul style="list-style-type: none">– hard workers still work hard and average workers are still the same• Difficult to say

4.9.2. It is not yet clear whether the Demonstration Project interventions have directly or indirectly impacted organizational performance by improving the quality of the workforce.

A number of survey items that pertain to adherence to the Merit System Principles also address employee perceptions about the quality of the workforce. As shown in Table 4-67, few items generated significant differences in the responses of Demonstration versus Comparison Group respondents, suggesting that the impact of the Demonstration Project interventions on organizational performance by improving the quality of the workforce is not yet clear. Two exceptions were items 88 and 91. On item 88, Demonstration Group respondents provided more positive responses than the Comparison Group respondents that the organization rewards employees based on performance. On item 91, Demonstration Group respondents provided more positive responses than the Comparison Group respondents that the organization retains and separates employees based on performance; however, only a small percentage agreed with this occurs.

Table 4-67. Survey Results – Quality of the Workforce

			Demo. Group			Comp. Group			Demo. vs. Comp.
			Total	(N)	(S)	Total	(N)	(S)	
84. My organization recruits, selects, and advances employees on the basis of merit.	<i>Disagree</i>	<i>Neither disagree nor agree</i>	24%	26%	13%	28%	31%	14%	<i>No Sig. Diff.</i>
			29%	32%	18%	27%	30%	14%	
			47%	42%	69%	45%	39%	72%	
85. My organization treats <u>employees</u> fairly and equitably.	<i>Disagree</i>	<i>Neither disagree nor agree</i>	28%	31%	17%	33%	37%	14%	<i>No Sig. Diff.</i>
			22%	23%	14%	22%	22%	23%	
			50%	46%	69%	45%	42%	64%	
86. My organization treats <u>applicants</u> fairly and equitably.	<i>Disagree</i>	<i>Neither disagree nor agree</i>	13%	14%	8%	13%	15%	5%	<i>No Sig. Diff.</i>
			42%	47%	20%	43%	46%	26%	
			45%	39%	73%	45%	40%	69%	
87. My organization provides equal pay for equal work.	<i>Disagree</i>	<i>Neither disagree nor agree</i>	38%	41%	25%	42%	44%	30%	<i>No Sig. Diff.</i>
			26%	27%	23%	25%	26%	20%	
			36%	32%	52%	34%	30%	50%	
88. My organization rewards excellent performance.	<i>Disagree</i>	<i>Neither disagree nor agree</i>	24%	26%	16%	34%	34%	33%	<i>Sig. Diff.</i>
			24%	26%	15%	23%	25%	15%	
			52%	48%	69%	43%	41%	52%	
89. My organization maintains high standards of integrity, conduct, and concern for the public interest.	<i>Disagree</i>	<i>Neither disagree nor agree</i>	14%	15%	9%	15%	16%	10%	<i>No Sig. Diff.</i>
			18%	20%	12%	20%	22%	13%	
			68%	65%	80%	65%	63%	78%	
90. My organization manages employees efficiently and effectively.	<i>Disagree</i>	<i>Neither disagree nor agree</i>	45%	47%	36%	48%	<i>No Significant Difference</i>	<i>No Sig. Diff.</i>	
			31%	31%	30%	30%			
			24%	22%	34%	22%			
91. My organization retains or separates employees on the basis of their performance.	<i>Disagree</i>	<i>Neither disagree nor agree</i>	42%	43%	35%	47%	46%	54%	<i>Sig. Diff.</i>
			39%	40%	37%	39%	41%	28%	
			19%	17%	28%	14%	13%	18%	
92. My organization educates and trains employees when doing so will result in better organizational or individual performance.	<i>Disagree</i>	<i>Neither disagree nor agree</i>	25%	27%	19%	29%	<i>No Significant Difference</i>	<i>No Sig. Diff.</i>	
			25%	25%	25%	27%			
			50%	48%	57%	44%			

In interviews, when asked directly whether the Demonstration Project has resulted in improved organizational performance, Directors and Administrative Officers commented that it is unclear (see Table 4-68). They spoke of the challenges of determining whether gains in organizational performance can be attributed to Demonstration Project interventions.

Table 4-68. Interview Results – Improvements in Organizational Performance

DEMONSTRATION GROUP
<p>Directors and Administrative Officers</p> <ul style="list-style-type: none"> • Unclear <ul style="list-style-type: none"> – have seen improvements in organizational performance but unclear that this is related to the Demo Project • No

Demonstration Group focus group participants were asked to recommend strategies for improving the workforce’s performance (see Table 4-69). Non-supervisory and supervisory employees mentioned two strategies most frequently: one, making performance expectations more clear and better balancing work across employees. Other strategies were suggested that pertained to training, communication, and staffing. Both groups also acknowledge the need to take action against poor performers.

Table 4-69. Focus Group Results – Strategies for Improving the Workforce’s Performance

DEMONSTRATION GROUP	
<p>Non-Supervisory Employees</p> <ul style="list-style-type: none"> • Make performance expectations clear to employees • Better balance the work across the workforce • Train managers well; train managers in managerial skills • Establish a culture to work hard • Offer ways for technical experts to advance without having to become managers • Encourage managers to communicate better with employees about what is going on (e.g., via regular group meetings) • Devise ways for employees to see how their efforts fit within overall project goals • Get rid of poor performers 	<p>Supervisory Employees</p> <ul style="list-style-type: none"> • Make performance expectations clear to employees • Better balance the work across the workforce • Hire the appropriate amount of staff (rather than doing more with less) • Use more team-based assignments • Encourage supervisors to deal with difficult personnel issues • Make the system more truly pay-for-performance (not limited by percent of a percent, etc.) • Allow first-line supervisors to determine how to distribute bonuses (rather than determined higher up)

4.10. The Demonstration Project’s interventions have not impacted DoC’s adherence to the Merit System Principles or avoidance of the Prohibited Personnel Practices.

Implementation of the Demonstration Project’s personnel interventions has not impacted the organization’s adherence to the nine Merit System Principles and avoidance of the 12 Prohibited Personnel Practices. Booz Allen’s findings in Year Three provide additional support that the administration of the Demonstration Project continues to be in line with these personnel guidelines.

4.10.1. Survey data suggest that the degree to which DoC follows personnel guidelines has not been impacted by the Demonstration Project’s interventions.

As shown in Table 4-70, a series of survey items addressed the degree to which Demonstration Project participants believe that DoC strives for organizational excellence by adhering to personnel guidelines. The data produced no indication that DoC has violated any of the Prohibited Personnel Practices or failed to support any of the Merit System Principles by implementing the Demonstration Project’s interventions.

As occurred in Year One, there were very few differences in responses from Demonstration and Comparison Group participants, which suggests that the Demonstration Project’s interventions have not been detrimental to personnel guidelines. However, a few survey items (e.g., items 90, 91, and 87) generated higher percentages of “disagree” responses than other items (among both Demonstration Group and Comparison Group respondents), signaling the need for further attention. These items pertain to the degree to which the organization manages employees well, retains or separates employees based on performance, and provides equal pay for equal work.

