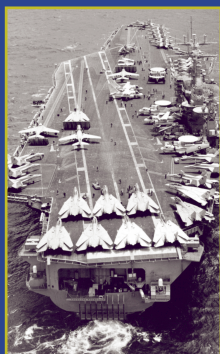


August 18, 2000

Civilian Workforce 2020:



**STRATEGIES FOR MODERNIZING
HUMAN RESOURCES MANAGEMENT
IN THE DEPARTMENT OF THE NAVY.**



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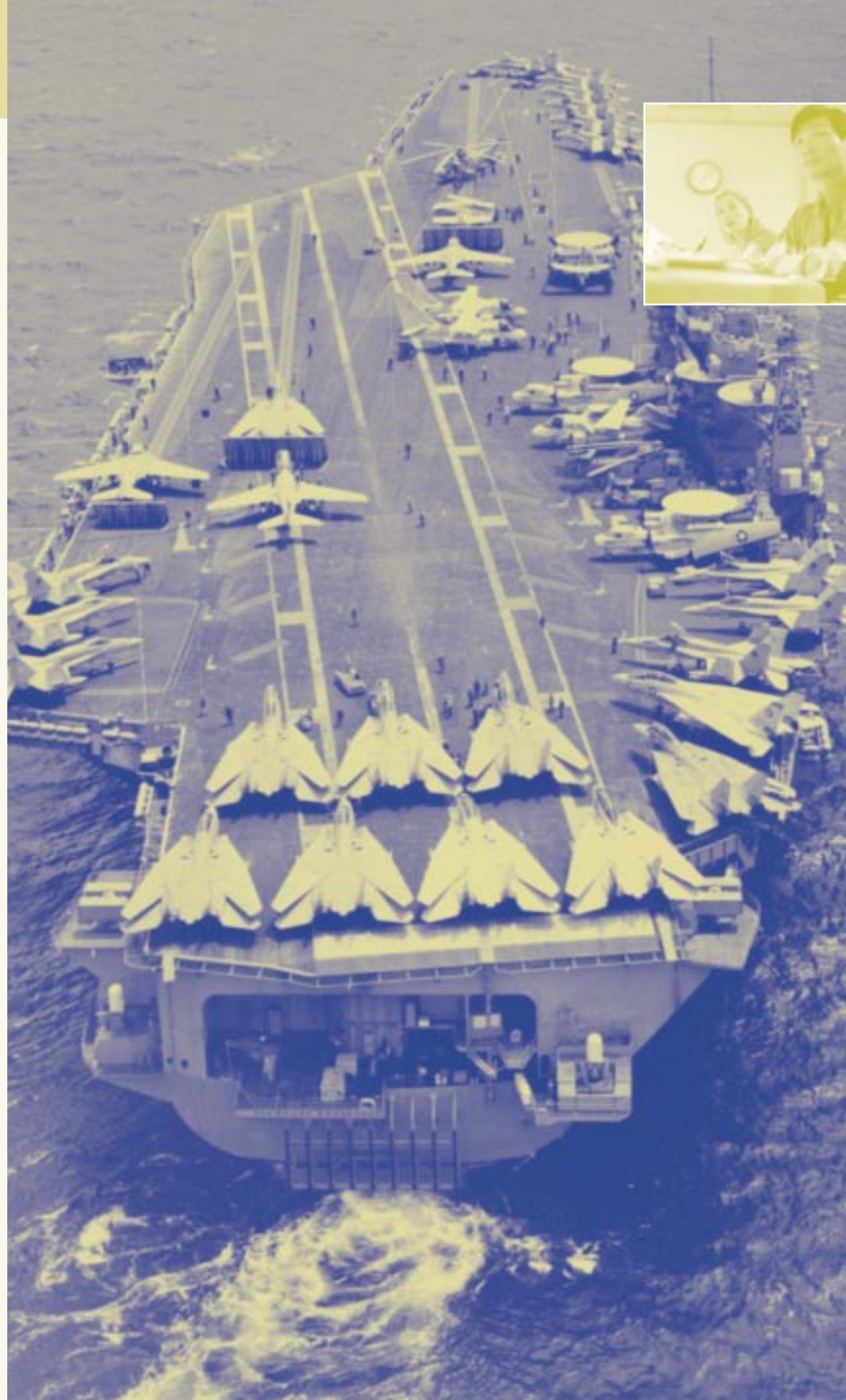
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EXECUTIVE SUMMARY

INTRODUCTION

The Department of the Navy (DON) requested that the National Academy of Public Administration's Center for Human Resources Management (CHRM) analyze the department's civilian personnel system. The purpose of the analysis is to determine actions the Department of Navy should take in order to attract and retain a quality civilian workforce capable of providing the human capital needed for the Navy to achieve mission excellence in the year 2020. CHRM obtained and analyzed information from a wide variety of sources within and outside of DON. The input from these sources is summarized in this report, and is described in more detail in report appendices.



Human Capital is Essential to the Future Effectiveness of U.S. Naval Forces

DON is heavily dependent on technology to achieve a competitive edge against potential adversaries. Development and support of military technology relies on knowledge workers with highly specialized training and education. This expertise generally comes from civilian employees and contractors. Military personnel are typically involved in general leadership, requirements definition, and deployment/operational management of military personnel and technology. The trend is toward heavy reliance on contractors to perform much of the work performed by civilian employees. While this trend is expected to continue, a critical mass of civilian employee expertise is necessary to protect the government's interests and to ensure effective oversight of contractors' work. A process is needed

Development and support of military technology relies on knowledge workers with highly specialized training and education. This expertise generally comes from civilian employees and contractors.

to define that critical mass. Recruitment and retention of needed civilian employees will be accomplished in an environment of a shortage of skilled people in highly specialized scientific, engineering and information technology fields that are important to the department.

The Human Resources System Must Be Improved To Acquire and Retain Needed Civilian Employees

The Navy's current human resources (HR) system (laws, rules, technology, structure, and competence) is inadequate to operate in the world of 2020. If the system's inadequacies are not addressed, the Navy can expect further degradation of its capability to perform needed tasks and ensure continuation of its military superiority.

Many changes to the human resources system are needed to optimize its performance. Certain high priority improvements must be addressed as a matter of utmost importance to the viability of the department's civilian workforce.

◆ Leadership.

Senior military and civilian leadership must provide vision, motivational structure, and direction to efforts to improve and maintain the department's civilian workforce. It is essential that career executives understand the value of the workforce and provide an environment where employees feel valued and have an opportunity to develop their competence and commitment to mission.

◆ Total force strategic workforce planning.

Workforce planning should be implemented to establish a coordinated, integrated, and thoughtful approach to determining the proper roles and mix of military, civilian, and contract employees within the context of mission objectives. Such an approach will enable the Navy to focus on activities that are most useful in acquiring skills needed to perform work that is essential to military superiority. This process is new, and it is not likely that a "perfect" process can be achieved in the short run. A conceptual model for approaching this task is provided in this report.

◆ Authority for human resources management should reside with those most directly responsible for delivering mission results.

DON is a complex organization that draws from diverse talent pools with different values and expectations. In order to compete effectively, the department must be able to design and implement recruitment, compensation, training, and employee management policies that are competitive in the marketplace. One-size-fits-all solutions are not currently effective, and may be totally dysfunctional in the world of 2020. To mitigate this problem, it will be necessary to obtain new legislative authority that empowers key Navy mission communities to design and implement human resources policies and practices

that are comparable to major competitors in the "war for talent." Details on how such a system would work are provided in this report.

◆ Accountability for human resources results should accompany expanded authority.

Authority and accountability should be in balance. Senior military and civilian leaders should be accountable for aligning workforce talents with mission requirements. This includes efforts to recruit, train and develop, retain, manage, and, if necessary, terminate non-performing employees. Accountability measures should be clear and have consequences.

◆ Investments in human capital are needed for the civilian workforce similar to those made for military personnel.

It is not possible to achieve a functional workforce that is prepared to meet the management, technical, and political challenges of the future without investing financial resources and leadership attention. This requirement is likely to

Funding for civilian training must be analyzed and managed to ensure that staff development is sufficient to provide mission-essential competencies.



continue to grow into the future. Leading corporate executives spend a considerable amount of time on "people" issues. The DON leadership at all levels will need to ensure that an appropriate amount of time and money is spent to develop, implement, and evaluate the efficacy of its human resources policies and practices. Currently, only the military personnel enjoy the benefits of a well-designed career management system that ensures systematic development of essential competencies. Creating and implementing a human capital investment plan for civilian employees has a number of implications in addition to leadership attention. Funding for civilian training must be analyzed and managed to ensure that staff development is sufficient to provide mission-essential competencies.

◆ **HR service delivery systems must align with and add value to mission accomplishment.**

The current regionalized structure for providing human resources support is widely condemned by Navy personnel as lacking responsiveness and accountability for results. Routine servicing matters are being elevated to senior managers for resolution because the structure does not provide for effective resolution and prioritization of service at a lower level. DON is largely a victim of a failed strategy to achieve staff savings by restructuring, reengineering processes, and introducing modern information technology solutions. Staff reductions were taken before process reengineering and information technology solutions could be effectively implemented. In fact, technology that was promised years ago is still not available. Fixing this problem will require both short-term and long-term actions. In the meantime, it is essential that line managers responsible for delivering key mission results

have sufficient support available to hire and retain needed civilian talent.

Is All This Change Really Necessary?

Answering this question requires an ability to discern what the world will be like in 2020. No one can predict the future with certainty, but analysis of current demographics and other trends provides reasonable estimates. The analysis suggests that the federal HR system of the twentieth century is not up to the task of delivering the talent needed by DON to prosper in the future. Some trends that support this conclusion are:

- ◆ The DON workforce is becoming increasingly technical and scientific. This creates the greatest demand in the segment of the labor market with the greatest shortage. DON has not been able to compete effectively for top-level talent in the current setting, and the competition is likely to get more intense in the future. Another trend is the increasing diversity of the labor pool. DON's success in



improving the diversity of its workforce over the past ten years has been inadequate given changing labor market demographics. The real problem is a shortage of diverse candidates in the scientific and technical disciplines where the Navy's greatest need will exist. DON should work with other large employers to increase the pool of academically prepared women and minorities.

- ◆ DON is limited in its ability to create effective solutions to its human resources problems by a system based on an antiquated legal framework. An organization as large and complex as DON is frustrated by the most widely criticized features of the federal human resources system: slow and inflexible hiring processes, narrow and overly specialized occupations, rigid pay systems, and an entitlement mentality that makes it nearly impossible to rid the workforce of non-

performers. These fundamental flaws of the federal system have not been correctable on a government-wide basis. There is no evidence to expect that the future will be different from the past in this regard, and fixes are more likely to be patches to the current system. On the other hand, elements of the government, such as the Federal Aviation Administration (FAA) and the Internal Revenue Service (IRS), have been able to get authority to design HR policies that address their perceived needs. The Navy, individually or as part of a Department of Defense effort, has a good case for obtaining legal authority to design a responsive human resources system.

- ◆ Generation X and Generation Y employees are making employment decisions based on different factors than the "baby boom" generation. They are looking for flexibility, growth opportunities, and a balance between work and personal life. DON will need to pay increased attention to the modern generations' "value proposition" in order to attract and retain a fair share of scarce talent. This will mean more attention to rewarding work; career management and development; investments in training; flexible benefit plans, work schedules and workplaces; quality of worklife/family friendly

policies such as child care and eldercare support; and a positive work environment where civilian employees feel valued for their contribution.

- ◆ There is a trend toward the increased usage of contingent (temporary, part-time, limited term, contract) employment based on specific work projects. Many experts believe this trend will continue. This approach has advantages, including lower cost and increased ability to keep workforce core competencies more

Almost without exception, Navy employees who participated in interviews or focus groups for this report expressed concerns about the morale of the civilian workforce.

closely aligned with the work to be done without expensive and disruptive reductions-in-force. In the past 10 years, DON has been going in the opposite direction with an increase in the proportion of permanent employees. Additional flexibility to make contingent employment attractive to talented individuals is important for DON to take advantage of this opportunity.

- ◆ Almost without exception, Navy employees who participated in interviews or focus

groups for this report expressed concerns about the morale of the civilian workforce. The causes of this concern were many, including: a decade of downsizing; lack of respect from military leaders; a perception that civilian training, development and career management are a low priority; and a general feeling that public service is held in low esteem after decades of trivializing by political leaders. Attracting quality employees to work for the DON will be enhanced considerably if these negative factors are eliminated, or at least reduced.

Priority Recommendations To Acquire a Civilian Workforce That is Aligned with Mission Requirements in the Year 2020

The actions the Academy considers as most likely to result in positioning the DON workforce for future success include the following:

- ◆ Implement an integrated strategic workforce planning process as described in this report. Minimum design parameters should include:
 - Inclusion of the total force in workforce requirement planning (military, civilian and contractor labor resources).
 - Definition of criteria for source selection.
 - Establish clear authority for source selection and workforce mix decisions.



- Gap analysis to identify competencies that should be developed to support mission accomplishment.
- Development and funding of strategies to remove the competency gaps.
- Accountability for results.

◆ Establish a New Human Resources System:

- Provide DON authority for major mission communities, as defined in this report, to establish human resources policies within the broad boundary conditions established by legislative authority. Delegations should be accompanied by a set of accountability measures that are evaluated periodically.
- Work with the Office of the Secretary of Defense (OSD) to build strong DOD-wide career systems for the support occupations identified in this report.

