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## Civilian Personnel Reform Proposals

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**TITLE:** *Expand DoD Title 10 Authority* (Civilian Reform Proposal 1)

**PROPOSAL SUMMARY:** This reform proposal will move the remainder of the Department of Defense non-bargaining unit civilian workforce from Title 5 authorities to Title 10 authorities for all personnel management actions, including hiring, determining compensation, managing performance, and promotion. This proposal does not prescribe details for a new personnel system for those personnel; instead, its goal is to provide the Secretary of Defense with the authority and flexibilities he currently lacks to directly make decisions about an additional 15-20% of his workforce that currently falls under Title 5 authorities and is governed by the Office of Personnel Management (OPM). Importantly, it will also enable other Force of the Future reform proposals, such as establishing more flexible pay structures, piloting new personnel systems, and hiring students and recent graduates.

**CURRENT CHALLENGES:** The Department of Defense is in need of an enterprise-wide, comprehensive set of hiring and personnel management authorities that enable it to effectively acquire, develop, and retain its civilian workforce. There are currently 66 different civilian personnel systems within the Department of Defense, each with different rules and flexibilities. Instead of attempting to navigate this disparate construct of systems and authorities when the workforce requires additional flexibilities, the Department of Defense must begin to move its civilian workforce under a single authority controlled directly by the Secretary of Defense. This reform will enable more efficient, effective, and necessary decisions on how Department of Defense personnel are managed. For this reason, placing additional components of the DoD workforce under Title 10 is a necessary step to enable such an integrated system and successfully carry out many of the reform proposals that follow in the Force of the Future report.

Two-thirds of DoD's civilian workforce is hired and managed under Title 5 "competitive service" authorities. The current Title 5 General Schedule (GS) personnel system is outdated, rigid and representative of a workforce demographic from more than 60 years ago. When the current system was established in 1949, 70% of the white collar positions were clerical; comparatively, today's DoD civilian workforce is comprised of professional occupations such as information technology specialists, scientists, engineers, logisticians, financial managers, mathematicians and cybersecurity specialists. Although the current federal personnel management system is based on important core principles, those principles are operationalized in an inflexible, one-size-fits-all-system of defining work, hiring staff,

managing people, assessing and rewarding performance, and advancing personnel. These inherent weaknesses make support of DoD's mission complex, costly and ultimately risky.”<sup>1</sup>

Many reform proposals within the Force of the Future report require legislative change that may be difficult to implement effectively under Title 5 authorities. If they were approved as amendments to Title 5, they may further complicate an already convoluted system, creating additional bureaucracy by adding to the already lengthy list of special authorities that human resources (HR) personnel and hiring managers must understand. Agencies with some of the highest employee engagement scores, such as the Department of Commerce, National Science Foundation, NASA, and the FDIC are all exempt from Title 5.<sup>2</sup> Even agencies within the Defense Intelligence Community typically rate higher than the rest of the Department of Defense, indicating that by OPM's own measurements, federal agencies that are more exempt from the Title 5 rules have more engaged employees.

At a time when private sector recruitment and compensation practices are aggressive and highly adept at targeting a talent spectrum ranging from new college graduates to seasoned professionals in various fields, the Department is increasingly unable to recruit diverse and top-tier talent efficiently and effectively. When vacancies are filled, supervisors have expressed concern over the talent they ultimately attained. The limited hiring flexibilities afforded under Title 5, such as Direct Hire Authority (DHA) and recruiting bonuses, are largely centralized outside of the DoD in a way that requires OPM approval for any expansions in how these authorities are applied. These authorities are underfunded and unduly constrained, rendering them insufficient to meet DoD's civilian workforce needs because the rules are cumbersome and provide barriers to effectively recruit and retain a high quality workforce. The OPM-regulated hiring process, supported by USAJobs' self-certification requirement, provides unsatisfactory lists of highly qualified candidates, and OPM has been slow to recognize and refine the system to allow the application of Veterans' Preference only amongst the truly best qualified. Fortunately, the Department has successfully deployed such a hiring program under independent Title 10 authorities in the Intelligence Community (IC).

Under Title 10 authorities, the Department of Defense moved a sizeable portion of its workforce to the IC's Defense Civilian Intelligence Personnel System (DCIPS), which would serve as a basic model for the rest of DoD. DCIPS was authorized by the FY1995 National Defense Authorization Act (NDAA), and its authority is codified in Chapter 83 of Title 10 USC. Although it does not require accordance with regular Title 5 OPM civil service rules, it

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<sup>1</sup> U.S. Department of Defense and Office of Personnel Management, “Department of Defense Human Resources Management and Labor Relations System; Final Rule,” 70 Federal Register 6611

<sup>2</sup> Federal Employee Viewpoint Surveys are conducted on an annual basis throughout the federal government and assess employee satisfaction and engagement, leadership and management abilities, and general quality of life within the workforce.

does maintain merit system principles, Veterans' Preference in hiring, and civil service protections consistent with Title 5 USC § 2301. DCIPS features a streamlined hiring authority, workforce shaping retention priority that places performance before length of service, and the ability to use innovative practices to meet mission requirements.

**PROPOSAL DESCRIPTION:** This reform proposal would extend Title 10 authorities to all non-bargaining unit employees (approximately 30% of the DoD civilian workforce) in addition to the intelligence roles currently covered.<sup>3</sup> This change will provide the Secretary of Defense with control over the additional components of the DoD workforce, making a total-force solution for civilian personnel management increasingly possible. Under a common authority, the Secretary of Defense would be poised to develop a unified integrated force, with meaningful and clear career tracks, promotion opportunities based on acquisition of skills and contribution to mission, and career growth through planned development activities. Additional Title 10 authorities will provide for broader, 'excepted' hiring authorities and pay setting practices necessary to meet the requirements of the mission that are not subject to OPM delegation or approval. As demonstrated by the National Security Agency's (NSA) use of DCIPS, these authorities can be instrumental in addressing competitive market demands.<sup>4</sup> It will also allow DoD to extend a GS employee's initial probationary period from one year to two and would eliminate the minimum time-in-grade requirement for promotion.

	Title 5 "Competitive Service"	Title 10 "Excepted Service"
Classification	Requires rigid adherence to the OPM occupational classification guides and handbooks for defining the work and level of a position. Hinders DoD's ability to differentiate work roles	<b><i>Provides flexibility in classifying work</i></b> and level of positions to more accurately and precisely reflect mission requirements.
Applicant Assessment	Applicants must be examined against the qualifications requirements of the position as established by OPM, which does not provide an accurate assessment of a candidate's capabilities.	Applicants may be examined by other means, including written examinations, skills tests, personality tests, and psychological evaluation. <b><i>Alternative assessment methods</i></b> must still meet federal validation requirements.

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<sup>3</sup> The previous section describes the Defense Civilian Intelligence Personnel System, which operates under Title 10 authorities. Additionally, there are some Acquisition demonstration projects that fall under Title 10.

<sup>4</sup> NSA has used the flexibilities afforded by Title 10 to establish a promotion system based not on longevity but on ability and potential; special pay and retention programs; internal development programs; and on-campus recruiting and direct hiring.

	Title 5 “Competitive Service”	Title 10 “Excepted Service”
Appointment	Requires application of veterans preference, using category rating (provides a list of highly qualified applicants with veterans always at the top, and only limited ability to hire non-veterans if they are on the list). Limited direct or excepted hiring authority with OPM approval.	Veterans preference must still be applied but not in the competitive formulaic process. Allows for highly qualified applicants to be hired quickly from a variety of sources, and <b><i>treats Veterans’ Preference as a “tie breaker”</i></b> as opposed to allowing the applicant to “float” to the top of a hiring list.
Probationary Terms	One-year probationary period	Allows for <b><i>expanded, flexible probationary period</i></b> (generally two years or more). Especially important when evaluating employees in extended training/development programs.
Compensation	Requires use of the GS pay tables and limitations. Not market sensitive. All occupations are graded the same, receiving the same level of compensation with few exceptions. Requires rigid adherence to pay setting regulations.	Enables <b><i>flexible pay setting based on market value</i></b> . Market-sensitive pay structures will still be subject to pay caps at the upper end of the scale.
Career Advancement	Requires candidates to apply for a new position in order to be promoted.	Enables candidates to <b><i>advance based on their development and organizational need</i></b> so long as qualification and budget factors are maintained
Promotion Process	Based on minimum time-in-grade. Requires 52 weeks at next lower grade for promotion or placement to higher grade. Additionally, a higher graded billet must be available, a new higher, graded billet established, or the current position description rewritten and reclassified at a higher level.	<b><i>Promotion or placement is solely based on the assessment of the person’s qualifications and readiness for advancement.</i></b>

**IMPLEMENTATION AND GOVERNANCE MECHANISM:** This reform will be achieved through statutory changes to Title 10, USC Chapter 81 (Civilian Employees). As a basis for the legislative reform language, the Department will use language from the current

proposal to amend Chapter 83 of Title 10, USC (Civilian Defense Intelligence Employees) to bring cyber employees under the direct authority of the Secretary of Defense, using the same authorities as the defense intelligence community.

The Deputy Assistant Secretary of Defense for Civilian Personnel Policy (DASD (CPP)) will oversee this change in coordination with Deputy Assistant Secretary of Defense Future Force Implementation (DASD (FFI))<sup>5</sup>. Because this proposal would simply provide authorities that enable other structural and systemic changes, any subsequent proposals and flexibilities will require their own planning and implementation. Similarly, the costs that are associated with this change will come only from the manpower required to staff the proposed legislative change; related costs would be incurred through the planning and implementation of the programs and initiatives that this authority will make possible.<sup>6</sup>

As part of this proposal, bargaining units will not be included. There is an important role for employee unions and collective bargaining in the Department of Defense. If this proposal moves forward, DASD (CPP) and DASD (FFI) in conjunction with the bargaining units will use the statutory requirements in Title 5 USC Chapter 71 as a basis for identifying the most important regulations to include in Title 10.

**METRICS FOR SUCCESSFUL IMPLEMENTATION:** On the most basic level, this initiative will be deemed successful when the law is reformed. However, what will be far more indicative of its success are the systems and structures that are implemented as a result of these new Title 10 flexibilities. To that end, the ultimate success of this proposal hinges on the subsequent realization of other proposals within the Force of the Future report. An additional measure of success will be the improved ability of components and organizations to determine other necessary flexibilities or adjustments to policy. Ultimately all of these changes would result in a quantifiably increased time to hire and onboard top-tier, diverse talent that is comparable to the private sector; and the ability for DoD components and agencies to request and be granted authorities and flexibilities for them to be most effective and efficient.

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<sup>5</sup> The Deputy Assistant Secretary of Defense for Future Force Implementation is Multi-Domain Proposal 5.

<sup>6</sup> This includes several reform proposals included in this Force of the Future report, such as “Increase Permeability with the Private Sector and Academia” (4); “Increase Recruitment from Colleges and Universities” (6); “Compensate, Promote, and Retain Critical Skills” (2); “Expand Individual Broadening Opportunities” (10); “Strengthen Methods to Shape Workforce” (13); “Hold Low Performers Accountable” (5); and “Expand Parental Leave Policies” (3)

**TITLE:** *Increase Pay Flexibilities (Civilian Reform Proposal 2)*

**PROPOSAL SUMMARY:** This reform proposal will establish alternatives to the General Schedule (GS) system and provide the Secretaries of the Military Departments and Principal Staff Assistants (PSAs) with increased flexibility to compensate and promote talented employees. It will accomplish this through four main actions: (1) establish an authority to pilot alternative compensation systems; (2) establish a dual-track for leaders to excel in management or technical fields; (3) establish a market-based compensation system for high-skilled positions in science, technology, engineering, and mathematics (STEM) and medical fields; and (4) double the cap on retention incentives to ensure the Department of Defense can compete in the talent marketplace.

**CURRENT CHALLENGES:** The current General Schedule (GS) system, now sixty-six years old, is wholly inflexible and ill-suited to attract critical skills or motivate high-performers. Enacted by the Classification Act of 1949, the GS system's rigid architecture was built to support a preponderance of largely homogenous administrative and clerical positions; at the time of its creation, 70% of federal public servants were clerical or administrative professionals. Because of this innate uniformity and resulting desire to invoke fairness, the promotion system primarily rewarded time in grade.

Additionally, the GS system is a “rank-in-position” system, whereby compensation and paygrade are tied to the billet, not the person.<sup>7</sup> In this system, an employee will typically only receive a raise after successfully competing for a new position coded at a higher pay grade, which limits top performers’ ability to advance not to available funding but to the number of vacant positions. There are no methods by which managers can easily and efficiently increase compensation for the most talented workers outside of a promotion in position. For example, some private companies might reward and motivate a select group of the workforce by offering pay raises of 10-20% of salary to a smaller group of top performers. In contrast, like the rest of the Federal Government, DoD grants automatic Within-Grade Increases (WGIs) equal to 3% of base salary to all employees who receive a satisfactory rating on their performance reviews.<sup>8</sup> Only 0.06% of the workforce is typically denied this

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<sup>7</sup> Comparatively, in a “rank-in-person” system, which is the system the uniformed services use, the rank and compensation are tied to the individual, not the billet. An O-4 could serve in a billet typically coded for an O-3 or O-5, but would remain an O-4 and would be compensated at that level.

<sup>8</sup> WGIs are pay increases from one step to another (e.g. GS-13 Step 1 would be increased to GS-13 Step 2). They are loosely tied to performance as they are authorized to members of the workforce who receive at least a satisfactory on their performance evaluation (99.4% of the workforce). Research shows that small monetary rewards to a large portion of the workforce do not act as an incentive for improved performance from the higher performers, and also become expected by the workforce. In fact, because employees count on receiving the increase, if it is not authorized for the workforce one year because of reduced budgets or other reasons, it can have an adverse effect on employees, similar to if they received a pay cut. Contrarily, more substantial

increase for performance reasons.<sup>9</sup> Said differently, instead of identifying, rewarding, and motivating high performers, the GS system rewards mediocrity.

Compounding this structural problem is the limited number of advancement opportunities. What positions exist do are often supervisory or managerial in nature, leaving even fewer options for those exclusively interested in being technical or subject matter experts. Some employees may be interested in continuing to advance within their specific field, but finding no positions to promote into when seeking increased pay and responsibilities, may choose to become managers. This mismatch between talent and profession is ultimately not only bad for the person but for the organization, which should ideally seek to balance mission demands with professional interests.

The rigidity of the GS pay structure is felt most keenly in the high-skilled STEM professions over which the Department of Defense faces the most competition from the private sector. Potential candidates find compensation to be far lower than what they could earn in the private sector, and those who do choose service in the DoD become frustrated by the lack of opportunities to continue advancing in their technical field. Data from the Federal Salary Council shows that, on average, federal employees earn 35% less than their peers in the private sector. When high-skilled workers in whom the Department has invested heavily consider other job options, we do not have the tools to retain them. Retention incentives are capped at 25% of base salary, which does not adequately address the public-private wage gap.

Although two-thirds of DoD is managed under the GS system, parts of the Department of Defense have been granted authority to establish temporary or permanent alternative personnel systems. However, the Office of Personnel Management (OPM) has not granted DoD-wide expansion of any of these programs or authorities despite demonstrated success. The Intelligence Community (IC) established the Defense Civilian Intelligence Personnel System (DCIPS) under Title 10 authorities. Through flexibilities available through DCIPS, the National Security Agency (NSA) has established a promotion system based not on longevity but on ability and potential; special pay and retention programs; internal development programs; and on-campus recruiting and direct hiring.

Likewise, the Acquisitions community has more than 20 demonstration projects under OPM-delegated Title 10 authority. Current Acquisition Demonstration (AcqDemo) projects and Science and Technology Reinvention Laboratories (STRL) demonstration projects have

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monetary rewards for a small portion of the workforce often result in increased productivity and are seen as a more “scarce” and selective reward.

<sup>9</sup> Losey, Stephen. “Few Employees Denied Step Increases for Poor Performance,” 22 Mar 2011, <http://archive.federaltimes.com/article/20110322/BENEFITS01/103220301/>

proven successful in rewarding and engaging employees, in large part due to a clear line of sight between their performance and mission accomplishments along with ease of management afforded by more flexible classification and pay systems, using broad pay bands. Evaluations point to a greater results-oriented performance culture that enables managers and supervisors to more effectively manage performance.<sup>10</sup>

**PROPOSAL DESCRIPTION:** This proposal is composed of four parts. First, the Secretary of Defense will direct a six-month study team led by the Office of the Under Secretary of Defense for Personnel and Readiness (OUSD (P&R)) and the Office of the Under Secretary of Defense for Acquisitions, Technology, and Logistics (OUSD (AT&L)) to examine existing AcqDemo and STRL projects, as well as DCIPS. The majority of the workforce would benefit from moving out of the GS system, but does not necessarily have the extant ability to develop and implement a system similar to AcqDemo, STRL, or DCIPS. Moreover, because there are already more than two dozen successful examples of these demonstration projects, there is little utility in other organizations reinventing the wheel. Beginning October 1, 2015, the team will identify best practices among the programs, evaluating feasibility, successful outcomes, resource implications, and scalability. In April 2016, the team will recommend a system to the Secretary of Defense to be exported to the rest of the DoD. The Secretary of Defense will then prescribe pilots to be implemented throughout the Department of Defense.

The second reform establishes two distinct career tracks for leaders GS-14 and above: management and technical. Employees interested in further development of their technical skills will have the opportunity for continued advancement without supervisory responsibilities. This option also makes it more likely that those employees in the management track have a real interest and aptitude in supervising the workforce and are not applying simply for a promotion. Additionally, those in the management track will have demonstrated the potential and aptitude to lead, both through experience and responsibilities and through non-cognitive indicators, developed in the Civilian Human Capital Innovation Lab (CHIL)<sup>11</sup> in coordination with the Office of People Analytics.<sup>12</sup> This is good for our people *and* our organizations. Improved talent matching leads to increased satisfaction, productivity, and effectiveness.

The third reform aligns compensation with market-based pay in the private sector, enabling the Department to more easily attract and retain critically-needed skills. One of the ways in which the DoD's current performance management fails its highly technical and skilled

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<sup>10</sup> United States Office of Personnel Management. Alternative Personnel Systems in the Federal Government: A Status Report on Demonstration Projects and Other Performance-Based Pay Systems, 2007.

<sup>11</sup> The Civilian Human Capital Innovation Laboratory is recommended by Civilian Reform Proposal 9.

<sup>12</sup> The Office of People Analytics is recommended by Multi-Domain Reform Proposal 4.

workforce is through its inability to quickly, easily, and reliably match pay to needed abilities. In the most competitive, high-demand fields, there exists a sizeable public-private wage gap, resulting in the DoD continuing to lose top talent. This market-based pay will be piloted in STEM fields as well as the medical community.

The fourth reform will double the current cap on retention incentives from 25% of base pay to up to 50%. For those employees who receive offers outside DoD, this incentive again allows the Department to compete more evenly with private sector companies that have similar tools. Retention bonuses could be precisely targeted to people in specific fields and to those for whom the allure of the private sector would be particularly high.

**IMPLEMENTATION AND GOVERNANCE MECHANISM:** This reform proposal will be achieved through a legislative proposal to Congress.