Among the Demonstration Group participants, supervisory employees were consistently more favorable than non-supervisory employees about adherence to personnel guidelines. This finding also holds true when comparing supervisory and non-supervisory employees in the Comparison Group.

Table 4-70. Survey Results – Organizational Excellence

		Demo. Group			Comp. Group			Demo. vs. Comp.
		Total	(N)	(S)	Total	(N)	(S)	
84. My organization recruits, selects, and advances employees on the basis of merit.	<i>Disagree</i>	24%	26%	13%	28%	31%	14%	<i>No Sig. Diff.</i>
	<i>Neither disagree nor agree</i>	29%	32%	18%	27%	30%	14%	
	<i>Agree</i>	47%	42%	69%	45%	39%	72%	
85. My organization treats <u>employees</u> fairly and equitably.	<i>Disagree</i>	28%	31%	17%	33%	37%	14%	<i>No Sig. Diff.</i>
	<i>Neither disagree nor agree</i>	22%	23%	14%	22%	22%	23%	
	<i>Agree</i>	50%	46%	69%	45%	42%	64%	
86. My organization treats <u>applicants</u> fairly and equitably.	<i>Disagree</i>	13%	14%	8%	13%	15%	5%	<i>No Sig. Diff.</i>
	<i>Neither disagree nor agree</i>	42%	47%	20%	43%	46%	26%	
	<i>Agree</i>	45%	39%	73%	45%	40%	69%	
87. My organization provides equal pay for equal work.	<i>Disagree</i>	38%	41%	25%	42%	44%	30%	<i>No Sig. Diff.</i>
	<i>Neither disagree nor agree</i>	26%	27%	23%	25%	26%	20%	
	<i>Agree</i>	36%	32%	52%	34%	30%	50%	
88. My organization rewards excellent performance.	<i>Disagree</i>	24%	26%	16%	34%	34%	33%	<i>Sig. Diff.</i>
	<i>Neither disagree nor agree</i>	24%	26%	15%	23%	25%	15%	
	<i>Agree</i>	52%	48%	69%	43%	41%	52%	
89. My organization maintains high standards of integrity, conduct, and concern for the public interest.	<i>Disagree</i>	14%	15%	9%	15%	16%	10%	<i>No Sig. Diff.</i>
	<i>Neither disagree nor agree</i>	18%	20%	12%	20%	22%	13%	
	<i>Agree</i>	68%	65%	80%	65%	63%	78%	
90. My organization manages employees efficiently and effectively.	<i>Disagree</i>	45%	47%	36%	48%	<i>No Significant Difference</i>	<i>No Sig. Diff.</i>	
	<i>Neither disagree nor agree</i>	31%	31%	30%	30%			
	<i>Agree</i>	24%	22%	34%	22%			
91. My organization retains or separates employees on the basis of their performance.	<i>Disagree</i>	42%	43%	35%	47%	46%	54%	<i>Sig. Diff.</i>
	<i>Neither disagree nor agree</i>	39%	40%	37%	39%	41%	28%	
	<i>Agree</i>	19%	17%	28%	14%	13%	18%	
92. My organization educates and trains employees when doing so will result in better organizational or individual performance.	<i>Disagree</i>	25%	27%	19%	29%	<i>No Significant Difference</i>	<i>No Sig. Diff.</i>	
	<i>Neither disagree nor agree</i>	25%	25%	25%	27%			
	<i>Agree</i>	50%	48%	57%	44%			
93. My organization protects employees from improper political influence.	<i>Disagree</i>	9%	9%	8%	10%	10%	10%	<i>No Sig. Diff.</i>
	<i>Neither disagree nor agree</i>	47%	50%	34%	52%	56%	32%	
	<i>Agree</i>	44%	41%	58%	39%	35%	59%	
94. My organization protects employees against reprisal for the lawful disclosure of information.	<i>Disagree</i>	7%	7%	5%	6%	7%	3%	<i>No Sig. Diff.</i>
	<i>Neither disagree nor agree</i>	65%	68%	52%	65%	69%	50%	
	<i>Agree</i>	28%	25%	43%	28%	24%	48%	
95. My organization does not discriminate on the basis of race, color, religion, sex, national origin, age, handicapping condition, marital status, or political affiliation.	<i>Disagree</i>	13%	13%	9%	12%	14%	6%	<i>No Sig. Diff.</i>
	<i>Neither disagree nor agree</i>	19%	21%	10%	20%	21%	14%	
	<i>Agree</i>	68%	65%	82%	68%	66%	81%	
96. My organization does not solicit or consider any personal recommendation or statement not based on personal knowledge or records of performance, ability, aptitude, general qualifications, character, loyalty, or suitability.	<i>Disagree</i>	10%	10%	8%	9%	10%	5%	<i>No Sig. Diff.</i>
	<i>Neither disagree nor agree</i>	50%	54%	34%	49%	52%	39%	
	<i>Agree</i>	40%	36%	58%	41%	38%	56%	
97. My organization does not coerce employees' political activity.	<i>Disagree</i>	2%	2%	2%	2%	2%	1%	<i>No Sig. Diff.</i>
	<i>Neither disagree nor agree</i>	22%	24%	8%	22%	24%	12%	
	<i>Agree</i>	77%	74%	90%	77%	74%	87%	
98. My organization does not deceive or obstruct any person with respect to such person's right to compete for employment.	<i>Disagree</i>	9%	11%	4%	9%	9%	6%	<i>No Sig. Diff.</i>
	<i>Neither disagree nor agree</i>	27%	30%	13%	29%	32%	17%	
	<i>Agree</i>	64%	60%	83%	63%	60%	77%	

		Demo. Group			Comp. Group			Demo. vs. Comp.
		Total	(N)	(S)	Total	(N)	(S)	
99. My organization does not influence a person to withdraw from competition.	<i>Disagree</i>	6%	7%	3%	6%	7%	5%	<i>No Sig. Diff.</i>
	<i>Neither disagree nor agree</i>	34%	38%	14%	34%	37%	22%	
	<i>Agree</i>	60%	55%	83%	60%	57%	73%	
100. My organization does not grant any preference or advantage not authorized by law, regulation, or rule.	<i>Disagree</i>	12%	14%	8%	13%	14%	8%	<i>No Sig. Diff.</i>
	<i>Neither disagree nor agree</i>	34%	37%	21%	33%	36%	18%	
	<i>Agree</i>	53%	49%	72%	55%	51%	74%	
101. People in my organization do not engage in employing or promoting relatives.	<i>Disagree</i>	11%	12%	7%	15%	16%	12%	<i>Sig. Diff.</i>
	<i>Neither disagree nor agree</i>	27%	30%	17%	25%	29%	9%	
	<i>Agree</i>	62%	59%	76%	60%	56%	80%	
102. My organization does not retaliate against whistleblowers, whether they are employees or applicants.	<i>Disagree</i>	11%	12%	7%	13%	14%	8%	<i>No Sig. Diff.</i>
	<i>Neither disagree nor agree</i>	57%	60%	41%	58%	61%	47%	
	<i>Agree</i>	32%	27%	52%	29%	25%	45%	
103. My organization does not discriminate based on actions not adversely affecting performance.	<i>Disagree</i>	13%	14%	7%	12%	13%	8%	<i>No Sig. Diff.</i>
	<i>Neither disagree nor agree</i>	46%	50%	31%	48%	50%	39%	
	<i>Agree</i>	41%	36%	62%	40%	37%	53%	

(N) = Non-Supervisors; (S) = Supervisors; Total = Responses of non-supervisory and supervisory employees combined
 Percentages may not add to 100 due to rounding

4.10.2. Focus group data also suggest that these personnel guidelines are applied in the same manner under the Demonstration Project as they were under the traditional GS system.