- ◆ Initiate a major effort to obtain enactment of a legislative package to replace the Title 5 system with a flexible, mission driven, human resources

system controlled by the Department of Defense. The legislation should be written to provide maximum flexibility so that the DON can adapt to changing realities of the labor market and societal norms without needing a legislative change. Features that should be permitted by the new legislation include:

- Authority to establish broad occupations and application of broad pay bands for Navy line work to replace the current federal classification system (this will enable the DON to rid itself of the overhead associated with demonstration project systems).
- Establishment of a process for market-based pay within the parameters of the general schedule or pay bands, as applicable.
- Authority to pay a limited number of senior scientific and technical employees above any pay caps.
- Replacement of the current OPM prescribed processes for hiring with a flexible

system that allows restricted competition, and enables on-site hiring decisions for scarce skill categories (scarce skills to be defined by the Secretary of the Navy).

- Implementation of competency-based qualification requirements to replace present OPM standards.
- Increased authority to grant meaningful performance incentives to individuals and groups.
- Elimination of civil service job protections for poor performers. The new policy could be phased in by applying an "at will" concept for new hires. The protections provided by the Hatch Act, Equal Employment Opportunity laws, and Prohibited Personnel Practices restrictions would still be available.
- Authority to selectively retire employees once they reach full retirement eligibility.
- Authority to bring retirees with needed skills back to work without a salary reduction.
- Relaxation of ethics restrictions to ease movement back and forth between government and private industry.
- Establishment of ROTC type scholarship programs to recruit rare skills.
- Authority to establish limited-term employment contracts for Senior Executive Service (SES) personnel who manage major organizations or programs.

- Authority for the Secretary of Defense to authorize early retirement and/or buyouts to implement force shaping and/or downsizing priorities.

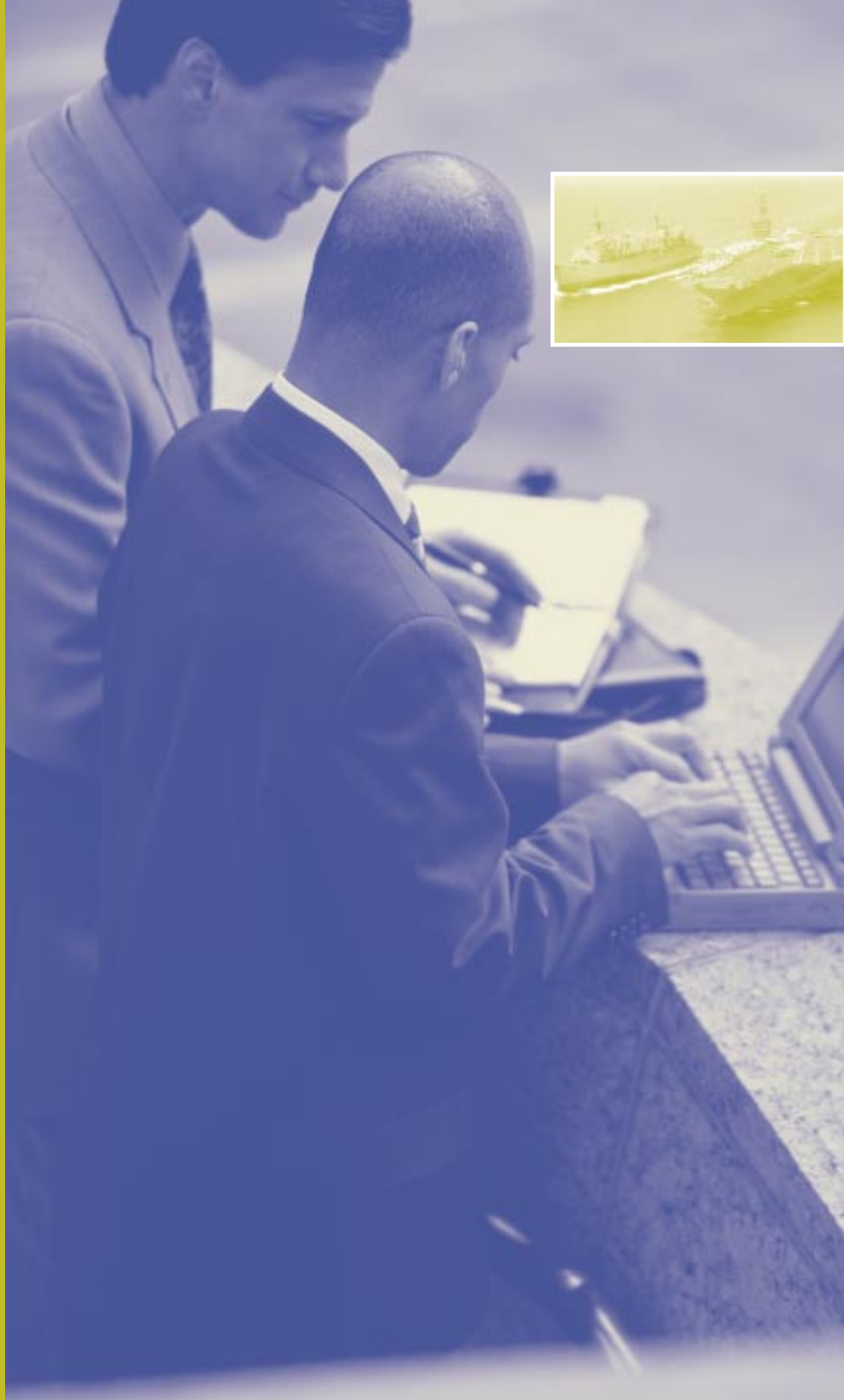
- Authority to establish flexible benefit packages that enable employees to select the mix of benefits that fits their needs.

- ◆ Establish an improved process for developing an SES leadership corps that is rewarded and held accountable for effective performance of mission tasks and human capital responsibilities. Implement the same human capital accountability parameters for military officers who lead civilians.

- ◆ Give priority attention to improving the delivery of personnel services. An independent assessment should be performed to define reasonable options for short- and long-term solutions to ensure that DON has the ability to deliver HR services in the fast-paced and ever-changing environment expected in 2020.

There is an urgent need for DON to address deficiencies in managing its civilian workforce. Some of the recommended solutions are difficult and time consuming. However, without dramatic steps the DON will arrive at 2020 with a workforce that is not capable of supporting mission goals and objectives.

An independent assessment should be performed to define reasonable options for short- and long-term solutions to ensure that DON has the ability to deliver HR services in the fast-paced and ever-changing environment expected in 2020.



CHAPTER ONE: INTRODUCTION

INTRODUCTION

The Department of the Navy (DON) requested assistance from the National Academy of Public Administration's Center for Human Resources Management (CHRM) to research and analyze the current status of Civil Service management practices and identify government and private sector trends. CHRM's charge was to project the likely future of the civil service system, create personnel system designs to meet future Navy and Marine Corps personnel needs, determine the implications for DON, and make recommendations to the Personnel Task Force.



METHODOLOGY

CHRM fulfilled the Navy's requirements by conducting extensive fact-finding, research, analysis, and synthesis to document the current state and project the probable future state in the year 2020. CHRM used the output from this process to identify strategies that will enable DON to achieve a workforce that is capable of meeting mission needs.

The following methodology was used to develop this report:

- ◆ **Panel:** A distinguished panel of public and private sector human resources (HR) experts was convened by CHRM to participate in developing the study design and research focus. A list of panel members is provided in Appendix A.
- ◆ **Research questions:** Research questions designed to lead CHRM to the desired outcome were designed in collaboration with the panel

and the Navy Personnel Task Force project team. The research questions are listed in Appendix B.

- ◆ **Interviews:** Extensive individual and group interviews were conducted with personnel from the Navy, Marine Corps, Office of the Secretary of Defense (OSD), Office of Personnel Management (OPM), Office of Management and Budget (OMB), and congressional offices. A listing of those interviewed is in Appendix G. The purpose of the interviews was to obtain expert opinion about current and future DON human resources issues and solutions.
- ◆ **Colloquia:** Three colloquia were conducted to obtain advice from experts in human resources and public management from thought leaders from the private sector, government and academia. The participants are named in Appendix I. A transcript of the colloquia results is available separately, and a summary of key points from the colloquia is provided in the Chapter Two of this report.
- ◆ **Field visits:** Focus groups were held with military and civilian leaders at Newport, Rhode Island; Dahlgren, Virginia; Norfolk, Virginia; and San Diego, California, to obtain field perspectives on the key human resources issues for the future.
- ◆ **Intern focus groups:** A group of Generation X Navy acquisition interns participated in a focus group to provide input. They responded to questions about what attracted them to work for DON, what they liked most and least about their jobs, and the factors that are important to their decision to remain employed with DON. The results of the focus group are provided in Chapter Three.
- ◆ **Demonstration projects:** A review and analysis were conducted of the personnel demonstration projects that have been completed or are underway. The purpose of the review was to assess whether any of the current demonstration projects have potential benefits for DON in 2020.
- ◆ **Best practices analysis:** CHRM's extensive human resources best practices collection was reviewed for applicability to the DON. This information is supported by an extensive literature review and bibliography. In addition, further best practices information was collected from high technology organizations and excepted service federal agencies. Complete information on best practices is provided in Appendices L and M.
- ◆ **Strategic sourcing:** An analysis was conducted of the strategic sourcing initiative, including the FAIR Act, A-76, and the general environment for contracting out. The focus of this

effort was to attempt to determine the impact of these initiatives on DON's future workforce.

- ◆ **Workforce trends:** Information on DON civilian workforce status and trends was collected and analyzed. Where appropriate, trends were extrapolated to demonstrate the impact of the trend if extended to the year 2020. Workforce information is provided in Appendix C.
- ◆ **External sources:** Publications from the U.S. General Accounting Office, the Defense Science Board, the Hudson Institute, the Department of Labor and other sources were reviewed and analyzed. These sources provided expert information on current human resources issues in the Department of Defense, demographic information about the labor market, and other economic and societal trends.

DESIGN PRINCIPLES

CHRM was guided by the following human resources management (HRM) system characteristics outlined by the Personnel Task Force Core Group:

- ◆ mission outcomes drive the design of plans, policies and practices
- ◆ different policies support different parts of DON, when required by different mission outcomes
- ◆ the authority to design plans, policies and practices is delegated to the appropriate level
- ◆ there is a comprehensive leader competence in human resource management
- ◆ delegation enhances the capability to cope with change
- ◆ there are ways to account for the value of people
- ◆ plans, policies, and practices value individual differences

ORGANIZATION OF THE REPORT

This report contains an executive summary with a description of the most significant findings and strategy options for addressing DON's civilian workforce needs in 2020. Chapters are devoted to describing important background information, workforce trends, proposals for action, and a gap analysis with strategies and suggested next steps.



CHAPTER TWO: NAVY WORKPLACE TRENDS THE CIVILIAN WORKFORCE

The Navy's civilian workforce has undergone major changes since 1989. Detailed information regarding these changes is provided in Appendix C. The principal changes are:

Size. The DON civilian workforce has been reduced from nearly 350,000 employees in 1989 to less than 190,000 in 1999. This is a reduction of approximately 44 percent. Continued reduction is expected in the near future, primarily due to privatization.

Skills mix. There have been major shifts in the composition of the civilian workforce. Since 1989, the civilian workforce has become increasingly professional and administrative professional in nature. The percentage of the workforce in blue collar and clerical fields has decreased dramatically. The shift to greater use of knowledge workers is occurring at a time when the labor market for those skills is increasingly tight. Available information suggests that the trend toward a greater proportion of employees being knowledge workers will continue,





as the complexity of work increases and the performance of industrial-type functions is shifted to contractors. The impact of this shift on the occupational distribution of the workforce is shown below.

◆ **Type of appointment.**

Another significant trend is the decreased use of temporary and term employees. In 1989, the DON civilian workforce was made up of approximately 90 percent permanent and 10 percent temporary/term employees.

By 1999, the percentage of permanent employees had increased to 95 percent of the total workforce. This trend is counter to that being experienced in other sectors, where use of contingent employees is increasing as a strategy to maintain a more flexible and cost effective workforce.

◆ **Age.** The civilian workforce is getting older. The percentage of the workforce under the age of 30 has decreased from 18 percent in 1989 to 6 percent in 1999. At the same time, the percentage of

Overall Workforce Shift

	1989		1999	
	Actual	Percent	Actual	Percent
Professional	52,989	16	43,955	24
Administrative	55,639	17	43,333	23
Technical	45,668	14	32,753	18
Clerical	52,212	16	14,291	8
Other White Collar	10,096	3	6,508	3
Blue Collar	114,027	34	45,315	24
Totals	330,631	100	186,155	100

**Occupational Shifts
(Percentage of DON Civilian Workforce)**

	1989	1999
Electronic Engineer	6.3%	6.8%
Computer Specialist	4.7	5.2
Engineering Technician	4.2	4.3
Mechanical Engineer	3.4	3.5
General Engineer	2.0	2.2
Contract Specialist	2.4	2.4
Budget Analyst	1.5	1.9
Computer Scientist	0.7	1.2
Secretary	5.6	3.5
Supply Clerical	2.9	1.9
Equipment Specialist	1.7	1.2

workforce over 50 has increased from less than 20 percent to nearly 30 percent. This trend will continue unless there is increased intake of younger employees.

◆ **Diversity.** The diversity of the Navy's civilian workforce has remained reasonably stable during this period of downsizing. The employment of women lags behind the rest of DOD and the federal government. The labor market is becoming increasingly diverse.

◆ **Education.** The DON workforce is increasingly well educated. The percentage of employees with college degrees increased from 24.6 percent in 1989 to 32.5 percent in 1999. As the workforce continues the trend toward increased proportion of knowledge workers, this trend should continue.

◆ **Pay level.** As the workforce has become more professional, the average grade of the workforce has increased. Staffing reductions

have been more heavily concentrated in the blue collar and lower graded general schedule positions. Employees at GS-09 and below have decreased from 52.5 percent of the general schedule workforce in 1989 to 41.5 percent in 1999. The percentage of employees in grades GS-12 to GS-15 increased during this same period from 31 percent to 41 percent.