**Pilot Alternative Compensation Systems:** The team led by OUSD (P&R) and OUSD (AT&L) will begin evaluating the feasibility, outcomes, resource implications, and scalability of existing AcqDemo, STRL, and DCIPS on October 1, 2015 through a Secretary of Defense Policy Memorandum. The participants will complete and deliver their report to the Secretary of Defense no later than April 1, 2016, when he will decide which system to pilot, as well as within which components or organizations. The designated components will then begin planning for the pilots to be included in the Fall 2016 Planning, Programming, Budgeting (PPB) cycle. While the study is being conducted, OUSD (P&R) will also seek Title 10 authority for the Secretary of Defense to direct and oversee demonstration pilot projects, delegated by Title 5 USC § 4703. Implementation will begin no later than October 1, 2017.<sup>13</sup>

**Establish Dual Compensation Track for Managers and Technical Experts:** Under this system, GS-14s will select whether they will pursue further technical expertise through the Technical Track, or want to gain managerial and supervisory experience through the Management Track. They will remain in their track if and when they are promoted to GS-15 or into the ranks of the Senior Executive Service (SES), continuing to hone expertise in their area and developing leadership abilities to grow the more junior force. Those in the Technical Track will continue training in their functional field, while those in the Management Track will work with the Center for Talent Development (CTD) to train in best practices for management-related topics such as employee supervision, strategic planning, and budgeting.<sup>14</sup>

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<sup>13</sup> This proposal is written assuming Defense civilian personnel are not moved under Title 10 as recommended in Civilian Reform Proposal 12. If it is passed, the Secretary of Defense will not need to request delegated authority from Title 5 USC § 4703. All other elements of this sub-proposal will remain unchanged

<sup>14</sup> The Center for Talent Development (CTD) is recommended by Civilian Reform Proposal 9.

The Deputy Assistant Secretary of Defense for Civilian Personnel Policy (DASD (CPP)), in coordination with the Deputy Assistant Secretary of Defense for Future Force Implementation (DASD (FFI)), will oversee this re-structuring by amending Chapters 51 and 53 of Title 5 USC and working with the Components to implement the system. They will also coordinate with the Under Secretary of Defense (Comptroller) (USD(C)), the Director, Cost Assessment and Program Evaluation (CAPE), and the Office of Management and Budget to establish salary baselines. OPM would also consider the monetary value of each group's compensation package in order to ensure that both tracks encompass all relevant costs. This complete baseline would enable occupation-specific compensation increases that would enable managers to differentiate their workforce fairly and efficiently.<sup>15</sup>

**Align DoD Compensation in STEM and Technical Fields with Market-Based Pay:** To determine fair competitive rates for these high-skilled fields, the Department would adopt the “mid-point principle,” a formula used in private industry that pins an employee’s salary within a standardized range. When starting in a position within the DoD, the employee would be matched to the lower end of the range; if they perform well, a series of incremental annual salary increases will quickly move them within close range of their market price in the private sector. This means that those who perform better than their peers reach the market value earlier, while those who under-perform achieve their private sector worth more slowly, or not at all. The truly exceptional employees will rise above the market rate over time.

The Deputy Assistant Secretary of Defense for Civilian Personnel Policy (DASD (CPP)) and the Deputy Assistant Secretary of Defense for Future Force Implementation (DASD (FFI))<sup>16</sup> will work to amend Chapters 51 and 53 of Title 5 USC. They will then work with the (USD(C), OMB, and the Department of Labor’s salary surveys to determine the mid-point for all relevant occupations, primarily STEM and technical fields. This system would require Congress and the White House to determine the amount of the DoD’s total payroll every year. DoD or another executive agency could determine salary rate and increases or decreases.

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<sup>15</sup> This proposal is written assuming Defense civilian personnel are not moved under Title 10 as recommended in Civilian Reform Proposal 1. If it is passed, the Secretary of Defense will not need to request exceptions to Chapters 51 and 53. All other elements of this sub-proposal will remain the same.

<sup>16</sup> The Deputy Assistant Secretary of Defense for Future Force Implementation is Multi-Domain Proposal 5.

**Increase the Cap on Retention Bonuses from 25% to 50%:** DASD (CPP), in coordination with DASD (FFI) will work to amend 5 CFR § 5753, “Recruitment and Relocation Bonuses,” to raise the retention bonus to 50%.<sup>17</sup>

#### **METRICS FOR SUCCESSFUL IMPLEMENTATION:**

**Pilot Alternative Compensation Systems:** Employee surveys of satisfaction and perception of fairness regarding pay and promotion prior to and subsequent to implementation will produce a reasonable qualitative metric for success. Another qualitative metric would be the degree to which the organization meets or exceeds the goals of their stated mission following this change. A more quantitative metric will be retention and promotion rates before and after the pilots are implemented.

**Establish Dual Compensation Track for Managers and Technical Experts:** Employee surveys to measure levels of satisfaction with job matching before and after implementation would provide qualitative results. Quantitative metrics include increases or decreases in managers’ ratings, and comparison of promotion rates of employees who chose the management track versus those who became managers before the implementation of this change.

**Align DoD Compensation in STEM and Technical Fields with Market-Based Pay:** The number and demographics of STEM employees attracted to and retained by the Department before and after the implementation of this proposal will be a clear indicator of success. In addition, how quickly the Department can respond to shifts in the private sector market, both positive and negative, will be the proxy indicator for how closely the Department continues to align with, and compensate according to, private sector salaries.

**Increase the Cap on Retention Bonuses from 25% to 50%:** Comparing the retention rates and frequency of use of this bonus before and after cap increase will provide the Department a ready benchmark for success.

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<sup>17</sup> This proposal is written assuming Defense civilian personnel are not moved under Title 10 as recommended in Civilian Reform Proposal 1. If it is passed, the Secretary of Defense could raise the retention bonus to 50% by issuing a DoDI.

**TITLE:** *Create Parental Leave Policies* (Civilian Reform Proposal 3)

**PROPOSAL SUMMARY:** This reform proposal will strengthen the Department's parental leave policies by doing the following: 1) Establishing a paid "parental leave" category for civilian employees of the Department of Defense, and 2) Establishing a phased return policy for parents returning to work after child birth, adoption, or fostering.

**CURRENT CHALLENGES:** There is no maternity, paternity, or parental leave available to Department of Defense employees. Policies dictating the use of types of leave are complicated and restrictive. Because there is no nationally-mandated paid leave policy, Department of Defense employees can take up to 12 weeks of *unpaid* leave, as provided by the Family and Medical Leave Act (FMLA)<sup>18</sup>, making it difficult and costly for parents to take leave for a child's birth, adoption, or foster care. This is financially untenable for those workers who are unable to support themselves, much less a family, without a steady paycheck.

If Department of Defense employees want to continue earning an income while taking personal time after childbirth or to care for their child, new parents must use accrued paid leave, which often completely depletes the hours they have earned. If the new parents have no accrued paid leave, they must request advance leave, which prevents further accrual of leave until it is repaid. Sick leave may only be used for the "period of incapacitation," which most medical professionals determine to be six to eight weeks. Sick leave beyond that time must be used only for "serious health conditions." OPM goes on to specify, "There is no provision in law or regulation that permits the use of sick leave to care for a healthy newborn, bond with a healthy child, or for other child care responsibilities."<sup>19</sup> Finally, only annual leave—not sick leave—may be transferred from one partner or spouse to the other, and only for the purposes of a medical emergency.

Many studies have shown that paid parental leave is a normative good that improves physical, mental, and emotional well-being of both children and parents. Paid parental leave is also has important positive effects in the workplace. New parents who are able to spend more time at home early in the child's life are more productive and effective when they return to work. It also improves both morale and retention because of the social contract of employment forged between the employee, manager, and teammates.

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<sup>18</sup> This act, passed in 1993, requires all companies and organizations with at least 50 employees to grant up to 12 weeks per year of unpaid leave to any full-time employees for the purposes of childcare or other family-related medical issues.

<sup>19</sup> OPM Handbook on Leave and Workplace Flexibilities for Childbirth, Adoption, and Foster Care, April 2015.

One study found that women with access to paid leave are more likely to work later into their pregnancies, and that while these women are less likely to start working again within the first month after childbirth than women without paid leave, they are actually more likely to return to the labor force in the year after they give birth than women who are not offered paid leave.<sup>20</sup> Another found that although women who are eligible for paid leave are more likely to stay at home longer than a woman without paid leave, they are also more likely to return to work after that period of leave.<sup>21</sup>

Allowing fathers and partners to take leave is important to the child's well-being and to promoting gender equality at home. It is also critical to enabling gender equality at work by allowing the mother to more quickly and effectively return to her career.<sup>22</sup>

Both of these proposals are consistent with President Obama's recent instruction for agencies to review policies related to parental leave and pledge for support as they "align themselves...with the parental leave policies of leading private sector companies and other industrialized countries."<sup>23</sup>

**PROPOSAL DESCRIPTION:** This proposal is composed of two parts. First, the Department of Defense will establish a new category of paid leave for its employees. Under "parental leave," birth mothers will be granted 18 weeks of paid leave per birth, and partners, spouses, adoptive parents, and foster parents will be granted 12 weeks of paid leave per birth.<sup>24</sup> If both parents are employed by the Department of Defense, they may share or transfer the leave to each other for increased flexibility. This leave may be used at any point within the first 18 months of birth, adoption, or beginning of foster care, allowing the parents to create a schedule that is most beneficial to their family, the child's growth, health, and well-being, childcare costs, and the parents' careers. If the parent(s) have another birth, adoption, or foster care event, they will not be eligible to save unused parental leave; instead it will reset at the next event.

Second, in addition to being encouraged to use any available flexible work schedule or telework options, parents may choose to work part-time for the first year after the birth, adoption, or beginning of foster care as they "phase-in" their return. For example, they may

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<sup>20</sup> Joesch, Jutta M. 1997. "Paid Leave and the Timing of Women's Employment Before and After Birth." *Journal of Marriage and the Family*, 59(4): 1008-1021.

<sup>21</sup> Berger, Lawrence M. and Jane Waldfogel. 2004. "Maternity Leave and the Employment of New Mothers in the United States." *Journal of Population Economics*, 17(2): 331-349.

<sup>22</sup> *Women and Low-Skilled Workers: Efforts in Other Countries to Help These Workers Enter and Remain in the Workforce*. U.S. Government Accountability Office, 2007. GAO-07-817. <<http://www.gao.gov/assets/270/262003.pdf>>

<sup>23</sup> "Presidential Memorandum—Modernizing Federal Leave Policies for Childbirth, Adoption, and Foster Care to Recruit and Retain Talent and Improve Productivity." 15 January 2015.

<sup>24</sup> Under this policy, multiple births (e.g. twins, triplets) will not increase the number of weeks of leave from 18 and 12, respectively.

choose to work 75% of their normal hours for 75% of the pay, or 50% of their hours for 50% pay.

It is not enough to simply authorize leave to be taken. The Department of Defense must begin to effect a cultural change in the Department that does not prevent women from advancing in the workplace because they have taken time to care for a child. Likewise, DoD leadership must recognize the potential for partners who take advantage of parental leave to be penalized in the same way women have been for years. To guard against this, both men and women in influential and senior positions will need to lead by example and be open about the time they are taking off and why to show to the rest of the workforce that, not only is it not harmful to their teams or professional careers, it is in the interest of the parents and child for both parents to take responsibility for the child and requirements at home.

**IMPLEMENTATION AND GOVERNANCE MECHANISM:** This reform will be achieved through an amendment to Title 5 CFR § 630, to include a new category of leave for birth mothers, fathers, adoptive parents, and foster parents called “parental leave,” and introducing new flexibilities associated with such leave, including a part-time phased return to work.<sup>25</sup> This will require coordination between the Secretary of Defense and the Director of OPM. The Deputy Assistant Secretary of Defense for Civilian Personnel Policy (DASD (CPP)) in coordination with Deputy Assistant Secretary of Defense for Future Force Implementation (DASD (FFI))<sup>26</sup> will govern the statutory change, implementation, and measuring the impact of the workforce. This change will articulate a single definition of “parental leave” for DoD civilians that will make explicit the previously stated eligibility for parental leave, the time frame within which the leave must be taken, and the circumstances of its use.

**METRICS FOR SUCCESSFUL IMPLEMENTATION:** DoD leadership should measure how many people are using the leave and at what point in the year following the birth, adoption, or fostering. They should also survey workers who have used it as well as their supervisors and teams to see the effect on morale and productivity. Results should be reported to the DASD (CPP). Along with the numbers of employees using the leave, DASD (CPP) should measure retention rate of those employees. Finally, any negative repercussions such as inability for teams to complete tasks should be measured and addressed by making necessary adjustments to the program or adding new incentives.

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<sup>25</sup> This proposal is written assuming Defense civilian personnel are not moved under Title 10 as recommended in Civilian Reform Proposal 1. If that proposal is successful, the Secretary of Defense would have the authority to adjust employee leave policies through policy.

<sup>26</sup> The Deputy Assistant Secretary of Defense for Future Force Implementation is Multi-Domain Proposal 5.

**TITLE:** *Increase Permeability with the Private Sector and Academia* (Civilian Reform Proposal 4)

**PROPOSAL SUMMARY:** This reform proposal will (1) designate a Chief Recruitment Officer (CRO) to target high-quality candidates from the private sector; (2) create a tiered expert hiring system; (3) establish a public-private talent exchange by amending the Intergovernmental Personnel Act (IPA); and (4) extend sabbatical opportunities below the Senior Executive Service (SES) level to afford more personally tailored learning opportunities.

**CURRENT CHALLENGES:** The exchange of talent between the private sector and the Department of Defense is often unnaturally restricted to narrow bands of opportunity. For example, the Department of the Air Force has the Education with Industry (EWI) program that selects mid-level officers and civilian employees, GS-11 through GS-13, to spend one year on a tour with industry. Without a standardized enterprise-wide approach, the Department of Defense is left at a deep disadvantage in the national labor marketplace. DoD currently has limited authorities to enable employees to seize developmental opportunities in the private sector, and the authorities that do exist are used infrequently because of restrictions and limitations on when and how they can be applied. Moreover, there are no programs in place to encourage managers and employees to employ these authorities. Without a well-publicized and understood signal that the Department's doors are open to careers of promise and choice, we limit the talent best able to support our dynamic national security mission.

The DoD must therefore make a focused effort to target, attract, and recruit top mid- and senior-level talent. In corporate America, headhunters work actively to match this level of talent with opportunities, yet DoD has no designated office assigned to target needed talent. Additionally, movement between the private and public sectors requires compliance with an often complex set of ethics rules and regulations, necessitating a dedicated group of legal experts to ensure transparency and understanding, and prevent violations. Despite mechanisms originally designed to on-board Highly Qualified Experts (HQEs)<sup>27</sup> for decisive impact to the workforce, the Department's risk-averse and byzantine policies over-define requirements to the exclusion of younger, ambitious candidates.

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<sup>27</sup> DoDI 1400.25, “DoD Civilian Personnel Management System: Employment of Highly Qualified Experts (HQEs)” defines a highly qualified expert as “possess[ing] uncommon and recognized knowledge, skills, and experience in an occupational field, and judgment that is accorded authority and status by peers or the public.” Further, this person must have, “substantive experience and/or education and is generally credentialed, and has proven ability in a particular field or fields.” Many in the Department infer HQE-eligible candidates must be SES-level, preventing others who may similarly be experts but lack very many years of experience.

Current legislation extends IPA agreements to nearly every sector, including other federal agencies, Indian tribal governments, institutions of higher learning, state and local governments, non-profit organizations, and federally funded research and development centers. However, the private sector is not included, and there is no comparable authority that allows two-way exchanges between DoD and private businesses.

More DoD employees could benefit from taking a period of time off for personal and professional development such as academic study or independent research. Currently, sabbaticals are available only to SES employees. Eligible candidates have used the authority only 35 times in five years, usually citing they have too many responsibilities at their level to take time away from their normal duties.

The Department of Defense will not compete in the 21<sup>st</sup> Century talent marketplace, nor draw adequate strength from within it, unless it finds new ways to accelerate high potential talent flows between the standing national security workforce and private industry.

**PROPOSAL DESCRIPTION:** This reform is composed of the following parts: (1) Designating a Chief Recruitment Officer (CRO); (2) Creating Tiered Expert Hiring System; (3) Encouraging a Public-Private Talent Exchange; and (4) Expanding Authorization of Sabbaticals.

**Designate a Chief Recruiting Officer:** In order to attract those who would temporarily give of their time and experience to infuse the workforce with new ways of thinking, the Department will develop a strategic approach to recruiting a diverse group of leaders from across relevant sectors who will serve in a temporary but influential capacity. The Chief Recruiting Officer (CRO) will lead a small team, the Office of Executive Recruitment (OER), and report to the Deputy Chief Management Officer (DCMO) or the Deputy Secretary of Defense. The CRO will advise, not replace, the existing Service Civilian Senior Executive Management Offices. The CRO, a veteran of the private-sector executive search industry, will be a HQE and serve a four-year term.

The CRO's key mission is to drive the Department of Defense towards a targeted, aggressive approach to hiring for specific talents and expertise by applying best practices from the executive search industry. To achieve this, the CRO will (1) continually survey the Department's leadership to identify gaps in expertise, skills, and relationships; (2) recruit a diverse array of leaders from across society to fill those gaps; (3) utilize the new hiring authorities proposed within this reform proposal—Tiered HQE Hiring and Public-Private Talent Exchange—to bring those people on board; and (4) facilitate the onboarding process, particularly regarding compliance with ethics rules and regulations. The CRO's Office of Executive Recruitment will include a staff of expert Human Resources specialists with in-

depth knowledge of special hiring authorities such as Direct Hire Authority, Schedule A, HQE, and IPAs and will therefore be able to quickly and efficiently onboard the talent.

The CRO will also assume responsibility for the selection of 100 leaders from across society every other year, to be known as the Defense 100 (D100). The D100 list is inspired by other “Top-100” lists published in such professional outlets as Foreign Policy or Fast Company, Inc. but will go beyond simply being a list of names. It will be a cohort of technical experts and industry leaders, selected on the basis of knowledge that can fill critical gaps determined by discussions throughout the Department of Defense, who will serve in strategically selected positions for two year terms.

**Establish Tiered Expert Hiring System:** The Department of Defense will create a three-tiered classification system of experts, according to their skills and experience, to serve in terms of up to four years: Level 1 – Highly Qualified Experts (SES level); Level 2 – Qualified Experts (GS-15 level); and Level 3 – Emerging Qualified Experts (GS-14 level). Level 1 will reflect the *de jure* reality of how HQEs have been interpreted heretofore. Levels 2 and 3 would clarify current policy and facilitate the hiring of HQEs currently not under consideration. Creating this system would require changes in both statute and policy to formalize these definitions as well as designate their commensurate compensation levels. This will motivate DoD to use the HQE authorities in their true spirit and bring in a wider variety of experts that will be paid according to their experience. Existing technology solutions for matching experts to critical talent requirements will need to be identified as well. These changes will encourage components to use this authority to hire people who are qualified experts by clarifying that the expertise need not be based upon time spent in their field but can also be emergent.

**Create Public-Private Talent Exchange:** This proposal extends IPA agreements beyond current legislation and Office of Personnel Management (OPM) implementing guidance by permitting additional exchanges with the for-profit private sector. The IPA allows for the exchange of personnel between participating agencies for up to five years. Government employees would gain valuable experience with for-profit private sector industries via personnel exchange and industry personnel would be able to accept IPA positions, infusing the Department of Defense with the best ideas and lessons from industry.