As shown in Table 4-71, Demonstration Group focus group participants acknowledged that the Merit System Principles are applied under the Demonstration Project just as they were under the traditional GS system. They reported that no changes have occurred as a result of the Demonstration Project interventions.

Table 4-71. Focus Group Results – Changes in Adherence to the Merit System Principles

DEMONSTRATION GROUP	COMPARISON GROUP
<ul style="list-style-type: none"> Not aware of any changes in how the Merit System Principles are followed No difference between the Demo Project and the GS system 	<ul style="list-style-type: none"> Usually followed, though in some cases the principles around recruiting, equal pay, performance management, and access to training are not fully followed

Similarly, Demonstration Group focus group participants reported that the Demonstration Project has not negatively impacted DoC’s ability to avoid the Prohibited Personnel Practices. As shown in Table 4-72, they reported that there has been no change in the ways in which these practices are avoided in the Demonstration Project as compared to under the traditional GS system.

Table 4-72. Focus Group Results – Changes in Avoidance to the Prohibited Personnel Practices

DEMONSTRATION GROUP	COMPARISON GROUP
<ul style="list-style-type: none"> • Not aware of any changes • No difference under the Demo Project • Don't know 	<ul style="list-style-type: none"> • On occasion over the years, there has been a bad manager who fails to avoid a prohibited personnel practice • Don't know

4.11. As was found in Years One and Two, the Demonstration Project interventions reflect a system in which there is no evidence of unfair treatment based on race, gender, or veteran status.

Consistent with Years One and Two, no subjective or objective data indicate that the Demonstration Project’s interventions had a differential effect based on race, gender, or veteran status. Instead, pay interventions appear to be more closely linked to performance level than to demographic characteristics.

4.11.1. Survey and focus group findings suggest that the Demonstration Project interventions have not generated evidence of unfair treatment based on race, gender, or veteran status in the areas of compensation, recruitment, or retention.

As in Year One, a similar pattern of results emerges between the Demonstration and Comparison Groups on a number of survey items that focused on minority issues, including fair treatment, compensation, recruitment, and retention, as displayed in Table 4-73. Our findings suggest that the Demonstration Project’s interventions are not greatly changing employee attitudes about these types of issues. Overall, the majority of survey respondents reported that DoC does not discriminate against minorities, gender groups, or veterans based on any institutional policy or practice. More than half of the respondents agree that minority employees are paid competitively though some were unsure. While there was no significant difference between Demonstration Group and Comparison Group participants, respondents overall expressed uncertainty with whether recruitment and retention strategies facilitate the hiring and retaining of high quality minorities. Across these topic areas, supervisory employees in both the Demonstration and Comparison Groups were consistently more positive about the impact on minorities than were non-supervisory employees.

Table 4-73. Survey Results – Compensation, Recruitment, and Retention of Minorities

		Demo. Group			Comp. Group			Demo. vs. Comp.
		Total	(N)	(S)	Total	(N)	(S)	
95. My organization does not discriminate on the basis of race, color, religion, sex, national origin, age, handicapping condition, marital status, or political affiliation.	<i>Disagree</i>	13%	13%	9%	12%	14%	6%	<i>No Sig. Diff.</i>
	<i>Neither disagree nor agree</i>	19%	21%	10%	20%	21%	14%	
	<i>Agree</i>	68%	65%	82%	68%	66%	81%	
109. Minority employees get paid at competitive levels in my unit.	<i>Disagree</i>	7%	8%	4%	6%	6%	4%	<i>No Sig. Diff.</i>
	<i>Neither disagree nor agree</i>	41%	45%	21%	42%	47%	21%	
	<i>Agree</i>	52%	47%	76%	52%	47%	75%	
53. Recruitment procedures allow for the opportunity to hire good minority applicants.	<i>Disagree</i>	16%	17%	13%	18%	18%	21%	<i>No Sig. Diff.</i>
	<i>Neither disagree nor agree</i>	50%	54%	31%	49%	52%	35%	
	<i>Agree</i>	34%	29%	56%	32%	30%	43%	
51. Current efforts toward employee retention have enabled managers to retain good minority employees.	<i>Disagree</i>	25%	26%	21%	22%	<i>No Significant Difference</i>	<i>No Sig. Diff.</i>	
	<i>Neither disagree nor agree</i>	68%	68%	68%	71%			
	<i>Agree</i>	7%	6%	11%	7%			

(N) = Non-Supervisors; (S) = Supervisors; Total = Responses of non-supervisory and supervisory employees combined
 Percentages may not add to 100 due to rounding

On further examination of responses to these survey items specifically among minorities and among non-minorities, the results show few significant differences (see Table 4-74). Participation in the Demonstration Project has not generated different perceptions within each group. One exception is item 51, which pertains to retention. More minority employees in the Comparison Group than in the Demonstration Group agreed that efforts toward retention have enabled managers to retain good minority employees. More minority employees in the Comparison Group than in the Demonstration Group also disagreed with this statement.

Table 4-74. Survey Results – Compensation, Recruitment, and Retention of Minorities by Group

		Minority			Non-Minority		
		Demo. Group	Comp. Group	Demo. Vs. Comp	Demo. Group	Comp. Group	Demo. Vs. Comp
95. My organization does not discriminate on the basis of race, color, religion, sex, national origin, age, handicapping condition, marital status, or political affiliation.	<i>Disagree</i>	30%	29%	<i>No Sig. Diff.</i>	9%	10%	<i>No Sig. Diff.</i>
	<i>Neither disagree nor agree</i>	24%	23%		18%	19%	
	<i>Agree</i>	46%	48%		74%	72%	
109. Minority employees get paid at competitive levels in my unit.	<i>Disagree</i>	25%	22%	<i>No Sig. Diff.</i>	4%	3%	<i>No Sig. Diff.</i>
	<i>Neither disagree nor agree</i>	38%	44%		41%	42%	
	<i>Agree</i>	37%	34%		55%	55%	
53. Recruitment procedures allow for the opportunity to hire good minority applicants.	<i>Disagree</i>	25%	34%	<i>No Sig. Diff.</i>	14%	16%	<i>No Sig. Diff.</i>
	<i>Neither disagree nor agree</i>	46%	42%		51%	51%	
	<i>Agree</i>	30%	25%		35%	33%	
51. Current efforts toward employee retention have enabled managers to retain good minority employees.	<i>Disagree</i>	36%	43%	<i>Sig. Diff.</i>	23%	19%	<i>No Sig. Diff.</i>
	<i>Neither disagree nor agree</i>	56%	39%		71%	77%	
	<i>Agree</i>	8%	18%		6%	5%	

Percentages may not add to 100 due to rounding

As shown in Table 4-75, focus group data revealed that Demonstration Group participants believe that the Demonstration Project’s interventions have not had an impact on women, minorities, or veterans or are unaware of any impact. Data from exclusively minority or female focus groups yielded similar results—no clear indication that the interventions have had a differential impact on members of these groups. In contrast, Comparison Group participants reported more specific and mixed results regarding the impact of traditional human resources management practices on women, minorities, or veterans.

