

EXECUTIVE SUMMARY
HUMAN RESOURCES MODERNIZATION & COMPENSATION TASK FORCE
REPORT ON THE
PROPOSED PERSONNEL AND COMPENSATION SYSTEM
FOR THE
CENTRAL INTELLIGENCE AGENCY

25 JUNE 1987



Human Resource Modernization and
Compensation Task Force

EXECUTIVE SUMMARY

In August 1986, then DCI William J. Casey presented to the Senate Select Committee on Intelligence (SSCI) CIA's strategy for addressing major personnel issues during the next decade. This strategy included replacing the General Schedule (GS) system, rethinking incentives, redesigning the career development structure to allow for expert and management tracks, and revitalizing our training and personnel planning program. With these personnel system improvements, he suggested that the Agency would be better able to attract and retain the high-caliber career force needed to meet increasingly difficult and diverse challenges in the years to come.

As a result of the DCI's initiative, the Human Resource Modernization and Compensation Task Force (HRMCTF) was chartered in November 1986 to develop the design of an improved personnel and compensation system without adding more than 2 to 3 percent to the Agency's personal services budget. In so doing, the Task Force studied some of the most creative and innovative approaches being used and tested in private industry and in other parts of the Federal Government. The purpose of this report is to present its preliminary draft design to the Directorates for their review and comments. Some features of the preliminary design would directly affect levels of compensation. Others focus on additional forms of recognition and incentives to ensure that the CIA remains an attractive place to work. Still, others are aimed at reducing bureaucratic hurdles so that managers will have more flexibility in organizing their personnel resources to adapt to changing requirements. Some of these proposals are entirely new to the traditional Agency culture in the pay and benefits area. Other proposals will be familiar, representing only a refinement of what is best about the current system. What is presented here is a fully integrated system, but its many individual features leave much room for discussion of other options that may be incorporated in the final design. Many of the features, particularly those relating to banding and incentive pay, can be implemented within existing DCI authority. Other features, particularly those in the benefits area, would require additional authority. All of the changes, however, would require Office of Management and Budget and Congressional concurrence.

Feedback is a key ingredient in the process of developing an improved personnel and compensation system. As stated from the beginning of the project, it is essential that any new Agency system be developed by and have the broad support of employees. To accomplish this, the Task Force has arranged for copies of the full report to be available at the Office and DO Division level throughout the Agency. Directorates are requested to submit their responses to the Task Force by 1 September 1987. In addition, individual comments and suggestions may be addressed to the Chairman or members of the Task Force. A revised report that incorporates views of

individuals and Agency components will be offered for your review once again before submission to the DCI's Executive Committee (EXCOM) in early December 1987. Implementation of any changes would be phased in over a two-year period.

The key features of the preliminary design follow:

PROPOSED PAY AND CLASSIFICATION STRUCTURE

A key feature of the proposed system is a pay and classification structure that better relates compensation to performance, is more competitive with the private sector, and plays a greater role in attracting and retaining high-caliber people.

- **Occupationally Defined Bands.** The GS system has long shown signs of strain--witness the numerous "special pay scales" awkwardly superimposed in order to pay higher rates to certain hard-to-hire occupations. To facilitate market pricing, the Task Force proposes the Agency develop occupationally defined pay bands, linked to various levels of expertise, for example, entry level, journeyman, expert, and manager. Representatives of 28 occupations that account for 75 percent of the Agency's work force already have met as occupational panels and have shown the feasibility of such a system, including an initial cut at the standards that would be used to determine pay and promotion (movement from band to band).
- **Market Pricing.** Under the current GS system, occupational market surveys are conducted to assess Federal pay vis-a-vis the private sector. These result in governmentwide, across-the-board changes in the GS pay schedule, without regard to how a given occupation stacks up against the private sector or how important it is to an organization. This averaging process often results in pay levels for specific occupations that are lower than the market commands. The Task Force proposes that the Agency maintain up-to-date, occupation-specific pay rates by conducting its own periodic market salary surveys of that portion of the private sector that is on a par with CIA and competes for the same types of people. Those Agency occupations with no private-sector counterpart would be adjusted on the basis of an internal Agency comparison with occupations that can be market priced.
- **Funding Control.** Senior managers in government are saddled with funding, position ceiling, and promotional headroom constraints. They often find themselves unable to make personnel adjustments, even when changes will not require additional funds. The Task Force proposes that position classification authority be delegated to operating officials, permitting them to reclassify jobs within defined occupational pay levels and adjust numbers of personnel in their components, so long as they stay within predefined funding limits.
- **Incentive Pay.** Under the GS system, employees and managers tend to view promotion as the primary means to reward performance. Periodic "step increases" are associated largely with longevity, while Quality Step Increases and other cash awards are rare--even for

superior performers. The Task Force proposes separating the rewards for above-average performance at the current level from the kinds of rewards offered for substantially increased responsibility. The proposed system of broad occupational bands would introduce a pay-for-performance or incentive pay system that would permit varying combinations of salary increases and bonuses to reward varying levels of performance. Under the proposed system, all employees performing acceptably would receive an incentive award comparable with the current "step increases," but higher performing employees--up to 50 percent of the Agency population--could receive a combination of salary adjustments and bonuses greater than this. Promotions (movement from one band to another) would be reserved for those who have clearly demonstrated the capability to take on the significantly greater responsibilities of a more senior level.

