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SEP 1987

MEMORANDUM FOR: Executive Director
DI Representative on the Human Resource
Modernization and Compensation Task
Force (HRMCTF)

FROM: Richard J. Kerr
Deputy Director for Intelligence

SUBJECT: Evaluation of the Draft Proposal on New
Pay, Personnel Management, and Benefits
System for CIA

1. The response from DI personnel to the subject proposal indicates there is keen interest in reevaluating the Agency compensation system. The consensus view--which I share--is that the proposal offers some advantages and contains some features that should be adopted. The fundamental break with the current system embodied in the proposed banding and incentive pay features may be beneficial for any elements of the Agency with relatively homogeneous work forces. From the DI perspective, however, these features are decidedly less attractive and could well undermine rather than enhance our ability to attract and retain the high-caliber career force the Agency requires.

2. In evaluating the HRMCTF proposal I solicited views from all DI employees. The proposal was discussed in detail at the branch and division level and all employees were encouraged to avail themselves of the question and answer sessions scheduled in the auditorium. After full discussion, a report was prepared in each of the Directorate's Offices summarizing the full spectrum of employee views. A compilation of those views on each of the proposal's features is included at Annex A. Annex B summarizes the results of a poll taken independently by the DI Management Advisory Group. I will be pleased to provide you copies of all Office responses if you wish.

3. The details of each of the proposal's 16 features are well known and need not be revisited in this memorandum. Instead, I think it would be useful to examine some of the basic issues involved and tender some recommendations as to how to proceed.

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4. Personally, I believe that some change is essential if the Agency is to remain an organization that attracts and keeps talented people. Our ability to do this will depend on our creativity and imagination as managers continuously to refine and implement a system that values its employees rather than on adoption of a particular compensation or classification system that emphasizes merely the size of the paycheck. In that vein, I support in principle those features of the proposal that enhance career development and provide a more attractive range of benefits (basically features 6-9 and 11-13). I also support those features which would enhance management flexibility, especially features 15 and 16 which would institute a new budget control system that would give senior managers more responsibility for how their programs are structured than does the current position classification system.

5. I cannot endorse, however, features 1 and 2 on occupationally defined bands and on incentive pay. There are several factors that have brought me to that conclusion.

- o First, I believe the HRMCTF is correct in observing that ". . . employees driven primarily by money do not work for CIA." Our employees receive non-monetary reward in knowing that the work they do is vital, and they highly value the periodic promotions from one GS level to the next as they learn their craft and apply their talents. That being the case--and recognizing that in all likelihood government salaries will never be in a position to compete with industry--I believe it ill advised to adopt a system that is preoccupied with pay and that minimizes the number of opportunities to demonstrate the value of employee contributions via promotions. The system proposed by the Task Force might well limit us to only two or three promotions during a typical DI employee's career, and it would give us no tangible way annually to tell the large majority of the the 50 percent of our employees who had productive years but did not receive incentive increases that we valued their efforts.
- o Second, the use of market surveys in the multidisciplinary environment of the DI troubles me. As a practical matter, it may be all but impossible to implement. The HRMCTF report referenced only a single occupation for most of the DI, that of Intelligence Officer-Analyst. That classification correctly recognizes that whatever academic training an employee received, he or she is hired into the DI to be an intelligence officer. To make the market survey feature work in the DI, it would obviously be necessary to devise further categories that differentiated between analysts by academic discipline. Such an effort, however, unduly emphasizes analysts' previous training and overlooks a more critical measure of the worth,

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notably their activities as intelligence officers. Even more importantly, market pricing could easily propel the DI on a course directly counter to the one we set for ourselves six years ago when we reorganized regionally and deliberately oriented our work toward multidisciplinary analysis. The cohesiveness of this program, which is central to the Directorate, will be at risk in an environment where there is a marked difference in what people are paid based on their academic discipline rather than on their contributions as intelligence officers.

- o Third, it is unclear to me, and apparently unclear to a large portion of the DI employees as well, that employees will be significantly better off financially under the proposed incentive pay. Moreover, the connotation that we do not now have a "pay for performance" system is wrong. We do have such a system; our employees recognize that it works and are proud of it. The GS provides a framework to reward the high achievers and penalize non-producers that could easily be enhanced by more effectively using the tools we now have.
- o Finally, I fear that the proposed system will substantially add to the administrative burdens already placed on our managers who--in the DI--must also be substantive leaders. The promised automation of performance plans and performance evaluations, if achieved, would do little to reduce this burden in an environment where there is a great diversity in the types of activities in which our employees are engaged and in the complexity of the projects assigned. Equally important, I fear the burdens and dislocations of the new system on the Office of Personnel may be very large and disproportionate to the gains we would realize.

6. The GS pay system--as distinct from the cumbersome position management and classification system associated with it--can admittedly be improved. Nevertheless, it provides a framework that offers many of the features the proposed banding and incentive pay features lack. The Directorate of Intelligence is proud of the work force we have now, and its makeup proves we can attract and hold good employees. I think that the GS approach is a positive force in our attractiveness and stability because it maximizes promotion opportunities and the psychic returns associated with them, does not restrict lateral movement between different assignments or Directorates within the Agency, allows us to recruit quality performers more easily from other Agencies, and finally, gives our personnel a common standard against which to measure their occupational status and career growth relative to counterparts elsewhere in government. These advantages are substantial, and I see much that can potentially be lost by abandoning the GS.