Currently, DoD’s IPA program allows for cost-sharing between the Government and the Institution. This reform proposal further opens opportunities to reach more advantageous

agreements for both DoD and industry, whether that be in the form of cost-sharing, which occurs presently, or cost-exchange.<sup>28</sup>

**Expand Authorization of Sabbaticals:** The authority would empower agencies to grant paid time off to employees at the GS-12 level and higher for the purpose of professional development opportunities such as education or research. Employees would be offered a paid sabbatical of up to 12 months in duration in any 10-year period. Time spent on sabbatical in a paid status will be treated as “official duty time” without impact to service computation date or benefits. Employees approved for paid sabbatical must sign a service obligation agreement to continue in federal service for a period of time which, at a minimum, is equivalent to the length of the sabbatical.

The proposed authority is intended to provide top performing employees with career growth and development opportunities. Decisions regarding which employees would be eligible for sabbaticals would be left to the discretion of Component leadership. The initiative would include measurable criteria for eligibility and qualification.

#### **IMPLEMENTATION AND GOVERNANCE MECHANISM:**

**Designate a Chief Recruitment Officer:** This reform proposal will be achieved through a directive memorandum from the Secretary of Defense. The CRO will be hired as a Level 1 Highly Qualified Expert under the newly reformed tiered classification system of experts. The OER would be designed to be a force multiplier by complementing, coordinating, and enhancing ongoing recruiting efforts across the Department, enacted by Secretary of Defense Memorandum.

Each member of the D100 will be recruited under the expanded authorities within this proposal—Tiered Expert Hiring System and Public-Private Talent Exchange—for a two-year term. The CRO will pay for the salaries of each person on the list and place them in strategic billets throughout the Department in consultation with Component heads. The Deputy Assistant Secretary of Defense for Civilian Personnel Policy (DASD (CPP)), in coordination with DASD Future Force Implementation (DASD (FFI)) will oversee this effort.

**Establish Tiered Expert Hiring System:** This reform proposal will be achieved through a legislative proposal to amend Title 5, USC § 9903, which authorizes DoD to hire “Highly

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<sup>28</sup> DoD would have full responsibility for payment of all salary, allowances, and benefits to Department employees participating in the Exchange program. In turn, the private sector organization would have full responsibility for payment of all salary, allowances, and benefits to their employees participating in the Exchange Program.

Qualified Experts.”<sup>29</sup> The statute will be amended to authorize “Qualified Experts.” Classification and pay authorities will be determined based on an evaluation of the applicant’s experience and skills. This amendment should be a part of the FY2017 National Defense Authorization Act. The effort will be overseen by the Deputy Assistant Secretary of Defense for Civilian Personnel Policy (DASD (CPP)), in coordination with Deputy Assistant Secretary of Defense for Future Force Integration. (DASD (FFI))<sup>30</sup>.

Subsequent to amending Title 5, DoDI 1400.25 will also need to be amended to reflect the three different levels of expertise. The existing language will still be applicable to the Level 1 Highly Qualified Experts. It requires the candidate “possess *uncommon* and recognized knowledge, skills, and experience in an occupational field, and judgment that is accorded *authority and status* by peers or the public.” Further, this person must have “*substantive* experience and/or education *and is generally credentialed*, and has proven ability in a particular field or fields.”

New policy language will specify Level 2 Qualified Experts “possess recognized knowledge, skills, and experience in an occupational field, and judgment that is accorded *expertise* by peers or the public.” Further, this person must have “experience and/or education, and has proven ability in a particular field or fields.”

New policy language will specify Level 3 Emerging Qualified Experts “*demonstrate* knowledge, skills, and abilities in an occupational field, and judgment that is accorded *high potential* by peers or the public.” Further, this person must have “experience and/or education, and has both proven ability *and potential for further recognition* in a particular field or fields.”

**Create Public-Private Talent Exchange:** This reform proposal will be achieved through a legislative proposal to amend the Intergovernmental Personnel Act of 1970 (Title 5, USC §§ 3371-3376) to establish a viable two-way exchange program between organizations in the DoD and the private sector.<sup>31</sup> Such an approach provides an additional mechanism for the Department of Defense to access world-class industry experts without forcing them to sever ties to their home organizations.

Additionally, legislative language should include a provision regarding trade secrets. Using the Government Accountability Office’s exchange program as an example, the legislative

<sup>29</sup> This proposal is written assuming Defense civilian personnel are not moved under Title 10 as recommended in Civilian Reform Proposal 1. If it is passed, the Secretary of Defense will not need to amend Title 5 and will only need to amend the DoDI. All other elements of this sub-proposal will remain unchanged.

<sup>30</sup> The Deputy Assistant Secretary of Defense for Future Force Implementation is Multi-Domain Proposal 5.

<sup>31</sup> This proposal is written assuming Defense civilian personnel are not moved under Title 10 as recommended in Civilian Reform Proposal 1. If it is passed, the Secretary of Defense will not need to amend Title 5. All other elements of this sub-proposal will remain unchanged

language should mandate that regulations governing the program “require that an employee of a private sector organization assigned to the Office may not have access to any trade secrets or to any other nonpublic information which is of commercial value to the private sector organization from which such employee is assigned.” The DASD (CPP), in coordination with DASD (FFI) will oversee this effort.

**Expand Authorization of Sabbaticals:** This reform proposal will be achieved through a legislative proposal to amend Title 5 USC § 3396, “Development for and within the Senior Executive Service;” OPM Chapter 15, “Placement in Nonpay or Nonduty Status;” and DoDI 1400.25, “DoD Civilian Personnel Management System: Training, Education, and Professional Development” to extend the authority for sabbaticals down to GS-12.<sup>32</sup> The DASD (CPP), in coordination with DASD (FFI) will oversee this effort.

#### **METRICS FOR SUCCESSFUL IMPLEMENTATION:**

**Designate a Chief Recruitment Officer:** A direct measure would be the CRO successfully hiring technical experts and business leaders. These people must generate useful results and encourage others from outside the DoD to participate after completing their tenure. Organizations in the Department of Defense that receive D100 participants would have positive reports on how they benefitted the organization. Survey results would show that career-oriented people value the program. It is expected that the initiatives would be focused enough to make it possible to track results on a case-by-case basis.

**Establish Tiered Expert Hiring System:** Success would be measured by the number of people appointed and the variety of occupational classifications and specialties, education levels, and years in their field of expertise. DoD should also evaluate what critical skill or mission gaps these employees fill. The annual cost of pay and additional payments are also important. Finally, evaluations and surveys within the employing office are important to measure the success of the program and to continue improving it.

**Create Public-Private Talent Exchange:** Success is determined by the number of personnel in DoD participating in the exchange program. DoD should determine the sufficiency of those numbers by occupation and grade and codify the value proposition for participation in exchanges, akin to Joint duty credit for uniformed personnel. DoD should continue to survey the workforce to ascertain current attitudes associated with personnel exchanges, looking for positive response. Retention of employees post-exchange should also

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<sup>32</sup> This proposal is written assuming Defense civilian personnel are not moved under Title 10 as recommended in Civilian Reform Proposal 1. If it is passed, the Secretary of Defense will only need to amend the DoDI, not Title 5. All other elements of this sub-proposal will remain unchanged

be evaluated. Furthermore, DoD will evaluate the degree to which these professional development opportunities improve an employee's performance.

**Expand Authorization of Sabbaticals:** DoD should monitor the numbers of employees accepting and declining sabbaticals and measure the number of degrees and certifications obtained through sabbaticals, as well as retention and promotion statistics of employees returning from sabbaticals. Job satisfaction, increased production or quality of work upon return, and retention rates are all important measures of the effectiveness of the program.

**TITLE:** *Hold Low Performers Accountable* (Civilian Reform Proposal 5)

**PROPOSAL SUMMARY:** This reform proposal will empower Department of Defense leaders to take effective action to divest low performers. Empowered supervisors and managers will more consistently hold low performers accountable for their work. This proposal includes the following reforms: (1) allowing for expedited and streamlined removals and demotions of low performers; (2) establishing a centralized office with labor relations lawyers and human resources (HR) experts that specialize in performance management and divestiture; and (3) emphasizing supervisors' responsibilities for performance management and accountability by linking supervisor performance ratings to ensuring employee excellence.

**CURRENT CHALLENGES:** The current performance management system does not effectively hold low performers accountable, offering few negative consequences when an employee falls short of expectations, and gives supervisors unwieldy options for intervening. In 2014, 16% of the private sector lost their jobs due to underperformance, yet in the U.S. Federal Government, the separation rate for poor performance or disciplinary action is just 4.5%.<sup>33</sup> <sup>34</sup> There have been only 1,810 instances of separation due to poor performance or disciplinary action in the DoD in FY2015. Assuming the DoD civilian workforce comports to the rest of the American labor force, these statistics indicate a structural inability or a lack of willingness to take adverse action against underperformers. Indeed, according to the 2014 Federal Employee Viewpoint Survey (FEVS) survey, only 27% of DoD employees believe managers in their work units take appropriate steps to deal with poor performers.

One of the most common tools for addressing an underperforming employee is a Performance Improvement Plan (PIP), through which workers are told their performance is unsatisfactory and given an action plan for remediation. They are given objectives that must be accomplished within a set period of time. Once they meet these minimum goals, they are removed from probationary status and the PIP is removed from official records. For this reason, it is impossible to track the number of employees listed as underperforming on an annual basis, or to track workers placed on PIPs more than once. Most importantly, there is no way for future hiring managers to know an employee was on a PIP unless they ask directly. This problem is so widespread; employee relations experts have a name for this phenomenon: "yo-yo employees."

The process of removing or disciplining an employee, which can take well over a year to resolve, is daunting to supervisors. It is time consuming, labor intensive, procedurally complex, and emotionally draining. Consequently, many supervisors are discouraged from

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<sup>33</sup> CEB

<sup>34</sup> Fedscope Database, Separations Cube FY2009-FY2014. Provided by CEB.

taking appropriate actions. Training for managers does not sufficiently explain their options and rights for handling low performers. Many perceive they would not receive top-level support if they do take action against an underperformer. They often choose not to take action against an employee out of concern for the potential legal consequences, not to mention the personal toll and disruptive impact it may have on the work unit. Employees, on the other hand, have multiple avenues for contesting adverse decisions, which has created a system that facilitates delays and is ripe for abuse. This system leaves employees in limbo and demoralizes other workers who are performing well.

The Department of Defense is not alone in the federal government in its challenge to hold low performers accountable and can build off the work by other agencies. The Department of Veterans Affairs (VA), for example, was recently granted authority to divest members of its Senior Executive Service (SES) workforce who are proven low performers.<sup>35</sup> There are also two bills in Congress aimed at extending strengthened performance management processes to the entire VA workforce.<sup>36</sup> Although this reform proposal builds on the overarching goals of these bills to establish a more efficient process for divesting poor performers, it does so with the express intent of preserving appeal rights and the due process of the employee.

**PROPOSAL DESCRIPTION:** This reform proposal is composed of three parts. First, under this proposal, the Secretary of Defense, or Deputy Secretary of Defense, Secretaries of Military Departments, and Principal Staff Assistants, if designated to act on his behalf, may suspend an employee without pay if he determines the performance or misconduct of the person may warrant removal or demotion. Within 30 days of the suspension but before removal, the employee will be entitled to a written statement of the specific charges against the employee. The suspended worker will then have seven days to answer charges orally or in writing and to furnish documents to support the case. At the employee's request, a DoD SES may be appointed to conduct a formal investigation within 15 business days of the suspension. The Secretary of Defense must review the case in order for the suspended employee to be demoted or removed from their position. The Secretary of Defense's written decision will include the specific reasons for the decision.

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<sup>35</sup> Veterans Access, Choice, and Accountability Act (2014)

<sup>36</sup> The House of Representatives recently passed the 2015 VA Accountability Act, which essentially extends the 2014 law to the entire workforce. This bill has met strong opposition from labor relations groups and has also drawn a veto threat from the Administration. At the same time, the Senate Veterans Affairs Committee is considering Senate bill S. 1856, which is a more moderate proposal to clarify and streamline the process for suspending, demoting, and removing employees while maintaining the rights to due process and appeal. Additionally, a bill recently passed the U.S. House of Representatives extending these authorities to the entire VA workforce, and there is another, more moderate bill in the U.S. Senate's Veteran's Affairs Committee that proposes a more streamlined and efficient process for the Secretary to remove anyone in the VA.

If investigation disproves the allegation, the employee will be fully reinstated in the previous position and retroactively compensated for the working hours during suspension. If investigation confirms the misconduct, the Secretary of Defense may remove or demote the employee. A demoted employee will immediately begin receiving pay at the rate of the new lower grade and may not be placed on administrative leave or use any other category of paid leave during the period during which an appeal is ongoing. The authority to remove employees is limited to the Secretary of Defense (rather than all managers in the enterprise) to limit the potential for abuse of this new authority.

In accordance with Title 5 USC § 7701, suspended, demoted, or removed employees are entitled to appeal to the Merit Systems Promotion Board (MSPB), but must do so within seven days of the decision for removal or demotion. In accordance with Title 5 USC § 7703, employees may further obtain judicial review of the MSPB's final order or decision. To avoid allowing these efforts to languish for months or years at a time, DoD will work with MSPB, the Equal Employment Opportunity Council (EEOC), and other relevant appeals boards to optimize the process with the goal of making appeal determinations in 60 days or fewer.

Additionally, probationary periods for the entire workforce will increase from one year to two years. This gives a supervisor more time to assess both the abilities and potential of employees before granting them tenured status. At the end of the probation, the supervisor must make an affirmative decision to convert the employee to a permanent status or the employee will remain on probation.

PIPs will be documented actions that will remain in employees' personnel records, allowing managers who could hire them in the future to see whether the worker was ever on a PIP, what the circumstances were, and how it was resolved. This will allow the Department to monitor low performance across the enterprise for the first time.

The second part of this proposal is to establish the DoD Office of Professional Excellence & Accountability (OPEA) within the Defense Human Resources Activity (DHRA). OPEA will be a centralized, independent office with labor relations lawyers and human resources (HR) experts dedicated exclusively to supporting supervisors with performance management and divestiture.

OPEA will have three functions: (1) The first is to support supervisors by providing timely, accurate, and independent counsel and advice to supervisors contemplating taking adverse action against a worker who holds permanent status. While lawyers and specialists in the Office of Labor and Management Employee Relations (LMER) and Office of the General Counsel (OGC) of each component must cover a wide range of legal and operational issues, the attorneys for the OPEA will have highly specialized expertise in employment law and

will be focused on protecting and advising the supervisors themselves. (2) OPEA will work with the Labor and Employee Relations Office in DHRA, the Deputy Assistant Secretary of Defense for Civilian Personnel Policy (DASD (CPP)), and the Chief Learning Officer within the Center for Talent Development<sup>37</sup> to ensure employees in the Management track<sup>38</sup> have the training and tools necessary for holding employees accountable for excellence. (3) OPEA will help avoid litigation against the Department of Defense and supervisors by ensuring personnel actions are thoroughly and properly prepared, and will assist supervisors in the event an employee does file a complaint or lawsuit.

The third part of this proposal encourages supervisors to differentiate between high and low performers by linking their own promotion potential and bonuses to their employees' performance reviews as well as what actions the supervisors took to hold them accountable. To assess this, employees will assess supervisors on an annual basis via a 360 review that evaluates whether they feel the supervisors are identifying high and low performers and then acting to hold low performers accountable. The results of this survey will be included in a supervisor's personal performance evaluation and used as a key performance measurement in their evaluations and when under consideration for promotion or bonuses. These will not be quantitative measurements based on the number of demotions or removals, but qualitative assessments by the rest of the workforce of a manager's ability to hold employees accountable and ensure excellence across their teams.

**IMPLEMENTATION AND GOVERNANCE MECHANISM:** This reform will be achieved through amending Title 5 USC § 4303 and § 7532. The legislative proposal will closely resemble the language in existing Senate bill S. 1856.

The Deputy Assistant Secretary of Defense for Civilian Personnel Policy (DASD (CPP)) will oversee this legislative reform proposal in coordination with the Deputy Assistant Secretary of Defense Future Force Implementation (DASD(FFI))<sup>39,40</sup>. DASD (CPP) and DASD (FFI) will also work with MSPB, EEOC, and other relevant appeals boards to shorten the processing time for the appeals process.

The extension of probationary periods for new employees will be through amendment of Title 5 USC § 315, Subpart H. Directing PIPs to be officially and permanently documented, and standing up an Employee-Labor Relations Committee, will both be established via

<sup>37</sup> The Center for Talent Development (CTD) is recommended by Civilian Reform Proposal 9.

<sup>38</sup> The Management track is an element of Increased Pay Flexibilities, which is recommended by Civilian Reform Proposal 2.

<sup>39</sup> The Deputy Assistant Secretary of Defense for Future Force Implementation is Multi-Domain Proposal 5.

<sup>40</sup> This proposal is written assuming Defense civilian personnel are not moved under Title 10 as recommended in Civilian Reform Proposal 1. If that proposal is passed, the Secretary of Defense will need to determine statutory requirements for employee suspensions and removals, and interactions with MSPB.

DoDI. These three actions will all be led by DASD (CPP) in coordination with DASD (FFI).

The establishment of OPEA will be achieved by directive memorandum from the Secretary of Defense and modeled on the Sexual Assault Prevention and Response Office in 2004. It will report to the Director of the DHRA. Establishment of this office will be implemented by the Director of DHRA and overseen by DASD (CPP) and DASD (FFI). OPEA will be established by directive memorandum from the Secretary of Defense.

Additionally, DASD (CPP) and DASD (FFI) will oversee the development of language to be added to all supervisor and manager performance evaluations. The office will also develop survey questions for subordinates and superiors to complete that specifically assess the manager's ability to distinguish between excellent and poor performers, as well as the way she acted on these distinctions.

**METRICS FOR SUCCESSFUL IMPLEMENTATION:** Successful implementation of these programs will result in holding low performers accountable through demotion or removal. This will be measured first through semi-annual surveys to assess the degree to which employees feel that managers are holding low performers accountable, and by officially documenting previous PIPs in employee personnel files. This will further result in a more effective and productive workforce, to be measured largely through surveys such as FEVS, as well as by retention and recruitment rates of top performers. A final metric would be the number of appeals and law suits submitted compared to the number that are successful.

**TITLE:** *Increase Recruitment at Colleges and Universities* (Civilian Reform Proposal 6)

**PROPOSAL SUMMARY:** This reform proposal will strengthen the Department of Defense's approach to recruiting students, interns, and recent college graduates by combining five elements: (1) establishing a DoD Civilian On-Campus Recruiting Authority under Title 10; (2) expanding the existing DoD Student Training and Academic Recruitment Program; (3) building a DoD *New Call to Service Scholarship* program; (4) establishing a DoD Exceptional Scholars Program within the *New Call to Service Scholarship* program; and (5) enhancing the Department's internship programs.

**CURRENT CHALLENGES:** The DoD civilian workforce is aging: 43% are eligible for retirement today or will be in the next five years. The Department of Defense needs an influx of new talent and fresh perspectives, but it lacks sufficient authorities and programs to attract young people and bring them into the workforce. DoD's approach to hiring students and recent graduates is too passive and does not adequately address specific talent requirements, changing workforce demographics, or shifts in an increasingly kaleidoscopic labor market.