Table 4-75. Focus Group Results – Impact on Women, Minorities, and Veterans

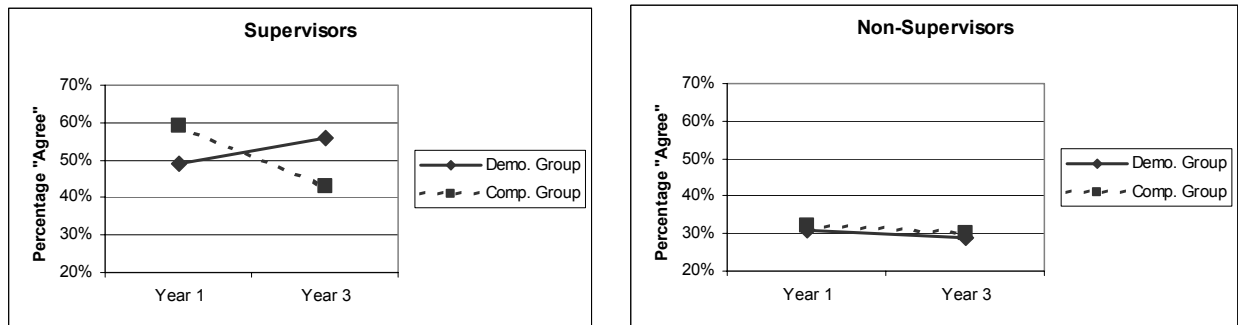
DEMONSTRATION GROUP	DEMONSTRATION GROUP— ALL-FEMALE/ ALL-MINORITY SESSIONS	COMPARISON GROUP
<ul style="list-style-type: none"> • No change • Don't know • Positive impact • No negative impact 	<ul style="list-style-type: none"> • No change • Don't know • The Demo Project disadvantages more junior people who can do better under the traditional system 	<ul style="list-style-type: none"> • Positive impact <ul style="list-style-type: none"> – more hiring of women and minorities – more special hiring and rotational assignments for women and minorities – hiring minority students – using a diverse panel for selections • Negative impact <ul style="list-style-type: none"> – Veterans' preference can have a negative impact for the veteran (ranked beyond their capability) and the organization – using contractors takes away oversight of selecting personnel – negative impact due to managers with bad attitudes toward women and minorities • No change

4.11.2. Over time, the percentage of Demonstration Group supervisory employees who agree that recruitment procedures facilitate hiring high quality minority applicants has increased.

As shown in Table 4-76, from Year One to Year Three, the percentage of Demonstration Group supervisory employees who believe that recruitment procedures are facilitating hiring high quality minority applicants has increased from 49 percent to 56 percent. While a small gain, this increase is in contrast to the pattern among Comparison Group supervisory employees (from 59 percent to 43 percent). This finding suggests that some of the recruitment interventions in place under the Demonstration Project may be more effective than traditional approaches for recruiting high quality minority applicants. For example, Demonstration Project supervisors have local authority for recruitment payments and the use of flexible entry salaries as tools for attracting and hiring employees.

Table 4-76. Change Over Time – Recruitment of Minorities

53. Recruitment procedures allow for the opportunity to hire good minority applicants.



		Demo. Group			Comp. Group		
		Total	(N)	(S)	Total	(N)	(S)
		YEAR THREE					
53. Recruitment procedures allow for the opportunity to hire good minority applicants.	Disagree	16%	17%	13%	18%	18%	21%
	Neither disagree nor agree	50%	54%	31%	49%	52%	35%
	Agree	34%	29%	56%	32%	30%	43%
	YEAR ONE						
	Disagree	15%	15%	16%	19%	19%	22%
	Neither disagree nor agree	51%	54%	35%	44%	49%	19%
Agree	34%	31%	49%	37%	32%	59%	

(N) = Non-Supervisors; (S) = Supervisors; Total = Responses of non-supervisory and supervisory employees combined
 Percentages may not add to 100 due to rounding
 This item was not on the baseline survey

However, although over half of the Demonstration Group supervisory employees who responded to the survey agree that recruitment interventions facilitate hiring good minority applicants, the starting salaries of minority and non-minority employees are very similar. During Year Three, among those new hires for whom starting salary data were available, there was virtually no difference in the average starting salaries between minorities and non-minorities.

4.11.3. Objective data also suggest that the Demonstration Project interventions have not generated evidence of unfair treatment based on race, gender, or veteran status in the areas of compensation, recruitment, or retention.

Booz Allen again performed a series of analyses on objective data pertaining to performance, compensation, and demographics of the Demonstration Project participants. Consistent with previous years, these analyses suggest that the Demonstration Project has not been detrimental to the compensation, recruitment, or retention of minorities, women, or veterans.

4.11.3.1. *The Demonstration Group has attracted the same proportion of minorities, and a slightly higher proportion of women and veterans, than are currently represented in its population.*

Table 4-77 shows that, in Year Three, the proportion of minority new hires to the Demonstration Group was consistent with their representation in the employee population overall. The proportion of women and veteran new hires was slightly greater than their representation in the Demonstration Group. These data suggest that the Demonstration Project interventions are not harming DoC’s ability to diversify its employee population.

Table 4-77. Diversity of New Hires Compared to the Overall Demonstration Group

Category	New Hires (N=280)*	All Demonstration Group Employees (N=2,781)
Minority Status		
Minority	20%	20%
Non-Minority	80%	80%
Gender		
Women	43%	41%
Men	57%	59%
Veteran Status		
Veteran	16%	14%
Non-Veteran	84%	86%

* *The number of new hires in the objective datafile varies slightly from that which was reported by the personnel offices. This difference may be attributable to different methods of reporting.*

4.11.3.2. *As found in Years One and Two, the Demonstration Group’s pay-for-performance system did not reward participants differently based on race, gender, or veteran status in terms of average performance-based pay increases or bonuses.*

In Year Three, Booz Allen again analyzed objective data on the distribution of performance-based pay increase percentages and bonus percentages for participants in the Demonstration Project. These data were used to establish the links between pay and performance, as was discussed in previous sections. When Booz Allen analyzed the effects of minority status, gender, and veteran status on the link between pay and performance, the results also demonstrated the link between pay and performance for these groups. This finding is consistent with Year One and Year Two findings.