◆ **Retirement eligibility.**

The percentage of the workforce eligible to retire is steadily increasing. In 1989, 5.3 percent of the workforce was eligible for optional retirement. By 1999, retirement eligibles had increased to 11.3 percent. Assuming continuation of current trends and no change in the retirement laws, CHRM estimates that 23.3 percent of the workforce will be eligible for optional retirement by 2020.

WORKPLACE ENVIRONMENTAL TRENDS

◆ **Technical complexity.**

Obviously, complexity will continue to increase at accelerating rates. The need for educated talent — particularly scientific, engineering, and information technology personnel — will increase with that complexity.

◆ **Information technology explosion.**

Information Technology (IT) capability will expand at ever-increasing rates affecting hardware systems, warfighting capability and methods, and the kind and number of people in all elements of the total force.

The DON workforce is increasingly well educated. The percentage of employees with college degrees increased from 24.6 percent in 1989 to 32.5 percent in 1999.



◆ **Workforce mobility.** With increased competition and the move toward self-managed retirement funds (particularly with the educated workforce), workers will be less financially tied to employers. It remains to be seen whether that fact will diminish the desire for employment security, particularly in mid-life. Recruitment strategies will need to be tuned to the appropriate candidate pools.

◆ **Workplace flexibility.** Information technology will enable far more efficient workforce distribution and telecommuting. People management approaches will need to accommodate the virtual workforce or lose both required talent and efficiency.

◆ **Globalization.** Business, production, economics, and workforces will become more multinational/global. This will produce increasing demands on the Navy to compete, given its greater security demands.

◆ **Competition for talent.** Technical complexity affecting all of the main warfare communities combined with all of the above factors will place greater demands on private and public organizations to gear their HRM systems, policies, and philosophy to attract the talent required to survive as viable organizations.

THE NAVY WORKFORCE IN 2020

The civilian workforce will be smaller than it is today. A greater proportion of the workforce will be in professional occupations — scientists, engineers, and other technical fields. The blue collar workforce will be much smaller due to the shift of such work to the private sector. The clerical workforce also will be much diminished as a result of the impact of IT on office environments.

◆ There will be greater integration of civilian, military, and contractor employees performing the Navy's work. Effectively

managing this intellectual capital will be the key to the Navy's effectiveness.

◆ Civilians will perform some of the work currently performed by military personnel. This change will occur due to the ability to perform military tasks on-shore, continuing difficulty recruiting military personnel, and the relative cost advantage of civilians.

◆ There will be greater use of contract personnel to perform most support and some direct mission functions performed by military and federal civilians today.

◆ Contingent labor arrangements will expand as work is increasingly organized around projects rather than functions and organizations.

◆ Competition will be keen for knowledge workers. This will be true for contractors as well as government agencies.

◆ The Navy's workforce will be more geographically distributed than it is today due to the accelerating capability of IT. Fewer employees will work in traditional office arrangements.

◆ The Navy's future workforce will be more diverse than today's workforce in both race and gender.

The Navy's future workforce will be more diverse than today's workforce in both race and gender.



CHAPTER THREE: BACKGROUND LEGAL/REGULATORY FRAMEWORK OF THE PRESENT NAVY CIVILIAN HR SYSTEM

The vast majority of the DON civilian workforce is employed under Title 5 of the U.S. code, and under demonstration projects permitted by Title 5. Over the years, agencies have been granted exceptions to Title 5 through separate legislation or through statutorily authorized demonstration projects. The following is a summary of Title 5 and the exceptions.



The American merit-based civil service had its beginnings in the reform movement of the late nineteenth century. The Pendleton Act of 1883 created a civil service based on merit principles, open competition, and competence, in contrast with the corruption and incompetence that was rampant under the practice of patronage. Since then, merit has served as a guiding principle in public service and as a unifying theme in public personnel management. Fairness and equity have overtaken favoritism and political connections as the guideposts for decisions.

U.S. Civil Service law was codified in Title 5 in 1949, and the principle of merit served to guide its further amplification over time. Merit system principles were incorporated formally into Title 5 as a result of the Civil Service Reform Act of 1978. Those principles encompass fair and open competition for hiring, selection, and advancement based on qualifications, equal pay for equal work, standards of integrity, training for employees, effective use of the workforce, equal opportunity, and protection against reprisal and arbitrary action. They represent the kind of people-management philosophy that is the basis not only for federal personnel





rules, but also for those of most major private firms. (See Appendix D for the complete text of the merit system principles.)

The federal civil service law included in Title 5 has expanded over the years into 790 finely printed pages controlling every aspect of the federal civil service. It includes requirements regarding hiring and employment, training, performance management, pay, incentives, labor relations, attendance, and benefits. (See Appendix E for a summary of Title 5 coverage and key flexibility barriers.) To implement this law, the Code of Federal Regulations (CFR) has added 1,310 pages of detailed instruction. The resulting system has been described as ponderous, bureaucratic, slow, and unresponsive to the needs of twenty-first century organizations.



To be effective in today's demanding environment, public and private organizations are searching for ways to improve their human resources systems to make them quicker and more efficient in competing for the talent they need to

survive. They are searching for policies, systems, and processes that are flexible, quick, and easily modified (within an overall philosophy of fairness and merit) to meet changing conditions. It is not a

It is not a great leap of logic to predict that organizations with people-management systems that are controlled by over 2000 pages of law and regulation, with literally years required to make change, will not be among the winners in the war for talent.

great leap of logic to predict that organizations with people management systems that are controlled by over 2000 pages of law and regulation, with literally years required to make change, will not be among the winners in the war for talent. The probability that the United States Navy, and consequently our national security, will be among the losers in the war for talent is a cause for alarm.

Today, 28 federal agencies are exempt from Title 5. (See Appendix F for a list of the agencies exempt from Title 5.) They represent fifty percent of all federal civilian employees. Their exemptions are based on factors including national security, need to emulate the private sector, secrecy, unique requirements, and unique legal establishment of the agency.

Exempt agencies have shown no significant difference from Title 5 agencies in the manner in which they recruit. However, they gener-

ally have greater flexibility in the areas of veterans preference, the "rule of three," and rating and ranking their candidates. Pay systems include rank-in-the-person, pay for performance, market-based compensation, and broad banding classification systems. Generally, they have fewer externally-based employee protections. Some have developed organization-specific benefit systems. All exempt agencies have embraced the merit system principles as a fundamental value of their HR policies. All agencies are covered by civil rights laws, occupational health and safety laws, and other requirements, which are similarly applicable to the private sector.

The Departments of Defense and the Navy have several organizations exempt from Title 5. The Navy Exchange Service Command is exempt to allow it to emulate the private sector grocery and dry goods business. The Defense Intelligence Agency is exempt due to its requirement for secrecy. The various academies and colleges of the Department of Defense are subject to Title 10, which is akin to HR systems in academia.

DON's quest for a better system to manage its civilian employees must spring from the foundation of the federal merit system that has been built over the last 100-plus years. This chapter captures the views about that system provided by experts within and outside the Navy and documentation of the legal framework for the system.

Information was obtained from the various sources identified in Chapter One to document the current situation and to form views

about changes that will provide DON with the tools it needs to ensure an effective workforce in the year 2020.

THEMES FROM INTERVIEWS WITH NAVY LEADERS

Detailed information on interview results is provided in Appendix H. The following is a summary of the major themes derived from interviews with Navy leaders.

◆ Interview Theme One: There is no consensus about the future role of DON civilian employees.

There are two camps regarding the future role of civilians. The role of civilians in the Navy future is a fundamental question that serves as a launching point for all decisions about the future civilian personnel system.

The first group believes that civilians' role will remain essentially the same or become more important. Key observations from those who hold this view include:

- Civilians will continue to perform substantive research work in support of operational forces and manage contractors.
- There is a strong sentiment that the Navy must not make NASA's mistake of contracting out too much; that would short-change reliability and testing and possibly give up too much technical authority. In-house capability is critical for weapons systems, platforms, ships, and submarines.
- There are some capabilities and requirements that are uniquely military and cannot be found in industry. For example, there will be more



civilians onboard ship serving as technical representatives and performing operational work from shore.

Another group of interviewees believes that civilians will have a dramatically reduced role. There will be fewer Navy employees doing work, and more managing the work of contractors/universities. Some of the reasons for their views include:

- Pay scales will be too low to compete with the private sector for quality talent, and people will not be willing to come to government for altruistic reasons. Non-competitive pay scales will be important because the Navy civilian workforce will consist mostly of highly educated scientists, engineers, and managers.
- The federal government sector does not have the resources or the will to compete (federal government will be a consumer and not an innovator of cutting-edge technology).

♦ **Interview Theme Two: The Navy civilian workforce will be smaller.**

Leaders interviewed believe the civilian workforce will be smaller,

but there is difference of opinion on the extent of the reductions. Some think the civilian workforce will be marginally smaller.

Others believe the workforce will be drastically smaller. Those who believe the workforce will be marginally smaller see the reductions coming in support functions with lesser reductions in line functions. They note that it does not make sense for Navy, Army, and Air Force to maintain separate support systems for HR and procurement, but it is important to maintain the workforce that performs core work related to air, surface, underwater, and space programs.

Those who foresee large reductions believe that the permanent workforce will be at least 50 percent smaller. They believe there will be essentially no wage-grade or clerical employees. There will be a need for people who are expert at defining contract requirements, but contractors will provide and supervise the performance. Managers will have small staffs, decide how the money is to be spent, and oversee the contracts to provide service. Contracts will be based on performance rather than process.

♦ **Interview Theme Three: There is no standard process for determining civilian requirements.**

Interviewees consistently stated that the civilian employee requirements process is not clear. They indicated that DON does not identify civilian personnel requirements well and does not have a good model for determining how many civilians are needed. Requirements are decided by program area and civilian staffing

It was almost a universal opinion among DON leaders who were interviewed that civilian career development is essential for ensuring a quality workforce in 2020.

is driven by budget processes rather than mission. The budget will remain the Navy's primary policy document. Civilians are a resource, as are contractors. The Navy needs to develop a process to determine military, civilian, and contractor requirements.

♦ **Interview Theme Four: Career development for the civilian workforce is not given consistent priority.**

It was almost a universal opinion among DON leaders who were interviewed that civilian career development is essential for ensuring a quality workforce in 2020. While it was noted that there are some good programs at the SYSCOMS, there is no consistent corporate leadership for civilian career development as is the case for the military. Career development is considered to be important because DON will be

unable to buy talent. So it will be necessary to hire at the entry level and develop the needed talent. Many believe that civilians need to be developed within the major technical communities – underwater, air, and surface.

Some interviewees observed that one bright spot is the acquisition community, which has adopted a continuous learning policy whereby employees are to receive 80 hours of training every two years. The training is to be funded by the services/agencies.

♦ **Interview Theme Five: The human resources (HR) system needs significant improvement.**

It was a consensus view among those interviewed that the Navy's current civilian personnel system is not adequate to meet the needs of the future. Among the concerns expressed were:

- Reorganization and downsizing have taken away many knowledgeable human resources people who could make the system work.
- There is a lack of staffing flexibility and tools to deal with low performers.
- The Navy is not investing in its civilians. There are no mechanisms within DON to make it a learning organization (no feedback systems to pass down learning to others).
- There are serious problems with HR service delivery. The reporting channels and responsibility/accountability between the HR regions and on-site HR advisory staffs are unclear. Some of those interviewed believe that the



regional service centers should report to the military chain of command at regional commander levels to improve accountability.

- HR automation support that was a key component of the regionalization business model has not been provided by OSD. However, HR staff reductions that were justified based on efficiencies from automation have been taken. The result is a servicing system that lacks the tools and capacity to do an acceptable job in the opinion of those DON leaders interviewed.

◆ **Interview Theme Six: The civilian recruitment process is inadequate to compete for talent.**

There is general consensus that DON will not be able to compete with the private sector at the high end of the labor market based on pay alone. There needs to be an effort to market the professional challenges provided by the work itself and the possibility of significant responsibility early in one's career. The branding message should be, 'It's not just a job it's an adventure.' Interviewees identified the following issues that need to be addressed to make DON an attractive career choice.

- Continual pressure to reduce civilian personnel will eliminate the excitement and purpose of working for the Navy.
- The Navy does not value civilian employees. To successfully recruit and retain good talent, DON must do away with the "sand crabs" metaphor.

- Retired military will be a talent source, but the retirees must not overwhelm the younger civilians as they attempt to develop their careers.

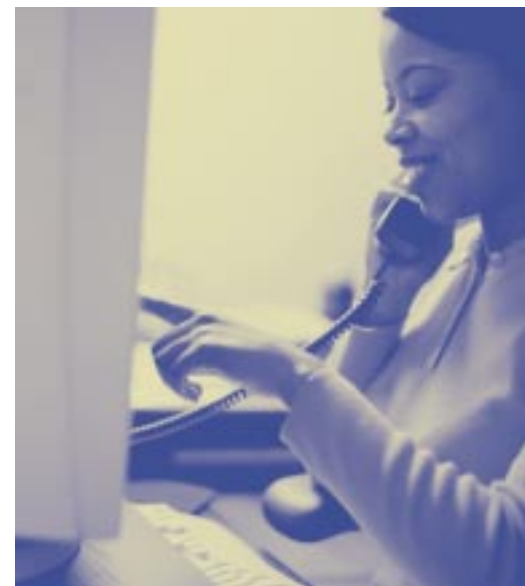
◆ **Interview Theme Seven: There are important HRM system features needed for the future.**

Interviewees were asked what changes they would like to see in the human resources management system. A consolidated wish list of HR system changes include the following:

- Encourage and reward mobility. Selection to SES should reward mobility and breadth of experience.
- Improve pay systems to make compensation more competitive for recruitment and retention. Examples include broad-banding, variable pay, skill-based pay and pay for performance.

