



Chapter Title: Introduction

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Book Author(s): Laura Werber, Lindsay Daugherty, Edward G. Keating and Matthew Hoover

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Introduction

The vast majority of U.S. Department of Defense (DoD) and, indeed, federal civilian employees work on the General Schedule (GS) personnel system.¹ The GS system has 15 numbered grades and ten steps within each grade. Under the Classification Act of 1949 (Pub. L. 81-429), the GS system was developed with the goal of establishing internal equity for federal employees. James (2002) defines *internal equity* as a fairness and consistency criterion aimed at ensuring that each job is compensated according to its relative place in a single hierarchy of positions. The GS system's creators used work-level descriptions to extend a central job evaluation system to all white-collar positions and merged several schedules (James, 2002).

Some concerns have been raised about the GS system. For instance, the U.S. General Accounting Office (1990) examined challenges in dealing with poorly performing employees, finding that the government has had to tolerate less-than-fully-successful performance for extended periods of time. That study presented options, including legislation to link pay to performance more closely for GS employees. Although the public sector has been using pay-for-performance systems for decades (see, for example, Brady's 1973 exposition on the use of management by objectives, or MBO, in the U.S. Department of Health, Education, and Welfare²), the perception existed that additional opportunities to strengthen the link between performance and compensation remained.

The U.S. General Accounting Office (1993) argued that agencies need greater flexibility in designing their performance management systems. Monetary rewards were not believed to be directly linked to performance. The study noted that the Office of Personnel Management (OPM) was considering ways to strengthen the link between pay and performance for GS employees.

In response to such concerns about the GS system, Congress authorized some "demonstration" projects that provide additional flexibilities, with the goal of producing better outcomes than if the employees were in the GS system. These demonstrations, which are limited in size and require periodic reauthorizations, are inherently trials, i.e., Congress has not com-

¹ According to Defense Manpower Data Center (DMDC) civilian personnel data, 521,935 of 788,289 civilian employees (66 percent of DoD employees) on September 30, 2011, were covered by the GS system. Another 138,480 (18 percent) were covered by various blue-collar, e.g., wage-grade, systems. By contrast, the 15,250 employees in the Civilian Acquisition Workforce Personnel Demonstration Project (AcqDemo) represented fewer than 2 percent of DoD civilian employees on September 30, 2011.

² MBO is a goal-setting approach to employee motivation pioneered by Drucker (1954). MBO was one of the first widely used personnel management techniques in which the attainment of specific, long-term goals was recognized and rewarded. Gibson and Tesone (2001) and Miller and Hartwick (2002) suggest that MBO's popularity has waned and, as originally envisioned, may be less appropriate in today's more volatile work environment. Nevertheless, some elements of MBO are still applied in private and public sector management practices.

mitted to permanent implementation of these approaches but is instead testing the approaches to see whether they prove to be beneficial. One such demonstration project, AcqDemo, is the subject of this report.³

The National Defense Authorization Act (NDAA) for Fiscal Year (FY) 1996, as amended by §845 of the NDAA for FY 1998, allowed DoD, with approval of OPM, to conduct a personnel demonstration project within its civilian acquisition workforce (AW). AcqDemo was implemented on February 7, 1999, in accordance with 64 *Fed. Reg.* 1426 (OPM, 1999). AcqDemo was an opportunity to reengineer the civilian personnel system to meet the needs of the Acquisition, Technology, and Logistics workforce and to facilitate the fulfillment of the DoD acquisition mission.

It is not surprising that the acquisition workforce was granted such a personnel demonstration project. Since the enactment of the Defense Acquisition Workforce Improvement Act (DAWIA) of 1990 (Pub. L. 101-510), DoD has strived to professionalize a workforce the 1986 President's Blue Ribbon Commission on Defense Management (the Packard Commission) described as "undertrained, underpaid, and inexperienced" (p. 65). The U.S. General Accounting Office issued a series of reports on these efforts, e.g., U.S. General Accounting Office (1996).

The AcqDemo Program Office (2006) provided an evaluation of AcqDemo as of that year. The report suggested that AcqDemo succeeded in retaining high contributors and in increasing the separation rates of low contributors. The report's authors also noted increased customer and workforce satisfaction.