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7. I believe that we are in a position to fashion an improved compensation system without introducing the upheaval that would be associated with the banding and incentive pay features. I therefore recommend:

- o That we proceed in identifying and ranking the most desirable of the enhanced benefits discussed in the HRMCTF proposals. We should proceed to implement any priority items that we can without new legislation and explore the feasibility of seeking legislation as required for others. Ideally, such legislation would be broad enough to allow us to introduce new benefit features as they become relevant to the needs of our future work force.
- o That the HRMCTF refocus its efforts to examine ways to make the GS more flexible. I believe the GS system creatively managed can provide most of the features available under a banding/incentive pay system without the disruption involved with implementing the latter. At a minimum we could liberalize policies toward QSI and monetary awards, make periodic instep increases less automatic, reduce the bureaucratic hurdles to granting out-of-cycle promotions, allow our highest achievers to skip grades, and the like. Even a broader dual track system can be accommodated under the GS, a concept recently visited by a DI study group, whose report I would be happy to share.
- o That we develop a program to reduce the constraints of the position classification system. A budget control system such as that described in the HRMCTF proposal would indeed enhance the options available to program managers and enable the Agency to be more responsive to changing priorities.

I believe that full implementation of these recommendations will fashion a compensation system that retains the best features of our current system, provides meaningful new benefits to employees, demonstrates to employees the value we place on their efforts, and provides a management/compensation environment that will be attractive and flexible enough to meet the demands we will face in the 1990s.

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Richard J. Kerr

Attachments:

- A. DI Offices' Views
- B. DI MAG Survey

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SUBJECT: Evaluation of the Draft Proposal on New Pay,
Personnel Management, and Benefits System for CIA

DD/OGI [REDACTED] (29Sep87)

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Distribution:

- Orig - EXDIR (w/atts)
- 1 - DI Rep on HRMCTF (w/atts)
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APPENDIX A**Summary of Component and Individual Employee
Reaction within the Directorate of Intelligence
to the HRMCTF Report****Approach**

As a key element in identifying potential strengths and weaknesses of the Human Resource Modernization and Compensation Task Force proposals, the Directorate of Intelligence actively solicited detailed comments from each of its operating components as well as from all employees individually. Response to the request was both heavy and enthusiastic, and most DI personnel participated in lively discussions within their primary management units over the merits and demerits of the plan. These discussions were subsequently distilled into written reports and forwarded through intermediate management levels to the respective office and senior staff chiefs, who, in turn, prepared summary reports for the Deputy Director for Intelligence. (Note: copies of component responses are available on request.) Some senior managers and line officers also took the opportunity to comment in writing directly, either to their own supervisors or to the DDI.

The following represents a summary of the results of this process. In no sense, however, does it capture the profusion or richness of the dialogue or the thoughtfulness of the hundreds of typically detailed sets of comments from both line components and individual employees. What it does provide is some sense for the consensus view within the DI at the grass roots level with regard to the report as a whole and the various changes it recommends. This summary is best read in conjunction with the DI Management Advisory Group survey results provided in Appendix B.

Response to Individual Features**Feature 1: Occupationally Defined Bands**

The proposal on banding--together with that on incentive pay--drew the strongest and generally least favorable reactions from DI managers and staff employees. Though many felt the banding idea might have merit in principle, a sizable and very articulate majority were nevertheless convinced that abandoning the GS pay scales would be a mistake at this time for analytic personnel. "Why reinvent the wheel," asked one analyst, "when only a few spokes are broken?" Most seemed to agree that, while it makes sense for the Agency to eliminate most of the unwieldy administrative machinery of the GS system, especially grade constraints and ceilings, the flexibility inherent in banding is better achieved by retaining the same pay schedule in use elsewhere in the government. Both analysts and managers feared

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that dropping GS pay grades in favor of unique occupationally-defined ones will limit individual mobility between assignments, directorates, and agencies, resulting in a stale and less well rounded cadre of intelligence analysts. Almost everyone, and most notably managers, were concerned that, by reducing appreciably the number of promotion opportunities, this feature would undercut morale and the general philosophy of pay for performance. Many also noted that "an important sense of self-esteem associated with GS rank" would be lost and, with it, the status needed for them to deal effectively with counterparts outside the Agency. The concept of market pricing also elicited skepticism, not just because many felt it was unworkable in light of the Executive and Legislative Branch indisposition to increase Federal pay but, more importantly, because it could work against unit cohesiveness and cooperative multi-disciplinary analysis. Our most technically oriented components recognized the need for pay differentials to attract scientific personnel but argued that the existing GSE schedule is closer to being adequate than the one proposed by the report.

Feature 2: Incentive Pay

By and large, the notion of pay for performance received strong support from both managers and analysts within the DI, but many questioned the implicit assumption of the report that this is not provided by our current system. Most respondents seemed to prefer a liberalization of the present merit awards and bonus programs rather than the approach outlined in the Task Force Report. One office director, noting that "what . . . the report is missing is recognition of the fact that money is not the thing that matters most to the majority of Agency employees," suggested giving component heads more discretionary authority and funds to make spot awards for special achievement. There was strong concern--especially among analysts--that creativity and willingness to take risks under the proposed plan would suffer and that such annual performance bonuses would "encourage short-term, high quantity production efforts at the expense of long term, innovative . . . research." Another office head joined a number of other DI managers in observing that sentiment against this feature often seemed to run strongest among those younger, high-performing analysts who would benefit most from its implementation. Overall, most feared that this proposal would generate the wrong kind of competition, could be corrosive to morale by failing to provide any tangible rewards for the 50 percent of the personnel annually failing to receive a bonus (but who, on the whole, had made worthwhile contributions), and, in the long term, would not be financially supportable under Federal budget realities. Indeed, on this last score, several impromptu statistical analyses by our analysts suggest that a majority of the DI would end up no better off under the bonus system and banding. Finally, many of our managers feared the annual selection process could easily become a bureaucratic burden.