There is general consensus that DON will not be able to compete with the private sector at the high end of the labor market based on pay alone.

- Return to goals and objectives and grading people; get away from pass/fail performance appraisals, and provide more meaningful bonuses.
- Implement a performance management process that allows differentiation (not pass-fail).



- Place greater emphasis on quality of worklife programs such as day care and elder care.
- Delegate job classification to managers.
- Accommodate civilians in and out of their careers; fix pay; provide for educational opportunities; and include promotions (fewer trappings and more responsibility and skills). New workers will be team directed and have IT expertise (not necessarily having social skills).
- Develop enticements to encourage older workers to stay in the workforce.
- Streamline hiring procedures to enable DON to hire faster and make the application process easier for job candidates. Implement direct hire authority.
- Establish flexible benefit program to allow employees to tailor their benefits to meet their lifestyle priorities.

- Train managers so they become better at the "people" side of DON's business.

THEMES FROM PRIVATE INDUSTRY, ACADEMIA, AND GOVERNMENT COLLOQUIA

NAPA/CHRM convened three colloquia to discuss the most critical issues facing the Navy's civilian personnel system in the year 2020, and to identify the most appropriate ways to redesign the system to accommodate the changing work environment of the future. The first of these colloquia brought together senior members of the Navy management structure. The second group involved members of the academic community. Members of the third colloquium represented the private sector. The colloquia were informal roundtable discussions designed to assist the CHRM study team with identification of major principles in personnel system reform and how these principles might be applied to reform the Navy's civilian personnel system. A detailed summary of each colloquium is provided in Appendix J.

◆ **Colloquia Theme One: Authority to manage people should be delegated to line managers to a greater extent than now exists.**

The colloquia participants generally supported the notion that greater authority should rest with line managers to determine how best to address human resources requirements that are essential to achieving their mission. It is recognized that broad policy is necessary to establish the boundaries



within which managers would be expected to operate. Greater authority would be accompanied by commensurate accountability for achieving mission results and ensuring fair and equitable treatment for employees.

♦ **Colloquia Theme Two: Human Resources (HR) policy must be flexible to allow managers to adapt their processes and practices to the reality of their mission situation.**



Increased authority is only effective if the policy framework is flexible so that managers have the latitude to adapt their human resources approaches to the situations they face. A set of principles, such as the current merit system principles, could be used for this purpose.

♦ **Colloquia Theme Three: The war for talent requires increased pay flexibility.** Most colloquia participants expressed the view that the government will never be able to compete with industry for scarce

skills. However, more flexible pay systems will help level the playing field. Ideas such as pay-banding, variable pay, larger bonus pools, and market-based pay systems were advanced as partial solutions.

♦ **Colloquia Theme Four: The hiring process must be streamlined to provide for increased speed and user-friendly processes for applicants.**

It was nearly unanimous that the processes for hiring employees must be fast and it must provide a relatively easy method for applicants to be considered for hire. The idea of direct hire or a similar process that enables selecting officials to make hiring commitments quickly is essential to hiring the best and brightest who are being pursued by many other employers.

♦ **Colloquia Theme Five: Strategic workforce planning should be linked to mission requirements.**

Before effective recruitment, training, and force-shaping can be made, it is necessary to understand the future workforce competency requirements to meet mission needs. Also, the “total force” — including military, civilian and contractors — needs to be considered in the workforce planning process.

♦ **Colloquia Theme Six: Human resources (HR) staffs need to change their focus from rules and processes to strategic partners focused on mission accomplishment.**

Human resources staffs must be equipped to operate as strategic partners who provide value-added services to help managers design approaches that will result in a highly qualified workforce, operating in an environment that motivates them to achieve mission objectives

Human resources staffs that perform technical and transactional services will not be sufficient to meet the needs of the Department of the Navy in 2020. This work will increasingly be performed by line managers and employees using information technology that puts information needed for decision-making at their fingertips for immediate access anytime. Instead, human resources staffs must be equipped to operate as strategic partners who provide value-added services to help managers design approaches that will result in a highly qualified workforce, operating in an environment that motivates them to achieve mission objectives.

♦ **Colloquia Theme Seven: The Navy needs to market itself as a desirable place to work based on exciting work and a positive work environment.**

The war for talent will not be won based on pay competitiveness. The colloquia participants generally believe DON has an opportunity to establish an edge in terms of offering interesting work, career development and growth, responsibility, trust,

acceptance of diversity, and respect. Creating a positive work environment will require investments in training and career development. Decisions about what work is ultimately performed by the civilian workforce is a critical factor that will influence the extent to which the Navy is an attractive place for employees to grow and achieve professional satisfaction. Additionally, attention needs to be given to the shift in values that appears to be developing for the generations that will be the bulk of the workforce by 2020.

RECRUITING AND RETAINING A QUALITY WORKFORCE FOR THE FUTURE—GENERATIONS X AND Y

Much has been written about the different value set of the people who are now coming into the workforce. Known as Generation X and Generation Y (or Next), the new employees differ from the baby boom generation that has dominated the workforce for the past 30 years. By 2020, most of the DON baby boomers will have moved on to retirement or other employment. In their book, *Generations at Work*, Zemke, Raines and Filipczak (AMACOM, New York, 2000) highlight the difference between the upcoming generations.

If these values prove to be true over the long run, the future should be bright for the Generation Y group due to their orientation to teams, optimism, ability to handle multiple tasks, and comfort with technology.



A question arises about whether those Generation X employees who elect to work for the government, and specifically the Navy, hold values similar to those of their cohort. To get a sense for the answer to this question, the Academy assembled a focus group of 12 Generation X interns who recently joined the Navy's acquisition intern program. The detailed results of the focus group are in Appendix K.

These Generation X employees were attracted to work for the DON because of their perceptions about advancement opportunities

and the fact that the government pays for continuing education. Salary and job security was also fairly important. Serving their country, geographic location, and the lack of having to work overtime were the least important factors in their decision process. They expressed other views that are characteristic of the general values of Generation X, such as: balance between work and life; informality; impatience; and no intimidation of authority. Their emphasis on pay/benefits and job security was atypical of others in their cohort.

When asked what they like most about their current job, the

Generation X interns cited promotion potential, combination of salary and benefits, independence, flexible hours and job security as the top rated priorities. Lowest scores (least important) were geographic location, starting salary, and gaining knowledge of the government and/or military. In response to what they like least about their jobs, the interns rated the fact that promotions are not based on performance; a perception that there is a lack of accountability in the organization; the high cost of living compared to salary; lack of mentoring; and too much bureaucratic paperwork as the most important factors. Seventy-five percent of the focus group members indicated that they did not plan to work for DON for more than 10 years. The most important factors that will influence their decision to stay or leave are salary, interesting work, promotion potential, and job satisfaction.

Attracting and retaining high quality talent from the Generation X pool requires attention to the value proposition offered to prospective employees. The specific techniques used must be adapted to the particular workforce group. These differences among generations are important to any effort to redesign human resources systems because they demonstrate the importance of flexibility and delegation to managers to address specific issues based on workforce demographics. They also reflect the importance of allowing good leaders to balance the needs of the institution with the unique interests of the individual.

BEST PRACTICES AND INNOVATIVE APPROACHES TO HUMAN RESOURCES MANAGEMENT

CHRM has conducted best practices research in virtually all areas of human resources management over the past five years. A list of the CHRM reports documenting this research is provided in Appendix L. In addition, specific best practices work for this project was conducted at several companies that offer interesting approaches that might apply to DON. The results of this research are provided in Appendix M. A number of themes emerging from the best practices research are important as DON considers its future human resources (HR) system requirements.

Using the data developed from the various benchmarking sources, the project team believes the following six themes characterize the policies and practices of the organizations benchmarked by the Center for HRM. These themes describe not only the directions being taken by those organizations but constitute the directions that will have most influence on the development of future HR systems that will be needed for the Navy in 2020.

◆ **Pride in excellence.**

The Academy found this focus across the benchmarked organizations. They emphasize excellence in all the actions they take, the people they employ, the up-to-date equipment they have, the appeal of their physical facilities, the work they do and the products they produce. The companies employ this pride in excel-

Generation Characteristics Source: Generations at Work		
Boomers: Born 1943-1960	Gen X: Born 1960-1980	Gen Y: Born 1980-2000
Work Values	Work Values	Work Values
<ul style="list-style-type: none"> -Service oriented -Driven -Willing to "go the extra mile" -Good at relationships -Want to please -Good team players -Uncomfortable with conflict -Reluctant to go against peers -May put process above result -Overly sensitive to feedback -Self-centered 	<ul style="list-style-type: none"> -Adaptable -Technoliterate -Independent -Unintimidated by authority -Creative -Impatient -Poor people skills -Cynical 	<ul style="list-style-type: none"> -Collective action -Optimism -Tenacity -Multitasking capability -Technologically savvy -Need supervision and structure -Inexperienced dealing with difficult people issues
Core Values	Core Values	Core Values
<ul style="list-style-type: none"> -Optimism -Team orientation -Personal gratification -Work -Personal growth -Involvement 	<ul style="list-style-type: none"> -Diversity -Global thinking -Balance (work and life) -Fun -Informal -Self-reliant -Pragmatic 	<ul style="list-style-type: none"> -Optimism -Civic minded -Confident -Achievement oriented -Sociable -Street smart -Diversity



lence both to satisfy customers and to serve as a major factor in attracting, developing, motivating, and retaining high-quality employees.

♦ **Attracting and retaining the best and the brightest.**

The benchmarked companies also understand the vital need to give management and resource priority to attracting, developing, and retaining a share of “the best and brightest” to sustain their excellence. They accomplish this in part by persuading potential employees that “this is a great place to work.”

Generation Xers are providing employers not only with higher levels of education, but also the highest technology skills and knowledge. Generation Xers are seeking sophisticated and technologically advanced work, adjustable pay structures, fewer boundaries and more flexibility in how and where the work is done.

Entry candidates — B.S./B.A, M.S./M.A. and Ph.D. — respond most effectively when an employer makes sure candidates know what the organization does, shows them the quality and challenge of its work and its people, and “brands” further through grants, faculty-exchange programs, summer jobs, cooperative education programs, and campus media (newspaper, radio and television) coverage. Branding is accomplished most effectively by giving and publicizing, internally and externally, high management and resource priority to year-round campus relations programs, periodic college recruiting visits, cooperative education and intern programs (including summer work programs), a continual learning philosophy, development programs, and specialized recruiting programs that reinforce the focus on this vital future-building theme.

Many of the organizations benchmarked in recent Center work use employee referral as a major ingredient of their recruiting strategy. Companies cite as much as 30 percent of their hires coming from referrals by employees. Referrals that lead to actual hires often are recognized by a cash award to the referring employee. Techmatics is one company that reports using this technique very successfully.

Successful recruiting requires dedicated and creative efforts as well as a substantial financial investment. As one private-sector recruiter told the Academy in a previous private sector benchmarking interview: “If federal

agencies don’t give their campus relationship and recruitment programs a very high priority and don’t invest the money needed to mount an effective program, they shouldn’t bother. They won’t even compete for the best graduates.”

Navy and Marine Corps military recruiting elements know the validity of this message all too well. They already have major experience in “branding” with their recruiting and associated programs, such as the ROTC programs and the national advertising initiatives.

“If federal agencies don’t give their campus relationship and recruitment programs a very high priority and don’t invest the money needed to mount an effective program, they shouldn’t bother. They won’t even compete for the best graduates.”

♦ **A culture of continual growth and development.**

For most of the organizations benchmarked by the Academy, the following growth and development paradigm was in place:

- The individual employee has ultimate responsibility for his or her own development.
- The organization sponsors and supports continuous learning through counseling, funded education, and professional development, including in-house training, and professional association memberships.

- Managers consider new educational achievements when bonus, pay and advancement decisions are made.

♦ **Managerial accountability for human resources management.**

Managers of the benchmarked organizations are clearly in charge of organizational human capital. With HR support, they design, implement and manage market-sensitive/market-based human resources (HR) systems that include broad-band classification and compensation, company-wide skills management and career management, variable performance-based pay and a flexible cafeteria approach to employee benefits. Managers in the Applied Physics Laboratory (APL) are the decision-makers in all aspects of HRM in the Laboratory. An outmoded HR policeman model, patterned philosophically like its Department of the Navy associate, has been discarded and the HR specialists now facilitate manager decisions and actions. The interfacing of the HR staff with the line manager is critical to the decisions made by line management.

♦ **Organization-wide management of human capital.**

Management of skills through workforce planning, assessment of individual and group skills, and career management of the professional and administrative occupations by senior managers are essential elements in several of the benchmarked organizations. For example, manager groups designed, developed and are responsible for the NIMA



system. Separate senior NIMA executives are responsible for maintaining the skill base for some 25 occupational groupings. This includes responsibility for most of the things that might be categorized as the “care and feeding” of the occupation: corporation competency needs identification, workforce planning, occupational skill levels forecasting, recruiting, diversity, training, education, and development. Boeing identifies senior executives responsible for workforce planning and people management around major skill groups. HR staff members are assigned to the “skills management captains.”



◆ **Similar to career management in the Departments of the Army and Air Force**

Both Army and Air Force approaches parallel the employee empowerment programs that private sector companies are using. Employee responsibility for individual education, training and development needs rest with the employee. The career path is open to the employees’ choices and management’s support enhances the initiatives employees can take in developing themselves and planning their careers.