Section 872 of the NDAA for FY 2011 extended AcqDemo authority from FY 2012 to FY 2017. Section 872(a)(1)(e) of the FY 2011 NDAA also required the Secretary of Defense to designate an independent organization to conduct two assessments of AcqDemo, the first of which was to be completed not later than September 30, 2012, and the second not later than September 30, 2016. Human Capital Initiatives within the Office of the Under Secretary of Defense for Acquisition, Technology, and Logistics (OUSD[AT&L]), which administers AcqDemo, asked the RAND Corporation to be the independent organization to conduct the first assessment. RAND has undertaken previous research on the acquisition workforce, including Gates, Keating, Jewell, et al. (2008) and Gates, Keating, Tysinger, et al. (2009). RAND has also undertaken previous workforce demonstration program evaluations, including a series of evaluations of the PACER SHARE Productivity and Personnel Management Demonstration project at the Sacramento Air Logistics Center. See, for instance, Orvis, Hosek, Mattock, Haigazian, et al. (1990) and Orvis, Hosek, Mattock, Mazel, et al. (1993).

³ There are other personnel demonstration projects, such as the Science and Technology Reinvention Laboratories (known as STRLs, or LabDemo). These other demonstration projects tend to be similar to AcqDemo in that they delegate and streamline the position classification and assignment processes, give managers a wider range of applicants and flexibility in how they set pay, link compensation to employee contribution to the mission, and create processes to reward high contributors and facilitate improvement for low contributors. See, for instance, 76 *Fed. Reg.* 8530 and 75 *Fed. Reg.* 77380 (Office of the Deputy Under Secretary of Defense for Civilian Personnel Policy, 2011, 2010).

Purpose

This assessment is intended to provide a preliminary account of how well AcqDemo is performing relative to a legislatively prescribed set of criteria. The elements of the assessment mandated by Congress are listed in Table 1.1 (Pub. L. 111-383, §872[a][1][e]).

Research Approach

Analytic Challenges

Our research approach was heavily influenced by three factors:

- RAND had a 3.5-month time frame during which to conduct its independent assessment.
- The workforce managed under the AcqDemo project almost quintupled in 2011, growing from 3,069 employees at the end of 2010 to 15,250 employees at the end of 2011.
- The employees managed under the AcqDemo project across multiple rating cycles constitute a relatively small and somewhat unique group.

Table 1.1
Legislatively Prescribed Assessment Criteria

Criterion	Description
A	A description of the workforce included in the project.
B	An explanation of the flexibilities used in the project to appoint individuals to the acquisition workforce and whether those appointments are based on competitive procedures and recognize [veterans'] preferences.
C	An explanation of the flexibilities used in the project to develop a performance appraisal system that recognizes excellence in performance and offers opportunities for improvement.
D	The steps taken to ensure that such system is fair and transparent for all employees in the project.
E	How the project allows the organization to better meet mission needs.
F	An analysis of how the flexibilities in subparagraphs (B) and (C) are used, and what barriers have been encountered that inhibit their use.
G	Whether there is a process for—(i) Ensuring ongoing performance feedback and dialogue among supervisors, managers, and employees throughout the performance appraisal period; and (ii) Setting timetables for performance appraisals.
H	The project's impact on career progression.
I	The project's appropriateness or inappropriateness in light of the complexities of the workforce affected.
J	The project's sufficiency in terms of providing protections for diversity in promotion and retention of personnel.
K	The adequacy of the training, policy guidelines, and other preparations afforded in connection with using the project.
L	Whether there is a process for ensuring employee involvement in the development and improvement of the project.

SOURCE: Pub. L. 111-383, 2010, §872(a)(1)(e).

With respect to the first factor, RAND's research contract with OUSD(AT&L) commenced on February 16, 2012. The first draft report was required to be delivered by June 1, 2012, with a revised, peer-reviewed version due by July 13, 2012. This compressed time frame limited our ability to engage in the primary data collection we normally would have conducted for such an assessment and to issue requests for administrative data. With more time, we would have conducted interviews with a sample of supervisors, pay pool managers, data maintainers, and human resource professionals representing different components and sites; interviews or focus groups with demographically diverse employees managed under AcqDemo, again from different components and sites; and a survey of employees and supervisors. These efforts would have yielded information about attitudes and perceptions that would inform the AcqDemo assessment for several criteria (e.g., criterion F on barriers, criterion K on the adequacy of preparations intended to inform AcqDemo use). We could not engage in these efforts in large part because of the approval processes required for large-scale data collection efforts, including human subject protection and DoD licensing. Obtaining these approvals alone could take more than the full time frame allotted for our analysis. Fortunately, as we discuss later, other data sources were available that did provide us with some information about attitudes and perceptions, and we did engage in a limited number of interviews.