Table 4-78 presents raw data on average performance appraisal scores, raw data on average performance-based pay increases and bonuses, and the adjusted means produced by the ANCOVA analyses (see Appendix D-1 for a more detailed description of the ANCOVA process and results). The table is broken down by protected class. These data show that the performance-pay link is evident within each comparison (i.e., the subgroup with the higher performance rating had a higher average performance-based pay increase while the subgroup with the lower performance rating had a lower average performance-based pay increase).

Overall, these results suggest that the pay-for-performance system did not reward participants differently based on race, gender, or veteran status in terms of average performance increases or bonuses. Rather, increases appear to be linked to performance ratings.

Table 4-78. Average Performance Appraisal Scores, Pay Increase Percentages (Raw and Adjusted), and Bonus Percentages (Raw and Adjusted) for the Demonstration Group

	Average Performance Appraisal Scores	Average Performance-Based Pay Increase Percentage		Average Bonus Percentage	
		Raw	Adjusted	Raw	Adjusted
Minority	83.5 points	2.6%	2.5%	1.5%	1.5%
Non-Minority	84.9 points	2.7%	2.7%	1.7%	1.7%
Female	84.7 points	2.9%	2.7%	1.8%	1.8%
Male	84.5 points	2.4%	2.6%	1.6%	1.6%
Veteran	83.2 points	2.1%	2.4%	1.5%	1.5%
Non-Veteran	84.8 points	2.7%	2.7%	1.7%	1.7%
Average	84.3 points	2.6%	--	1.6%	--

Notes:

1. The average performance appraisal score for each Demonstration Group subgroup is the average number of points received under the 100-point system. Performance data for Demonstration Group employees are based on appraisals conducted in September 2000, and as reported in the Year Three data file provided by DoC. Average performance-based pay increase and bonus percentages are based on actions effective in November 1999, as reported in the Year Three data file provided by DoC.
2. The minority group includes all non-White personnel, specifically Blacks, Hispanics, Asians, and American Indians.
3. Adjusted averages were computed by statistically controlling for performance rating, career path, and length of service.

4.11.3.3. *As found in Years One and Two, similar patterns emerge in how members of different protected classes fared in terms of average performance-based pay increases and bonuses in the Demonstration Group versus the Comparison Group.*

Booz Allen also examined Comparison Group data on performance appraisal scores, pay increase percentages, and bonus/award percentages to evaluate differences between the Demonstration and Comparison Groups during Year Three. Direct comparisons were not always possible due to the differences inherent in the different systems. Table 4-79 displays the data sources used from each group for purposes of comparison.

Table 4-79. Data from Demonstration and Comparison Groups Used for Comparisons

Demonstration Group	Comparison Group
Scores on a 100-point performance appraisal system	Scores on a 2-level or 5-level performance appraisal system
Performance Increase	Step Increase Quality Step Increase Promotion Increase (when the promotion was equivalent to transition within a pay band under the Demonstration Project)
Bonus	Performance Award

As shown, Demonstration Group participants were evaluated on a 100-point performance appraisal system. There were two performance appraisal systems being used by organizations in the Comparison Group; ESA (with 67 employees in the Comparison Group) used the traditional 5-level performance appraisal system, whereas NOAA (with 1,741 employees in the Comparison Group) used a 2-level performance appraisal system (i.e., pass/fail) that is being studied for effectiveness. Because most of the Comparison Group participants were evaluated on the 2-level system, the scores of the remaining employees in the Comparison Group were converted to the two-level system¹⁴ for purposes of composing a group average for the entire Comparison Group. Table 4-80 displays the data on performance scores, broken out by protected subgroups.

There are some important differences in how employees in the Demonstration and Comparison Groups were evaluated and rewarded. Employees in the Demonstration Group were evaluated based on a pay-for-performance system; hence, their pay increases were based on performance. In contrast, employees in the Comparison Group are under the traditional federal pay system. They received the traditional salary increases including step increases (as appropriate), quality step increases (as awarded), and increases related to promotions. In addition, some employees received performance awards; these award amounts did not affect base salary.

For purposes of comparison with the Demonstration Group, the Comparison Group’s step increases, quality step increases, and promotions (when those promotions are equivalent to a

¹⁴ Scores from the 5-level system were converted to the 2-level system as follows: Levels 1 (unacceptable) and 2 (marginal) were converted to “fail.” Levels 3 (fully successful), 4 (level between fully successful and outstanding), and 5 (outstanding) were converted to “pass.”

“within band” increase in pay in the Demonstration Group) were considered comparable to the performance increase given in the Demonstration Group. The Comparison Group’s awards were considered comparable to the bonuses given in the Demonstration Group.

Hence, in addition to the performance appraisal data, Table 4-80 presents a comparison of the average performance-based pay increase and the average bonus/award (presented as percentages of base salary), broken out by protected subgroups, across the Demonstration and Comparison Groups. After accounting for performance rating, length of service, and career path in the ANCOVA analyses (thus producing adjusted means), these data suggest that, in most cases, similar patterns emerge in how members of protected classes fared in the Demonstration Group and in the Comparison Group in terms of average performance-based pay increase percentages and average bonus/award percentages. For example, although males received lower pay increase percentages than females in the Demonstration Group (in line with their lower performance ratings), the same was true in the Comparison Group. One exception is evident: in the Demonstration Group, while veterans received lower pay increase percentages than non-veterans (in line with their lower performance ratings), veterans received higher pay increase percentages than non-veterans in the Comparison Group.

Table 4-80. Comparison of Performance Appraisal Scores, Average Performance-Based Pay Increases, and Average Bonuses/Awards Across Groups

	Performance Appraisal Scores		Average Pay Increase Percentage		Average Bonus/ Award Percentage	
	Demonstration Group	Comparison Group	Demonstration Group	Comparison Group	Demonstration Group	Comparison Group
Minority	83.5 points	100% Pass; 0% Fail	2.5%	0.3%	1.5%	1.1%
Non-Minority	84.9 points	100% Pass; 0% Fail	2.7%	1.2%	1.7%	1.9%
Female	84.7 points	100% Pass; 0% Fail	2.7%	1.3%	1.8%	1.8%
Male	84.5 points	100% Pass; 0% Fail	2.6%	0.9%	1.6%	1.8%
Veteran	83.2 points	100% Pass; 0% Fail	2.4%	2.4%	1.5%	0.9%
Non-Veteran	84.8 points	100% Pass; 0% Fail	2.7%	0.9%	1.7%	1.9%

Notes:

- 1. The performance appraisal score presented for the Demonstration Group is the average number of points received under the 100-point system. The numbers presented for the Comparison Group are the percentages of employees who received “Pass” or “Fail” under the 2-level system. Performance data for Demonstration Group employees are based on appraisals conducted in September 2000, and as reported in the Year Three data file provided by DoC. Performance data for Comparison Group employees are based on appraisals occurring between April 1, 2000 and March 31, 2001 and as reported in the Year Three data file provided by DoC.*
- 2. Average performance-based pay increase and bonus/award percentages are based on actions occurring during the performance evaluation cycle that ended 9/30/00 and as reported in the Year Three data file provided by DoC.*
- 3. Average performance-based pay increase and bonus percentages for the Demonstration Group are based on adjusted averages that were computed by statistically controlling for performance rating, career path, and length of service.*

4.11.3.4. *In the Demonstration Group, turnover rates were lower among minority employees than non-minority employees. The same pattern held true among high performers.*

The turnover rate for the Demonstration Group as a whole was 16 percent during Year Three, representing an increase from Year Two (13 percent turnover). As in Year Two, turnover was somewhat lower among minorities (14 percent) than non-minorities (16 percent). This suggests that the Demonstration Project’s interventions are not having an adverse effect on the retention of minority participants.