◆ **Market-sensitive HR systems**

All the benchmarked organizations have adopted market-sensitive systems for recruiting, hiring, and compensating their employees. Most review compensation practices at least annually using market surveys of comparable corporations, and then adjust their practices to ensure they compete effectively. The following are specific market-based applications:

- Broad-banding and variable performance-based pay. These well-known compensation tools, used broadly by the private sector, were first developed in the Navy’s China Lake Demonstration Project. These tools provide more flexibility than the current federal General Schedule pay and position classification systems, both of which have been overly restrictive, particularly with respect to job and candidate skills expansions due to technological advancements. In broadband systems, man-

agers can set pay for new recruits and advance pay to retain high quality employees who are keeping pace with changing job requirements while improving their contributions to the organization.

Corporations are trying to build into their benefit structures increased flexibilities to accommodate varying employee needs.

- Flexible benefits-limited cafeteria approach. Benchmark interviews for this study showed wide use of a range of benefits in addition to the standard life health, annuity and savings plans programs offered in one form or another by most public and private sector employers. Corporations are trying to build into their benefit structures increased flexibilities to accommodate varying employee needs. Some of the widely used choices are:
 - Dental and vision insurance programs
 - \$5,000 set aside tax-free funds for child or elderly care and expected medical and dental expenses
 - Adoption benefits — up to \$4,000 in adoption assistance

◆ **Quality-of-life Programs**

The benchmarked organizations are recognizing the importance of creating quality-of-life programs that emphasize the worth or value of each employee and the organization’s commitment to helping each person employed to balance their conflicting pressures of work and family. Efforts to more effectively balance work and life needs have given rise to such programs as:

- Club net programs — health, fitness, and social/recreational programs
- Flexitime, flexiplace, and part-time work options
- Telecommuting - working at alternative work locations

AOL’s programs include on-site legal services, a flexible spending account for medical and dental care, adoption reimbursements, student loans, tuition reimbursements, job-related degree-granting programs, and concierge services.

Businesses are searching for, and developing, work and work-life programs that are making a difference in attracting, building and retaining a high quality workforce. Managers are seeking flexibilities and innovative practices that make a difference in the search for and retention of high quality, high performing human resources as shown in the interviews conducted with the seven benchmarked organizations. Managers, understanding both Generation X values and organizational needs for the future, find continuous learning approaches essential to the organizations’ survival. The organiza-



tions benchmarked either have exemplary education and training programs, or are seeking them.

FEDERAL INNOVATIONS—PERSONNEL DEMONSTRATION PROJECTS

CHRM reviewed the structure and results of civilian HR demonstration projects to determine if there

are elements or experiences that might be useful to the Navy in structuring its future system. Demonstration projects were first authorized by Title 6 of the Civil Service Reform Act of 1978, which permitted the Director of the Office of Personnel Management to waive personnel laws and regulations for federal agencies that wanted to test different approaches to federal human resources man-

Made Permanent		
Project Name	Description	Status
Navy- China Lake	Pay-for-performance system in a broadbanding framework	Made permanent through legislation 1994. Amended July 28, 1981; September 24, 1982; and December 10, 1987. Final Federal Register plan April 18, 1980.
National Institute of Standards and Technology (NIST)	Pay-for-performance system in a broadbanding framework	Consolidation and republication of Federal Register plan October 21, 1997. Made permanent through legislation.
U.S. Department of Agriculture (USDA)	Streamlined external hiring through categorical groupings	Made permanent through legislation 1998. Final Federal Register plan March 9, 1990.

Completed		
Project Name	Rationale	Completed
Federal Aviation Administration (FAA)	Hiring and retention	Completed June 1994
Federal Bureau of Investigation (FBI)	Retention and relocation	Completed October 1993
Pacer Share (McClellan Air Force Base)	Consolidated classification and broader pay bands; organization-wide quality/productivity measures	Completed February 1993
Federal Aviation Administration (FAA) Airway Science Curriculum	Alternative recruitment methods through academic program	Completed March 1991

agement. The idea was to test alternative human resources systems before making permanent legislative changes. All demonstration projects require a formal evaluation, are limited to five years and 5,000 employees, and require the consent of employee representatives (unions). No more than 10 demonstration projects can be active at the same time. Since 1980, seven demonstration projects have been established under this authority—three have been made permanent and four have been completed.

The three alternative personnel systems made permanent and the four that were completed are shown below. (The results of the China Lake demonstration project are described in Appendix N.)

Other ongoing projects:
◆ Department of Defense (DOD) Science and Technology (S&T) Laboratories. Authorized by Section 342 of the National Defense Authorization Act for Fiscal Year 1995 (Public Law 103-337). The legislation permits the DOD research laboratories to implement more flexible personnel systems modeled after the successful Navy Demonstration Project in China Lake and San Diego, California. The authorizing legislation for the expansion of the China Lake project follows the requirements of the Civil Service Reform Act (Title 5 USC Chapter 47) but differs in two respects: (1) the Secretary of Defense has authority to conduct the project with the approval of the Director of the Office of Personnel Management (OPM),

and (2) there are no limitations on the number of employees and duration of the project or on the number of demonstration projects that can be in effect at any one time.

The DOD S&T demonstration projects and other current demonstration projects approved under Title 5 by OPM are summarized in Appendix O.

◆ DOD Civilian Acquisition Workforce. The 1996 Defense Authorization Act permits the DOD, with the approval of OPM, to conduct a personnel demonstration project with the Department's civilian acquisition workforce and supporting personnel assigned to work directly with the acquisition workforce. The total number of participants is limited to 95,000. This project involves streamlined hiring processes, broadbanding, simplified job classification, a contribution-based compensation and appraisal system, revised reduction-in-force procedures, expanded training opportunities, and sabbaticals. It is the first demonstration project focused on a specific occupation and encompassing numerous agencies within the DOD. Phased implementation of the project began in October 1999.

Initially, it was estimated that as many as 90,000 employees would participate in the project. At this time, however, only 4,701 employees are part of the demonstration. After the second payout cycle for the current participants is completed, it is expected that the project will be open to additional employees. Within the



Department of the Navy, 1205 acquisition staff are covered, 572 of whom are Marine Corps employees.

There has been no analysis of why participation in the demonstration has been so limited. According to the deputy program manager of the project, reasons for non-participation included: (a) some organizations wanted to see the results of the first two years; (b) others preferred to have their own demonstration projects that would include acquisition staff as well as other employees; and (c) for a few, the employee union refused to agree to or even discuss participation in the project.

Title 5 provides a rigid, rule-based system that is unlikely to provide the needed flexibility to compete for talent in the twenty-first century. Demonstration projects have some benefits, but the ponderous approval process will not allow the DON to adapt to rapidly changing people requirements in a dynamic labor market.

Based on a review of evaluation reports on various demonstration projects, a briefing on the Air

Force Laboratory Personnel Demonstration Project, and interviews with OPM, DOD and Navy representatives, the following conclusions regarding demonstration projects seem applicable to Navy's efforts to reform its HRM system and capacity:

◆ **The HRM innovations in the demonstration projects have merit.**

Various hiring, classification, and compensation innovations (such as those in the China Lake project) seem to be valid approaches to effective human resource management provided they are based on effective design and implementation that is grounded in the needs and characteristics of the specific workplace/workforce. In other words, they have merit in the right organizational culture, management style, etc. There is some evidence that they are superior to the Title 5 systems they replaced.

◆ **Managers own the systems they develop.**

Managers and supervisors involved in the design and implementation of demonstration projects reflect a strong

sense of ownership of the alternative personnel systems. They have reported increased authority over HR functions, especially classification and pay, as compared to their counterparts under traditional systems.

◆ **Improved communication between supervisors and employees.**

The demonstration projects generally provided for new performance management and compensation systems that encouraged or required more communication between supervisors and employees on work and performance. Managers and employees perceived this as a positive development. Effective communication is reflected in the finding of increased satisfaction with pay and pay progression under the first three banding demonstrations (China Lake, NIST, and Pacer Share).

◆ **Better alignment between pay and contribution.**

A pay for performance system combined with broadbanding (as in China Lake) seem to result in a stronger correlation between employees' performance and their resulting compensation. This is reflected in reduced turnover of high performers and increased turnover of low performers. Further, the evaluations of the China Lake and NIST demonstrations clearly established that significant awards can be given and tied to performance and that rewards can vary widely, depending on performance.

The demonstration projects generally provided for new performance management and compensation systems that encouraged or required more communication between supervisors and employees on work and performance.

◆ **Salary costs are likely to increase, but can be managed.**

Most demonstration projects have tested more flexible approaches to pay progression than is possible under the Title 5 general schedule pay scheme. These more flexible methods are based on a broadband classification system, performance-based compensation decisions, and considerable management discretion in determining pay changes. In the three demonstration projects that have been extensively evaluated (China Lake, Pacer Share, and NIST), average salaries increased under all three as compared to pay progression for similar employees under the GS and Federal Wage System. For example, after fourteen years the net difference in mean salaries for Navy employees under broadbanding versus traditional grades was 2.8 percent higher under broadbanding. ("Broadbanding in the Federal Government: A 16-Year Experiment," Brigitte W. Schay, Ph.D., ACA Journal, Autumn 1996.)





It is OPM's conclusion based on evaluations of these three projects that the cost increases were the result of choices made in the design of the projects and that, with different choices, less costly broadbanding systems could be designed. OPM studies identify six factors with important cost implications: (1) method of conversion, (2) size of salary and bonus budgets, (3) policy on starting salaries, (4) performance management system, (5) choice of full performance level, and (6) general position management. ("Broadbanding in the Federal Government," op cite.) OPM concluded in its report on salary costs of the China Lake project, "The additional salary costs which have resulted at the demonstration laboratories are not inevitable consequences of the project. They simply represent a dollar investment the demonstration laboratories chose

to make. The demonstration laboratories could have controlled salary costs in a number of ways.... It should be noted, however, that if the demonstration laboratories had not made these investments, the project results might well have been less favorable in terms of recruitment and retention." (Salary Costs Under The Navy Demonstration Project, Management Report XIII: Evaluation of the Navy Personnel Management Demonstration Project, United States Office of Personnel Management, June 1990, pp. 20-21.)

◆ **Demonstration projects require more HR capacity.**

Effective use of the delegated authorities and flexibilities that are typically a major feature of demonstration projects requires an increased level of sophistication and competency. This applies to managers, supervisors, and HR staffs. For example, more flexible broadbanding systems replace rigid, centralized rules regarding pay and classification and compensation with local criteria and procedures; most HR staffs do not have compensation experts to develop, train managers and supervisors, monitor, and evaluate such systems at the local level.

◆ **Demonstration project authority inadequate for Navy-wide HRM reform.**

The demonstration projects have and will continue to improve specific HRM systems within Navy. However, applying the authority in Title 5 U.S.C. Chapter 47 is too slow, cumbersome and limited in applicability to provide the basis for a systematic and comprehensive reform of HRM for the future. In addition to these limitations, individual projects based either on the basic Title 5 authority or offshoots of that authority could result in a proliferation of individual systems that could create numerous problems related to internal equity, personnel processing efficiency, data collection and analysis difficulties, and insufficient HR staff to develop, manage, and monitor projects. New approaches that have been demonstrated to be successful should be available to all organizations with similar circumstances and needs.



CHAPTER FOUR: RECOMMENDED NAVY ACTIONS

Over the past several decades, the Navy has moved to an increasingly mixed and interdependent team of federal civilian, private contractor, and military personnel for accomplishing the work necessary to support its mission. No part of the team can succeed without the support of the others, and the traditional lines separating the operations of one from the other are becoming less distinct. At the same time, the competition for the technical and skilled talent to perform the work of both the private and public sectors continues to intensify. The political and executive opinion regarding the functions that are inherently governmental (civilian or military) and those that can be performed by the private sector will continue to form for some time, but at some point will achieve consensus. Whatever that consensus brings, the end result will probably be greater, rather than less, interdependence and mixing.



To be effective in that future environment of rapidly advancing technology and in the resulting requirement for effective utilization of critical shortage skills, the Navy will need quick and efficient methods for acquiring and deploying personnel across the "total force."

To be effective in that future environment of rapidly advancing technology and in the resulting requirement for effective utilization of critical shortage skills, the Navy will need quick and efficient methods for acquiring and deploying personnel across the "total force." The concept of the total force must include all elements of that interdependent cadre of military, federal civilian, and contractor civilian personnel delivering the weapons and support required by the Navy. With almost every aspect of ship-based and shore-based activity relying on such a force, a bold new HR system and structure will be required. National defense must not be compromised due to a lack of critical skills in any sector of the total force. Critical skills must not be lost due to public or private



project termination, plant closures, or other circumstances when needs exist in other elements of the total force.

Quick and efficient means must be available for movement of skills across elements of the total force. Movement of personnel from private to federal civilian status are delayed or foiled by complex and time consuming civil service rules, preferences, and salary/benefit disparities. Federal civilians are often disinclined to move to the private sector because of loss of “years of service” advantage or return rights upon private sector project termination. Movement of critical shortage skills between military and civilian systems is cumbersome at best. A new “total force” personnel concept is needed.

The shore establishment and the military specialty/assignment structure are organized into major combat technology and support communities (e.g., air warfare, undersea warfare, surface warfare, supply, and medical). Both Navy and private industrial functions such as research, design, development, manufacturing, test, and evaluation tend to be organized and focused within each of these communities. Increasing complexity strengthens the tendency toward such specialization. Both civilian and military personnel tend to be developed within, rather than across, the major communities. With the increasing interdependence and mixing of Navy civilian and contractor staff in technical and support operations, a civilian HR system that enables efficient acquisition and movement/interchange of person-

nel across all sectors of a particular technical or support community is required.

RECOMMENDATIONS

1. Design a total force strategic planning and management system

Human capital will continue to grow in importance to successful accomplishment of military missions through 2020. The Defense Science Board noted in its February 2000 report, *Human Resources Strategy*:

As the nation moves into the 21st century, it cannot do so with a human resources strategy designed for the past.