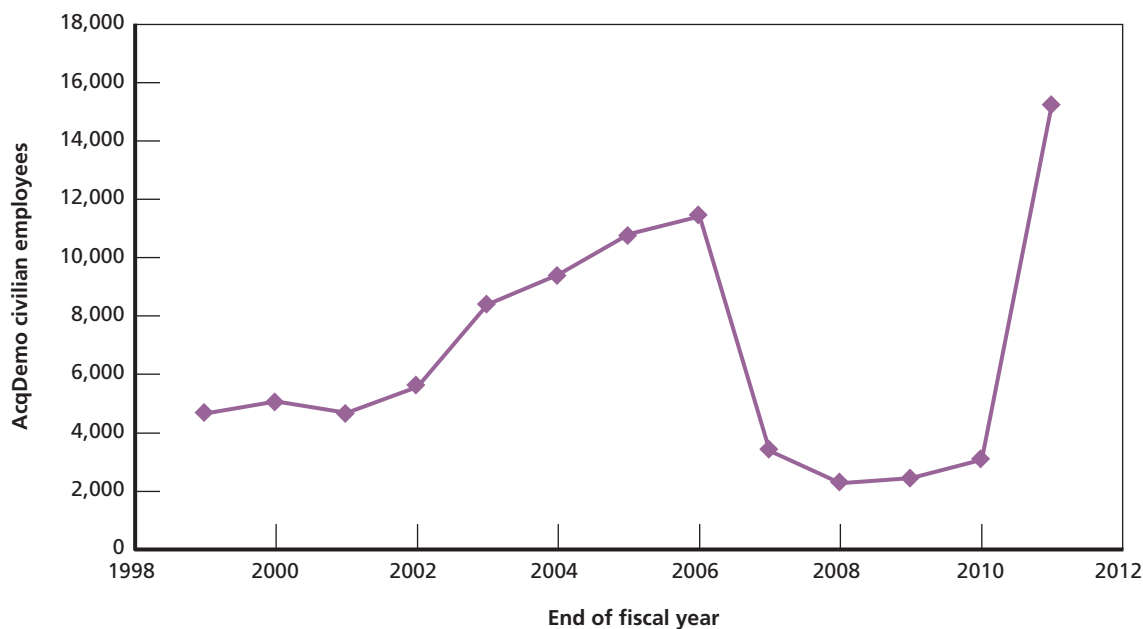
We also had access to civilian personnel inventory snapshots from DMDC. These end-of-fiscal-year files tabulated who was employed by DoD, whether they were in AcqDemo, their organizations, their pay levels, and other demographic information. One can infer accession into and attrition out of AcqDemo and DoD employment by comparing different years' snapshots.

We did not, however, have access to other data that might have assisted us, such as Equal Employment Opportunity grievances and individual employees' performance ratings.

Our research approach was also influenced by two interrelated factors, both of which stem from AcqDemo's history. Launched in 1999, AcqDemo increased its population to 11,416 in September 2006. But, in 2007, the vast majority of AcqDemo's employees were transferred into the National Security Personnel System (NSPS). AcqDemo then persisted for four years with roughly 2,000 to 3,000 employees, most of whom were unionized and employed by the Army. However, in 2011, NSPS was eliminated, and those organizations that had transferred out of AcqDemo into NSPS transferred back into AcqDemo. This meant that the AcqDemo workforce almost quintupled in 2011, growing from 3,069 employees to 15,250 employees, its largest size ever (see Figure 1.1). The timing immediately before our assessment was a period of great transition during which AcqDemo, a multifaceted personnel system, was implemented across many locations, and organizations were guided through their first performance appraisal cycle under the new system. Thus, we were unable to conduct an assessment of AcqDemo under "steady-state" conditions, which would be the true test of how AcqDemo's flexibilities have been used and what influence they have had on personnel outcomes and organizations' ability to better meet mission needs. As Stecher and his colleagues noted in their analysis of performance-based systems in the public sector, "[a]n evaluation should focus on outputs only after performance measures and incentives have been in place long enough to influence behavior" (Stecher et al., 2010, p. xxviii).

This irregular history posed an additional limitation on our analysis: The employees managed under the AcqDemo project across multiple performance appraisal cycles constitute a relatively small and somewhat unusual group. The vast majority of AcqDemo's current employees have been in AcqDemo continuously for only a year or less (though many have past experience

Figure 1.1
AcqDemo End-of-Fiscal-Year Civilian Populations



SOURCES: DMDC civilian data files, end-of-fiscal-year snapshots.