Feature 3: Performance Plan

Reaction to this feature was mixed. Many line officers and supervisors liked the idea of having a clearly articulated work plan done each year but also noted that the current AWP provides a mechanism for doing just this. To the extent DI personnel raised concern, it reflected the rigidity of the proposal. Some noted, for example, that yearly performance plans were both unnecessary and a nuisance for many experienced officers who were performing proficiently. One senior staff chief opined that "some employees would be less willing to accept ad hoc assignments or undertake 'risky' initiatives . . . not reflected in the performance plan."

Feature 4: Performance Evaluation

Not unlike the performance plan, the proposal for performance evaluation drew mixed responses. By and large, most of our personnel saw little difference between what was proposed and the PAR system now in place. Reaction to the notion of fewer rating categories was split about evenly. Managers, however, tended to be concerned about the overhead involved in introducing yet one more new evaluation tool, and many personnel voiced the opinion that the only thing wrong with the current PAR is not the form but the inability or unwillingness of managers to comment frankly on the work of those they supervise.

Feature 5: Occupational Career Handbooks

This feature seemed to be generally well liked, although a number of DI officers and managers questioned whether it was really necessary. To the extent concern was raised, it focused on a general consensus among the bulk of our personnel that career advancement be keyed to actual performance, not to rigid or "cookie cutter" prerequisites for education, training, or experience.

Feature 6: Individual Career Development Plan

Most DI personnel appeared to like this feature. Some managers raised the fear that this could become just one more piece of paper in their in-boxes, but the majority argued that this was something they should be doing anyway. Non-supervisory personnel tended to be uniformly enthusiastic.

Feature 7: Occupation-Specific Training

Feature 8: Improved Availability of Training

Responses to both of these proposed features--which are logically linked--were very positive. As one office director observed, "Why is this not being done already?" Both managers and line officers expressed deep concern that, in spite of recent improvements, OTE is still not able to provide a sufficient quantity and mix of high quality training courses. Virtually all

seemed to feel that outside training was worthwhile and deserved strong management support. The only negative reactions came in the form of the caveat that training be geared to individual needs and not to uniform profiles or pre-set quotas to fill courses.

Feature 9: Dual Track

This was one of the best liked proposals. Most managers and analysts believed that this would give the DI a boost in its ongoing efforts to create a body of substantively qualified experts rather than seeing these people lost to management positions solely because they seek advancement. Many, however, noted that the bare bones for such a dual track manager/expert system already exists in the Directorate and is well on the way to being strengthened in light of the recommendations of the recent "Layton Study." Nevertheless, there was manifestly strong and broad support among our employees for the expansion and strengthening of a non-managerial "expert track," however this might be accomplished. The only cautions raised revolved around the need to ensure that managers remain substantively expert and maintain clear lines of control over their programs and analysis, that "expert" positions not be used to harbor poor performers with high grades, and that individuals willing to take on the riskier and more onerous duties of the manager not be discouraged by the absence of additional rewards in the form of pay and prerequisites.

Feature 10: Promotion

Reaction to this proposal was rather light, possibly because many find it vague and rather imprecise. On the whole, most of our personnel tended to like the current DI career panel system and those who commented were thus inclined to view this feature favorably. Some of our managers, however, noted that the procedures and criteria suggested seem more appropriate than those outlined in the DI occupational panel report. Nevertheless, there was concern that performance--and not training, assignments, time in grade, or position--must be the determining factor in career advancement. In line with the reaction to features 1 and 2, senior managers--and office heads in particular--underscored the need for more, not less, flexibility in making promotions.

Feature 11: Flexible Benefits Program

Feature 12: Leave Conversion

Response to these two proposals was overwhelmingly strong and favorable. Without question, virtually all of our employees regarded them as long overdue. As one of our senior staff chiefs put it, "Even if no other part of the proposed HRMCTF Report is accepted, the Agency should press ahead with this feature." Concerns were few and largely related to financial and political feasibility and to the necessary lack of precision in the report

as to exactly what kinds of options might be available. One issue, however, was raised frequently and appeared to reflect a consensus of both our managers and line officers: that leave conversion and buy-back not be so unrestricted as to permit or encourage employees to take no vacation time in a given year.

Feature 13: Educational Assistance for Dependents

Reaction to this feature was mixed and characterized by either strong support or strong opposition. Many personnel welcomed such assistance, but others argued that it discriminated strongly against employees without dependents. This said, there was at least broad support for the spirit of the recommendation and many suggested that the solution is to permit loans but not link them solely to educational purposes.

Feature 14: Staffing Management Tools

Generally speaking, reaction to early and involuntary retirement was favorable, especially--and not surprisingly--from senior managers. As one office director noted, "My own feeling is that any system that gives office level managers more flexibility in structuring their organizations to meet changing conditions and requirements is a worthwhile one." Of interest, relatively few non-supervisory personnel expressed particular concern that management might abuse these options. A number of managers and line officers, however, questioned why only "experts" and SIS-level personnel would get the early-out option. In contrast, the notion of retention bonuses found few supporters, with many arguing that they are inconsistent with the early retirement option, subject to abuse, and a possible source of discontent (citing recent examples of the US military).

Feature 15: System Controls

Feature 16: Projection Tools

Most rank and file DI personnel and first line managers had little comment on these two features, which are only treated briefly and in very general terms in the report. More senior DI managers were inclined to welcome better tools for keeping track of their programs and making more efficient use of their resources. Concern, however, was widespread that these not add additional reporting burdens on already hard-pressed line units. Other respondents cautioned that "substantial care is necessary to ensure that appropriate administrative and data processing support is in place before implementation of any changes."

Overall Sense of the Directorate

Viewed as a whole, there were several common threads that seem to run throughout the reactions of most DI personnel to the HRMCTF report and its proposals.