The Navy’s force planning tends to focus intensely on its military skill requirements and capabilities, less on those of its federal civilian workforce, and practically ignores those of key contractors. Yet, as more effort is privatized and more traditionally military tasks require the support of federal and/or contractor civilians, a more unified approach to force planning and management will be necessary. Serious shortfalls in any one of the force elements will damage mission accomplishment.

CHRM analyzed the history of contracting out (see Appendix P). Based on this analysis, CHRM concluded that government policy will continue to be a major determinant of DON’s total force in 2020. Policies regarding the use of the private sector to perform government work will be a major driver in the strategic workforce planning



process. This is a reason that achieving the best force mix for DON needs to be an integrated process.

If current policies on competitive sourcing and current demands for force modernization continue, support services of the kind generally available from the private sector are likely to become increasingly attractive candidates for competitive sourcing. These pressures could be exacerbated by a rapidly increasing technological component to support activities, where the Navy may be hard pressed to fulfill the career ambitions of increasingly specialized service personnel. This combination of political, economic, and technical trends is most likely to continue to generate substantial downward pressure on Navy civilian personnel levels. A pendulum effect, reversing the recent emphasis in competitive sourcing, cannot be ruled out - particularly after such events as the recent NASA experience with the goals of “better, faster, cheaper” and “do more with less” have had their impact. More intangible factors such as personnel morale, career opportunities, and a heightened sense of

mission needs could impede and even reverse current trends. A robust strategic and integrated workforce planning and management process will ensure that DON anticipates and adjusts to ebbs and flows of public policy in this area.

A process will be needed that considers the best mix of military, civilian, and contractor personnel; achieves the best total force; and provides the highest probability for achieving national military objectives with available resources. The process should ensure that the relative strengths of each source of human capital are utilized whenever possible. The Defense Science Board report suggested the following priority scheme for determining the human capital source:

- Government personnel should perform those tasks that are essential to the business of governing.
- Military personnel should perform those tasks that only military can do, recognizing that there are some tasks in which both military and civilian personnel should be involved.

- Civilian personnel should perform all other government tasks. This takes advantage of the relative cost advantage of civilian employees.
- The private sector should perform those functions that it can do best.

The Academy believes that this general framework should be modified to add the notion that cost advantages are an additional evaluation factor to be used to determine whether work is performed in-house or by contractors. If contractor costs for certain labor categories are exceptionally high, the use of in-house resources should be pursued. Accounting methodologies are needed to ensure that all costs are considered in making these decisions rather than generalizing from work settings that are not relevant to the tasks being studied. Also, in some instances where the immediate solution might appear to be use of military personnel, redesigning the work to permit civilians or contractors to perform the work should be considered. The following is a notional process for conducting such planning.

Strategic and Integrated Workforce Planning and Management—The Key to Linking Human Capital to Mission.

Human capital strategies are not inherently effective. To provide a useful context for human capital policies, DON will need to establish a strategic workforce planning and management process. The output from this process will be the best mix of military, civilian, and contract personnel based on

mission, work requirements, labor market conditions, public policy, and cost. The outcome being sought is a workforce that is “world class” in the context of the activities and tasks needed to maintain the U.S. Navy as the pre-eminent naval force in the world.

Strategic workforce planning and management is vital to acquiring and maintaining the human capital needed to accomplish increasingly complex work, which requires high level competencies that have a long lead time to hire and develop. This is especially important for senior executive positions. Greater integration of military, reserves, civilians, and contractors will require the Navy to adopt an integrated planning system that allocates resources based on the best alternative workforce mix.

Essential components of a strategic and integrated workforce planning and management process include:

Strategic workforce planning and management is vital to acquiring and maintaining the human capital needed to accomplish increasingly complex work, which requires high-level competencies that have a long lead time to hire and develop.

- Mission requirements will be the primary driver and are the first step in the process. Definition of mission requirements will come from top leadership within the national defense establishment, and be translated through the chain of command much like today. The speed and content of this process will be enhanced by technological advancements.
- Activities and tasks needed to accomplish mission requirements are defined at all levels of DON and aggregated to senior levels where trade-offs and policy considerations are applied.
- Tasks and competency requirements to perform the necessary activities are identified at all levels using automated tools and a robust competency database. Competency requirements will be equally applicable to military, civilian, or contract personnel.
- An assessment is conducted to determine whether the current workforce (civilian or military) has the necessary competencies to perform the work. If there is a gap between current competencies and those needed for the future, strategies are identified to remove this gap. Strategies should include estimates of time and cost for achieving the desired competency level. If needed, an industry assessment is made to see if private industry has the capability, and is interested in the work.
- Based on the gap analysis, a determination is made as to



the cost and the capabilities of the military, civilian, and contractor force to perform required activities. Trade-offs between the workforce components can be made to achieve the best and highest possible utilization for each component of the total force. For example, it may be desirable to concentrate military personnel on operational work.

- Implementation and management consists of defining and completing strategies and to ensure the appropriate workforce competencies and mix. This may include recruitment, reassignment, training/retraining, or contracting activities. There will be greater emphasis on hiring for fixed periods rather than on the current “career” orientation.



- The final phase is evaluation to determine that the desired outcomes have been achieved. The evaluation should be conducted by headquarters and the major command levels. Since the workforce is dynamic, evaluation tools must be developed to provide decision makers with real time information on the status of the workforce.

This process develops a direct linkage between mission requirements and the resulting workforce. Implementation of this model requires investments to establish and operate the analytical processes to define the optimum workforce for mission outcomes. Additionally, the model is dynamic and requires investments to adjust the workforce as changes occur, and to implement actions to maintain the competencies needed for mission success.

The information needed to operate the model involves both top-down and bottom-up processes. Senior leaders at the national level establish mission requirements. Some

level of activity and task definition may come from top leadership when it is critical to national interests to perform tasks in a specified way. Additional detail is given to activities and tasks at lower levels. Current workforce capacity and gap analysis will normally be performed at the execution level using standard evaluation criteria. Gap analysis and implementation of approved actions will involve all levels with a requirements roll-up to the top level. General policies and guidance about sourcing strategies and competency requirements will also be developed at the top level. Evaluation may occur at all levels, with aggregation and final analysis being performed at the top levels.

2. A new human resources management system

Need for Flexibility. The flexibility required to succeed in the 2020 environment is not possible within the constraints of the current federal civil service system. The inherent Title 5 concept of “one size fits all” will not serve the needs of the Navy nor the needs of the diverse technical and support communities upon which it depends. The fact that it is law presents an almost insurmountable barrier to achieving flexibility and agility in responding to new requirements. Change requires years of persistent effort with uncertain or negligible results. Twenty-eight federal agencies are exempt from Title 5 for various reasons of special need or circumstance (see Appendix F). Surely, the necessary flexibility to ensure national defense is a rationale as

compelling as any.

DON, in coordination with the Department of Defense, should propose legislation to exempt employees of the Navy from the present civilian HRM system codified within Title 5 and give line managers responsible for producing mission results the authority for developing a civilian HRM system that meets their needs. Rationale and sectional analysis of the suggested legislative solutions have been provided under separate cover. Merit Principles (see Appendix D) would apply to the new system, but not the detailed requirements of Title 5. Key design features of the legislative proposal should include:

Mission focus. The technologies, culture, external contractor base, and demands of the various Navy technical and support communities vary. The optimum HRM policies and practices for each of those communities also will vary. Therefore, within a future overall Defense legal framework, Navy line managers should have the authority to:

- ◆ Develop and operate civilian HR systems for each key “mission” community that reflect the HR practices common to the national private counterpart community.
- ◆ In coordination with the DOD and the other military services, develop and operate civilian HR systems for each “support” community that reflect the national private counterpart community. The “support” communities would be:
 - Supply/Logistics
 - Contract/Procurement
 - Financial management
 - Medical
 - Legal
 - Human resource management
 - Information technology
 - Base support

Empowered leadership.

Management of key SES personnel is a critical success factor in creating the Navy civilian workforce of the future. To provide the progressive leadership appropriate for the scientific, industrial, and support environments of 2020, the Navy should establish and operate a “Navy Executive Corps” with HR policies common to the executive management systems of major private sector defense industries. The Navy Executive Corps would be made up of the top federal senior executives from the various mission and support communities. They would manage the operations of the Navy industrial and scientific shore establishment. They would provide the vision, technical expertise, continuity, and contemporary management philosophy critical to managing large modern enterprises. They would also have the authority to design, develop,

Management of key SES personnel is a critical success factor in creating the Navy civilian workforce of the future.



and operate HRM policies and practices appropriate to their various communities.

New concept of “career service.” Within the above structure, the concept of “career service” would be changed to “National Defense Service” (NDS). It would include all Department of Defense military and civilian personnel and directly related “community” contractor employees. NDS would permit the hiring/transfer/movement of active and former military, federal civilian, and contractor members within each NDS mission or support community when educational, skill, physical, and other requirements are met. Veterans preference would no longer be necessary, since all members would be part of the same community with immediate (noncompetitive) transfer/hire eligibility within the community.

Community-wide Core Competency Management. To ensure that skilled personnel are available in sufficient supply and capability to meet national

defense needs, a process to manage the core competencies of each mission and support community should be established. Such responsibility should reside with the leadership of each community.

Core competencies are skills and capabilities that set the particular community apart from others and without which it could not accomplish its primary specialized mission or business. For example, *high pressure underwater hull design* within the Undersea Warfare community might be such a core competency. *Negotiating complex technical contracts* may be one of the core competencies of the Contract/Procurement community.

A system to manage core competencies should include information on the National Defense Service members who have specialized skills in the various core competencies. Data would include their employer, location, education, experience, special skills, age, pay range, etc. Managers within a mission community who contemplate an HRM decision should be guided and informed by the short, intermediate, and long term business planning for that community as they affect the particular skill or competency. This information would be supplied to them via a modern human resources information system (HRIS).

To ensure that skilled personnel are available in sufficient supply and capability to meet national defense needs, a process to manage the core competencies of each mission and support community should be established.

Example (within a “mission” community): All federal civilian, military, and industry contractor personnel with expertise in research, design, development, manufacture, test, evaluation, and operation would be part of the “National Defense Service” in a particular “mission” community.

The HR policies of the Air Warfare community would be based upon the common policies of the commercial aircraft industry. Movement and development of personnel within the community would be eased by common policy and compensation (except at senior executive levels, which will never be truly competitive in a federal organization).

After three years of service, members would be eligible to be hired/transferred anywhere within the Air Warfare community for jobs for which they are qualified. The Director of the Air Warfare community would oversee the development and effective utilization of the personnel within the community except for the military operational aspects of the force.

Any manager within the community who initiates an HRM decision (in 2020 that will certainly be accomplished on a personal computer) will receive automatic information which will help guide that decision in the best interests of the community, such as:

- A manager attempting to hire a structural engineer with specialized skills in wing design would be informed that

- Project X at Boeing Company has been completed and 25 such engineers are excess to the company’s needs.
- A manager reviewing training plans for a physicist in radar technology would be informed of the most current technical trends in the field and the training sources available.
- Managers planning college recruitment of aeronautical engineers would be informed about which universities have consistently produced the most competent graduates in the field and the on-campus student organizations to which these potential candidates would most likely belong.

3. Modern HRIS support

Obviously, transition to more effective management of human resources requires enlightened policy and philosophy. However, the most important tool in achieving the operational efficiency necessary for that transition is information technology. Large private firms and federal agencies are making significant investments in modern computer technology. They use it to attract and process applicants, to deliver information and services to managers and employees, and to quickly store and process the many decisions involved in managing, developing, and deploying a productive workforce. The common complaint regarding HR organizations in both the private and public sectors is that too much of their time, resources, and thinking is devoted to process and transactions; and too little time is devoted to workforce improvement

activity and assisting management with business deliverables. Effective HRIS can allow HR staffs to redirect their time and resources to more productive and value-added activity. Often HR staff reductions proportional to the cost of a new HRIS place that transition out of reach. A 5 percent increase in overall management and workforce productivity achieved through more effective people management far outweighs even a 50 percent reduction in HR staff.

It is impossible to predict exactly what changes in information technology will take place in the next 20 years. However, it is safe to assume that it will be thousands of times more capable, comparatively less expensive, and far more extensively utilized in product application and population availability. Administrative systems will become paperless and accessible from any location, making centralized processing organizations obsolete.

A modern HRIS will have the following seven characteristics:

- *Fully integrated.* Strategic workforce plans, employee databases, payroll, budget, applicant pools, and all HR transaction and decision points are part of one unified system.
- *Web-based.* Delivery is via the Internet or an Intranet rather than hard-wired client-server systems.
- *Empowering.* Managers and employees are able to take those actions within their control for their worksite by using simple point-click or voice procedures.

- *Guided.* Expert policy and option guidance is automatically delivered with # 3 above to assist users in their decisionmaking.
- *Strategically informed.* All people-related decisions are also informed by appropriate information, data, and guidance derived from strategic business plans pertaining to the particular skill group.
- *Seamless.* All transactions necessary to effect decisions are electronic, automatic, and simultaneous.
- *Ubiquitous.* System access is available to approved users from any location.

The universal comment from Navy military and civilian executive, managers, and HR staffs interviewed by CHRM was that the Navy has lost its ability to process HR transactions efficiently and accurately. The Navy was forced to significantly reduce its HR workforce and regionalize its processing operations. Unfortunately, an efficient HRIS was not made available to provide the productivity gains thought to make downsizing and consolidation effective. The accepted approach for such a transition is to install an effective HRIS and provide the training necessary to operate prior to restructuring. Otherwise, a loss of capability roughly proportional to the staff reduction is the probable outcome. That appears to have been the Navy's result.