The Military Services, the Peace Corps, the Department of State, the Intelligence Community, nonprofits like Teach for America, and scores of companies all visit campuses across the Nation and hire directly. The Department of Defense cannot compete because it cannot hire directly. While DoD civilian recruiters visited nearly 200 campuses in FY2015, Office of Personnel Management (OPM) rules implementing the provisions of the Pathways<sup>41</sup> program blocked direct hiring. These rules require agencies to issue a public notice of any open job, even those that pertain to students or recent graduates, which requires that opportunities be held open for specified periods and that all candidates are pooled and evaluated—a process designed to preclude targeted recruiting. The same OPM regulation also clarifies that Title 5 Veterans' Preference rules apply and also allows veterans “up to six years from the time of graduation [rather than the standard two years] to participate in the Pathways Recent Graduates Program.” According to DoD human resources experts, talented students without military experience are at such a disadvantage in the USAJobs<sup>42</sup> rating system that they are effectively rendered non-competitive. This is particularly challenging to reconcile with the concern expressed in Executive Order 13562,

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<sup>41</sup> OPM launched the Pathways Programs to offer students and recent graduates entry points into federal internships and careers. It also includes the Recent Graduates Program for persons who have recently graduated from qualifying educational institutions (or programs) and seek federal employment. To be eligible, applicants must apply within two years of degree or certificate completion (except for veterans precluded from doing so due to their military service obligation, who will have up to six years to apply). There is no maximum age to qualify.

<sup>42</sup> USAJobs is an OPM-maintained website used by candidates to apply for jobs in the federal government.

which established Pathways, that the “existing competitive hiring process... is structured in a manner that, even at the entry level, favors job applicants who have significant previous work experience.”

Internship programs are an ideal opportunity to evaluate people before they are hired in a full-time capacity. No number of written statements, online evaluations, or interviews can surpass the insight that comes from supervising someone for several months. Many private sector firms invite candidates to compete for acceptance into an internship program and then to compete during the internship for a full-time position. Currently, most DoD internship programs are not optimized to support sourcing promising talent for fulltime employment. There is also no enterprise-wide intern database that lists qualified interns to improve talent matching across the Department of Defense.

**PROPOSAL DESCRIPTION:** This reform proposal is composed of five parts. First, DoD will submit a legislative proposal to establish a DoD Civilian On-Campus Recruiting Authority (CORA) under Title 10 as an alternative to the federal government-wide Pathways program. Once approved, DOD will launch a two-year pilot for on-campus recruiting of current undergraduate and graduate students with direct hiring authority. CORA will allow hiring managers to recruit qualified students without burdensome requirements for public announcements and would be able to apply Veterans' Preference under Title 10 rather than Title 5, which will dramatically enhance the Department's efforts to hire students and recent graduates. Hiring managers and recruiters who already travel to specific schools with programs they want to target, will now be able to involve candidates in a rigorous interview process, and make conditional offers on the spot.

Second, the Department of Defense Civilian Personnel Advisory Service (DCPAS) Recruitment Assistance Division (RAD) runs the Student Training and Academic Recruitment (STAR) Program, in which students are hired as part-time on-campus representatives to promote career opportunities at DoD. Through peer-to-peer interaction, STAR students market DoD's various and diverse employment and scholarship opportunities. RAD manages the STAR program, and encourages DoD Components to hire full-time students majoring in academic studies matching DoD's mission critical skills. Currently this program operates on only four campuses. The STAR program will double in size every year until it reaches 100 campuses across the United States. Universities will be selected strategically based on a portfolio that includes the most selective institutions in the country and schools with academic programs aligned to the Department's needs, including political science, international relations, public administration, science, engineering, mathematics, economics, and language and area studies.

Third, the Department of Defense will establish an undergraduate scholarship program called the *DoD New Call to Service Scholarship*, similar to Reserve Officers' Training Corps (ROTC) in the Military Services, but aimed at civilians aspiring to serve in DoD. This program will offer scholarships to high potential college juniors and seniors in exchange for summer internships and a service commitment upon graduation equal to twice the number of years of scholarship support. For example, students who join in their junior year would have two years of university paid for in exchange for an internship, usually in their junior summer, and would incur a four year service commitment after graduation. The *New Call to Service Scholarship* will target a diverse range of students from different campuses, majors, student groups, or career fields to shape the workforce based on specific and evolving needs and missions of the Department of Defense.

Fourth, within the *New Call to Service Scholarship* program, DoD will establish a special category for exceptionally gifted students with outstanding academic achievements called the DoD Exceptional Scholars Program (ESP). Students must meet all the criteria for the *New Call to Service Scholarship* program, but need not have already been accepted into it at the time of their application. Applicants must be juniors or seniors who maintain a minimum grade point average (GPA) of 3.5 on a 4.0 scale for all undergraduate coursework. 50 Exceptional Scholars will be selected annually to receive a full tuition payment for the following one or two remaining years of study in exchange for one year of service commitment for every year the scholarship is received. Students who apply for ESP and are not selected may be offered a scholarship under the *New Call to Service Scholarship* program.

Fifth, the Department of Defense will enhance internship programs to maximize their potential to improve targeted recruiting of high-performing early career professionals. Creating a stronger pipeline of undergraduate and graduate interns into DoD is an effective way to reduce the risk in hiring decisions by testing potential employees over an extended period of time under conditions nearly identical to actual employment. To enhance its internship programs, DoD will (1) establish well-managed, well-advertised internship initiatives in critical occupations and advertise them aggressively to high-performing undergraduate and graduate students; (2) provide templates and enhanced guidance to components for rigorous evaluation of intern performance; (3) build and maintain a DoD-wide database of profiles of desirable candidates who successfully complete internships and are eligible for employment under CORA; and (4) design a blueprint for programs that transition successful interns into appropriate entry-level full-time positions that each component could rapidly adopt.

**IMPLEMENTATION AND GOVERNANCE MECHANISM:** Regarding CORA, this reform proposal will be achieved through a legislative proposal to Congress. Following a successful legislative proposal, the Office of the Under Secretary of Defense (Personnel and Readiness) (OUSD (P&R)) will serve as the executive agent for overseeing the implementation of CORA, which would grant the Department flexibility to hire college students directly under Title 10. DoD will use CORA to hire students following their successful completion of the academic requirements in the *New Call to Service Scholarship* program, including the DoD Exceptional Scholar Program; at the successful completion of enhanced internships, should supervisors choose to convert interns into competitive service; for students recruited through the STAR program, when appropriate; and for other on-campus recruiting activities targeting students and recent graduates. OUSD (P&R) would provide overall leadership for designing and implementing the CORA program, working in concert with hiring managers from the Military Services and the Office of the Secretary of Defense.

The expansion of the STAR program will be achieved through a directive memorandum from the Secretary of Defense. The STAR program will be managed by the RAD office in DCPAS that currently manages it, with additional resources proposed herein. Progress would be monitored by the Deputy Assistant Secretary of Defense for Civilian Personnel Policy (DASD (CPP)).

The *New Call to Service Scholarship* program will be achieved through a directive memorandum from the Secretary of Defense. The program will be managed by (DASD (CPP)). The first year of the program will be capped at 500 students selected strategically based on criteria determined by DASD (CPP). The program will increase by 500 students every year until it reaches 2,000 in the fourth year. (The program will be evaluated annually to determine if the size needs to be adjusted.) College juniors and seniors competitively selected into the program would receive scholarships on the condition they maintain a GPA of 3.0 and meet certain academic and behavioral requirements. The specific non-cognitive requirements will be determined with the assistance of the Office of People Analytics (OPA).<sup>43</sup> DASD (CPP) will be responsible for matching scholarship recipients with the appropriate offices in DoD to place the students in internships. Recipients of the scholarships will also participate in a specially-designed summer internship after their junior year to prepare them for the workforce and will be eligible for conversion to competitive service after graduation. Students who join the program in their senior year will do the preparatory internship after

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<sup>43</sup> The establishment of the Office of People Analytics (OPA) is recommended by Multi-Domain Reform Proposal 4. OPA's mission is to harness the power of predictive analytics and data analytics to inform human capital decisions in the Department, particularly as it applies to the use of non-cognitive characteristics of DoD personnel.

graduation and then transition into fulltime employment. The internship need not be in the office that will receive them upon successful completion of the program requirements, but must be in DoD.

The Exceptional Scholars Program will be achieved through the same directive memorandum from the Secretary of Defense. DASD (CPP) would also manage the Exceptional Scholars Program (ESP) through the same program office that manages the *New Call to Service Scholarship*.

Enhanced DoD internship programs will be achieved through a directive memorandum from the Secretary of Defense. These programs will continue to be managed at the local level by each component, with oversight and administrative support from appropriate headquarters elements; however, OUSD (P&R) will undertake an effort to enhance the internship program Department of Defense-wide in partnership with components. This effort will be led by the DCPAS, which will execute the program and work with components to improve their internship programs and implement measures to assess and monitor the maturity of their programs. Some degree of standardization among internship programs will provide structure and guidance, but recruitment, selection, placement, and management of intern candidates will be managed by the components and their subordinate commands. OUSD (P&R) will provide augmentation such as enterprise internship recruiting on a referral and placement basis, creating the intern profile database, and capturing and promulgating best practices for transition of interns to full-time hires.

**METRICS FOR SUCCESSFUL IMPLEMENTATION:** CORA should simplify and accelerate the process for recruiting recent graduates, which should result in an increase in accessed candidates in desirable categories and a reduction in the time-to-fill. Success will be measured by the volume, quality, and diversity of the applicant pool; the quality of people hired under CORA, their performance in the job and their retention rates.

The expansion of the STAR program should result in an increase in the number and diversity of applicants from current students and in accessed candidates in desirable categories. Success will be measured by the volume, quality, and diversity of the applicant pool, their performance in the job; and their retention rates.

The *New Call to Service Scholarship* program and the Exceptional Scholar Program should be evaluated by the number and quality of the students who participate, based on their academic performance, major, and university; and the quality and diversity of the schools that participate. The program should, over time, increase the numbers of applicants and employees in DoD, leading to greater diversity in the civilian workforce overall. By tracking

these participants' performance, promotion, and retention beyond service commitment, we can assess whether the scholarship has the desired return on investment.

Enhancing DoD internship programs should increase the number and quality of intern participants, the number of hiring components, the number of interns entered into the database, usage statistics for the database, the number of interns who convert to fulltime positions, and retention rates. Surveys should be administered to all stakeholders to gather qualitative and quantitative feedback on the success of different aspects of internship programs to inform future iterations and enhancements, most importantly the satisfaction of the interns and their supervisors.

**TITLE:** *Expand Opportunities to Attract and Retain Mission Critical Occupations* (Civilian Reform Proposal 7)

**PROPOSAL SUMMARY:** This reform proposal will expand the existing DoD Science, Mathematics, and Research for Transformation (SMART) Scholarship<sup>44</sup> program, better tie this program to Mission Critical Occupations (MCOs), and increase program scholarship investment.

**CURRENT CHALLENGES:** Science, technology, engineering, and mathematics (STEM) are essential academic disciplines to inform and animate the Department of Defense's Mission Critical Occupations (such as Computer Engineering, Intelligence, and Medical, among others) as identified in the DoD Strategic Workforce Plan. Currently, there is a demand/supply imbalance degrading DoD's ability to acquire and retain the right technical talent to execute mission requirements. For example, in FY2015, budget limitations prevented DoD from maximizing the opportunities provided by the SMART scholarship authority and enabled it to fill only 30% of its SMART Scholarship requirements. The high cost of a STEM degree is an additional barrier which makes public sector employment unattractive for many college students given compensation disparities between the government and private sector for similar talent. Collectively, this constrains the Department of Defense's ability to have a consistent, refreshed corps of trained and talented college graduates to meet mission requirements. SMART Scholarship recipients often fill those positions that constitute the heart of innovation in the Department of Defense, creating pioneering solutions for an increasingly complex operational environment.

Moreover, through DoD's Fiscal Years 2014-2019 Strategic Workforce Plan, DoD has identified manning shortfalls in MCOs that support long-term national defense. This plan provides strategic insight into the required long-term knowledge, skills, and abilities to influence STEM and MCO workforce shaping and sustainment strategies to ensure the workforce is positioned to meet emerging challenges.

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<sup>44</sup> The Science, Mathematics, and Research for Transformation (SMART) Defense Education Program provides financial assistance for education in science, mathematics, engineering, and technology skills and disciplines that, as determined by the Secretary of Defense, are critical to national security functions and are necessary in the Department.

**PROPOSAL DESCRIPTION:** This proposal expands the existing DoD SMART Scholarship, and connects its mission more directly to fill critical MCOs by aligning undergraduate and graduate degrees in STEM disciplines with Departmental requirements.

The expansion of the existing SMART authority to include MCOs will require modification of Title 10, § USC 2192a, SMART Scholarship Defense Education Program, including title modification to read “*DoD SMART+*” to reflect expanded authority. This program will provide necessary flexibilities to enable increased recruitment and retention of civilian employees in STEM fields and MCOs critical to national security as identified in the DoD Strategic Workforce Plan.

This proposal will increase the number of SMART+ scholarships funded and awarded per year to 520, accommodating the expanded authority and further supporting a STEM/MCO diversified workforce. Under the current SMART Scholarship program, the Department has the authority to award scholarships based on fiscal year funding available and offers one to five years of academic support with a one-to-one service commitment in DoD. Under SMART+, scholarship funding would be increased to cover the full allocation of requirements of 520 scholarships, similar to numbers projected for FY2015. These program enhancements will support a diverse population receiving a fully-funded undergraduate or graduate degree in an approved STEM/MCO discipline critical to the Department’s national security functions. Candidates for participation in the SMART+ Scholarship Program will apply for a scholarship using current SMART criteria.

SMART+ Scholars will be selected by components and agencies based on workforce requirements as aligned with the DoD Strategic Workforce Plan. SMART+ Scholars will be assigned to a DoD activity at the time of award and interviewed on-site to ensure a suitable fit. Upon selection, SMART+ Scholars will attend an accredited academic institution with a STEM and/or MCO related degree of study. Scholarship benefits include: full tuition and fees, book allowance, health insurance allowance, annual stipend, summer internships and post-graduation employment in DoD. SMART+ Scholars will participate in eight- to twelve-week internships with the sponsoring organization during the summers between academic school years. Upon graduation with a STEM/MCO-related degree, the SMART+ Scholar will be employed by the sponsoring activity for a minimum of one-to-one service commitment for the number of awarded scholarship years, through appointment via existing authorities or the newly established DoD Civilian On-Campus Recruiting Authority (CORA).<sup>45</sup>

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<sup>45</sup> The DoD Civilian on Campus Recruiting Authority is part of Civilian Reform Proposal 6. It establishes an alternative to federal-wide Pathways program.

**IMPLEMENTATION AND GOVERNANCE MECHANISM:** This reform will be achieved through legislative proposal to Congress and directive memorandum from the Secretary of Defense.

In accordance with the proposed revision of Title 10, USC § 2192a, the Office of the Deputy Assistant Secretary of Defense for Research (DASD (R)) STEM Development Program will serve as the executive agent of the SMART+ Program.

**METRICS FOR SUCCESSFUL IMPLEMENTATION:** Specific program metrics are already being implemented by the executive agent of the SMART Scholarship Program including: successful graduation, retention of SMART recipients beyond service commitment, internship impact, value of SMART Scholar contribution to DoD, and diverse workforce needs met. These existing SMART metrics would be expanded to include MCOs for the SMART+ Program. Other metrics may be established to address reduction in staffing gaps in MCO, as filled by SMART+ program graduates.

**TITLE:** *Overhaul Civilian Human Resources Information Technology Systems* (Civilian Reform Proposal 8)

**PROPOSAL SUMMARY:** This reform proposal will pursue the migration of traditional, legacy enterprise resource planning (ERP) on-premises systems for civilian human resources (HR) to a modern, cloud-based software-as-a-service (SaaS) provider in the HR management (HRM) space. The initial focus will be on four key functionalities: 1) personnel/core HR; 2) payroll; 3) time and attendance; and 4) benefits management. Upon successful migration of these functionalities, DoD will explore the viability of other HRM SaaS services (e.g., Learning Management Systems and recruiting and onboarding platforms).

**CURRENT CHALLENGES:** A recent McKinsey & Company study commissioned by the Deputy Chief Management Officer (DCMO) found that the Department of Defense spends 870% more per Full Time Equivalent (FTE) on HRM than the next costliest commercial entity in the firm's benchmarking database. Annually, DoD spends \$1.6B on HR information technology (IT) systems, of which there are more than 600 extant. This reform proposal focuses on the systems that handle four key civilian HRM functionalities: 1) personnel/core HR, which is currently managed by the Defense Civilian Personnel Data System (DCPDS); 2) payroll, which is processed by the Defense Civilian Pay System (DCPS); 3) the fifteen time and attendance systems across DoD (e.g., ATAAPS); and 4) benefits management, which is currently handled by the Employee Benefits Information System (EBIS). These systems drive the highest ecosystem costs when it comes to touch labor; current implementation architecture only provides visibility at the enterprise level, thereby inhibiting a full accounting of overall implementation costs across the DoD.

With heavy customization and years of patches, DoD HR IT implementation - with its many interfaces - is inefficient, thereby complicating modernization. In many cases, due to the lack of modern automated workflows, gaps in functionality are bridged by human intervention. When these manual steps fail, they result in astounding anomalies such as 486 Army civilians owing the government \$84M in overpayments they didn't know they had received. The DoD mission is jeopardized when hiring takes more than 120 days from a job posting to a new hire's first day; when 25% of personnel actions require rework; when payroll errors leave employees without pay and Defense Finance and Accounting Services (DFAS) reconciles 120,000 pay cases annually; and when senior leadership has limited real-time visibility into workforce data analytics. For context, DoD employs 22,000 civilian HR employees at a total estimated annual cost of \$1.9B. Because of poor business intelligence capabilities, it is difficult to assess what percentage of these employees exists solely or even fractionally to do data entry or extraneous human intervention.

By continuing with the status quo, DoD diverts management attention that could otherwise be directed to mission activities. Instead, the Department of Defense incurs substantial and sometimes hidden technical sustainment costs across the enterprise. A prime example of such costs is described in a *Washington Post* exposé entitled “Sinkhole of Bureaucracy” that outlines what happens when a civilian employee retires. On the DoD side, a benefits specialist prints forms from the electronic Official Personnel Folder (eOPF) and sends them via Federal Express to a DFAS location where another record is printed and inserted in the package, which is then sent to an underground limestone mine in Pennsylvania where the Office of Personnel Management (OPM) scans the package into its own separate eOPF instance for later manual adjudication. OPM must advance its own retirement modernization initiative, but the costs to DoD of printing, processing, shipping, etc. cannot be ignored and represent just one example of hidden costs.

**PROPOSAL DESCRIPTION:** The Department of Defense will devise a procurement strategy to acquire a HRM SaaS provider for the four (4) key functionalities – personnel/core HR, payroll, time and attendance, and benefits management – with the intent to expand in a phased approach to additional services that address the entire employee lifecycle from recruitment to retirement; HRM SaaS vendors offer fully-integrated suites of such services (e.g., workforce planning, talent acquisition, onboarding, performance appraisals, and learning management). For HRM SaaS offerings, users need only a web browser to access the services; most providers have interfaces designed to be intuitive and promise fully mobile-enabled experiences for HR specialists and employees, to encourage both self-service and leaders’ use of robust data analytics tools. The underlying technology offers unified codebases and hosted software in secure, segmented multi-tenant environments.

Many HRM SaaS providers take great advantage of the newest technology (e.g., NoSQL (Not Only Structured Query Language) databases, Application Program Interface (APIs) for connectivity to legacy ERP systems, and open source software). Code updates can be pushed to all customers simultaneously as frequently as weekly; some providers often release major updates to all customers twice a year, ensuring that customers always have the most up-to-date, innovative solution (i.e., enabling feature-set) rather than forcing them to wait years between upgrades in traditional, heavily-customized ERP systems. Updates are generally identified and prioritized via crowdsourcing within the user base. One market leader included in recent market research by DoD officials boasts a 97% satisfaction rating and more than 1,000 customers across a range of industries, including banking, manufacturing, consumer products, retail, higher education, and state and local governments.