- Although most employees recognized that the proposal for banding and merit pay are the "centerpiece" of the plan and were inclined to favor both notions in theory, they were strongly skeptical of the need for or advisability of eliminating the GS pay system.
- In contrast, reaction to most other aspects of the report, especially those proposals recommending enhanced and more flexible benefits and training, was extremely positive.
- Cynicism ran highest with regard to the financial and political feasibility of the proposals and to the ability of the already overburdened management/support system to implement them.
- Perhaps the most common negative reaction came in response to what many DI personnel perceived as the "monetary emphasis" of the principal features.

There appeared, in particular, to be an emerging consensus in the DI that change should focus on improving the current pay and evaluation system rather than substituting a radically different and untested one in its place. A frequent observation of many was that most of the benefits that adoption of the Task Force's proposal in its entirety might yield could be obtained at much less expense--especially in terms of morale--by simply modifying current procedures and dropping those that no longer make sense. These sentiments were expressed well in the words of one DI office's comments on the proposals:

- The current system is flexible enough to accommodate the positive features of the proposed new regime. We can have a two-track progression, a flexible benefits plan, bonuses, and a change in the rule that leaves people losing leave.
- Morale in the Agency is high under the present system, which works to protect the Agency from politics and to preserve expertise.
- The wider span of promotion possibilities in the GS structure is better for morale.
- The current system pays for performance.

Directorate of Intelligence

**Results of the Survey To Evaluate the
Preliminary Report of the Human Resources
Modernization and Compensation Task Force**

To All Directorate of Intelligence Employees

During August 1987, copies of the survey were distributed to all employees in the DI, and [] usable forms were returned. The distribution of respondents by occupation, grade, age, and tenure suggests they are representative of the Directorate at large. Unknown bias could have affected the results, however, and the generalization of the findings to the entire DI should be done cautiously.

Who Answered the Survey

The number of persons in each occupational group answering the survey is as follows:

- Manager
- Secretary
- Intelligence Assistant
- Analyst
- ADP personnel
- Information resource,
librarian, document analyst
- Methodologist, econometrician
- Editorial, publications
- Specialists
- Administrative support
- Others

[]

Knowledge Base

Half of the respondents spent more than three hours learning about the proposed system; the other half spent less than three hours. Two-thirds felt they had been given enough information about the proposals to make an informed decision *on its conceptualization*, while only one-fourth felt they had been given enough information to make an informed decision *on its implementation*.

Summary Judgment

When asked the "bottom line" question of whether to adopt the proposals or not, 59 percent rejected the system as presented in the report; only 15 percent approved.

Need for Change

Two-thirds of the respondents agreed there is a need to consider changes in the current GS system, yet a majority also felt they would prefer to make the needed adjustments within the GS system.

Pay and Classification Structure

Half of the respondents favored establishing occupationally defined pay bands for all occupations while 29 percent were opposed. Overall, 55 percent approved of an incentive pay system, 30 percent disapproved, and 15 percent were undecided. Two-thirds favored CIA-controlled market-price adjustments to basic pay structure.

Performance Evaluation System

Three-quarters of those answering the survey favored having a performance plan developed annually with each employee, and 70 percent agreed to have performance evaluated against the performance plan. Two-thirds approved of PARs having a significant impact on incentive pay, while 18 percent were against.

Other Features

There was substantial approval of many of the remaining features. The career development features were favored by about 70 percent of the respondents, while 85 percent favored most of the proposed benefits. About one-half of the people favored early retirement for SIS managers, early retirement for experts, and bonuses for key individuals.

Attitudes Toward Proposals

Opinion was evenly split as to whether the proposed incentive pay system would enhance motivation of employees—37 percent agreeing and 36 percent disagreeing. However, a majority believed the proposed system would increase competition while decreasing teamwork and collegiality in the DI, and nearly half saw the proposed system as giving the firstline supervisor too much control over incentive pay. Only 36 percent expected the proposed system to improve the salary potential for most employees. A similar percent expected to be better off financially.

As for potential benefits of the proposed system, only 31 percent believed the system would result in more effective appraisal of employee performance and only 35 percent believed the promotion process would become more consistent across offices.

Contrasting Employee Groups

In general, employees with fewer than six years of Agency service and those in the lower GS grades saw a greater need to change the GS system, were more favorable toward banding and pay for performance, and saw fewer flaws in the proposed system. Those groups, though, did not see any greater salary potential for most employees nor did they differ from other employees in their expectations of being any better off financially.

Analysts and managers were slightly more negative toward the proposed system than the rest of the employees combined. The SIS-level employees were distinctly less approving of banding and pay for performance while greatly more approving of delegating funding and classification control to the Directorates.

Reading the Following Table

The responses to selected items are given on the following page. In each case "Favorable" is the combined total of the responses "Approve, agree" and "Tend to approve, agree"; while "Unfavorable" is the combined total of the responses "Tend to disapprove, disagree" and "Disapprove, disagree." "Neutral" represents the remainder of the responses.

In Closing

More than 100 written responses were received by the DI MAG through the survey process. They have been read and summarized for the DDI. That report will be available shortly.

We felt it to be very important to report the results of the DI survey to you as quickly as possible. In doing so we may have erred on the side of brevity. If you would like to look at the raw data, please contact

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Thank you all for your prompt responses and thoughtful comments.