During the last five years the Department of Defense has been developing a Defense Civilian Personnel Data System (DCPDS) using the Air Force Personnel

Center at Randolph AFB as the DOD design agent. DCPDS is a hard-wired client-server system. In September 1999, the DOD contracted with Lockheed Martin to deploy and operate the system in partnership with Oracle Corporation. Transfer to Lockheed took place in April 2000, with plans to move to a Web/Intranet operating environment within 18 months. On the military side, the Navy will use the Defense Integrated Military Human Resources System (DIMHRS). It is being developed by the Navy Information Technology Center in New Orleans, Louisiana, and is expected to be operational in several years.



The civilian and military HRIS systems are being developed separately. That may or may not be appropriate, depending upon the decisions made regarding the 2020 HRM systems. At the very least, critical linkages need to be identified that will permit informed decision making regarding the total force, such as force levels, skills availability, deployment, compensation costs, etc.

4. A restructured HRM community

To be successful with a new HRM system in 2020, the Navy will need a new HR staff and structure to support it. Private companies are currently searching for an improved approach to HR that meets the needs discussed in this report. The following is a synopsis of the contemporary thinking in this regard. Of course, it may change, but it appears to be compatible with the work/life trends we have identified.

Impact of information technology. Information technology in 2020 should permit an essentially paperless HR system. The HRIS will be able to be accessed from any location and transactions will be automatic rather than requiring large staffs of processors. The need for centralizing or regionalizing processing personnel will be unnecessary to achieve efficiency. Transactions will be automatically initiated and completed by the HRIS as a byproduct of manager and employee self service decisions from any location. A central organization of IT system developers and programmers will probably exist to ensure operational capability of the HRIS, although there is a view that programming will be significantly simplified by 2020 also.

The roles of HR staffs. The most consistent complaint from large private firms, and the one most often heard from Navy managers in the past, is that HR is too transaction/process oriented. We have not heard that complaint recently from Navy organizations, since the capability that most organizations take for granted

(transaction processing) is the one that seems to have been degraded with the Navy. Most firms desire HR staffs to have a greater “people” focus and less of a people “process” focus. That desire can be defined in terms of four roles, which are consistent with the NAPA/CHRM research on HR roles contained in several research reports, including *Strategies and Alternatives for Transforming Human Resources Professionals*, and *New Times, New Competencies, New Professionals: A Guide for Implementing a Competency Model for HR Professional*. The four roles are:

1. *Business partner*. Of course, companies do not want HR organizations to develop their business strategies. But they want HR to identify and deliver the people aspects of a business strategy. For example, if a company desires to move manufacturing operations from an individual worker production process to one that is team-based, it needs help in transforming the current workforce to operate in the new mode. Issues like training the workers to operate in a team environment, new incentives, motivational techniques, team performance appraisal methods, team development of process improvements, etc., may be necessary to make such a transformation successful. If the company is moving to global production or marketing it needs help in cultural transformation of managers to meet the challenges of new environments. Since any business strategy depends upon people to deliver it, ignoring human considerations makes success less likely.

2. *Change agent*. Companies (and federal agencies) need help in making the appropriate internal organization culture changes to acquire and keep the scarce skilled workers that will allow them to remain competitive. Organizational development skills to meet that need are in very short supply or nonexistent on most HR staffs. Private and public managers want professional HR staff collocated with them “on the factory floor” rather than in another location away from the critical action. The new roles require close collaboration of HR professionals, managers, and employees.

3. *People advocate*. Companies tend to be led by individuals who develop and advance within the predominant professional culture of the enterprise (e.g., stockbrokers in investment firms, engineers in manufacturing firms, and physicians in hospitals). Often these executives are not knowledgeable or attuned to the human relations and motivational aspects/implications of business decisions. They want someone to be an internal advisor regarding those issues to avoid difficulties or to resolve them before they become grievances or union issues. They also need someone to help them manage and optimize the intellectual capital of the company.

4. *Administrative expert*. This is the principal role traditionally played by HR organizations. It includes developing and administering HR policy, advising on its application, and processing the transactions resulting from people-related decisions. These activities will certainly be required in the



future. But without the knowledge required to carry out the other three roles, it can be a sterile focus on procedure and bureaucratic requirements rather than on effective people management. An effective HRIS will drastically reduce the time necessary to perform this role. This role is one that can be performed from an outside location; and with a modern HRIS, advice regarding policy and procedure can be provided via a computer delivered “expert system” that provides desktop advice as needed by managers or employees.

Implications for the future. The Navy has much to do to prepare for the future. Indeed, it has much to do to be able to operate effectively today. Processing staffs have been downsized and marginalized. An effective HRIS is still not available to HR staffs, managers, or employees. The HR staff that remains with Navy commands and activities is spending too much of its time trouble-shooting a broken transaction processing system.

In addition, few educated HR interns have been hired during the last five years, endangering future professional HR capability. The Navy’s HR workforce has downsized at a greater rate than the other administrative functions: Administrative functions decreased by 22 percent, while professional HR staffs declined by 39 percent. Professional contract/procurement personnel declined 11 percent and financial management by 30 percent. During our visits, Navy HR staffs appeared to be demoralized and frustrated by their inability to solve the problems confronting their organizations’ managers and employees. They discussed a movement reported to be underway to consolidate the remaining HR staffs that are currently collocated with Navy organizations, thereby further degrading service and making improvement less likely.



RECOMMENDATIONS

- Take action to move the Navy’s HR system, structure, and staff to adopt the roles described above.
- Install an effective HRIS as soon as possible and avoid additional downsizing until the impact of the new system and the state of the Navy’s HR system can be assessed.
- Avoid moving professional/non-transaction processing HR operational staffs to locations remote from the organizations they serve.
- Initiate an HR management intern program and focus recruitment on individuals with organization development, industrial psychology, and business management education and/or experience.

5. New HR strategies to acquire and retain talent are needed

To effectively compete for the talent it will need in 2020, the Navy’s HRM system must adopt new strategies.

◆ Important work.

The Navy will need to market its civilian work in much the way it does its military work today. This should include ongoing market research to identify the key messages that resonate with the target audience and the use of professionally developed marketing materials deployed in the appropriate media.

◆ Recruitment excellence.

The Navy needs to develop a first-class recruiting system that employs innovative techniques and procedures that utilize the latest technology and are friendly

to applicants and hiring managers. Maintaining ongoing relationships with recruitment sources for college, mid-level, and senior hires will be critical. The Navy-wide recruitment program will need to be coordinated to ensure that all Navy recruiters understand the Navy’s recruitment needs, have useful information on sources, and possess the best recruitment tools available to leverage the particular applicant pool for all Navy communities. Although actual recruiting will be done by the various communities, a “free for all” approach will not provide optimum results.

◆ Competitive pay based on the market.

While the Navy will never be a compensation leader, it will need to maintain competitive salaries at the midpoint. Annual surveys to monitor market trends and the tailoring of compensation tools such as broad pay bands, recruitment bonuses, etc., will be necessary.

A strong career management capability tailored to strengthen core competencies and continuous learning will be vital.

◆ A positive work environment.

The negative characterization of civilian employees (e.g., “sand crabs”) that currently exists in some elements of the military community must be addressed. The role of civilian employees as a vital link in the total force must be reinforced at every level.

◆ Development and growth.

A strong career management capability tailored to strengthen core competencies and continuous learning will be vital. Strategic workforce planning should be the primary driver of training and education requirements. This will be an important component of the message to new hires.

◆ No-fault separation.

Managers should have tools to deal with employees whose competencies are no longer needed or whose performance is no longer at required levels. Optional retirement that permits either the employee or management to decide when retirement timing is appropriate, separation incentives, or movement to part-time employment are policies that should be considered.





CHAPTER FIVE: GAP ANALYSIS

INTRODUCTION

The following gap analysis provides a concise summary of the key issues that should be addressed to ensure that DON has the civilian workforce required to succeed in the year 2020. Background information on which the gap analysis is based is provided in the previous chapters of this report. The gap analysis is divided into two sections. The first section focuses on workforce skills mix issues, and the second section deals with human resources programs and systems.



WORKFORCE ISSUES

Issue	Current Situation	Desired 2020 Situation	Strategies
Workforce skills mix to support mission requirements	<p>DON's workforce has undergone significant downsizing. The total workforce has been reduced by about 44 percent. One impact of the downsizing has been an increase in the proportion of the workforce dedicated to professional occupations concerned with science, engineering, and information technology. There has also been an increase in the proportion of the workforce dedicated to administration and management of work performed by contractors. The clerical and blue-collar workforce has decreased dramatically (Chapter 2).</p> <p>Anecdotally, it appears that the DON workforce trends will continue into the future. Specific strategies are needed to address the needs in four areas shown below.</p>	<p>The DON workforce in 2020 will be concentrated predominately in professional/technical, managerial, and leadership segments. Administrative functions will largely be accomplished through expert systems that are developed and administered by DOD. There will be a limited number of administrative professionals whose primary tasks will be to provide assistance on unique problems, developing content for expert systems, and providing value-added design advice to line managers who are developing tailored solutions to administrative issues that impact on mission performance (Chapter 2).</p>	<p>Strategies will be tailored to workforce segments (see below).</p>
Professional workforce (Scientists, Engineers, and Information Technology)	<p>This segment of the workforce is growing as a proportion of the total force. Work performed by these employees is key to maintaining the technological edge enjoyed by the U.S. military. There is no central career management framework to ensure that the competencies needed for the future are addressed. The information technology (IT) community has developed a workforce planning strategy to ensure the viability of the IT workforce. It remains to be seen whether the IT plans are funded and implemented (Chapter 4).</p>	<p>The professional workforce will be smaller than in 2000, but will represent a large proportion of the total in-house civilian workforce. Competency development to ensure technical expertise to maintain the U.S. military's technological edge will be a major concern of DON leadership. Strategic workforce planning will provide the means to ensure that appropriate competencies are identified and developed or hired. Resources to acquire and maintain the necessary human capital in these occupations will be provided. A career management process will be established that reflects a proper balance of central policy and claimant execution (Chapter 4).</p>	<ol style="list-style-type: none"> 1. Develop and maintain competency models based on future work requirements 2. Make investments in obtaining and developing the need skills 3. Utilize project teams with prescribed employment terms, where appropriate
Acquisition and Logistics	<p>The Defense Acquisition Workforce Improvement Act has resulted in improved training and development of this workforce segment. Continuous learning policies should ensure continued growth. There is a trend toward greater use of contractors, thus increasing the need for performance of management tasks. DON will face the challenge of ensuring that management personnel have sufficient knowledge of the work being performed to ensure products and services delivered meet DON's needs.</p>	<p>There will be growth in this segment of the workforce as a proportion of the total force. DOD will provide leadership to ensure that training and education are provided. DON will struggle to maintain sufficient knowledge of how to provide management oversight to the increased contractor workforce. DON leadership will continue to search for creative solutions to this challenge.</p>	<ol style="list-style-type: none"> 1. Develop strategies to ensure a sufficient knowledge base to provide technical and scientific support for research investments and procurement decisions 2. Make investments to maintain workforce competencies as dictated by strategic workforce planning outcomes

WORKFORCE ISSUES (Continued)

Issue	Current Situation	Desired 2020 Situation	Strategies
Administration (Acquisition, Finance and Human Resources)	Downsizing and consolidation of support functions at the DOD level has impacted these communities. Competency models have been developed that spell out new directions for some of these occupations. Implementation of the competency models has been limited.	There will be a residual workforce in administrative occupations whose primary functions will be to advise DON leaders and help to design tailored solutions to mission driven priorities.	<ol style="list-style-type: none"> 1. Implement competency models (this includes providing necessary resources for training and development). 2. Work with OSD staff to determine if administrative support will migrate to a DOD-wide system. Determine what residual HR capacity should be retained by DON.
Leadership	The way work gets done is changing. Command and control leadership styles are less effective in a world of knowledge work, shared leadership based on technical expertise, and increased use of project teams to complete work. The DOD DLAMP program has been implemented for management personnel at GS-12 and above, and plans are underway to expand the program to lower grade levels. Navy has implemented leadership training programs at the Naval Post Graduate School.	There will be a two-tiered leadership development process. DOD will provide the generic leadership development. DON will augment DOD development with leadership skills that are unique to the operational environment and leadership philosophy employed by DON. All leaders will be skilled in working in teams, sharing authority based on technical expertise, and providing a work environment which optimizes human performance.	<ol style="list-style-type: none"> 1. Rationalize the leadership development process to define DOD and DON roles and outcomes. 2. Establish models and training programs to ensure that DON civilian and military leaders possess the skills needed to effectively lead the Navy workforce in 2020.

HUMAN RESOURCES PROGRAMS AND SYSTEMS

Issue	Current Situation	Desired 2020 Situation	Strategies
Personnel System Flexibility to Meet Mission Needs	DON is covered by Title 5, and demonstration projects are authorized by Title 5. This authority is a rigid, one-size-fits-all approach that limits management's ability to tailor HR management to the mission and labor market conditions that may exist at any point in time, geographic location, or occupational evolution. DON does not fully use all flexibilities available under the current system. For example, recruitment and retention bonuses are not often used.	DON line managers have authority to establish human resources processes that are responsive to its mission requirements. There is an emphasis on tailored approaches within the general framework of merit principles. The system provides for streamlined hiring, more effective tools for hiring contingent employees, flexible/market-based pay, broad occupations, classification broad-banding, performance incentives, and improved processes for dealing with performance problems. There is an ongoing evaluation process to measure results and establish accountability for achieving human resources goals.	<ol style="list-style-type: none"> 1. Strongly support the on-going efforts to obtain legislation to develop a statutory solution to existing personnel system shortcomings. 2. Prepare line managers and human resources professionals to optimize the performance of the resulting personnel system. 3. Establish accountability measures relating to human resources outcomes.