To meet such a wide array of customer requirements, the HRM SaaS providers build business process frameworks – one provider offers more than 350 of them – that can be configured to suit the particular organizational structures, policies, and processes of a given customer. For large customers, HRM SaaS providers included in the market research by DoD signaled willingness to develop functionality that is not already offered; such functionality would be available to the entire customer base. Indeed, that is the key benefit of SaaS generally – everyone works from the same unified code base so there are no hefty customization and sustainment costs to carry. Once in production, updates to configuration can be made by HR subject matter experts rather than large teams of costly IT staffs working on multi-month deployment cycles. The business model is priced on a per-user, per-functionality basis, and seems to be relatively uniform across customers with some likely potential for the DoD to negotiate based on its scale and buying power.

**IMPLEMENTATION AND GOVERNANCE MECHANISM:** This reform will be achieved through a directive memorandum from the Secretary of Defense.

The Secretary of Defense will direct the Under Secretary of Defense for Personnel and Readiness (USD (P&R)) to establish a civilian HR IT Executive Steering Committee (ESC), chaired by USD (P&R), that includes the Under Secretary of Defense for Acquisition, Technology, & Logistics (USD (AT&L)), the DCMO, the Chief Information Officer (CIO), and other senior Pentagon officials as appropriate. The ESC will report its findings regularly to the Deputy Secretary of Defense. Under OUSD (P&R) leadership, the ESC will devise an acquisition strategy that accounts for the nontraditional technology acquisition (i.e., Software-as-a-Service) and associated implementation and integration support.

The USD (P&R) will establish a Program Management Office (PMO), spearheaded by an SES with DoD HR IT subject matter expertise of the existing legacy architecture and knowledgeable of the new post-modern ERP construct that employs on/off-premise SaaS solutions. The PMO will staff the ESC, manage the initiative on a day-to-day basis, and coordinate with HR policy and operations offices across DoD. Importantly, a PMO charter will outline a robust change management strategy and an aggressive stakeholder engagement plan that ensures user groups (e.g., HR specialists and managers) are fully and regularly consulted to drive adoption. The Secretary of Defense will direct the new PMO, in coordination with the new Defense Digital Services (DDS)<sup>46</sup>, to cultivate a mental shift from traditional software development approaches to one concentrated on “middleware” expertise which focuses on the integration layers between on/off-premise software and SaaS offerings.

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<sup>46</sup> The Defense Digital Service is recommended in Multi-Domain Reform Proposal 1

**METRICS FOR SUCCESSFUL IMPLEMENTATION:** There are both qualitative and quantitative metrics to identify successful implementation. Qualitatively, success would be indicated by a binary determination of an efficacious implementation (i.e., yes/no) of the selected HRM SaaS provider for civilian personnel and payroll services for each Military Department and DoD component. Indicators include every DoD civilian having a single, authoritative record that is fully digital and portable across the DoD enterprise so they can move freely for career development or retire without hassle; every DoD civilian having a single device-agnostic log-on to a user-friendly, intuitive system to review their account information, check pay history, and complete self-service tasks that can be done at work, from home, or on the go; and every DoD executive, leader, manager, and supervisor having access to business analytics (e.g., a dashboard) that shows FTEs, vacancies, skills, and performance data. Quantitatively, success would be indicated by metrics such as DoD decreasing the total spend per FTE on HR management, as measured against the McKinsey benchmarking dataset; DoD reducing the total spend per FTE on HR IT system against the McKinsey benchmarking dataset; DoD decreasing time-to-market of key feature set to the customers and HR professionals to improve work force management; reduced HR specialist FTE count; and reduced payroll errors.

**TITLE:** *Develop and Sustain Civilian Talent Management Systems* (Civilian Reform Proposal 9)

**PROPOSAL SUMMARY:** This reform proposal will undertake three talent management initiatives, working in concert. The Center for Talent Development (CTD) will provide Department-wide guidance on talent development policy and strategy, offer world class professional development opportunities to the civilian workforce, and serve as a repository of expertise on talent development. The Civilian Human Capital Innovation Lab (CHIL), a special research team within the CTD, will operate as DoD's internal think tank on human capital by discovering and sharing current innovations in human capital in and out of government, and providing sustained focus on maintaining a highly capable human capital workforce. Simultaneously, the creation of Civilian Talent Investment Funds (CTIFs) across the Department will provide stable and adequate funding for talent management in every component. Together, these reform proposals lay out a talent development ecosystem that will develop, support, and retain a high performing civilian workforce.

**CURRENT CHALLENGES:** The Department's current approach to developing the civilian workforce is ineffective for five reasons. First, there are too few civilian education and training opportunities. Second, existing opportunities go underutilized because some supervisors do not prioritize time, resources, or attention to ensure all employees participate in talent development. Third, the quality of opportunities is highly varied: there are pockets of excellence that set the standard for the federal government, such as the Executive Leadership Development Program (ELDP), but these are rare exceptions to an otherwise disappointing menu of options. Fourth, resources devoted to talent development are usually disconnected from an organizational strategy for talent development that is connected to performance measures, competency gaps, and succession plans. There are few, if any, quality standards or performance measures to ensure that the taxpayers' dollars invested in learning and development will yield beneficial outcomes aligned to organizational objectives. Fifth, talent development opportunities are not always linked to the individual needs of the employee, most of whom are not receiving the benefit of continuous feedback, professional coaching and mentoring, well-defined career paths, and current competency models. One reason for this is that functional communities are under-resourced and not prioritized.

These circumstances have led to competency gaps that have been identified in DoD-wide assessments of civilian leaders at all levels; a U.S. Government Accountability Office (GAO) study from 2012 also revealed gaps in federal employees' critical competencies and skills. There is ample evidence of general dissatisfaction among civilians with both their career development and advancement prospects. According to the 2014 Office of Personnel Management (OPM) Federal Employee Viewpoint Survey (FEVS), only 48% of DoD

employees feel their training needs are being assessed or are satisfied with the training received.

DoD must do better on leadership and management training for civilian supervisors. Supervisors are the center of gravity in any strategy for workforce development and talent management. The DoD's cadre of supervisors – and the employees they manage – deserve a robust, sustained, and excellent menu of options for supervisors to develop and continually refresh their tradecraft as managers. Many of the reform proposals in Force of the Future, if approved, will introduce additional dynamism into the workforce such as joint duty assignments, sabbaticals, or innovation time. Combined with initiatives to increase accountability in the workforce, the primary role of the DoD's supervisors will be more crucial and more challenging than ever.

In particular, the Department of Defense's human capital workforce needs additional resources and training to ensure it is ready to meet the growing demands of supporting increasing complex human capital systems. In the July 2015 edition of *Harvard Business Review*, Wharton professor Peter Capelli described why Human Resources professionals are often maligned, "Little has been done in the past few decades to examine the value of widely used practices that are central to how [organizations] operate." In this regard, DoD is no different. An aggressive and sustained effort to pursue excellence and innovation in all aspect of human capital is needed to ensure human capital professionals have the skills, knowledge, and ambition to deliver excellent service to all the stakeholders in the workforce they routinely serve: applicants, employees, hiring managers, leaders, and the public. This will pave the way for elevating DoD's human resources workforce into human capital experts who serve as strategic partners to DoD leaders in accomplishing the DoD's missions.

Lastly, DoD does not invest enough resources to cover the cost of an excellent talent development program, nor does it provide program stability to resource multi-year succession planning strategies. If civilian professional development budgets continually fluctuate, it is not possible to plan a career or manage a workforce strategically.

**PROPOSAL DESCRIPTION:** This reform proposal is composed of three parts: (1) establishing the Center for Talent Development; (2) establishing the Civilian Human Capital Innovation Lab; and (3) establishing Civilian Talent Investment Funds.

**Establish Center for Talent Development:** The Department of Defense generally has taken a fragmented and inconsistent approach to civilian talent development, including the crucial decisions on how it fosters excellence in its supervisors and managers. To address these deficiencies, this reform proposal would establish a permanent civilian workforce

Center for Talent Development (CTD) to serve as a “one-stop” repository of expertise, capability, capacity, and policy guidance for talent development. The CTD will have three distinct roles: (1) to develop policy for talent development, (2) to conduct research and development on human capital excellence, through the CHIL, and (3) to deliver world class learning and development opportunities to build the capability and capacity of the civilian workforce. This approach is consistent with the current trend in the private sector of establishing “corporate universities” to increase the focus, quality, efficiency, and relevance of professional development efforts at the enterprise level.

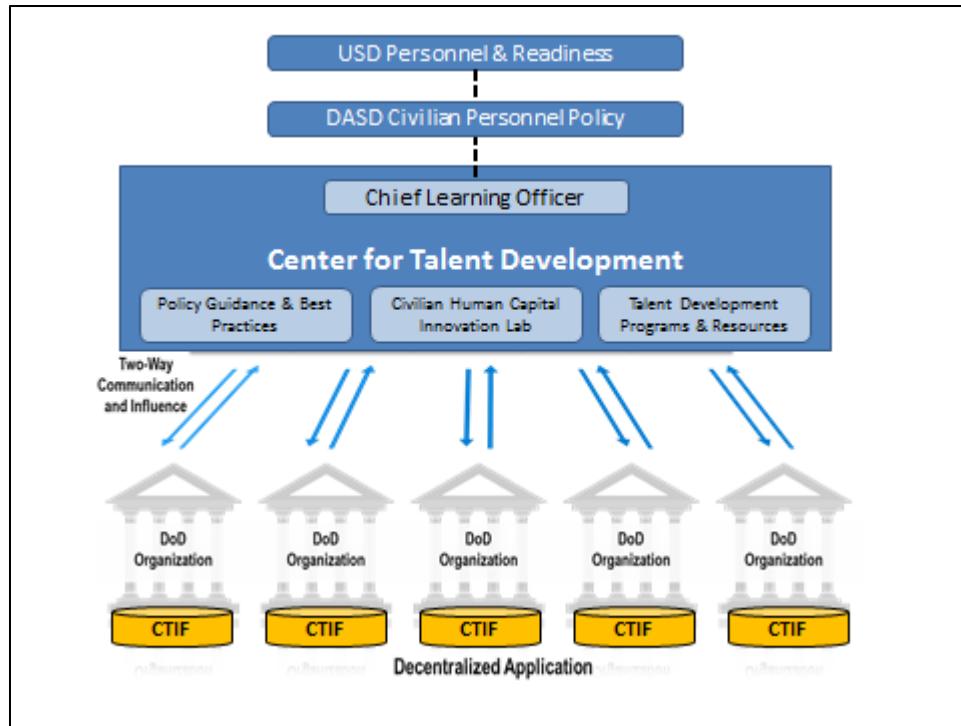
To fulfill its policy role, the CTD will assist the Office of the Under Secretary of Defense for Personnel and Readiness (OUSD (P&R)) with providing policy guidance on enterprise-level civilian workforce career management. The Chief Learning Officer (CLO), the director of the CTD, would engage human capital leaders across the Department of Defense and the Office of People Analytics<sup>47</sup> to develop policy guidance for talent development that promotes best practices and reduces inconsistencies in talent development across the DoD civilian workforce, while preserving the flexibility of every component to ensure their learning and development programs are tailored to meet their unique mission requirements.

To fulfill its Research & Development role, the CTD will stand up the CHIL, as described below.

To fulfill its operational role, the CTD will provide on-demand career information, resources, guidance, and professional development opportunities directly to civilians and their supervisors. DoD will realize significant efficiencies and quality improvements by creating a central point of coordination dedicated exclusively to organizing civilian development opportunities. Military Departments and components may continue to conduct talent development independently if they choose, but the CTD will encourage their partnership via a streamlined, efficient, cost-sharing system. Components that maintain independent talent development opportunities could use the CTD to advertise them to civilians across DoD, further increasing coordination and efficiency.

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<sup>47</sup> The Office of People Analytics is recommended by Multi-Domain Reform Proposal 4.



**Establish Civilian Human Capital Innovation Laboratory:** To ensure the Department's human resources personnel remain at the forefront of best practice, this reform proposal would establish a Civilian Human Capital Innovation Laboratory (CHIL) within the CTD. The CHIL will offer useful training and development explicitly designed for human capital professionals on emerging concepts and practices in the field of human capital, both in and out of government. The CHIL will engage with relevant federal offices as well as experts from industry and academia to ensure it remains the DoD's resource for the best and newest ideas in human capital management practices.

The CHIL will employ Human-Centered Design methodologies<sup>48</sup>, which will give the DoD human capital workforce insights into the customer experience of the stakeholders who use DoD's human capital processes – applicants, civilian personnel, and their managers. By using empathy-based techniques to understand the behaviors and user experiences of the consumers of DoD human resource processes, and feeding these insights continuously into curriculum, the CHIL will be able to assist human capital professionals in making unprecedented advances in customer service.

<sup>48</sup> Human-Centered Design (HCD) is defined by the LUMA Institute as “the discipline of developing solutions in the service of people.” HCD is also sometimes described as Design Thinking, which is defined by Tim Brown, president and CEO of the premier innovation firm, IDEO, as “a human-centered approach to innovation that draws from the designer’s toolkit to integrate the needs of people, the possibilities of technology, and the requirements for business success.”

The CHIL's primary purpose is to design, launch, and evaluate a continuous stream of pilots, prototypes, and experiments aimed at formulating and testing ideas that improve human capital outcomes for customers, accelerate and simplify process, and reduce cost. The CHIL's purview includes evaluating any human capital practice, including accession processes, performance evaluation, and promotion policy to identify potential improvements and make recommendations.

**Establish Civilian Talent Investment Funds:** Increasing funding for civilian education and training will enhance the performance of both people and organizations, improve morale, and enable DoD to attract and retain top talent. This reform proposes the creation of Civilian Talent Investment Funds (CTIFs) in each component to increase – and stabilize – funding for civilian talent development, to include training, education, and broadening experiences. Each CTIF is a funding line in the budget of each Military Department, Principal Staff Assistant, and the Fourth Estate dedicated to civilian talent development. Each component will contribute and manage 1.5% of its civilian pay budget to its CTIF, starting in FY2018 Program Objective Memorandum (POM). According to research and analysis by the Corporate Executive Board, setting the investment at 1.5% of civilian pay will bring DoD into line with average benchmarks in the private sector.

Each component leader will identify an official within his or her organization to be responsible for setting and promulgating strategies, priorities, and plans for maximizing the impact of CTIF resources on developing their civilian workforce. These plans will include a prioritized list of competency gaps to be addressed by their respective talent development programs and a plan for addressing those gaps, including broadening assignments, education, and training opportunities.

The CTD would play a valuable advisory role in ensuring this additional infusion of funding is used strategically, sustainably, and efficiently to support highest value professional development activities in support of specific talent management objectives determined by each component according to their unique mission requirements. The CLO will provide annual guidance to inform each component's learning plan. The CTD would also provide a wide variety of world-class talent development opportunities for each component to incorporate into their talent development plan, should they choose to do so. This gives each Military Department and component maximum flexibility while reducing the considerable administrative burden and technical complexity of designing and executing all the talent development programs in isolation.

## **IMPLEMENTATION AND GOVERNANCE MECHANISM:**

**Establish Center for Talent Development:** This reform will be achieved through amending DoD Instruction 1400.25, Volume 410, “DoD Civilian Personnel Management System: Training, Education, and Professional Development.”

The CTD will be established and led by an SES-level Chief Learning Officer who will be selected by the Under Secretary of Defense for Personnel and Readiness (USD (P&R)), in consultation with the Deputy Chief Management Officer (DCMO), the Deputy Assistant Secretary of Defense for Civilian Personnel Policy (DASD (CPP)) and the Deputy Assistant Secretary of Defense for Future Force Implementation (DASD (FFI))<sup>49</sup>. The Chief Recruiting Officer (CRO)<sup>50</sup> will assist in identifying candidates who possesses extensive background in strategic human capital, learning and development, and enterprise transformation, and have appropriate executive experience necessary to stand up this new enterprise-wide office. The DCMO, DASD (FFI), and the DASD (CPP) will play instrumental roles in shaping the design and launch of the CTD, but the CLO will report directly to the DASD (CPP). The CTD would have a staff of approximately 105 personnel, 80 of whom are already working in similar roles, most of them in the Defense Civilian Personnel Advisory Service (DCPAS) that could be realigned.

The CTD’s first charge will be to develop a comprehensive Civilian Talent Development Framework, with a target approval date one year after CTD’s launch, which would be directed by a Secretary of Defense memorandum. The Framework will be built on existing civilian functional communities (FCs) and provide holistic guidance for career management for DoD civilians. This will include provisions for providing dedicated civilian career counselors (similar to military branch chiefs) for individual FCs or groups of similar FCs, assessing and recommending emerging technologies to enhance learning, and ensuring adequate assessments of learning progress and succession readiness. Within 18 months, the CTD will provide DoD-wide standards for civilian learning and development. The CTD will also provide guidance and recommendations on the use of resources for civilian training and development.

**Establish Civilian Human Capital Innovation Laboratory:** This reform will be achieved through amending DoD Instruction 1400.25, Volume 410, “DoD Civilian Personnel Management System: Training, Education, and Professional Development.”

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<sup>49</sup> The Deputy Assistant Secretary of Defense for Future Force Implementation is Multi-Domain Proposal 5.

<sup>50</sup> The Chief Recruiting Officer and Defense 100 are recommended by Civilian Reform Proposal 4.

The Secretary of Defense memorandum that establishes the CTD would include the necessary provisions to launch the CHIL, which would reside within it. The Director of the CHIL will report to the CLO. The CHIL will require a purpose-built workspace modeled after comparable spaces in the General Services Administration (GSA) and Office of Personnel Management (OPM).<sup>51</sup> The CHIL would be staffed by a ten-person team composed of DoD human capital experts; experts from other federal agencies and the private sector with a mastery of human-centered design methods; and several billets for rotations to ensure the perspective of typical users are directly incorporated into experiments. The CHIL staff will be mentored by an Entrepreneur-in-Residence.<sup>52</sup>

CHIL's first order of business will be to work with OPA to develop non-cognitive attributes to be integrated within existing position descriptions. The integration will be piloted by OUSD (P&R) for a period of two years. OUSD (P&R) will provide a report summarizing the effects of the non-cognitive attributes to the Director of the Office of People Analytics (OPA) at the conclusion of the pilot program. Once the CHIL identifies improvements, it will refer them to DASD (CPP) or the appropriate office for implementation, freeing it up to move on to new problem sets and stakeholder communities.

Additionally, to broaden perspectives and spark innovation, the CHIL will engage experts from industry and academia to enable the CHIL to act as a central clearing house and repository of human capital best practices across components and industries. This will enable the CHIL to benchmark progress to the rest of government and the private sector.

**Establish Civilian Talent Investment Funds:** This reform will be achieved through a directive memorandum from the Secretary of Defense.

The Secretary of Defense will direct all DoD components to dedicate an amount equal to 1.5% of their civilian personnel account as a dedicated funding line for civilian training and development in the FY2018 POM and all subsequent POMs. Each CTIF will be managed by a designee of the Military Departments, Principal Staff Assistants (PSA), and the 4<sup>th</sup> Estate and used for talent development programs such as civilian education and training, participation in professional development activities, tuition reimbursement, travel and per diem related to training, costs associated with civilian participation in sabbaticals, rotations,

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<sup>51</sup> This is an excerpt from the GSA website: “The Office of Personnel Management (OPM), and GSA (National Capital Region and the Center for Workplace Strategy) developed the OPM Innovation Lab to redefine the office workplace. The space will be transformed into a model office that can adapt to organizational change using flexible infrastructure and furnishings, including: wired and wireless computer access, various audio/visual systems, a universal power grid, a range of open and enclosed, formal and casual areas, and a limited number of freestanding furniture pieces that can be easily rearranged by the occupants.”

