



Highlights of [GAO-09-464T](#), a testimony before the Subcommittee on Readiness, Committee on Armed Services, House of Representatives

Why GAO Did This Study

The Department of Defense (DOD) is in the process of implementing its new human capital system for managing civilian personnel—the National Security Personnel System (NSPS). Key components of NSPS include compensation, classification, and performance management. Implementation of NSPS could have far-reaching implications, not just for DOD, but for civil service reform across the federal government. As of February 2009, about 205,000 civilian employees were under NSPS. Based on GAO's prior work reviewing performance management in the public sector, GAO developed an initial list of safeguards that NSPS should include to ensure it is fair, effective, and credible. In 2008, Congress directed GAO to evaluate, among other things, the extent DOD implemented accountability mechanisms, including those in 5 U.S.C. section 9902(b)(7) and other internal safeguards in NSPS.

This statement is based on GAO's September 2008 report, which determined (1) the extent to which DOD has implemented internal safeguards to ensure NSPS was fair, effective, and credible; and (2) how DOD civilians perceive NSPS and what actions DOD has taken to address these perceptions. For that report, GAO analyzed relevant documents and employee survey results; interviewed appropriate officials; and conducted discussion groups at 12 selected installations. GAO recommended ways to better address the safeguards and employee perceptions.

[View GAO-09-464T](#) or [key components](#). For more information, contact Brenda S. Farrell at (202) 512-3604 or farrellb@gao.gov.

HUMAN CAPITAL

Improved Implementation of Safeguards and an Action Plan to Address Employee Concerns Could Increase Employee Acceptance of the National Security Personnel System

What GAO Found

While DOD has taken some steps to implement internal safeguards to ensure that NSPS is fair, effective, and credible, in late 2008, GAO found that the implementation of three safeguards could be improved. First, DOD does not require a third party to analyze rating results for anomalies prior to finalizing ratings, and thus it does not have a process to determine whether ratings are nondiscriminatory before they are finalized. Without a predecisional analysis, employees may lack confidence in the fairness and credibility of NSPS. To address this finding, GAO recommended that DOD require predecisional demographic and other analysis; however, DOD did not concur, stating that a postdecisional analysis is more useful. GAO continues to believe this recommendation has merit. Second, the process lacks transparency because DOD does not require commands to publish final rating distributions, though doing so is recognized as a best practice by DOD. Without transparency over rating distributions, employees may not believe they are being rated fairly. To address this finding, GAO recommended that DOD require publication of overall final rating results. DOD concurred with this recommendation and in 2008 revised its guidance to require such publication. Third, NSPS guidance may discourage rating officials from making meaningful distinctions in employee ratings because it indicated that the majority of employees should be rated at the "3" level, on a scale of 1 to 5, resulting in a hesitancy to award ratings in other categories. Unless implementation of NSPS encourages meaningful distinctions in employee performance, employees may believe there is an unspoken forced distribution of ratings, and their confidence in the system will be undermined. To address this finding, GAO recommended that DOD encourage pay pools and supervisors to use all categories of ratings as appropriate. DOD partially concurred with this recommendation, but has not yet taken any action to implement it.

Although DOD employees under NSPS responded positively regarding some aspects of performance management, DOD does not have an action plan to address the generally negative employee perceptions of NSPS. According to DOD's survey of civilian employees, generally employees under NSPS are positive about some aspects of performance management, such as connecting pay to performance. However, employees who had the most experience under NSPS showed a negative movement in their perceptions. For example, the percent of NSPS employees who believe that NSPS will have a positive effect on DOD's personnel practices declined from an estimated 40 percent in 2006 to 23 percent in 2007. Some negative perceptions also emerged during discussion groups that GAO held. For example, employees and supervisors were concerned about the excessive amount of time required to navigate the process. While it is reasonable for DOD to allow employees some time to accept NSPS, not addressing persistent negative employee perceptions could jeopardize employee acceptance and successful implementation of NSPS. As a result, GAO recommended that DOD develop and implement an action plan to address employee concerns about NSPS. DOD partially concurred with GAO's recommendation, but has not yet developed an action plan.