Chairman, DI MAG

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Distribution of Responses to Selected Survey Items

	Percent Favorable	Percent Unfavorable	Percent Neutral
1. Establish occupationally defined pay bands	49	29	22
2. Establish an incentive pay system	55	30	15
3. Annual performance plan	74	15	11
4. Performance evaluated against plan	70	16	14
5. PARs have significant impact on incentive pay	64	18	18
6. Promotions explicitly tied to skills, training, experience	69	15	16
7. Flexible benefits program	85	4	12
8. There's a need to consider changes in the GS system	68	18	14
9. Make adjustments by retaining most of the GS system	56	19	25
10. Proposed incentive pay system would enhance motivation	37	36	27
11. Managers would do a better job under proposed system	27	42	31
12. Proposed system would increase competition at expense of teamwork and collegiality	54	19	27
13. Proposed system would result in improved salary potential	36	32	32
14. I would be better off financially under the proposed system	36	25	39
15. Adopt it as it stands	15	59	26

**Individual DI Office Responses to the Human Resource
Modernization and Compensation Task Force Proposal**

Table of Contents

- A. Office of African and Latin American Analysis ✓
- B. Office of European Analysis
- C. Office of Near Eastern and South Asian Analysis ✓
- D. Office of Information Resources ✓
- E. Office of East Asian Analysis ✓
- F. Office of Current Production and Analytical Support ✓
- G. Office of Imagery Analysis
- H. Office of Global Issues ✓
- I. Office of Scientific and Weapons Research ✓
- J. Office of Soviet Analysis ✓
- K. Office of Leadership Analysis
- L. Management, Planning and Services Staff
- M. Collection Requirements and Evaluation Staff ✓

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4 September 1987

MEMORANDUM FOR: Deputy Director for Intelligence

FROM:

[Redacted]
Deputy Director of African and Latin American
Analysis

SUBJECT: Reaction to the Human Resources Task Force Report

1. This memo responds to your request for feedback on the July 1987 preliminary report of the Human Resources Modernization and Compensation Task Force. Paragraphs 2-5 respond to DI Notice 20-102, 30 June 1987, while paragraph 6 responds to your subsequent request for an Office-level statement of "druthers" regarding the stance the Directorate should take on major aspects of the Human Resources Task Force proposal.

2. ALA utilized two devices to elicit feedback from our cadre on the HRTF report: we held straw votes in branch meetings on the specific questions posed by the Executive Director in his prefatory memorandum to the HRTF report, and we held more traditional "feedback sessions" at the branch, division, and office level. The results of the straw vote were as follows:

"Do you agree with the Task Force that the Agency can develop a compensation system of its own?"

41 yes* 34 no 12 uncertain
(*17 caveated their vote with "but this is not it" sentiments")

"Do you think we should do what we can to improve things within the confines of the present pay system?"

69 yes 21 no 20 uncertain

"Do you believe the Agency would be improved by a system in which annual performance awards to some degree replaced promotions as a tangible expression of Agency recognition of exceptional employee performance?"

22 yes 71 no 11 uncertain

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3. The more traditional feedback sessions showed strong support in the trenches for the flexible benefits program (Feature 11), the leave conversion scheme (Feature 12), the notion of educational assistance for dependents (Feature 13), and dual-track career development (Feature 9). The reaction to the other features was fairly negative, however. The backlash to the proposal for occupationally-defined bands (Feature 1) clearly reflected the problems encountered in secretarial banding.

4. The atmospherics of the feedback sessions were revealing. One division chief's description was that the meetings in her division were "unruly, irreverent, and marked by lewd commentary on the document's cover design." Another division chief noted that his troops had begun "holding meetings on this issue on 6 March 1987 and that everyone is tired of it," and there appeared to be a widespread "what kind of fools do they think we are" reaction to the line about the new system not costing more than the current one even though nobody loses pay and half the people take home more money.

5. The "flip-side" to the disturbingly strong undercurrent of cynicism and skepticism in the reaction to the HRTF report was a somewhat surprising "rallying around" the current system. In the latter regard, the following excerpts from one of our division chief's notes are noteworthy:

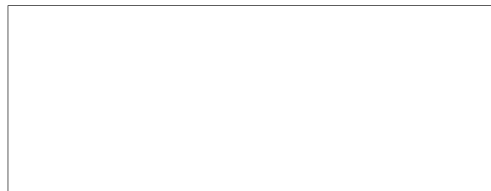
- o The current system is flexible enough to accommodate the positive features of the proposed new regime. We can have a two-track progression, a flexible benefits plan, bonuses, and a change in the rule that leaves people losing leave.
- o Morale in the Agency is high under the present system, which works to protect the Agency from politics and to preserve expertise.
- o The wider span of promotion possibilities in the GS structure is better for morale.
- o The current system does pay for performance and it is insulting to suggest otherwise.

6. Here in the ALA Front Office, Rick and I had similar reactions to the HRTF report. We both saw considerable merit in some of the features but felt that the overall program was a case of going too far too fast. While sharing some of the sentiments expressed above about the existing system, we are also proceeding on the assumption that the Agency should indeed have its own pay, personnel management, and benefits system--if only to protect against the deleterious effects of any wholesale tinkering with the GS system the future may hold. Consequently, if ALA had its "druthers," it would like to see the Agency move to a new system that includes the following:

- o The flexible benefits program outlined in the HRTE.
- o A revitalized two-track expert-manager career system along the general lines of the Layton study (SIAP).
- o A simplified banding system which would operate just like the GS system and would *not* entail elaborate incentive pay or awards. The relationship between GS grades and the new bands might be as follows:

<u>GS</u>	<u>Band</u>
1-3, 4	A
5, 6	B
7, 8	C
9, 10	D
11, 12	E
13, 14	F
15	G
	SIS 1,2,3,4

- o Retention of the current performance evaluation system vice the plan contained in the HRTE.



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cc: Deputy Director, OGI
Chief, MPSS



*"I've been in public service thirty years, at
great personal sacrifice to my family."*

4 September 1987

MEMORANDUM FOR: Deputy Director for Intelligence

FROM: John E. McLaughlin
Deputy Director, Office of European Analysis

SUBJECT: EURA Reaction to the Human Resource Task
Force Report

1. "Why reinvent the wheel just to fix a few broken spokes on the old one?" That quote from a EURA analyst captures the message I've heard most frequently going down the home stretch on this exercise. Looking back over the last six months of discussion in EURA on the "banding" concept (our two previous memos attached), I am driven to two broad conclusions that are generally in line with the above quotation:

- Analysts may not think the present personnel system is perfect, but (being good analysts) they know that nothing is, and (being hard-headed realists) they think that what they've got works pretty well.
- To the extent that analysts have complaints, they believe the problems can be addressed within the existing structure or by adopting parts of the proposed new system.