<sup>52</sup> The “Entrepreneur-in-Residence” is recommended by Multi-Domain Reform Proposal 3.

and broadening experiences. (The Department will develop a streamlined process for transferring CTIF funds to the CTD for CTD-sponsored reimbursable activities.)

The USD (P&R), in consultation with the Director for Joint Force Development (J7), the Under Secretary of Defense (Comptroller), and the CLO, will provide annual guidance on talent development to assist each Military Department and PSA with the preparation of talent development plans and budgets. OUSD (P&R) will monitor execution of the pilot civilian development programs and will regularly assess their costs and effectiveness. The CTD will produce an annual scorecard assessing talent development programs and investments across the Department, including its own programs, and capture lessons learned to inform guidance for the following year.

CTIF funds are not subject to year-of-execution reprogramming authorities. Service Secretaries and PSAs may request that an amount less than 1.5% be transferred to CTIF – though not less than 0.75% -- by presenting a POM with a lesser amount, and submitting an issue paper with a compelling justification to the Deputy Secretary of Defense during the Fall Program Budget Review.

#### **METRICS FOR SUCCESSFUL IMPLEMENTATION:**

**Establish Center for Talent Development:** Metrics will include the decline in competency gaps identified in DoD assessments of civilian leaders and critical occupations, and consequently, improved organizational performance; a rise in the number of personnel taking advantage of training and educational opportunities, and favorable customer satisfaction surveys from participants in programs; and improvement in results from surveys measuring civilian morale and satisfaction with developmental opportunities and promotion prospects. Given the current level of dissatisfaction with training opportunities, workforce satisfaction should increase. On the operational costs associated with providing enhanced training opportunities, the Department should realize cost savings based on reduced training redundancies.

**Establish Civilian Human Capital Innovation Laboratory:** The direct measure of the success of the CHIL is the adoption of faster, simpler hiring processes across DoD component organizations. This in turn should lead to a number of other measurable benefits: DoD should be more competitive in the national labor markets, as measured by an increased ability to recruit and hire people with competitive degrees or in competitive occupations. Simpler, faster processes should also result in reduced administrative costs. The increased focus on customer engagement and experience should yield direct improvements

in FEVS scores for employee satisfaction and confidence on a variety of human capital related indexes.

**Establish Civilian Talent Investment Funds:** Metrics will include statistics on training levels and professional development for the civilian workforce, survey results related to morale and to employee perceptions regarding training adequacy, and trends in DoD's ability to fill critical workforce competency gaps.

**TITLE:** *Expand Individual Broadening Opportunities* (Civilian Reform Proposal 10)

**PROPOSAL SUMMARY:** This reform proposal will encourage civilian personnel to take greater advantage of broadening and mobility opportunities within the Department of Defense. This two-part proposal will (1) develop and implement a civilian Joint Duty Assignment (JDA) program to provide broadening opportunities to mid-career civilian employees; and (2) remove barriers to mobility between components within DoD.

**CURRENT CHALLENGES:** High-performing organizations in all sectors rely on rotational assignments or other forms of cross-training to broaden the perspective of individual employees, making them more versatile, adaptable, and connected. These mobility programs benefit the people involved as well as their organizations by increasing the exchange of people, ideas, and best practices; building internal networks of collaboration; and enhancing resiliency by familiarizing employees with a wider range of enterprise functions. For these reasons, the Military Services and the Intelligence Community – among others – have rotational programs and incentives to use them. In contrast, the civilian workforce’s ad hoc approach offers few such opportunities and is hampered by barriers and disincentives. DoD needs to expand its portfolio of broadening experiences and provide a coherent and institutionally supported approach to make them accessible.

Collaboration across DoD, as well as the interagency community, strengthens national security. In recognition of this, Executive Order 13434, which laid out an interagency vision for National Security Professional Development, committed the nation to a policy of promoting the “education, training and experience of current and future professionals in national security positions (security professionals) in executive departments and agencies.” Empowering employees to develop shared understanding and implement solutions to complex problems within and between agencies supports that policy. Despite the White House directive, and the companion legislation ( FY2013 National Defense Authorization Act, Section 1107), DoD has yet to put in place the programmatic and process infrastructure necessary to facilitate JDAs at an enterprise scale.

The value of efficiently facilitating personnel exchanges is almost self-evident, but today, barriers to mobility between components within DoD stand in the way. The Guide to Processing Personnel Actions (GPPA), issued by the Office of Personnel Management (OPM), specifically separates DoD into four separate agencies: Department of the Army, Department of the Navy, Department of the Air Force, and all other DoD elements, which are referred to as the Fourth Estate. This rule means that every time any employee transfers from one of these four organizations to another, a formal transfer action must be completed. A complete set of documents and procedures such as fingerprinting and other associated

security clearance requirements have to be performed *de novo*. This OPM requirement introduces additional time, cost and redundancy to what ought to be a streamlined process within DoD.

**PROPOSAL DESCRIPTION:** This reform proposal is composed of two parts: developing and implementing a civilian Joint Duty Assignment (JDA) program to provide broadening opportunities to mid-career civilian employees; and removing arbitrary barriers to mobility between components within DoD.

The Department of Defense's JDA program will institute a system of voluntary rotations, modeled on the JDA program in the Intelligence Community, to encourage greater collaboration between elements of DoD and the interagency community. To encourage participation in a JDA (or comparable broadening assignment), this reform proposal would make it a prerequisite for consideration for SES positions in DoD. For all non-DoD employees applying for SES positions in DoD, leadership experience outside the Department of Defense would fulfill the requirement for a broadening experience. Two historical examples can be used to develop such a program for DoD: the system of Joint Duty Assignments generated by the Goldwater-Nichols Department of Defense Reorganization Act of 1986 and the Joint Duty Program authorized by the Intelligence Reform and Terrorist Prevention Act of 2004 (IRTPA).

Like the IC's JDA program, the DoD JDA Program Office would establish a well-ordered, efficiently managed, but largely decentralized and responsive marketplace of rotational opportunities. Under this flexible system, each rotational opportunity may have unique features (e.g., different selection processes, varying durations, etc.), but would co-exist within a common set of business rules, best practices, and technology tools, without provision for backfill. Under this program, employees at GS-13 and above with three years of experience in DoD will be eligible to apply for a rotational assignment in a different DoD component or even a rotational assignment in another organization with which DoD has a Memorandum of Agreement (MoA).

Once a strategic framework, business rules, and technology platform are in place, the JDA program would evolve and expand, driven by user demand. DoD already has personnel exchange agreements with Congress, the Department of State, the U.S. Agency of International Development, the Department of Homeland Security, the Office of Management and Budget, and the Intelligence Community, as well as the Ministries of Defense of the United Kingdom and Australia. The JDA Program Office will gradually incorporate these ad hoc existing arrangements for rotational opportunities into the DoD JDA system. Over time, the JDA Program office will continually broaden the range of

interagency, international, and non-governmental rotation opportunities by negotiating new Memoranda of Agreement that facilitate the movement of federal employees into and out of DoD rotational opportunities, as well as the participation of DoD employees in the maximum diversity of developmental rotation assignments. The JDA Program Office will eventually add a “Design-Your-Own Rotation” (DYOR) option whereby enterprising DoD employees would have the option to propose a new rotation tailored to their individual interests and obtain permission to establish a new MoA, pursuant to approval, to facilitate the exchange and to receive credit toward the JDA requirement for SES. The approval process would incorporate a panel charged with balancing a person’s developmental rational for the DYOR rotation with DoD’s organizational equities.

Regarding intra-Departmental exchanges, Title 5 of the U.S. Code recognizes DoD as an Executive Department. It states that “[t]he National Security Act Amendments of 1949 established the Department of Defense as an Executive Department including the Department of Army, the Department of Navy, and the Department of Air Force as military departments, not as Executive departments.” To support ease of movement between military departments, a revision to “agency,” as defined in 5 CFR 330 is required; this regulatory provision stipulates that “a military department” is a separate agency from an “Executive Department” like DoD. This regulatory language will be amended to reflect a unified Department, facilitating the ability of DoD employees to move among all of the DoD components without excessive preparation time and without delays. OPM should then issue a subsequent regulation that clarifies that DoD is designated as a single agency. Under the improved civilian personnel management system, movements are useful in developing and rewarding employees who broaden their skill and perspectives.

**IMPLEMENTATION AND GOVERNANCE MECHANISM:** The Department’s JDA program would be achieved through revision and update to DoDI 1400.36, “DoD Implementation of the Joint Intelligence Community Duty (JDA) Program.”

To enable full implementation of the JDA program, the USD (P&R) would direct the DoD Center for Talent Development (CTD)<sup>53</sup> to synthesize lessons learned from the Goldwater-Nichols JDA system and from the IRTPA Joint Duty Program for the Intelligence Community. The CTD would also use the National Security Professional Development Program (NSPD) (E.O. 13434) and Interagency Rotations Program (FY2013 National Defense Authorization Act, Section 1107) as enabling vehicles for interagency assignments. Emphasis would be placed on first establishing a strategic framework, as suggested in the GAO report on the Intelligence Community’s Joint Duty Program, followed by business

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<sup>53</sup> The Center for Talent Development (CTD) is recommended by Civilian Personnel Reform Proposal 9.

rules, best practices, customer needs, and technology requirements. The CTD would then draft and coordinate an implementation plan, propose a directive-type memorandum for the Secretary of Defense's signature, and prepare to stand up a DoD JDA Program Office to implement the plan.

The memorandum would direct a subset of DoD components to implement civilian employee JDA programs such as the National Security Rotation Program in the Office of the Secretary of Defense for Policy or NSPD's Communities of Interest, but tailored to the talent development needs of each organization and business unit, and with appropriate local support for rotation opportunities and employees going on rotation. The memorandum would also direct the affected DoD components to provide a means of identifying and selecting GS-13 and above candidates for the program, sharing a proposed list of broadening assignments that they would make available within their components, and addressing continuity of operations plans that would show how each organization would manage to billets or other hiring authorities to backfill employees on rotation or accomplish the mission while holding a position for them in their own or another organization. The DoD JDA Program Office, in a coordinating role, would provide advice and recommendations to participating components. USD (P&R) would monitor execution of the JDA Program Office and the local support offices of different components to regularly assess their cost and effectiveness.

The backbone of the JDA program will be the design and fielding of an online portal for matching candidates and JDA opportunities. This portal would be developed by Defense Digital Services.<sup>54</sup> In parallel, the Defense Civilian Personnel Advisory Service (DCPAS) would work with the Deputy Chief Management Office (DCMO) to determine the changes necessary to SES management to enforce the prerequisite requirement beginning no later than December 31, 2017.

Regarding intra-DoD exchanges, this reform would be achieved through a request from the Secretary of Defense to the Director of OPM that DoD components be reclassified as one agency. If OPM redefines the DoD as a single agency, the Secretary of Defense will direct the DCMO to implement consequent procedural changes and identify additional efficiencies to streamline processes for information technology, security, and administrative support that OPM's re-designation would enable. One year from DoD's re-designation, DCMO will prepare a report identifying cost- and time-saving measures from the re-designation and indicating what additional actions, if any, are indicated.

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<sup>54</sup> Defense Digital Services is recommended by Multi-Domain Reform Proposal 1.

**METRICS FOR SUCCESSFUL IMPLEMENTATION:** Metrics should include the number of employees who participate in broadening assignments; the number of components who establish JDA local support activities or offices; the number of new MoAs established to increase the diversity of rotation opportunities; assessments of the program's impact on morale; assessment of the value of the broadening experience by supervisors; actual promotion rates of JDA program participants; the percentage of SES who have participated in the JDA program; analysis of career decisions of employees transitioning from a JDA to their next role; and the survey feedback of non-DoD interagency partner organizations who participate in the JDA program.

Regarding intra-Departmental exchanges, metrics should include reduction in time and expense required to transfer between different components in DoD.

**TITLE:** Establish an Independent Hiring Gateway (Civilian Reform Proposal 11)

**PROPOSAL SUMMARY:** This reform proposal will outline a new approach to recruiting and hiring for the Department of Defense that reflects today's talent marketplace, candidate expectations, and state-of-the-art enabling technology. The Department of Defense will establish cutting-edge recruiting and hiring policies and processes akin to those at leading companies. DoD will leverage all available technology, including recent investments within the Intelligence Community as well as Software-as-a-Service (SaaS) options to implement the redesigned policies and processes.

**CURRENT CHALLENGES:** Demands on the DoD workforce have never been higher. Yet, without dedicated access to a leading-edge online talent platform, DoD finds itself at a disadvantage in the 21<sup>st</sup> Century labor marketplace. For example, LinkedIn represents the premier social network specifically focused on employment. While USAJOBS serves 17 million registered users, LinkedIn has over 116 million American members. In a recent list of the most sought-after government employers on LinkedIn, the Defense Intelligence Agency and the Naval Research Laboratory were the only DoD organizations listed. Talent platforms are tools that connect individuals to the right work opportunities by matching their talents with the detailed requirements of potential supervisors. Such data-enabled engines exponentially expand the job marketplace, while maintaining ease-of-use as powerful algorithms filter possibilities in an efficient and personalized way. Enabling faster and more flexible hiring processes to support national security objectives is an imperative for DoD, which must compete in the unforgiving private market for talent.

The Intelligence Community (IC) has already begun developing an alternative to USAJobs. The IC Applicant Gateway will be available in the fall of 2015 to applicants to the four largest IC agencies. This platform will serve not only as a search engine and application repository, but will also inform potential recruits of the variety of employment opportunities the IC has for them. The interactive job exploration tool lets job-seekers offer information such as their interests, experience, and skills and, using robust science-based data and algorithms, provides examples of the types of jobs that might be a good fit. Each job type has information about what is expected of someone in the position as well as what candidates can expect of the job and the corresponding functional community; this includes career roadmaps and a glimpse into future developmental and job opportunities. Based on the results of the discovery tool, applicants are presented with a list of currently available positions matching their profile. To remain competitive in the future, DoD must develop a similar enterprise-wide tool for accessing and hiring talent.

**PROPOSAL DESCRIPTION:** The Department of Defense will rapidly craft recruiting and hiring policies in accordance with Title 5, USC § 9902(b), “Department of Defense Personnel Authorities.” In redesigning hiring policies and processes, DoD will take due consideration of best practices employed by private sector entities actively engaged in the war for world-class talent. Moreover, the needs, contexts, and desires of top-tier candidates – and, indeed, the job-seeking public writ large – will be considered so that position descriptions are written in plain language with a human voice, the process is transparent and applicants have visibility into it, and the language and process itself meets applicants where they are (i.e., college graduate, mid- or late-career status, prior government experience, occupational discipline, new parents, etc.). The aforementioned IC Applicant Gateway will be a central model as the DoD plans and implements its enterprise Hiring Gateway.

The Department of Defense will use all available technology to implement the redesigned policies and processes for recruiting and hiring to create an overall user experience more familiar to 21<sup>st</sup> Century job seekers and provide more powerful tools for matching jobs to applicant preferences and qualifications. Like in the previously-mentioned IC Applicant Gateway, DoD’s website will not only serve as a search engine and application repository, but will also inform potential recruits of the variety of employment opportunities DoD has for them. For example, as DoD seeks to source talent from purposefully shaped applicant pools, its recruiters will be empowered to market their opportunities on social network-enabled talent marketplaces, aiming to satisfy an increased need for high-quality hires and differentiated skills across the workspace.

DoD recruiters will also be equipped with pattern analysis tools that use sophisticated algorithms to target potential top-tier recruits on social media platforms based on their propensity to serve. In addition to taking great care to shape applicant pools, the DoD will also work with the Office of People Analytics (OPA) to develop the capacity to screen candidates more accurately and efficiently.<sup>55</sup> Thus, DoD will make strategic investments in advanced assessment instruments that push the bounds of what is considered technically possible; officially acceptable under prevailing case law; and practical according to industrial and organizational psychologists. These investments will be made in the highest-impact occupations, such as science, technology, engineering, and math (STEM) jobs where technical competence is key to developing and maintaining the greatest edge possible against our potential adversaries. Moreover, consistent with the aforementioned commitment to consider applicants as humans, these assessment instruments will have not only actual validity (i.e., demonstrable), but also ‘face validity’ whereby the instrument instills confidence in the applicant that it services its intended purpose to assess their skills.

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<sup>55</sup> The Office of People Analytics is mentioned in Multi-Domain Reform Proposal 4.

With candidates appropriately assessed, using either existing instruments or those developed through new investments, DoD will have an effective and efficient method by which to select and onboard successful applicants. Implementation of this reform proposal should consider using the same SaaS provider as introduced in Civilian Reform Proposal, “Develop and Sustain Civilian Talent Management Systems,” to ensure seamless integration across the employee lifecycle.<sup>56</sup>

**IMPLEMENTATION AND GOVERNANCE MECHANISM:** This reform will be achieved through a directive memorandum from the Secretary of Defense.

Title 5, USC § 9902(b), “Department of Defense Personnel Authorities,” provides the Secretary of Defense with the statutory authority to, in coordination with the Director of the Office of Personnel Management (OPM), “redesign the procedures which are applied by the Department of Defense in making appointments to positions within the competitive service.” This statute provides the Secretary of Defense broad discretion to waive the requirements of chapter 33 of Title 5, “Examination, Selection, and Placement,” as well as the implementing regulations of such chapter, so long as the redesigned process provides for “fair, credible, and transparent methods of establishing qualification requirements for, recruitment for, and appointments to positions” as well as “fair and open competition and equitable treatment in the consideration and selection of individuals to positions.” The statute further streamlines implementation of the redesigned process by enabling the Secretary of Defense to issue the policy as a Department of Defense directive rather than a government-wide regulation subject to public notice and comment.

The Secretary of Defense will direct the Under Secretary of Defense for Personnel and Readiness (USD (P&R)) to lead and be accountable for the overall policy and technology development. The USD (P&R) will direct the Deputy Assistant Secretary of Defense for Civilian Personnel Policy (DASD (CPP)), in coordination with DASD for Future Force Implementation (FFI)<sup>57</sup>, to lead and report regularly on policy development as well as assessment instrument investment efforts. The DoD directive on recruiting and hiring policy will be issued within ninety days of the Secretary’s instruction to the USD (P&R). Further, the USD (P&R) will seek support from the Defense Digital Services (DDS)<sup>58</sup>to drive the development and integration of enabling technology that provides improved user interface, process, and backend work flow for the Department’s hiring mechanisms above and beyond

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<sup>56</sup> This is mentioned in Civilian Reform Proposal 9.

<sup>57</sup> The Deputy Assistant Secretary of Defense for Future Force Implementation is Multi-Domain Proposal 5.

<sup>58</sup> Defense Digital Services is a new technology innovation unit proposed by Multi-domain Proposal 1, *Increase Digital Innovation*.

what is currently offered by USAJobs. DDS will deploy an initial prototype of the job search engine, job exploration tool, application system, assessment instruments, and onboarding system within sixty days of the completion of the policy work, expecting that DDS can begin work concurrently with DASD (CPP) for functionalities that are not necessarily contingent on policy.