RAND TR1286-1.1

in AcqDemo before they joined NSPS). Hence, it is very hard to identify an “AcqDemo effect” (i.e., how outcomes would have been different if the employees had not been in AcqDemo) because relatively few employees have been continuously “treated” for a long period.

Also, those employees who stayed in AcqDemo and did not leave for NSPS are different from those who left. In particular, as we discuss in Chapter Nine, employees who stayed were disproportionately likely to be unionized and Army employees. Hence, although these individuals have a longer history of “treatment” in AcqDemo, their experiences are not likely to be representative of a “typical” AcqDemo employee.

In light of these factors, more definitive calibration of the effects of AcqDemo will need to await a future assessment based on a longer history of stability in the program. The demise of NSPS has “reset” AcqDemo, i.e., brought in an influx of new employees. So, although we provide insights as to how AcqDemo is doing, our findings should be viewed as preliminary in light of the program’s history.

Data Sources and Analysis

Within the constraints noted in the previous section, we tried to obtain all data available as of the spring of 2012, both subjective and objective, to inform our analysis. Ultimately, we used four types of data sources in our assessment, described in more detail in this section:

- program-related materials
- 2012 AcqDemo survey conducted by SRA International
- interviews with AcqDemo program experts
- DMDC civilian personnel data files.

Some information was available through publicly available sources, such as *Federal Register* notices; others, such as the DMDC civilian personnel data file, were already available at RAND and simply required data-use agreements; and a third set of sources were acquired in close coordination with the AcqDemo Program Office, which promptly responded to all of our data requests and identified additional data sources of potential value to our assessment.

Program-Related Materials

The first data source on which we relied for our analysis was a series of program-related materials: AcqDemo operating guidance, AcqDemo training materials, archival materials, and materials from the April 2012 AcqDemo 2.0 conference. AcqDemo operating guidance included 64 *Fed. Reg.* 1426 (OPM, 1999); the AcqDemo operating procedures (AcqDemo Program Office, 2003) in use at the time of our assessment; the Evaluation and Assessment Review Committee (EARC) charter; and the Training Review and Advisory Committee (TRAC) charter. AcqDemo training materials consisted of training briefings for different target audiences (e.g., senior leadership, employees, supervisors) and usage manuals. Archival materials included those related to the 2006 AcqDemo summative evaluation report (AcqDemo Program Office, 2006), and the minutes from 13 AcqDemo Executive Council meetings (spanning March 2011 through January 2012) and five EARC meetings (spanning April 2011 through March 2012), as well as seven site historian reports submitted to the AcqDemo Program Office in the 2011–2012 time frame. Finally, we attended the April 2012 AcqDemo 2.0 conference and obtained copies of all the presentations, which included program overview information presented by the AcqDemo Program Office and its lead contractor, SRA International; seven organization-specific lessons-learned briefings that covered successes and challenges experienced during the transition period, the first performance appraisal cycle, and current operations; and presentations of recommended design modifications.

The RAND project team reviewed all these materials, synthesized meeting minutes and site historian reports into summary documents, and engaged in a series of discussions to determine which documents informed each assessment criterion and how.

2012 AcqDemo Survey

Although we did not have time to develop, field, and analyze a survey of the AcqDemo workforce, before RAND was contracted to conduct its assessment, efforts were already under way to administer such a survey. Under the leadership of the program director and in consultation with the Executive Council, the EARC, and SRA International, a survey design was developed that included plans to survey the entire AcqDemo workforce, as well as a set of organizations not under AcqDemo that would serve as a comparison group.⁴ The survey instruments included general questions about demographics, group dynamics, and career development that were presented to both groups, as well as a series of AcqDemo-specific questions that were included only in the survey intended for the AcqDemo workforce. Questions tended to be multiple-choice, making use of Likert scales with a neutral midpoint and frequently a “no basis

⁴ The comparison-group respondents came from the Air Force Air Armament Center and from four Army Test and Evaluation Command locations: the Aberdeen Test Center, Dugway Proving Ground, Yuma Proving Ground, and White Sands Missile Range.

to judge” option,⁵ but they also included a small number of open-ended questions for write-in responses.