PERFORMANCE EVALUATION AND CAREER DEVELOPMENT SYSTEMS

An essential ingredient in any pay-for-performance system is an active performance evaluation and career development system. The Task Force proposes the following basic elements, allowing necessary Directorate flexibility:

- ° **Performance Plan.** Occupational panels would generate key job responsibilities and performance expectations for each level of the band. These would be computerized and available to managers as a guide when they sit down to customize performance plans for individual employees. The aim here is to ensure that employees know what is expected of them and to free supervisors from much of the performance plan writing so they can concentrate on talking with their employees.
- ° **Performance Evaluation.** A streamlined PAR system would facilitate evaluation of both recent performance, to determine incentive pay, and readiness for promotion.
- ° **Career Development.** This segment of the preliminary design proposes a dual track system to permit advancement as either a manager or a substantive expert. The design also provides for occupational career handbooks that would spell out the responsibilities for each level in an occupation and identify the assignments, experiences, skills, and training that best prepare an employee for entry into and promotion within the occupation. These handbooks would be used by employees, career service panels, and managers.
- ° **Training.** Employees will have more training available to them. This training will focus on the specific skills needed by each occupational grouping to sharpen existing job skills and enhance the skills needed for career development. In addition, more efficient and creative ways will be used to get the training to employees at their job site.

BENEFITS

No Federal agency can hope to match the best of the private sector in total pay and benefits, but the Agency can improve its posture by taking a more modern approach. The Task Force offers the following examples:

- **Flexible Benefits Program.** This system would give employees greater latitude to direct government money into the particular benefits the employees need and to use their own pretax dollars to buy enhanced levels of qualified benefits. This flexibility is increasingly important as the demographics of the work force change to include more dual career marriages as well as single workers with and without children.
- **Annual Leave.** Every year Agency employees forfeit more leave than employees of any other Federal agency. The Task Force believes that the work ethic that often results in large losses of annual leave benefits should be rewarded and has proposed a variety of improvements intended to reduce the amount of leave lost. Recommendations include a proposal to increase annual leave carryover for midlevel managers and experts who currently account for most of the lost leave; a provision to allow annual leave to be cashed in or used as collateral for dependent educational tuition loans; and a proposal to establish an Agency "sick leave bank" from annual leave that would have been forfeited to provide additional sick leave for employees faced with catastrophic illnesses.
- **Other Benefits.** The Task Force proposes various incentives to help the Agency maintain and adjust the characteristics of the work force, for example, to ensure the best midlevel employees can continue to see opportunities for advancement. Among these proposals are retention bonuses and early retirement options.

Additional details on these proposed features may be found in the section of the report called the System Summary. Those desiring even more information on the new system should consult the section entitled System Design. Each provides a greater level of specificity geared to meet the needs of various readers for information about the new system.

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PROPOSED SYSTEM SUMMARY

CIA faces increasingly difficult and diverse challenges in the years to come. Ensuring that we will be able to attract and retain the caliber of personnel we need to meet the challenges of the future is a key objective of our strategy. Competition with the private sector for certain key occupations is a significant problem today, and the demographics of the country as the "baby bust" generation reaches the marketplace ensures us that this problem will spread to other occupations and that competition will intensify. In view of the security constraints associated with our mission and the complexity of our challenges, we must have a personnel and compensation system that allows us to compete effectively for the employees we need.

The proposed design touches on virtually every aspect of the personnel and compensation system. Obviously, the design includes features that will improve compensation. In some of the most marketable occupations, however, CIA can never match the private sector, and, in fact, employees driven primarily by money do not work for CIA. The target employee of this design is the employee who thrives on the unique challenges only CIA can offer. The proposed system is designed to provide recognition and incentives to this type of employee, to reinforce a sense of accomplishment, and to make CIA a more attractive place to work.

The proposed system is also designed to give managers the tools to compete for the talent they need and give them the flexibility to restructure the work force to meet changing mission requirements.

Table 1 is a summary of the proposed improvements to the current personnel and compensation system, which illustrates the features that will enhance CIA's ability to continue to attract and retain high-caliber employees. It describes the proposed new system from three vantage points--that of the employee, the line manager, and the senior manager.

The pay and classification features would affect only General Schedule (GS), secretarial, and commo-banded employees. Changes recommended in the performance evaluation, career development, and benefits systems would be applicable to all.

PROPOSED PAY AND CLASSIFICATION STRUCTURE

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