Among high performers (performance ratings of 91–100), the results were similar. Turnover was slightly lower among minorities (8 percent) than non-minorities (9 percent). This finding suggests that the Demonstration Project is successful in retaining high performing minority participants. These findings are displayed in Table 4-81.

Table 4-81. Comparison of Turnover Rates in the Demonstration Group Between All Participants and High Performers

Group	All Participants			High Performers		
	Number	Number Separated	Percent Separated	Number	Number Separated	Percent Separated
Minority	556	77	14%	136	11	8%
Non-Minority	2,225	349	16%	687	61	9%
TOTAL	2,781	436	16%	823	72	9%

4.11.3.5. *The pattern of turnover rates by minority status was slightly different in the Demonstration Group versus the Comparison Group.*

In Year Three, turnover rates varied slightly by minority/non-minority status in the Comparison Group. However, the direction of the difference is opposite. Among Comparison Group participants, turnover among minority participants (12 percent) was higher than among non-minority participants (11 percent). This suggests that the Demonstration Group may be doing a better job of retaining minority employees than is the Comparison Group; however, it is advisable to recognize that these differences are slight and more data are needed before drawing conclusions. These findings are displayed in Table 4-82.

Due to the lack of performance data in the Comparison Group beyond Pass/Fail ratings, it is not possible to assess how the Comparison Group’s retention of high performing minorities compares to its retention of all minority participants.

Table 4-82. Comparison of Turnover Rates in the Demonstration and Comparison Groups

Group	Demonstration Group			Comparison Group		
	Number	Number Separated	Percent Separated	Number	Number Separated	Percent Separated
Minority	556	77	14%	219	27	12%
Non-Minority	2,225	349	16%	1,589	177	11%
TOTAL	2,781	436	16%	1,808	204	11%

5. ANSWERS TO RESEARCH QUESTIONS

This section presents the overarching results of our assessment of the Demonstration Project. Multiple methods of data collection were used to answer questions on how well the Demonstration Project has been operating during the first three years.

As described earlier in this report, the Demonstration Project evaluation is designed to answer research questions identified by OPM as well as DoC. Table 5-1 and Table 5-2 display, for each key research question, a response based on the data collected. Table 5-1 also indicates where, within this report, additional information about each research question has been discussed.

5.1. The Year Three evaluation of the Demonstration Project suggest initial positive results in response to six questions to be assessed in OPM-sponsored Demonstration Projects.

OPM specifies six research questions that should be answered in each evaluation phase of OPM-sponsored Demonstration Projects. These six questions address whether or not the interventions are better than traditional human resources practices. The Year Three evaluation indicates that the Demonstration Project is on track toward meeting its goals and is being operated effectively.

Table 5-1. Answers to OPM Research Questions

OPM Research Questions	Answers	Where To Locate Additional Information
1. Did the project accomplish the intended purpose and goals? If not, why not?	<p>While it is too early to assess the success of the Demonstration Project against long-term, ultimate outcomes, progress has been made. Most of the interventions have been implemented and are beginning to show evidence of success.</p> <p>For example, improvements have been demonstrated in the ability to link pay and performance, to retain high performers, and to expedite and delegate human resources processes.</p>	<p>Introduction</p> <p>Chapter 4 – Findings and Conclusions</p>
2. Was the project implemented and operated appropriately and accurately?	<p>It appears that the Demonstration Project is operating appropriately, as evidenced by its continued success in Year Three.</p> <p>Efforts are underway to make improvements to the Demonstration Project operations, such as by moving toward a web-based classification system.</p>	<p>Chapter 4 – Findings and Conclusions</p>
3. What was the cost of the project?	<p>Not required until the Summative Report (Year 5).</p>	<p>Not required until the Summative Report (Year 5).</p>

OPM Research Questions	Answers	Where To Locate Additional Information
4. What was the impact on veterans and other EEO groups?	<p>Consistent with Year One and Year Two findings, data indicate that the Demonstration Project has not had a negative impact based on race, gender, or veteran status.</p> <p>Survey and focus group findings provide employee opinions that the Demonstration Project interventions have not impacted how these groups are treated, compensated, recruited, or retained.</p> <p>Objective data also provide evidence that the pay-for-performance system did not reward participants differently based on race, gender, or veteran status; rather, increases appear to be linked to performance ratings.</p>	<p>Section 4.11 – Findings on the Interventions and Race, Gender, and Veteran Status</p> <p>Appendix D-1 – Analyses of the Linkage between Pay and Performance</p>
5. Were Merit Systems Principles adhered to and Prohibited Personnel Practices avoided?	<p>Survey and focus group results indicate that there have been no changes in either adherence to Merit System Principles or avoidance of Prohibited Personnel Practices with the implementation of the Demonstration Project.</p>	<p>Section 4.10 – Findings on the Merit System Principles and Prohibited Personnel Practices</p>
6. Can the project or portions thereof be generalized to other agencies or government-wide?	<p>While the Demonstration Project is not yet completed, initial findings indicate that trends are occurring in the right directions and that employees are demonstrating greater understanding the intent of the Demonstration Project. To date, it appears to be achieving some of its goals and may have broader potential and appeal elsewhere in DoC or in the Federal Government.</p>	<p>Chapter 4 – Findings and Conclusions</p>

5.2. The Year Three evaluation suggests good progress toward DoC’s objectives for the Demonstration Project.

DoC also defined a set of research questions to be answered in each evaluation phase of the Demonstration Project that are aligned with the objectives it hopes to achieve. The Year Three evaluation indicates that some interventions have been used more than others, and that modest success has been achieved in some areas.