**METRICS FOR SUCCESSFUL IMPLEMENTATION:** Metrics that will indicate positive traction and potential long-term success of this reform proposal include speed and quality (agility and efficacy) of hire. The performance of those hired under these new conditions over time should be measured to facilitate future adjustments to the hiring and retention mechanisms outlined therein. In addition to the supply side of the labor workforce, the observations and satisfaction of managers with this new construct should be measured both subjectively and objectively. Ease of system use as well as effectiveness can be measured by a survey apparatus designed for all applicants, whether hired or not. Finally, the diversity of applicant pool will demonstrate the new, expansive reach of these recruiting and hiring systems designed to lead turn socioeconomic and educational change in the American workforce.

**TITLE:** *Focus on Millennial Recruiting* (Civilian Reform Proposal 12)

**PROPOSAL SUMMARY:** This reform proposal will improve the Department of Defense's efforts to appeal to the Millennial generation by: (1) establishing the DoD Millennial Ambassador Corps (MAC) to showcase a diverse group of carefully selected civilians in the Department; and (2) launching a national call-to-service outreach campaign called "Tour of Service."

**CURRENT CHALLENGES:** For decades, DoD enjoyed a comparative advantage in offering employees opportunities to do mission-driven, technologically-advanced, international or national-security related work – all of which particularly appeals to the Millennial Generation. Today, however, numerous organizations both inside and outside of government offer substitutable or even competitive opportunities that dilute DoD's once-unique appeal. Moreover, the technology value proposition is inverted: Millennials perceive they have better access to technology at home than in a DoD office.

To address this, the Department of Defense requires a focused effort to appeal to the Millennial generation so it can demographically balance its multi-generational workforce and recruit the next generation of high performers. A national outreach campaign is needed to change Millennials' perceptions of public service in DoD. In effect, the DoD civilian workforce has low brand awareness and negative perceptions to overcome. Launching a peer-to-peer campaign will empower DoD civilians to craft and deliver a new narrative that is authentic, bold, refreshing, and compelling: a new call-to-service.

The Ambassadors can provide concrete examples of the creative and entrepreneurial work civilians are doing today, show the possibilities for personalizing one's career progression, and promote the wide range of developmental opportunities and rotational assignments currently available or proposed in the Force of the Future initiative. This will replace the narrative that DoD is a vast, impersonal, and inflexible organization with an authentic description of the diversity of opportunities DoD offers, the options for travel and overseas exposure, the rich traditions of service, and an unmatched opportunity to have a global impact on a variety of topics that resonate with Millennials.

**PROPOSAL DESCRIPTION:** This reform proposal is composed of two parts: the Millennial Ambassador Corps and the "Tour of Service."

The Millennial Ambassador Corps (MAC) will consist of an initial cohort of 24 men and women who represent different roles in the Department, reflect the professional diversity of the civilian workforce, and display the leadership potential and the character the Department

of Defense seeks in employees. These men and women will serve in these positions for one year as a collateral duty, which will include the following responsibilities: (1) serving as advocates for public service, both in-person and online, and conducting outreach to Millennials on behalf of DoD, primarily by sharing authentic stories describing their own experiences; (2) recruiting candidates to apply for civilian positions or referring candidates to appropriate sources such as human resources professionals, other recruiters of existing outreach programs such as the Student Training and Academic Recruitment (STAR) Program, or online platforms such as the new DoD Independent Hiring Gateway<sup>59</sup>; and (3) serving as a semi-formal advisory board and focus group for senior DoD leaders seeking a perspective on Millennials and their role in the Department's mission and workforce.

The Under Secretary of Defense for Personnel & Readiness (USD (P&R)) or a designee will chair the DoD-wide selection process for Ambassadors. This multi-stage process will include a short essay for applicants, a self-made video or in-person interview for semi-finalists, and an on-camera interview for finalists. Inclusion in the MAC is conditional on a background check to ensure each nominee can be relied upon to enhance DoD's brand. The Ambassadors could include multiple perspectives on Millennials' role in DoD, including from those who manage Millennials, work alongside them, or those who self-identify as Millennial.

All Ambassadors will receive training and education in three areas: (1) communications and media training to assist them in crafting and delivering finely honed authentic narratives of their public service and professional growth; (2) a thorough tutorial on human capital and hiring policies to ensure they provide accurate information in a manner that is persuasive and becoming to the DoD, appealing to a Millennial audience, and consistent with DoD policy, ethics, and legal guidance; and (3) ethics and legal training to ensure they do not misrepresent DoD hiring policies.

Once approved, Ambassadors would be profiled on the DoD website and featured on its social media channels. They would participate in a yearlong schedule of online and in-person appearances, consistent with a strategy and plan jointly developed by the Office of the Assistant to the Secretary of Defense for Public Affairs (ASD (PA)) and the Office of the USD (P&R).

The national "Tour of Service" is both an outreach campaign to promote public service and a civilian recruitment campaign intended to ensure newly acquired authorities proposed in the Force of the Future initiative are fully utilized. The Department of Defense will send the

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<sup>59</sup> The DoD Independent Hiring Gateway is recommended in Civilian Reform Proposal 11.

Ambassadors on a bus tour to visit strategically selected cities across America. At each stop, as appropriate, the “Tour of Service” team will hold “town hall” style conversations with young professionals, students, and potential applicants; host press conferences and media engagements; and promote professional opportunities in DoD by attending or organizing career fairs. (Some university campuses may be included on the tour, but current undergraduates – most of whom are too young to be Millennials -- are not the focus of this campaign. DoD efforts to recruit them are addressed in Civilian Reform Proposal 6: *Increase Recruitment at Colleges and Universities.*)

The itinerary will be planned to communicate the Force of the Future message and target Millennials with critical, in-demand skills. Potential destinations include locations known for their research laboratories, technology corridors, and entrepreneurship incubators such as Austin, Boston, Chicago, Pittsburgh, New York City, Raleigh, Silicon Valley; cities with top tier graduate schools and prestigious STEM programs, such as those at Carnegie Mellon, MIT, Purdue University, University of California – Berkeley, University of Texas – Austin, Stanford University, and graduate programs at minority serving institutions (MSI), historically black colleges and universities (HBCU), and Hispanic Serving Institutions (HSI); and widely-attended gatherings such as professional conferences and events. Individual stops can be tailored to appeal to different populations such as women, minorities, and young people with specialized skills such as nursing, computer programming, or language skills.

These appearances will be augmented by a robust social media strategy to promote the events, profile the ambassadors, and amplify the messaging. Senior DoD leaders could, if appropriate, fly to meet the ambassadors at different stops. The first “Tour of Service” would be approximately 60 days, aimed at 50 cities in 20 states. It would be planned as a “prototype,” intended to coincide with the public release of the Force of the Future report. If successful, additional tours could be held in the future, presumably annually, each fall, for 30 days, when most campuses are holding corporate recruiting and job fairs. (Alternately, the Millennial Ambassador Corps could be deployed in pairs to 10 cities at once rather than a bus tour, or operate as a speakers’ bureau for DoD.)

While a single annual tour will have the impact of focusing and renewing attention on the New Call to Service and attracting future generations to service in DoD, the tour must be accompanied by a strategy to sustain engagement. Much of this activity will be driven by stakeholder demand, but the MAC will need a modest, efficient infrastructure to support continual virtual engagement between tours. The elements of the strategy will be: (1) The MAC will develop and implement a database and an engagement plan for sustaining relationships with people, organizations, and communities the Ambassadors engage on the tour to maintain institutional knowledge, and to develop a network of contacts in

preparation for future tours. (2) The MAC will partner with organizations in the Department of Defense and in local communities that share the mission of promoting service and focus on Millennial outreach. Examples of such programs inside DoD include the STAR program, interested military recruiters, and other civilian human resource activities; examples outside DoD include nonprofit organizations such as the Partnership for Public Service's Federal Student Ambassador Program, Young Government Leaders, or institutes and academic programs at universities. (3) The MAC will work with OSD (PA) to use social media to keep in contact with stakeholders.

The immediate goal of both the MAC and the "Tour of Service" is to improve recruiting among the Millennial population. This effort would contribute positively to workplace culture by signaling that DoD leadership is sensitive to Millennial values, culture, and concerns. Moreover, the tour shows that DoD wants to convey to the American public the value and dignity of public service for all DoD employees, regardless of when they were born, and that the Department of Defense is looking toward the future.

**IMPLEMENTATION AND GOVERNANCE MECHANISM:** This reform will be achieved through a directive memorandum from the Secretary of Defense.

The program would launch upon approval by the Secretary of Defense with the goal to select all of the Ambassadors within ninety days. The Deputy Assistant Secretary of Defense for Future Force Implementation (DASD (FFI)) will serve as the executive agent for the MAC. Selecting, managing, training, and overseeing the Ambassadors each year will be handled by the DASD (FFI), in consultation with ASD (PA). Once selected, the list would be promoted internally to the whole Department by USD (P&R) and to the public by ASD (PA). The Secretary of Defense will be invited to inaugurate the class in a ceremony. Subsequent classes would be timed for selection in summer with announcements in the fall. This program should be assessed semi-annually for the first two years of the program and a decision to continue, adjust, or terminate the program should be made at that juncture by DASD (FFI) in consultation with ASD (PA).

ASD (PA) will administer the "Tour of Service," in coordination with DASD (FFI). Planning the tour should commence concurrently with selection of the Ambassadors so as to launch the tour in early spring of 2016. This reform will be achieved through a directive memorandum from the Secretary of Defense.

**METRICS FOR SUCCESSFUL IMPLEMENTATION:** The immediate direct measure of success is the ability to assemble a top-quality team of Ambassadors that meets the desired goals of the program. The initiative should increase interest in employment opportunities at DoD and enhance the quality of the applicant pool, which should be measured by an upsurge in applications and a change in the demographics of the applicant pool. DoD should partner with a polling firm that specializes in measuring perceptions to capture a baseline of current Millennial attitudes, and then conduct periodic reviews to assess progress. The application of special hiring authorities to targeted populations in desired universities and localities should increase. Finally, contribution to workplace culture should be measured through improved DoD survey results in the Federal Employee Viewpoint Survey (FEVS) or other measures of employee engagement, particularly in the Millennial Generation population. ASD (PA) can use social media measures to assess the reach and impact of the online elements of the outreach campaign and track an increase in media coverage.

**TITLE:** *Strengthen Tools to Shape the Workforce* (Civilian Reform Proposal 13)

**PROPOSAL SUMMARY:** This reform proposal will give the Department of Defense additional flexibility to preserve its budget, divest employees when necessary, and retain high-performing employees by improving two workforce shaping tools already at its disposal: the Voluntary Separation Incentive Program (VSIP) and Reductions in Force (RIF).

**CURRENT CHALLENGES:** During a time of increasing budget constraints, the Department of Defense has few attractive options to manage its workforce wisely. Most workforce shaping tools are blunt instruments that treat employees as interchangeable and deprive supervisors of the discretion to shape their own teams. Traditionally, the first step DoD takes to downsize the civilian workforce is to offer monetary incentives for voluntary separations known as Voluntary Separation Incentive Pay (VSIP). There are four problems with VSIP.

First, the maximum payout under VSIP is \$25K, which may not be enough to tempt the employees at higher salary ranges where the government's savings could have the greatest budget impact. The cap on VSIP has not been increased since 1993. After tax withholding, a VSIP lump sum payment, even if awarded at the maximum amount, may be an insignificant inducement relative to an experienced General Schedule employee's total compensation. Many employees are not offered the maximum payout. Per Title 5, DoD calculates VSIP payments based on the severance package an employee would receive, if separated due to RIF. The National Security Agency, using Title 10, has replaced this formula with one derived from 25% of base salary, and it has proven to be a more effective tool.

Second, supervisors have little discretion over who uses VSIP. After the availability of VSIP is broadly announced and offered across similar positions throughout the workforce, interested employees may request it. A supervisor has the discretion to deny VSIP to an employee, but cannot offer it to an individual employee based on the supervisor's judgment, which is a leadership prerogative typically available to managers outside of government. Tailoring the workforce is something management should do continually, not only when there is a threat of RIF.

Third, while the statute<sup>60</sup> and concomitant DoD instruction<sup>61</sup> purport to permit workforce restructuring to correct skill imbalances, the current approach requires the installation or organization to eliminate or restructure the position that is tied to the buyout. This further

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<sup>60</sup> Title 5, USC § 9902(f)(5)(A)

<sup>61</sup> DoDI 1400.25, Volume 1702, "DoD Civilian Personnel Management System: Voluntary Separation Programs"

limits managers' discretion to reshape a team strategically based on changing requirements, succession planning, and other factors, while imposing a burden on the remaining employees.

Fourth, VSIP can also be abused. When people who are looking to leave government or are retirement-eligible<sup>62</sup> learn that VSIP could be offered, the cash buyout motivates them wait to retire until they can receive this additional amount, thereby driving up costs to the component without the desired results of further shaping the workforce.

If DoD is unable to reduce its size sufficiently through voluntary separations, the next step is to conduct reductions in force (RIF), which realize cost savings through eliminating billets altogether. Employees occupying those billets receive severance. This is costly, disruptive to the mission, disconnected from talent management strategy, and devastating to morale. Unsurprisingly, RIFs are rare.

When RIFs are invoked, DoD uses many tools to minimize the impact on employees, such as finding other positions in DoD for affected employees through the Priority Placement Program (PPP). As a result, very few employees actually end up being separated. Although PPP registrants must be well qualified to have priority hiring status, managers do not have the authority to select candidates who may be even more qualified, resulting in PPP candidates adding to the already long list of obstacles that prevent supervisors from accessing the talent they prefer. Moreover, the severance payouts are large, meaning any savings from the RIF are not realized until years later. Yet none of these concerns are the most significant flaw in the current OPM guidelines for RIF. The primary criterion used to identify which employees lose their jobs is length of service, while performance is the last. This is precisely the opposite of what a talent management system should do.

**PROPOSAL DESCRIPTION:** This reform proposal is composed of two parts: expanding supervisor discretion to use VSIP and reprioritizing RIF.

**Expand Supervisor Discretion to Use VSIP:** This reform proposal expands manager discretion in three ways. (1) Increase the current cap on VSIP payment from \$25K to \$40K, which will make it a more compelling incentive. (2) Supervisors may use a new salary-indexed formula that calculates VSIP based on 25% of the employee's base salary or they may continue to use the current formula tied to variable severance rate, based on pre-

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<sup>62</sup> Voluntary Early Retirement Authority (VERA) is another workforce shaping mechanism. Under this authority, people may retire after 20 years of federal service regardless of whether they meet the minimum age requirement of 55 years. VERA reform is not included here because it has not been demonstrated to be effective.

established criteria. (3) Supervisors will have a new authority to offer any employee a Targeted Voluntary Separation Incentive Payment (T-VSIP) that can be extended to a single person at any time based on supervisor discretion – with leadership approval – without removing the billet or restructuring. The formula for calculating the amount of a T-VSIP will be identical to the formula for calculating severance, as specified in Title 5, USC § 5595(c), or based on 25% of base salary, if amended, but no more than \$40K. Following the departure, the supervisor may hire a replacement into the billet as if the separated employee had retired. Supervisors who wish to offer this incentive must obtain approval from the head of the organization, including demonstrating a linkage to DoD's Strategic Workforce Plan. T-VSIP should not be used in lieu of discipline when employee conduct or performance is in question, nor should it be used to provide additional remuneration to an employee who may already be contemplating voluntary departure.

**Reprioritize RIF:** Currently, four statutory criteria are used to determine an employee's ranking in a RIF: (1) tenure of employment, (2) Veteran's Preference, (3) length of service, and (4) performance ratings. This proposal endorses additional emphasis on individual performance in lieu of billet title, employee tenure, or billet grade. An amendment of Title 10, USC § 1597 will be necessary to change this policy. This reform proposal advocates for the new prioritized criteria to be: (1) performance (2) tenure of employment<sup>63</sup> (3) Veterans' Preference, (4) length of service.

## IMPLEMENTATION AND GOVERNANCE MECHANISM:

**Expand Supervisor Discretion to Use VSIP:** This reform proposal will be achieved through legislative proposal to Congress and revision and update to DoDI 1400.25, Volume 1702, DoD Civilian Personnel Management System: Voluntary Separation Programs.

(1) DoD should support an amendment to Title 5, USC § 9902(f)(5)(A)(ii) that would increase the maximum amount authorized for VSIP from the current ceiling of \$25K to \$40K. (2) The Department should amend DoDI 1400.25, Volume 1702, DoD Civilian Personnel Management System: Voluntary Separation Programs, to authorize the addition of a new option for VSIP payout calculation methodology to be indexed to 25% of the employee's salary, not to exceed the proposed \$40,000 cap. If supervisors are offering VSIP to multiple employees, they may elect which formula to use for each employee. (3) DoD should support an amendment to insert new language under Title 5, USC § 9902(f)(5)(D) that establishes an authority to offer T-VSIP. Moreover, additional revisions to DoDI

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<sup>63</sup> The OPM definition of “tenure of employment” is “type of employment,” such as “term employee” or “excepted service” employee, etc.

1400.25, Volume 1702, DoD Civilian Personnel Management System: Voluntary Separation Programs will be necessary to establish the procedures under which T-VSIP may be offered.

**Reprioritize RIF:** This reform proposal will be achieved through legislative proposal to Congress. To implement a reform of RIF, the Department of Defense must urge an amendment to Title 10, USC § 1597 that makes performance the primary determinant of order of priority in RIFs. A similar proposal is under Congressional consideration for the 2016 National Defense Authorization Act.

#### **METRICS FOR SUCCESSFUL IMPLEMENTATION:**

**Expand Supervisor Discretion to Use VSIP:** Four metrics could be used to evaluate the success of reforming VSIP. First, DoD should measure the number of civilian employees opting for VSIP, including which formula is used to calculate VSIP amount and its impact on the budget across the FYDP. Second, DoD should measure the number of civilian employees who are offered T-VSIP, how many use it, and its budget impact. Third, DoD should monitor the use of RIFs, the last alternative if sufficient downsizing has not been achieved through VSIP. Fourth, DoD should conduct supervisor surveys to understand the impact of VSIP and T-VSIP on the workforce.

**Reprioritize RIF:** Four metrics could be used to evaluate the success of reforming RIF. First, DoD should evaluate the number of RIFs conducted in the future to determine if the revised ranking criteria may have resulted in increased use of the tool. Second, DoD should review the performance ratings of people who were retained or removed after a RIF. Third, DoD should use performance metrics to determine if organizations have become more efficient after RIF by retaining those with the highest performance ratings. Fourth, in the event of a RIF, DoD should conduct employee surveys after a workforce reduction to determine their perception of how the DoD treats its employees and how it managed the reduction.

## **Multi-Domain (Military and Civilian) Personnel Reform Proposals**

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**TITLE:** *Increase Digital Innovation* (Multi-Domain Reform Proposal 1)

**PROPOSAL SUMMARY:** This reform proposal will establish a digital services team of top designers, developers, and engineers which will be housed in an “innovation laboratory” in the heart of the Pentagon, with an additional location in Silicon Valley. The office, to be known as Defense Digital Services (DDS), will recruit top talent from the private sector, coordinate technical innovation activities across DoD, and rapidly deliver new tools and practices that are reusable, cut costs, and improve user experience.