In other words, the DI does not have a big problem here. People are generally satisfied and would prefer minor tinkering rather than major change. In an imperfect world, this is a rather admirable state of affairs. Given all of the other challenges facing us as intelligence professionals, why open this can of worms? Now let me explain how we arrived at this conclusion.

2. Methodology. In assessing EURA reaction, we used the same procedure as in the previous exercise on the DI Analyst Occupational Panel report. We made the Task Force report available to all employees and asked each of our 15 branch chiefs to lead a discussion and provide memos summarizing branch views on the three subsections of the report.

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3. Range of Views. My intention is to express the prevailing sentiment on major issues, leaving it to the MAG survey to catch some of the finer distinctions and nuances in analyst opinion. To give you some idea, though, for the range of opinion in EURA, only one of our 15 branches took a basically positive view of the report. Among the remaining branches, the majority view fell into the negative to skeptical range with a sizeable minority of people expressing views that I would describe as mixed to indifferent. Most of the critical comment focused on the Proposed Pay and Classification Structure or on some of the broader philosophical questions involved in banding.

4. Background Noise. Before getting into specifics, it might be worth noting some atmospherics that I believe have strongly influenced the banding discussion from the beginning:

- First, it would be hard, in my view, to underestimate the demonstration effect of the new secretarial system as a visible example of banding in the "real world" versus the idealized version that comes across in all the paperwork. Analysts are taught to be skeptical of what they see on paper, and it has not been lost on anyone that the secretarial system in practice has been plagued with problems. 'Nuff said.
- Second, most people are uncomfortable making such a formal distinction between analytical and managerial skills. They generally support a reinforced and upgraded senior analyst track because it would offer increased opportunities. But they do not believe it is possible -- or desirable -- in the DI to have a managerial track that is divorced from substance.
- Finally, the conviction persists that banding will take place no matter what. Supposed question/answer sessions on the system have too often looked like sales pitches, and our repeated taking of the analytical "pulse" has created the impression among some analysts that "they'll just keep asking us till we get it right or until we say 'oh, go ahead.'" Nevertheless, here we go one more time...

5. Pay and Classification Structure. Most people like "pay for performance" as a concept, but as with arms control, the "devil is in the details." The bottom line is that the majority of analysts are not convinced that they or the DI would be better off under this system than under the present one.

--The most basic question that analysts raise has to do with the math. Most people who've taken a calculator to the problem, including some of our best economists, are highly skeptical that 50% of our employees could do better and nearly all the others do as well without adding more than 2-3% to the personal services budget. It simply doesn't add up unless the pay increases given to "up to 50%" are trivial in size or unless you are "robbing Peter to pay Paul." In other words, most people are convinced that someone is going to lose, but they're not sure who or how they'll be chosen.

--There are also severe doubts about the market pricing concept and a suspicion that the funds for pay raises will come from downgrading some categories of analysts. Political analysts are most forceful in arguing that they have no real equivalents in the private sector; ideally, they would like to be priced as Rand employees but fear that the fate of assistant professors is what awaits them. Economists have less anxiety about this feature, but it takes little imagination to see from this discussion what a corrosive and unworkable idea this would be in the DI if you start refining it much beyond "Intelligence Officer-General."

--Many analysts also like the identity and sense of progress that goes with the GS system. As one branch chief said, "my people like the ego boost from GS promotions and can't quite figure out how they will get the same charge from the bonus/pay increase system...two or three promotions in a whole career don't stack up to making it from GS-09 to GS-15."

--Beyond these considerations, all of the points that we made in our previous memos were reiterated in this latest go round: putting so much emphasis on pay could work against team spirit, underline "careerist" as opposed to "mission-oriented" values, and make people less willing to take analytical risks. Once again, it just doesn't work in the DI culture.

6. Performance Evaluation and Career Development Systems. As the Task Force report notes on p. 6, "the importance of performance evaluation would be further accentuated if performance pay is adopted." But in my view, anyone who believes that features like "automated performance plans" will make the

evaluation process "less complicated" in these circumstances (p.6) also believes in the tooth fairy. In the view of most EURA managers, administering a "pay for performance" system equitably would add an enormous administrative burden and push our job profiles more and more in the direction of personnel work versus substance.

--In this connection, it is worth remembering that DI managers as part of their regular duties probably devote more time to personnel management than any other group of foreign policy professionals in the US government (including the DO and the Foreign Service because of their reliance on panel systems versus our in-house career boards). Perhaps there is nothing wrong with this. Indeed, the time and energy that DI managers devote personally to carefully hiring, assessing, training, ranking, and promoting employees may explain why there are so few serious complaints. But enough is enough.

--If there is a high cost to managing such a system well, there is an even higher cost to failure. One of our division chiefs who has done some research on merit pay in other federal agencies reports that the difficulty of administering such systems often leads to something like a rotational quota system (i.e. you got yours last year, it's Joe's turn this year). This clearly would be a giant step backward from where we are today in terms of rewarding our analysts for strong performance.

--In summarizing the views of our analysts on these sections of the report, I can only say that they do not see much here that is new or cannot be easily implemented in the present system. And many of the ideas floated under these headings strike them as "eyewash" or simply lack credibility.

7. Benefits Program. In contrast to the rest of the report, most analysts generally liked the "cafeteria style" approach to benefits. By far the most widely applauded ideas were those offering greater flexibility in handling annual and sick leave. The only really critical comments heard on this section were in the "too good to be true" vein, i.e, has someone done enough homework on this to be sure it's financially feasible and is there a good chance we can get the necessary approvals?