Table 5-2. Answers to Evaluation Model Research Questions

Research Questions From DoC Expanded Evaluation Model	Answers
<p>1. Has the quality of new hires increased?</p> <p>Has there been an improved fit between position requirements and individual qualifications?</p> <p>Has there been a greater likelihood of getting a highly qualified candidate?</p>	<p>DoC continues to make use of the recruitment and staffing interventions available as part of the Demonstration Project. There is some indication that interventions, such as flexible entry salaries, give managers the ability to attract and negotiate with higher quality candidates. However, whether these interventions have directly impacted the quality of new hires has not yet been determined.</p>
<p>2. Has retention of good performers increased?</p>	<p>The retention interventions have had varied success. Interventions such as broadbanding and more flexible pay increases upon promotion appear to be having a direct impact on retention. However, other retention interventions still receive little use (e.g., retention payments) or have not appeared to impact retention (e.g., supervisory performance pay).</p> <p>Objective data show that the desired outcome is evident: turnover was higher in lower performance rating groupings than in higher performance rating groupings. That is, good performers are being retained.</p>
<p>3. Has individual and organizational performance improved?</p>	<p>The pay-for-performance system continues to exhibit a positive link between pay and performance. Consistent with previous years, a positive relationship was found between financial rewards and performance in Year Three. Performance scores have also steadily increased in the Demonstration Group over the past three years; however, it is unclear whether this is solely attributable to improved individual performance.</p> <p>It is unclear whether the Demonstration Project has noticeably improved organizational performance; this is due to the challenges of measuring organizational performance in the context of the Demonstration Project.</p>
<p>4. Is Human Resources management more effective?</p>	<p>Results suggest that Human Resources management is becoming more effective, as certain activities are delegated to line management. For example, managers are reacting more positively (compared to previous years) about their increased roles in classification and pay.</p>

Research Questions From DoC Expanded Evaluation Model	Answers
5. Is Human Resources management more efficient?	Results suggest that Human Resources management is becoming more efficient, as certain activities are expedited. For example, classification processing times are substantially shorter in the Demonstration Project. However, recruiting time has not decreased.
6. Is there improved support for EEO/diversity goals in recruiting, rewarding, paying, and retaining minorities? Are opportunities for a diverse workforce being provided? Are the contributions of all employees being maximized?	Results indicate that the Demonstration Project interventions have had no negative impact on minorities, women, and veterans. Survey results suggest that recruitment interventions facilitate hiring high quality minority applicants. Objective data show that the proportion of women and veteran new hires was slightly greater than their representation in the Demonstration Group. Objective data also show that turnover was lower among minorities than non-minorities, suggesting that minorities are experiencing satisfaction with the work environment.

6. RECOMMENDATIONS

This chapter presents Booz Allen's recommendations as DoC continues to operate the Demonstration Project. These recommendations are intended to enhance aspects of the Demonstration Project based on findings and conclusions drawn from the Year Three survey, focus group, interview, and objective data.

6.1. DoC needs to take steps to strengthen the new performance appraisal process.

To achieve success with linking performance and pay, DoC needs to take steps to ensure that employees and supervisors alike have a full understanding about the performance appraisal process and that they are implementing all the necessary steps in the process.

6.1.1. DoC should increase efforts to educate employees about how the performance appraisal process works.

As was found in Year One, in Year Three Demonstration Project participants continued to raise concerns that indicated their lack of understanding about the performance appraisal process and how pay is allocated. Focus group and survey results indicated the need for increased understanding on topics such as how pay pools work, how salaries are determined, and the process for rating employees. Employees also indicated an interest in knowing more about performance appraisal scores (e.g., median and range of performance appraisal scores by career path, band, and pay pool).

DoC may want to consider the feasibility of increasing the amount of information that is shared with employees. Providing more information may help to motivate employee performance and may help to hold managers accountable for producing accurate performance ratings. However, the benefits of sharing information will need to be weighed against the disadvantages from any misunderstandings that may result (particularly if these misunderstandings lead to increased complaints.)

6.1.2. DoC should continue to provide supervisor training on how to evaluate and assign performance ratings.

DoC should consider evaluating the current training available to supervisors on how to evaluate and assign performance ratings and determine whether such training can be enhanced. In supervisory focus groups, it was apparent that there are different approaches to conducting performance appraisals and assigning ratings. To enhance consistency, it may be worthwhile to reinvigorate training efforts. Moreover, DoC will want to ensure that new supervisors are properly trained.

6.1.3. DoC needs to develop a more formalized process to ensure consistency across ratings.

A new survey item was added in Year Three based on a recommendation suggested in Year One. This survey item assessed the degree to which supervisors and Pay Pool Managers are creating standards to ensure that supervisors are using performance ratings in a consistent manner with one another. While over half of the supervisory respondents indicated that these discussions are occurring, one third indicated that they are not. Because ensuring the fairness of the performance appraisal is so vital to the success of the Demonstration Project, DoC is urged to develop a more formalized process of interaction between supervisors and Pay Pool Managers for this purpose. In groups where these discussions are not already occurring or where discussions primarily take the form of one-on-one discussions between a supervisor and his or her Pay Pool Manager, we recommend that group discussions occur between the Pay Pool Manager and all of the supervisors in his or her pay pool. This discussion could be used to establish standards and group norms regarding the rating process immediately prior to assessing employees and also reinforced and evaluated after generating ratings.

6.1.4. DoC should ensure adherence to performance feedback processes.

The performance appraisal process specifies conducting review sessions mid-year and during the final weeks of the performance year. However, Year Three findings suggest that these performance reviews, particularly the mid-year review, do not always occur. Moreover, there are mixed opinions among employees on whether they receive sufficient feedback about their performance.

The performance appraisal process is designed not only for pay allocation but also for developmental purposes. For this reason, greater emphasis should be placed on ensuring that performance review sessions occur. Greater emphasis on developmental discussions can lead to improved performance and a greater appreciation for the pay and performance link.

6.2. DoC needs to closely evaluate the effectiveness of classification processes, given the changes to the automated system.

The Demonstration Project resulted in fundamental changes in how classification occurs by delegating classification authority to line managers. Furthermore, the automated classification system is being changed partway through the Demonstration Project. The new web-based system, which will be rolled out soon, will replace the previous automated system that had been in effect since the Demonstration Project began. The new web-based system is expected to better facilitate classification processes, thereby improving the efficiency and effectiveness of these processes.

DoC will want to closely examine the new system and determine the degree to which it meets its goals. The Demonstration Project managers will want to determine whether the new system is more user-friendly and also enhances specific processes (such as the ability to recognize unique position requirements). This evaluation phase is a vital step given the investment of time and money that has been put into developing the new web-based system.

6.3. DoC needs to be attentive to high performing Demonstration Group participants who received no increase due to being at the top of their pay bands.

The Year Three results indicated that there continues to be a positive relationship between pay and performance. However, measuring the strength of this relationship is limited by attributes inherent in the pay and performance system. For example, data need to be maintained on Demonstration Group participants who receive high performance ratings but who receive no performance-based pay increases. The assumption is that these individuals are at the top of their pay bands and therefore cannot be awarded performance-based pay increases even though increases are justified by their performance ratings. (These individuals may be receiving bonuses as an alternate form of compensation; however, this approach does not facilitate drawing links between performance and pay and can impact subsequent pay increases.) By identifying these individuals (perhaps during the performance payout process) and tracking them in the data files, analyses can account for their impact on the performance-pay link. Moreover, DoC will want to consider the impact of receiving no increase for high performance on these individuals' future morale and performance levels, and will need to define alternative ways to reward and motivate them.