HUMAN RESOURCES PROGRAMS AND SYSTEMS (Continued)

Issue	Current Situation	Desired 2020 Situation	Strategies
<p>Navy Culture</p>	<p>DON's culture does not value the civilian workforce. This condition contributes to lack of respect for civilian employees and detracts from teamwork. The Marine Corps culture does value and respect civilians with the result of greater commitment to mission and teamwork (Chapter 3).</p>	<p>The culture is one that values all segments of the total force for their unique contributions. Military leaders and political appointees are provided orientations to reinforce the role and importance of civilians as part of the Navy team. Deviations from cultural values have negative consequences.</p>	<ol style="list-style-type: none"> 1. Make people skills a major factor in selection for leader positions, including military leaders responsible for civilian employees. 2. Develop and implement communications programs to reinforce the importance and value of all aspects of the total force, including civilians. 3. Train all levels of DON leadership, including the Academy and Senior Service Schools, on the importance of effective total force integration. 4. Hold senior line managers accountable for maintaining a positive work environment for all workforce segments, including civilians.
<p>Strategic Workforce Planning</p>	<p>There is not a consistent process for determining the future civilian workforce needs for DON. As a result, planning to meet future competency requirements is not being accomplished. The impact is that DON cannot be assured that the people being hired have the right skills to ensure future mission success.</p>	<p>A strategic workforce planning and management system is in place that ensures that mission and resource-based decisions are made about work sourcing. Sourcing decisions are driven by the strategic workforce plan (Chapter 4).</p>	<ol style="list-style-type: none"> 1. At the departmental level, strategic sourcing decisions are lead by a career executive or senior military officer (similar positions may exist at the major claimant level). 2. Develop and implement a strategic workforce planning process to guide human capital investment decisions including hiring, training, and retraining.
<p>Civilian Employee Value Proposition (Answering the question, "Why should I come to work for DON?")</p>	<p>The Navy lacks a focus on managing the civilian talent pool. As a result, there is not a clear message about the benefits of working for DON as a civilian employee. This detracts from DON's ability to attract high quality applicants who match up with the values and principles that drive the organization. Little attention is given to quality of life initiatives for civilian employees that are comparable with competitors for talent. DON has made little progress in improving the diversity of its workforce in the past 10 years.</p>	<p>DON articulates a clear value proposition based on providing an exciting place to work, respect, fair treatment, and competitive pay. Professional advertising support is provided to develop and deploy the message concerning civilian employment with DON. Diversity efforts have yielded results, including programs that increase the participation of minorities and women in scientific engineering and information technology occupations. Quality of worklife initiatives are available that match those provided by competitors for scarce talent (Chapter 4).</p>	<ol style="list-style-type: none"> 1. Develop a recruitment strategy that positions the DON "brand" based on exciting/cutting edge work, respect, opportunity for growth, fair and equal treatment, and competitive pay and benefits (over a career). 2. Employ professionals to help develop and communicate the value proposition. 3. Implement, under the new statutory authority, a flexible benefit program that allows employees to tailor their benefits to individual needs and priorities. 4. Support Quality of Worklife programs as a matter of policy.

HUMAN RESOURCES PROGRAMS AND SYSTEMS (Continued)

Issue	Current Situation	Desired 2020 Situation	Strategies
<p>Recruitment and Hiring Process</p>	<p>The civilian recruitment process for DON is not coordinated, evaluated, or managed. As a result, there is not a clear linkage to future skill needs and there is no basis to establish accountability for achieving recruitment results.</p>	<p>Civilian recruitment programs are coordinated by a central organization to ensure that the whole department benefits from the applicant pool. Applicants are maintained in a central database that is accessible to all DON selecting officials. Technology is used to move rapidly to evaluate and select candidates. The result is that selections are made rapidly, and applicants perceive DON as a cutting edge organization (Chapter 4).</p>	<ol style="list-style-type: none"> 1. Use the strategic workforce planning process to develop recruitment projections. 2. Establish a dedicated civilian recruitment organization that works with major claimants to recruit needed talent and share resources to optimize efficiency. 3. Technology investments (including training) are made to create the capacity to evaluate and hire employees rapidly.
<p>Compensation Flexibility</p>	<p>The compensation system for the Title 5 employees is characterized by: (1) narrow pay ranges with cumbersome processes for moving to another pay range, (2) little relationship to the realities of the labor market for key scientific and technical occupations, and (3) limited ability to reward excellent performance. (New approaches being used in demonstration projects address narrow pay ranges.)</p>	<p>DON has adopted broad pay ranges for all occupations. Pay levels are established for key occupational groupings based on market surveys. DON maintains comparability at the 50th percentile for key occupations, with the ability to pay more for highly qualified personnel. There is enough money provided to establish an annual "at risk" pay component that is sufficient to encourage high performance levels (Chapter 4).</p>	<ol style="list-style-type: none"> 1. Expand broadbanding to all DON organizations. 2. Use authority, under new legislation, to pay market rates for core mission occupations. 3. Increase funds available for "at risk" pay to make it possible to offer top performers a significant variable pay component based on results achieved.
<p>Workforce Agility</p>	<p>The occupational definitions used to classify civilian positions create narrow occupations that restrict management's ability to move talent to respond to emerging mission priorities. There is no managed process to encourage geographic, mission, or occupational mobility. The result of this condition is skills imbalances and culture that reinforces occupational perspective instead of mission priorities.</p>	<p>Broad occupations are established which makes it possible to move employees to new jobs without the encumbrances that existed in 2000. Strategic workforce planning provides a framework for encouraging mobility to meet mission needs and support individual employee development. Individual mobility is encouraged, but is implemented in a manner that reflects both individual and organizational needs. Force shaping tools are available, including management directed retirement when employees are eligible for optional retirement. Also, there is increased use of contingent employees to address time limited projects (Chapter 4).</p>	<ol style="list-style-type: none"> 1. Establish new broad occupations, using new legislative authority, that enable DON to develop and deploy employees based on broad mission priorities. 2. Create incentives for mobility such as increased opportunities for development and advancement.

HUMAN RESOURCES PROGRAMS AND SYSTEMS (Continued)

Issue	Current Situation	Desired 2020 Situation	Strategies
Career Management	There is little attention to providing leadership to prepare DON civilians for career development and growth. As a result, DON is not ensuring that it will have a competent pool of employees to meet current and future mission needs. The impact of this situation is that decisions about sourcing will increasingly be driven toward outside contractors, which may increase costs and/or create an inability to provide competent oversight of contractor performance.	DON has implemented career management systems within major communities that are based on current and future competency requirements. DOD has implemented career programs for key support occupations. Career management consists of defined career paths with specified competency requirement and individual assessment and development planning. A separate process is established for executives and their technical equivalents (Chapter 4).	<ol style="list-style-type: none"> 1. Create a career development process, within mission communities. Career development will include specified career paths, competency models, individual development strategies, feedback and coaching, and continuous learning through work assignments and formal training. 2. Work with DOD to establish similar programs for mission support occupations. 3. Hold managers accountable for developing employees under their leadership.
Executive Resource Management	Unlike their military counterparts, civilian executives are not provided a well managed developmental road map. As a result, civilian executives may not be prepared to function as equal partners with their military cohorts. The impact is felt in terms of performance and perceptions about the value of civilian employees.	Career civilian executives have completed a developmental process that is equivalent to that provided to military flag officers. Executives operate under time limited performance contracts with options for renewal. Executives who do not meet the terms of their contracts can be reassigned to another executive position, assigned to a non-executive position, or terminated (Chapter 4).	<ol style="list-style-type: none"> 1. Establish executive development programs for employees in mission communities based on leadership requirements of each community. 2. Use DOD DLAMP program for developing generic leadership skills. 3. Establish, under new statutory authority, performance contracts for civilian executives.
Human Capital Investment	There is no consistent approach to making investments in human capital. As a result, DON is under-invested in key activities that will ensure future mission success. The impact is lack of competencies needed for future mission performance. Some of the gap between current and required competencies will take considerable time to remove due to the complexities of the work performed.	One of the outputs of strategic workforce planning is a human capital investment plan. Hiring, compensation, development and other human capital issues are funded. Leaders are held accountable for implementing their approved human capital investment plans (Chapter 4).	<ol style="list-style-type: none"> 1. Establish policy regarding human capital investment expectations. 2. Conduct evaluations of human capital investment results of line flag officers and key civilian executives and establish consequences for successes and failures.
Performance Management	<p>The current performance system has limited incentives to perform at a high level. The demonstration projects have a framework for increased incentives for high levels of performance, but there is too little "at risk" pay to substantially impact behavior.</p> <p>There is much talk about poor performers, but little action to address this concern. The field of human performance improvement is nonexistent for DON civilians.</p>	There is a clear link between individual and group performance and strategic goals. Performance is rewarded with significant monetary differentiation and opportunities for further Development and growth. All managers and supervisors are competent in human performance analysis and improvement strategies. Competent staff support for human performance is provided by in-house or contract personnel.	<ol style="list-style-type: none"> 1. Provide authority, under new legislation, to provide significant monetary incentives for individual and team accomplishments. 2. Establish improved process for addressing employee performance problems. 3. Provide DON-wide training in human performance improvement strategies.

HUMAN RESOURCES PROGRAMS AND SYSTEMS (Continued)

Issue	Current Situation	Desired 2020 Situation	Strategies
<p>HR Service Delivery</p>	<p>The human resources service delivery process is dysfunctional. Customer satisfaction is very low and there is no clear plan for improvement. Senior military and civilian executives are being enlisted to resolve servicing problems that should be resolved at a lower level. The automated tools that are necessary to make a centralized transaction concept work are not available. There is a lack of clarity about who is accountable for delivery of advisory services, and there is no evidence of a team-based approach to resolving current problems. This impacts on the Navy's ability to attract and retain the talent it needs for mission success.</p>	<p>Transaction processing is provided by a central site for all of DON. The selection of a service provider is determined by performance characteristics; the provider may be a contractor, another agency, or DOD. Transactions and advisory support are provided using the latest technology that enables most human resources management actions to be completed independently by line officials and/or employees. Advisory services are provided from highly competent experts who provide content for automated systems, and are available via real time video teleconferencing to address individual or groups of managers and/or employees. Clear performance expectations and accountability is established for both servicing HR staffs and managers. The headquarters HR role is primarily strategic workforce planning, establishment of broad HR system principles and performance expectations, and evaluation of results on behalf of senior line managers.</p>	<ol style="list-style-type: none"> 1. Reevaluate the current structure for providing human resources services (transactions, advice, and policy assistance) to determine the best alternative to ensure efficient and effective service (this may include contracting, or receiving service from another government organization). 2. Once the appropriate alternative has been determined, obtain information technology hardware, software and communication capacity to make the system function effectively and efficiently. 3. Establish performance characteristics for the service delivery process and conduct periodic evaluations to identify and resolve major problems. 4. Train managers and human resources staff to perform their roles based on the new structure, roles, and technology.

CHAPTER SIX: SUMMARY OF RECOMMENDATIONS

OVERALL NAPA/CHRM RECOMMENDATIONS:

- Implement integrated strategic workforce planning and management that encompasses the Navy's total force—military, civilian, and contractor.
- Work with DOD to develop a legislative proposal that creates a new Defense Human Resources Management System that is exempt from Title 5 and that:
 - ◆ Permits the delegation of authority to major Navy mission communities to develop HRM policies appropriate to their mission areas.
 - ◆ Provides for the development of HRM policies for major support communities in coordination with DOD and the other services.
- Establish and develop a Navy Executive Leadership Corps that is focused on effectively managing the Navy's industrial shore establishment in the 2020 environment.





- Create a National Defense Service that includes as members all individuals directly involved in accomplishing the Navy's mission – military, federal civilian, and directly related contractor personnel. Create policies that expedite the movement of members among the three elements.
- Require mission and support communities to take aggressive action to manage their core competencies.
- Develop and deliver an integrated modern human resources information system (HRIS) that enables effective total force management and administration.
- Restructure the Navy HRM community to adopt new roles, utilize modern information technology, and recruit/develop new members with organization development, industrial psychology, and business management education and/or experience.

Other recommendations contained in this report are identified below by source. These recommendations are integrated into the NAPA/CHRM's overall recommendations. They are listed here to provide additional contextual references to support the overall recommendations.

Major recommendations from the interviews:

- Encourage and reward mobility. Selection to SES should reward mobility and breadth of experience.
- Improve pay systems to make compensation more competitive for recruitment and retention. Examples include broadbanding, variable pay, skill-based pay and pay for performance.
- Return to goals and objectives and grading people, get away from pass/fail, and include more bonus tools and more meaningful bonuses.
- Delegate job classification to managers.
- The future civilian personnel system must accommodate civilians in and out of their careers; fix pay; provide for educational opportunities; and include promotions (fewer trappings and more responsibility and skills). New workers will be team directed and have IT expertise.

- Develop enticements to encourage older workers to stay in the workforce.
- Streamline hiring procedures to enable DON to hire faster and make the application process easier for job candidates. Implement direct hire authority.
- Establish flexible benefit program to allow employees to tailor their benefits to meet their lifestyle priorities.
- Implement a performance management process that allows differentiation (not pass-fail).
- Train managers so they become better at the "people" side of DON's business.

Major recommendations made by the participants of the three colloquia:

- Authority to manage people should be delegated to line managers to a greater extent than now exists.
- Human Resources (HR) staffs need to change their focus from implementing rules and processes to serving as strategic partners focused on mission accomplishment.
- The war for talent requires increased pay flexibility.
- The hiring process must be streamlined to provide for increased speed and user-friendly processes for applicants.

- Greater emphasis on quality of worklife programs such as day care and elder care.
- Strategic workforce planning linked to mission requirements needs to be established.
- The Navy needs to market itself as being a desirable place to work and as having a positive work environment.