8. Recommendations. If any one message comes through loud and clear in all of these discussions, it is: Go ahead and fine tune the old system but don't replace it lock, stock, and barrel. In that spirit, I offer the following suggestions:

- Everyone likes the goal of improving our ability to link rewards to performance. Let's build on that. The DI already has an excellent system for assessing performance; all we need is a bit more flexibility in rewarding above average performance. With the cash award system, we already have some powerful tools but we could improve the situation markedly within the GS system by making it easier for managers to grant QSIs and by revising TIG guidelines in order to make it easier to reward outstanding performers.
- Just as an Office Director can currently grant cash awards up to \$500 on his/her own authority (this could be raised to \$750 or \$1000), an O/D could be given a small pool of QSIs to award. And by revising TIG guidelines, we could create the possibility of a genuine "fast track" for truly outstanding analysts, something lacking in the Directorate today. (I would argue that we do not now make enough of a distinction between top performers and others; the current situation encourages the Directorate to promote people in two major clumps -- outstanding performers somewhere around minimum and most of the rest about 12-18 months later. And career boards are constantly wrestling with a promotion cycle that almost always puts people just under or over minimum TIG.)
- Needless to say, implementing these changes would require some study and some safeguards against lowering of standards. Obviously, we don't want to go so far in the opposite direction that promotions become meaningless.
- We can also build on another point of consensus that has emerged from all of these discussions: the strong support for increasing the numbers of and opportunities for senior analysts. There is everything to be gained from this and nothing to be lost, provided we don't fall into the trap of thinking that a dual track system implies two mutually exclusive lines of work. The Layton Committee has already laid the foundation for progress on this score.
- Building on the responsive chord the Benefits package struck with our analysts, let's push ahead to see what

improvements can realistically be achieved in that area.
There seems to be no reason why that part of the Task Force
report cannot be pursued independently.

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John E. McLaughlin

cc: C/MPSS
DD/OGI

27 March 1987

MEMORANDUM FOR:

25X1

Chief, Management, Planning and Services Staff

FROM:

John E. McLaughlin
Deputy Director, European Analysis

SUBJECT:

Reactions to the "Banding" Concept and Report
of the Analyst Occupational Panel

Jane _____

1. Because movement away from the GS system toward a new personnel management structure would be a fundamental change for the DI, EURA has devoted considerable time and energy to publicizing and discussing the proposal among its analysts and managers. As the basis for these discussions, we have used the report of the Human Resource Task Force, the Task Force's videotape, and the draft report of the Intelligence Analyst Occupational Panel. At branch, division, and Office level, EURA managers have organized a number of informal meetings to solicit employee views.

2. As the Office's Career Development Officer, I thought you might be interested in the conclusions that emerged from all of this effort. As you might have guessed, the following comments are critical in tone, so I want to add one prefatory note: I am convinced that concerns surfacing in EURA are not just the garden-variety grumbling that accompanies change in the Agency. In other words, people here aren't "fighting the problem"; they simply have a strong intuitive conviction that this system won't work in the DI and that it has the potential to cause great turmoil for little apparent gain.

3. First, some general comments on the notion of banding itself:

--The overriding reaction is puzzlement about what the new system would achieve that cannot be done within the current system (or by revising it at the margins). We wonder if anyone has ever drawn up a list of improvements that would be possible only through "banding" and then asked whether the disruption would be worth the gain.

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- There is a belief that Agency leadership is not open to questioning from below on the basic concept of banding, even though it might be receptive to comments on some of the details of implementation. In short, the "we welcome your views" tone of much of the task force material has not eroded the impression that a new personnel system is being imposed from the top.
- There is a nearly universal perception in the Office that this process is proceeding too rapidly without adequate deliberation and reflection at each stage. None of the material from the Task Force goes beyond asking us to take on faith that a new system will be better. To focus discussion, we recommend that OP draw up a notional pay and benefits schedule under banding that would include specific salary levels that could be compared to those in the GS system.
- Even if we were to move to a banding system, the heart of pay-for-performance remains pay. An infusion of additional funding will be necessary to make such a system work, unless the money to pay high performers is found by reducing benefits or eliminating longevity increases for the majority of employees. Budgetary realities do not seem to permit the former. And reducing the pay/benefits of some employees to pay others more would seriously degrade the morale of most of the workforce (and make it difficult for some employees to engage in responsible financial planning). Why not some simpler steps such as a loosening of QSI guidelines to make it easier for managers to link pay more closely and immediately to performance?
- Even if a solution is found to the dilemma of money, we see two other adverse consequences that could result from the competition for pay bonuses. One would be an unhealthy rivalry among analysts rather than the interdisciplinary cooperation and team spirit we have all been working for since 1981. Another would be a deterioration of the product as analysts vie for more active accounts or seek to work on flashier topics while neglecting other essential work.
- As has happened in other agencies under Merit Pay systems, there is potential for banding to turn into a quota system rather than function as a tool for motivating better performance. (For example, if three awards are available each year to a branch of 12 persons, the strong temptation would be to rotate them so that each person would get an award every four years.)

--Banding almost certainly will bring more centralization in personnel administration. A new panel evaluation structure would probably emerge to evaluate larger groups ("bands") of analysts in a more time-consuming and far less understandable way. This runs counter to the Agency's efforts to devolve responsibility over the past several years under the "Search for Excellence" campaign.

4. On the work of the Analyst Occupational Panel itself: We endorse strongly portions of the report, especially the stress on an equitable performance appraisal system as the foundation of any new structure. However, we also see a number of problems:

--It simply seems unrealistic in the DI to carry a two-track career system (analyst/manager) to the extreme suggested in the report. Management and substance are so interwoven in our work (from first line manager right up to the DDI!) that the concept of a manager whose job focuses primarily on administrative matters is simply alien to the culture. The typical DI manager, especially when dealing with counterparts from policy agencies, is obliged to have a sophisticated substantive grasp or risk being ignored. We are convinced that trying to separate the analytical and managerial tasks as neatly as the report suggests would be bad for the DI, bad for career development, and bad for the Agency.