6.4. DoC should develop more formal strategies to recruit high quality candidates and to reduce hiring time.

While there have been modest successes with the recruitment interventions, greater effort is needed in targeting high quality candidates and in reducing the amount of time it takes to hire. These efforts are needed to enhance DoC's ability to attract high quality candidates and increase their likelihood of accepting offers.

6.4.1. As recommended in Year One, DoC needs to build a strategic approach for recruiting high quality candidates.

DoC needs to build a comprehensive strategic plan for attracting high quality candidates to the organization. This type of plan needs to define the types of candidates sought and outline potential recruitment sources, with the objective of filling all vacancies with recruits that will meet the definition of "higher quality candidates." A more proactive approach should be taken to draw the best and the brightest to the organization, particularly while the Demonstration Project interventions serve as incentives to new recruits.

6.4.2. DoC should examine the Demonstration Project's recruitment process to identify ways to improve hiring time.

While the Presidential hiring freeze may have impacted the number of new hires during Year Three, it does not appear to have detrimentally impacted the speed of hiring overall. In fact, although there was virtually no difference in average number of calendar days required to fill a position (68-69 days from initial posting of vacancy to selection) between the Demonstration Group and Comparison Group in Year Three, hiring time within the Demonstration Group improved from Year Two to Year Three. Given that one of the key objectives of the Demonstration Project is to make human resources management more efficient, it may be worthwhile to examine the process from start to finish to identify areas in

which 1) processes have been made more efficient and can be modeled elsewhere, and 2) efficiency can be improved. Furthermore, it is important to establish and communicate hiring time goals so that success can be measured.

6.5. Greater emphasis needs to be placed on retention interventions.

One of the goals of the Demonstration Project is to retain high performers. This requires analyzing the factors that impact separations and taking advantage of all available retention tools. However, to date, DoC has not maximized its ability to comprehensively examine the impact of retention within the Demonstration Group.

6.5.1. To the extent possible, efforts should be made to collect turnover data.

DoC should examine various methods for capturing information on why high performers leave. However, it is also important to recognize that each method poses limitations. For example, one option may be to develop a short form that is completed upon departure (and, if possible, is also mailed to individuals who have left the Demonstration Project prior to this initiative). This method is useful in that it captures firsthand information but the administration process may pose drawbacks. Alternatively, DoC could consider developing a form that queries the supervisors of departed high performers. This method is likely easier to administer but produces a secondhand perspective. Other alternatives should be discussed that could help DoC better capture turnover information.

6.5.2. The retention payment intervention requires further attention.

The retention payment intervention has not yet been used in the Demonstration Project. There may be several explanations, including that general satisfaction with pay (70 percent of survey respondents) has made retention payments less necessary and/or that employees are not turning over at such a rate to raise concern. The limited use of retention payments in the Demonstration Project may also reflect the trend within DoC where retention payments have not used them to a great extent since they were made available to government managers in 1990.

However, anecdotal information also suggests that retention payments are not being used out of a lack of awareness about how they can be used to retain high performers. DoC should increase awareness among supervisors about this intervention and how it can be used. This will likely require an educational process regarding conditions that justify the use of retention payments (e.g., whether an employee must already have an offer from elsewhere, whether the employee has an offer from the public sector versus the private sector), the processes for distributing a payment, and the expected results.

From an evaluation perspective, the lack of use of retention payments precludes testing it as a retention intervention. Since this intervention has not been used through Year Three of the Demonstration Project, it is unlikely that there will be sufficient information to evaluate its effect on retaining high performers by the conclusion of the Demonstration Project.

6.6. DoC should identify and communicate across the Demonstration Project systems and processes that are working well.

Focus group data revealed that certain work units across the Demonstration Group have created “homegrown solutions” that have been successful, such as effective processes for conducting performance assessments. DoC should seek to identify best practices that have emerged and seek ways to share these practices across the Demonstration Group. For example, DoC may want to convene monthly conference calls among Pay Pool Managers, or use another regular vehicle for communication, to encourage the sharing of ideas and strategies.

6.7. Greater effort must be made to educate new hires on the Demonstration Project interventions.

At the start of the Demonstration Project, DoC conducted training to educate the workforce about its intent. DoC also has in place an Employee Guide, which is used to educate new hires as they enter the Demonstration Group. However, in focus groups, some new hires demonstrated a lack of understanding about the Demonstration Project, pointing to the need for greater effort in educating new hires. New hires to the Demonstration Project need to gain the same understanding about the interventions and how the interventions may affect their careers. Operating human resources offices may want to offer quarterly or twice yearly “training sessions” to educate and/or update managers, supervisors, and employees (new and current) on the project, its progress, and the interventions.

6.8. A strong need continues to exist for sufficient database management to effectively assess the Demonstration Project’s interventions.

As was recommended in Year Two, the Demonstration Project needs a permanent database manager dedicated to managing Demonstration Project data. OPM’s guidance on evaluating Demonstration Projects highlights the importance of accurate, thorough, and appropriate data analyses, which are predicated on the availability of good data. Given the size and scope of the Demonstration Project, there is a business need for DoC to dedicate one permanent staff to database management.

The Demonstration Project is currently tracking much of the data that are needed to monitor and evaluate the success of the interventions. However, these data are maintained in two separate databases. A need exists to develop strategies to ensure that data from these two databases are current and consistent. Doing so will enhance the quality and timeliness of future data analyses.

Furthermore, effort is needed to collect and maintain all data needed to measure the success of the Demonstration Project interventions in a manner that is efficient and logical. As an example, it appears that data on the three-year probation intervention could be better maintained. This would require, for example, ensuring that records are clear on who is under the three-year probation, when they began probation, and the decision at the end of each year (i.e., to change the employee to non-probationary status, to remove the employee, or to keep the employee on probationary status). There needs to be a clear record of these individuals

progression through the three-year probation if it is to be assessed effectively. Furthermore, there needs to be a clear delineation between those under the three-year probation for scientists and engineers in R & D functions and those who are under the standard probationary period.

6.9. DoC should communicate the Year Three results.

After the Year Three evaluation has been finalized, DoC should prepare a briefing to communicate the Year Three results. The briefing should present a fair assessment of the Demonstration Project's successes to date as well as areas that still need improvement. The briefing should be directed at a multitude of audiences who have an interest in the Demonstration Project, including senior leadership, managers, employees, union officials, and other stakeholders.

One specific area of communication should be the relationship of performance ratings to percent pay increases. The objective is to obtain and reward higher performance – it is important to show employees that linkage.

6.10. DoC should continue the Demonstration Project.

Based on our evaluation of Year Three of the Demonstration Project, evidence supports its continuation. The Demonstration Project is starting to achieve the objectives set forth by OPM and DoC, and support for the Demonstration Project is growing among its participants. Furthermore, if DoC wants to have broader access to these interventions, there is no evidence to suggest that they should not expand. Our findings suggest that there is no indication of harm or detrimental outcomes of the Demonstration Project interventions.