The web-based survey was fielded during January through April 2012. The survey was initially intended to close in mid-February 2012 but was left open longer in order to increase the survey response rate. Ultimately, 5,256 AcqDemo employees and 700 employees from comparison-group organizations submitted a survey, corresponding to overall response rates of 34 percent and 16 percent, respectively. SRA International provided us with survey instruments, as well as the data, for each survey. We received the full data files, including write-in text responses to open-ended questions.

Upon receipt of the survey data files, we first assessed how representative the survey was of the AcqDemo workforce. In many ways, we found that the survey sample was quite a close match to the AcqDemo population. The notable exceptions were that the survey sample tended to have a higher level of education than that of the full AcqDemo workforce, the Marine Corps was underrepresented in the survey and DoD agencies overrepresented, and the proportion of supervisors taking the survey was slightly greater than that in the overall AcqDemo workforce. To account for these differences between respondents and the AcqDemo population, we applied weights to survey responses that essentially leveled out the skewed responses in terms of education, organization, and supervisor status. Ultimately, we analyzed both the quantitative and the qualitative data from the survey. We regarded findings as significant if they were statistically significant at the 5-percent level ($p < 0.05$). For details about how we conducted these steps of the analysis, see Appendix A.

Interviews

We conducted interviews with AcqDemo Program Office staff, the contractors tasked with program support and training development (SRA International and Rouse Consulting, respectively), members of the Executive Council, members of the EARC, and human resource professionals from an additional AcqDemo location not represented in other interviews. In this report, we often refer to these interviewees as subject-matter experts (SMEs). In total, from February to May 2012, we conducted six interviews with 15 people. Topics varied depending on the expertise and backgrounds of the interviewees but frequently included questions that mapped to the 12 criteria (e.g., “how have AcqDemo’s hiring flexibilities been used?”) and more general questions (e.g., “what are AcqDemo’s strengths and weaknesses?”). Detailed notes were taken during each interview, and the notes were incorporated into our analysis of different criteria.

Defense Manpower Data Center Civilian Personnel Data

We analyzed annual end-of-fiscal-year snapshots of the DoD civilian workforce provided by DMDC. These annual snapshots include information about each employee’s demographics, location, job description, income, and other descriptive variables. Of particular interest, we can identify those employees in the three pay plans (business management and technical management professional [NH], technical management support [NJ], and administrative support

⁵ Several different five-point Likert scales were used in the survey: one ranging from “strongly satisfied” to “strongly dissatisfied,” one ranging from “very positive” to “very negative,” and a third ranging from “strongly agree” to “strongly disagree.” The satisfaction and agreement scales also included a “no basis to judge” alternative.

[NK]) associated with AcqDemo.⁶ We can also trace individual employees over time, e.g., as an employee enters and exits AcqDemo.

Taken together, these varied data sources, qualitative and quantitative, objective and subjective, provide the foundation for our analysis. Table 1.2 identifies the sources we used to address the different criteria.

Organization

The report is organized around the 12 criteria listed in Tables 1.1 and 1.2, with one chapter for each criterion. We conclude with a set of overarching observations about AcqDemo and a dis-

Table 1.2
Legislatively Prescribed Assessment Criteria and the Data Sources We Used to Address Them

Criterion	Label	Program-Related Materials	AcqDemo Conference	AcqDemo Survey Multiple-Choice Questions	AcqDemo Survey Written Responses	RAND Interviews	DMDC Civilian Personnel Data
A	Workforce description						x
B	Explanation of appointment flexibilities	x				x	
C	Explanation of performance appraisal flexibilities	x				x	
D	Steps to ensure fairness and transparency	x			x	x	
E	How the project helps organizations better meet mission needs	x	x	x		x	
F	Application of flexibilities and barriers to their use		x	x	x	x	
G	Process for performance appraisal feedback	x	x	x	x	x	
H	Impact on career progression		x	x	x	x	x
I	Appropriateness in light of complexities of the workforce			x	x	x	x
J	Sufficient protections for diversity in promotion and retention		x	x		x	x
K	Adequacy of training	x	x	x		x	
L	Process for ensuring employee involvement	x	x	x		x	

⁶ The NH pay plan is for business management and technical professional personnel. The NJ pay plan is for technical management support personnel, i.e., “techs.” The NK pay plan is for administrative support personnel. See AcqDemo Program Office (Fall 2011 senior leader briefing, slide 8).

cussion of the assessment of the program scheduled for 2016. Appendix A provides additional detail about our research approach, and Appendix B features an exploratory analysis of career outcomes of the unionized employees managed under AcqDemo at the end of FY 2008.