--The Panel proposes significant curbs to the authority and role of managers (who would become much less "substantive experts" than "administrators," while a branch senior analyst would take on the burden of quality control and review of the product). This would set up two competing lines of authority within the branch. Carried to its worst, this could result in an additional unwanted layer of editorial review.

--We certainly agree that the DI needs more senior analysts, but we suggest that it would be worth trying to breathe some life into the existing Senior Intelligence Analyst Program before going to a whole new system. The GS-15 slots in the SIAP have never been fully subscribed. It would probably be possible to remedy this situation by taking some steps to enhance the status of the program and encourage greater participation in it.

--The Panel's proposed safeguard against expected managerial abuse--evaluation of managers by their subordinates--is almost certainly unworkable in practice. (As you would expect, there are differences within EURA on this idea. It

seems attractive to some junior analysts with relatively little experience. But most senior analysts, and all managers, believe this could lead to confusion and, at worst, confrontation.)

--A number of the "perks for performers" are unrealistic, mostly because they involve potentially substantial cash outlays. But some smack of paternalism--for example, an Agency resort.

5. In sum, we think it is necessary to step back a few paces and try to gain perspective on the need for moving to a new system. Based on what's been described to us, we believe the DI would quickly come to regret the establishment of a new system that had as its point of departure the report of the Human Resource Task Force.



John E. McLaughlin

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15 July 1987

MEMORANDUM FOR:

25X1

Chief, Management, Planning and Services
Staff

FROM: John McLaughlin
Deputy Director, Office of European Analysis

SUBJECT: EURA Reaction to the Report of the DI Analyst
Occupational Panel

1. EURA's guard is still up. After two weeks of concentrated discussion on the Panel's report, some positive impressions have emerged, but the prevailing reaction is skepticism and a concern that more trouble than good could come out of the exercise. And apart from the clear pro and con impressions, there is lingering confusion, detailed below, on some aspects of the report.

2. Methodology. The reactions I summarize in this memo were gathered in the following manner. We circulated the Panel's report to all EURA personnel and sent a note to our 15 Branch Chiefs requesting a memo from each of them on the reaction within their branches. I also asked anyone who wanted to comment separately to send me a note. In pulling together the observations that follow, I am giving you a thematic summary rather than trying to capture every shade and nuance of opinion expressed in EURA. I am not attaching the memos I received from within the Office but would be glad to send them to you if you would find that useful.

3. On a Positive Note. In general the Panel's report was seen as closer to the mark than the initial effort. To most people, five analyst levels (entry through expert) make more sense than the three levels proposed in the first report. Most analysts also thought the Panel had correctly defined the seven key dimensions of the occupation. Finally, there is general receptivity to the idea of making more senior analyst positions available and encouraging more people to move in that direction. But even on these positive notes, we would register two strong reservations:

- o First, while everyone favors added emphasis on senior analysts, there is broad concern about a two-track system that makes such a formal distinction between analytical and managerial skills. In short, we believe that DI managers must remain strongly substantive in order to operate effectively here and interact credibly with counterparts from other agencies. Most managers agree that it is already increasingly difficult to isolate time for necessary substantive work and believe that this trend

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would only be reinforced by the proposed new system.

- o Second, we have yet to see a convincing argument that the objectives we like in the Panel's report cannot be achieved through minor modification of the current GS system. Levels 1 through 5, for example, do not seem all that different from GS 11 through 15. Moreover, we already have a senior analyst program that historically has been undersubscribed. On balance, the current DI effort (the Layton Committee) to assess and reinvigorate the existing program seems a more sensible approach than a wholesale change in the system.

4. The Down Side. In characterizing the overall reaction to the report among their people, our Branch Chiefs used terms ranging from "skeptical" to "seriously flawed" to "overwhelmingly negative". Many specific points were mentioned, but I believe most would fit under three broad headings:

- o Promotion Policy. The concept of probationary promotions was roundly abused in all branches. Analysts and managers questioned not only the wisdom but even the legality of the idea. In general this was viewed as a Pandora's Box that, once opened, would raise all sorts of morale problems, not to mention elementary questions such as how employees would be able to engage in sound financial planning. One analyst dreaded what he called "an overbearing need to continually prove oneself to a management that will promote only if there is an escape clause to reverse the decision." Beyond such reactions there were also numerous questions about how it would work: Is the pay increase withheld during the probationary period? Or is it awarded subject to withdrawal if the employee does not achieve/maintain satisfactory performance? As with arms control, the "devil is in the details."
- o Senior Analysts -vs- Managers. Although there was broad support for increasing senior analyst opportunities and for the idea of freer movement between analytical and managerial ranks, most people had trouble envisioning how this would work in practice, and particularly how senior analysts would relate to managers. Many thought that the "fuzzy" nature of the relationship (Who does the senior analyst work for? Who reviews his/her work? What does it mean for a senior analyst to "coordinate" work with a supervisor?) could lead to an adversarial relationship and to "disruptive stress and conflict". Others thought the real question was whether there would be equality between the two tracks (Would senior analysts have private offices and other "percs" that usually go to managers.). Bottom line: People like the concept but

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system would distract us from this mission for a prolonged period. Especially during the transition phase, we would tend to become very "inner-directed" -- a dangerous tendency in an organization that is already physically remote from the rest of the foreign policy community and, in my view, overly prone to study itself anyway. At minimum, it is clear that for a considerable period of time, senior managers would be even more distracted than at present from the core issues of our profession. Something to think about.

John McLaughlin

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