**CURRENT CHALLENGES:** The Department of Defense lacks the necessary internal capacity and talent to deliver digital services that meet the expectations of the public, not to mention long-term national security requirements. Over the past three decades, federal agencies have increasingly outsourced their “tech brain” – at the same time relying on antiquated digital development techniques and procurement processes to meet rapidly changing user expectations and market conditions. These conditions led to the recent Healthcare.gov fiasco and the Office of Personnel Management security breach. Compared to an industry that redefines itself every 18 months, existing DoD approaches are neither agile nor competitive with respect to cost, speed, and quality. Currently, a project can take 18 months and millions of dollars to even get *started*. The rapidly changing technology environment demands user-centered approaches to digital services – approaches standard in private sector technology startups, but mostly foreign to DoD.

In addition to procurement and development hurdles, DoD lacks the capability to properly recruit and retain the innovative technical talent to work on these challenges. Technology experts external to government are often deterred by the perception that the Pentagon is a large, slow-moving bureaucracy with opaque, inscrutable employment processes. To address these perceptions, two overarching needs are apparent: implementation of new hiring strategies that better align with technical career preferences; and a burnishing of DoD’s brand to top talent, especially those in the technology industry.

Where found, innovative practices in DoD are often isolated and fragmented, preventing the sharing of resources and best practices. DoD civilian employees and Service members who are looking for an opportunity to contribute to more digital innovation activities need to be identified, empowered to experiment, and celebrated for their efforts. Yet, DoD lacks an operational framework of shared functional areas around the core digital capabilities of design, development, data management, and acquisition. These Department of Defense-wide functional areas are needed to properly identify, rollout, test, and iterate effective digital services. Without a larger, systematic approach to digital services, DoD reinforces existing isolated bureaucracies, duplicates efforts, and stifles opportunities for shared innovation.

**PROPOSAL DESCRIPTION:** This reform proposal will launch an innovative “start-up” in the heart of the Pentagon, with additional space in Silicon Valley. The cohort, to be known as the Defense Digital Services (DDS) team, will enhance DoD’s capabilities to identify and recruit top technology talent within and outside of the Department of Defense, build a cross-functional community of experts in DoD (connected government-wide), and rapidly deliver tools, practices, and services.

Defense Digital Services will serve as the hub for digital innovation activities. The team will establish a Digital Innovation Council composed of senior principals throughout DoD. It will also coordinate all inter-Departmental work with outside agencies (e.g., United States Digital Service and 18F (a team of top-notch designers, developers, and product specialists inside the General Services Administration) to monitor and support innovation, as well as create programming to showcase and encourage digital innovation throughout DoD through a variety of workshops, demonstration days, hackathons, and speaker events.

The Director, Defense Digital Services will report to and through the Deputy Chief Management Officer (DCMO) and work with the DCMO and Deputy Secretary of Defense to establish a process for identifying projects for action. Defense Digital Services in the Pentagon as well as the satellite location at Moffett Airfield will pilot creative, flexible working space for ongoing innovation programming efforts. The inaugural project for the team will be to establish the Office of People Analytics<sup>64</sup> (OPA) as an office subordinate to the Office of the Under Secretary of Defense for Personnel and Readiness (USD (P&R)). There will be no requirement for the Military Services to establish additional billets or corresponding agencies.

**IMPLEMENTATION/GOVERNANCE MECHANISM:** This reform will be achieved through a directive memorandum from the Secretary of Defense.

Within six months, Defense Digital Services will build a team of 25 term appointees, with a goal of 50 total team members within 12 months; establish spaces in the Pentagon and Silicon Valley; stand up the DoD Digital Innovation Council; coordinate a rollout and ongoing communications strategy with the Office of the Assistant to the Secretary of Defense for Public Affairs, including an official charter-signing ceremony with the Secretary of Defense. The DDS team will interface with existing Departmental and Service information technology and innovation structures, and will not create any growth requirement for any entity outside the Office of the Secretary of Defense. Team members

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<sup>64</sup> The Office of People Analytics is recommended by Multi-Domain Reform Proposal 4.

will come from other federal digital innovation activities (e.g., 18F and USDS) and the private sector. Each member will be appointed to a two year term - with the option for an additional two year extension. A variety of methods, including Schedule-A technology-focused hiring authorities and innovation fellows programs, will be used to shorten the onboarding time.

**METRICS FOR SUCCESSFUL IMPLEMENTATION:** Within the first year, the overall metrics for the successful implementation of this effort include building a DoD digital innovation brand, recruitment strategy, improved hiring process, digital service team of 50 to 100 top technology innovators, DoD digital innovation space in the Pentagon and Silicon Valley, and completing 10 high impact digital service projects. In addition to the overall metrics, each of the projects will possess additional specific metrics.

Effective digital services delivery will continue to play an integral role in successfully executing the Department of Defense's mission. Over the next decade, DoD must remain responsive to changes in the market and user expectations. Defense Digital Services will be leading and coordinating a systematic approach to delivering technological solutions and fostering innovation.

**TITLE:** Establish Formal Lean In Circles (Multi-Domain Reform Proposal 2)

**PROPOSAL SUMMARY:** This reform proposal will promote the career and leadership potential of women throughout the ranks of the civilian and military workforce of the Department of Defense by creating formal groups that, through being linked to policy and oversight bodies, will identify and dismantle the extant barriers to women's career development.

**CURRENT CHALLENGES:** War is no longer just about combat. It is also about making smart, fast decisions as a team – and diverse teams perform better. The civilian workforce of the Department of Defense is led and staffed primarily by men. In the Military Services, even though the number of female enlisted and commissioned officers has tripled since the all-volunteer force opened to women, women make up no more than 9% of the officer corps in any one of the Military Services.<sup>65</sup>

This phenomenon presents not only a recruitment problem but a retention problem. In the civilian workforce, half of new employees aged 20 to 34 and more than half of new employees within the Fourth Estate are women. And yet, beginning at the mid-career GS-10 level, a seniority disparity between men and women begins to grow. As of 2015, there are 75% more men between GS-11 and GS-12 than women. There are 200% more men in GS-11 through Senior Executive Service (SES) positions, and 300% more male SES employees than women. This further bears out in the disparity within pay plans. Within Department-wide pay plans, 95% of Highly Qualified Experts, 86% of senior professionals, and 76% of Department executives are men. However, women on average have higher rates of education than their male peers. Women hold 60% of all undergraduate degrees, 60% of all master's degrees, and almost half of law and medical degrees in the country. By contrast, because the Department's civilian workforce is majority male, only 42% of employees have college degrees or higher.

The concerns of female Service members differ slightly than those of their civilian counterparts. Unlike civilians, certain career tracks remain officially closed to female Service members, and historically, their proportion of incoming classes at the Service academies has been small. While West Point saw a 30% increase in the number of female applicants in 2015, strengthening the talent pipeline for women into potential positions of command will only become a reality if women are able to remain in the service long enough to receive those opportunities. Women leave their military career at a much higher rate than men—after ten years, the military has retained about 65% of its male active duty officer but only

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<sup>65</sup> Air Force: 7.4%; Army: 6.1%; Navy: 8.7%; Marine Corps, 1.2%.

about 40% of its female active duty officers. The primary reason behind women's attrition, as determined by the Military Leadership Diversity Commission, is burden of balancing work with their family lives. Almost half of married Service members have husbands who also serve, and wives of dual-military couples are far more likely than their husbands to leave service to manage the family. These are burdens that female Service members should not have to bear alone.<sup>66</sup>

The Department is committed to recruiting and retaining the very best of the nation's talent, and values the strengths inherent in its diverse workforce. However, the Department does not have perfect visibility into the barriers that restrict its female workforce and warriors. Greater insight will enable the Department to dismantle these barriers and, in so doing, increase its effectiveness as the defender of national security.

**PROPOSAL DESCRIPTION:** This reform targets female retention and career growth through formalizing Department-wide “lean in circles.” In her path breaking book, *Lean In*, Facebook COO Sheryl Sandberg offers examples of what men and women can do to encourage women to realize and pursue their ambitions. In Sandberg’s vision, peer support and mentorship are meaningful structures for this encouragement. 30 years of social science supports the idea that people learn and accomplish more in groups – and there is no better representation of this than in the mission-driven military and civilian workforces. This proposal’s Lean In Circles will facilitate these interactions and will accomplish two goals:

- 1) Establish an “internal” feedback loop between the Lean In Circle members, the Circle Leader, and that Leader’s departmental or office leadership. This will foster not only visibility on the female workforce in each Department but, in so doing, foster and promote women’s career potential.
- 2) Establish an “external” feedback loop between the Lean In Circles, the Office of Diversity Management and Equal Opportunity, the Secretary of Defense, and the Under Secretary of Defense for Personnel and Readiness. This will enable Department-wide visibility to the Department’s senior-most leadership of the unique structural and cultural barriers that prevent women from achieving their potential within the Department, enabling policy-makers to dismantle these barriers as they see fit.

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<sup>66</sup> Military Reform Proposal 4, “Improve Quality of Life for Military Families,” addresses many of these concerns.

**IMPLEMENTATION AND GOVERNANCE MECHANISM:** This reform will be achieved through a directive memorandum from the Secretary of Defense.

Following a directive memorandum from the Secretary of Defense, all Secretaries of the Military Departments will nominate and/or appoint leaders from the SES, General Officer, and Flag Officer levels to lead Lean In Circles. Both men and women will be considered for leadership. Membership of Lean In Circles will be open to women from the military and civilian workforces alike.

Circles will meet quarterly, during work hours, to address issues, policies, practices, and other problems that inhibit the career progression of women in the Department. Topics may include such issues as work-life balance, parental leave policies, and the impact of Veterans Preference on the gender, racial, ethnic, and cognitive diversity of their places of work. Circles and their Leaders will stagger their meetings so that Circle members meet with their Leaders every other quarter. This will ensure openness and honesty within the group during the more informal quarterly meeting, thereby allowing all relevant issues to be aired, while still preserving a formal mechanism by which to raise these issues and discuss potential solutions with Circle Leaders.

Each Lean In Circle Leader will work with each member to develop an Individual Development Plan. The Individual Development Plan will serve as career roadmap and a means to identify valuable training and developmental opportunities that will help the member stay on their chosen track.

Based on these quarterly meetings and the members' Individual Development Plans, each Lean In Circle Leader will prepare a quarterly report to the leadership of their office or department. At the Lean In Circle leader's discretion, and informed by Circle members' Individual Development Plans, their report will include in their report a list of women in their Circle who would be good candidates for leadership opportunities and developmental assignments.

Upon receipt of the Secretary's memoranda, and over the course of the following 18 months, the Office of Diversity Management and Equal Opportunity (ODMEO) will begin to conduct a barrier analysis to determine the obstacles – both formal (policy) and informal (unconscious bias) – that prevent women from attaining positions of leadership throughout the Department, to be defined as GS-11 through SES in the civilian workforce and E8, WO-2, and O-3 and above for the military. This barrier analysis will include data from the most recent (up to 12 months prior) exit interviews from women. Specific issues that ODMEO will analyze will be the proportion of women promoted to senior level positions and their

demographics to determine whether structural and cultural barriers are in fact being dismantled; and the proportion of training and developmental assignments given to women and men along with a categorization of their tracks (management, non-management, etc.); and the impact of increasing the number of women in traditionally male combat roles on their career progression.

Within one month of the study's conclusion, ODEMO will distribute the results of this analysis to all "Lean In Circles" for comments, edits, and recommendations. ODEMO will synthesize, analyze, and transmit this feedback, along with a list of recommendations and its original report, to the Secretary of Defense and the Under Secretary of Defense for Personnel and Readiness.

ODMEO will revise this barrier analysis every two years to continually assess the obstacles that remain for women in the civilian and military workforces.

**METRICS FOR SUCCESSFUL IMPLEMENTATION:** As identified above, the major metrics will be identified through ODMEO's bi-annual barrier analysis that will be transmitted throughout the Lean In Circles and up through the Department's senior leadership.

**TITLE:** *Create a Culture of Innovation and Entrepreneurship* (Multi-Domain Reform Proposal 3)

**PROPOSAL SUMMARY:** This reform proposal will (1) establish a team charged with Department of Defense-wide advocacy, coordination, and capacity building for innovation; (2) empower that team to connect and encourage the self-organizing network of innovators already emerging throughout DoD and link them to innovation communities across and outside DoD; (3) establish entrepreneurial role models; (4) provide platforms, programs, policies, and communities that routinely facilitate and reward innovation and entrepreneurship; and (5) promote a more flexible work environment that is conducive to collaboration and promotes autonomy.

**CURRENT CHALLENGES:** The Department of Defense is committed to driving innovation, but the focus is nearly exclusively on research and development for science and technology, as evidenced by the preponderance of attention to the Defense Innovation Initiative. While this is understandable given the prominence of weapons technology in modern conflict, it overlooks the human role, a crucial aspect of innovation DoD cannot afford to neglect. The cognitive, social, and behavioral aspects of innovation are central ingredients to the success of any organization's ability to harness a technological advantage and translate it into a successful outcome. DoD must marry its efforts on disruptive and emerging technologies to a parallel initiative aimed at inculcating a culture of innovation and entrepreneurship in the workforce through a combination of training, advocacy, and incentives. The hallmarks of this approach are radically increasing collaboration, building capacity for creativity, and encouraging experimentation.

The Obama Administration has embraced this human-centered approach by launching a barrage of government wide innovation programs since 2009, including the Strategy for American Innovation, the Open Innovation Toolkit, Challenge.gov, the United States Digital Service, and the Presidential Innovation Fellows, among others. Since then, more than 20 government agencies have introduced new positions for an entrepreneur-in-residence or in-house innovators, many focused on harnessing the power of Design Thinking.<sup>67</sup> Unfortunately, DoD is largely left out of the federal-wide conversation on human innovation. The Department of Veterans Affairs (VA) has a Center for Innovation, the Department of Health and Human Services (HHS) has an Ideas Lab, United States Agency for International Development (USAID) has a Global Development Lab, the State Department has the e-Diplomacy office, the Office of Personnel Management (OPM) has

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<sup>67</sup> According to Tim Brown, president and CEO of the premier innovation firm, IDEO, defines Design Thinking as “a human-centered approach to innovation that draws from the designer’s toolkit to integrate the needs of people, the possibilities of technology, and the requirements for business success.” Human-Centered Design, an analogue of Design Thinking, is defined by the LUMA Institute as “the discipline of developing solutions in the service of people.”

an Innovation Lab, and the General Services Administration (GSA) has launched 18F and the Office of Citizen Services and Innovative Technologies. The National Aeronautics and Space Administration routinely hosts challenge contests from citizen scientists through the Center of Excellence on Collaborative Innovation.

In parallel to the profusion of innovation programs, many agencies are also investing in efforts to harness the spirit of entrepreneurship in their organizations. Government agencies, as well as laboratories, universities, non-profits, law firms, and venture capital firms, have established Entrepreneur-in-Residence (EIR) programs to align the expertise, experience, connections, and attitude of successful entrepreneurs against the challenges facing their organizations. The entrepreneurial mindset is a powerful advantage, and one that is too often unfamiliar to large, complex bureaucratic organizations. DoD would benefit from joining this movement.

DoD does have many outstanding pockets of human-focused innovation such as the Chief of Naval Operations' Rapid Innovation Cell (CRIC), the Air Force's Revolutionary Acquisitions Techniques Procedures and Collaboration (RATPAC) program, or the Office of the Under Secretary of Defense for Policy's Design & Innovation Practice, but in the absence of an overarching agenda and centralizing architecture, the full potential of DoD's distinct efforts are left unrealized. Moreover, much of the Department of Defense's greatest strides in this area are largely disconnected from the broader movement in the Federal government. It is time for DoD to take its rightful place at the forefront of people innovation across the government.

Most of DoD's work spaces are configured to maximize space efficiency and a now-outmoded theory of productivity centered on the office cubicle. Increasingly, research demonstrates that employees thrive in a variety of office settings designed to maximize creativity and collaboration, either by creating quiet spaces or open floorplan meeting places. Even though DoD has telework provisions in place, the 2014 Federal Employee Viewpoint Survey (FEVS) found that, while teleworking is viewed positively by employees, it is currently underutilized. In 2013, less than 15% of DoD employees engaged in telework arrangements. The FEVS respondents noted that technical issues, organizational culture, managerial resistance, and the nature of the job contribute to the underutilization of teleworking.

**PROPOSAL DESCRIPTION:** This reform is composed of three parts:

**Defense Innovation Network:** This reform proposal calls for the Department to establish a Defense Innovation Network (DIN) to foster a culture of innovation and entrepreneurship that encourages collaboration, creativity, experimentation, and knowledge-sharing. Moreover, this reform proposal embeds the DIN Hub at the heart of this community, a team with the mission of galvanizing and enabling the people in the network by providing expertise and resources, offering encouragement and support, sponsoring contests and workshops, organizing educational opportunities and events, testing methodologies and technology tools, and building platforms for communication and information-sharing. The purpose of the DIN is to support and enhance existing efforts, and expressly not to duplicate, centralize, supplant, or compete with existing innovation activities in the Military Services or other components. Rather, the DIN fills the critical gap of connecting the numerous existing programs and projects within the Military Services and across the Department of Defense into a constellation of organizations that support one another.

At the center of this community will be the DIN Hub, a team charged with championing innovation across DoD. The Hub will coordinate the numerous, growing, yet presently disjointed efforts emerging in each of the Military Services, providing capacity building to educate, reward, and inspire new ways of working. The functions of the team would include a balanced, flexible, and evolving portfolio of activities selected in response to user demand such as:

- 1) Providing Department of Defense leaders with subject matter expertise on the cognitive, social, behavioral aspects of innovation in DoD, which have significant impact on policy analysis, decision-making, strategy development, organizational performance, and employee engagement. While much innovation is focused on science and technology that is integral to the development of new weapons systems, the DIN Hub will serve as a home to experts who could contribute insight specifically on the non-technological aspects of innovation.
- 2) Developing and delivering curriculum on innovation methods and techniques, particularly Design Thinking (also called Human-Centered Design) and cognitive bias, and maintaining a DoD-wide community of practice on design methods customized for national security policy analysis and strategy development.
- 3) Overseeing and administering a Defense Innovation Fund to be used for modest micro-grants to support the costs of experiments, trainings, workshops, or as awards directly to employees.

- 4) Providing internal consulting and advisory services (such as design-led facilitation support) for leaders seeking to explore new methods for increasing creativity and collaboration on their teams, such as the in-house services provided at OPM, VA, HHS, and GSA. This service will be overseen by the staff of the DIN Hub.
- 5) Offering a set of opportunities of varying duration and format to civilians who would qualify and obtain supervisor approval to perform new and original thinking outside existing requirements and routines. This would establish mechanisms to provide incentives for exceptional employees to pursue promising ideas with supervisor endorsement and dedicated time. These would fall into three categories: Full-Time, for projects involving five days a week for two to 24 weeks; Part-Time, analogous to Google's 10% time, for projects involving one to two days per week for four to 52 weeks; or Collateral Approval, for projects that can be done on top of current responsibilities, but receive official recognition and endorsement, entailing permission to use government resources. Fellows may also receive micro-grants, technical expertise, and mentoring from the DIN Hub, as needed.
- 6) Convening collaborative innovation projects (e.g., "hackathons") in which small, diverse, and temporary groups form to participate in high-intensity short duration projects that address a strategy, policy, organizational, or technology challenge. In these events, inter-disciplinary teams convene to surge around a problem working intensely to find a breakthrough by juxtaposing different disciplines and perspectives. Collaborative innovation projects encourage creativity and diminish the cultural barriers to cooperation across organizations. The DIN Hub can serve as facilitators to convene multiple stakeholders in the ecosystem of a complex problem and engage outside perspectives that may not be represented in a more traditional approach.
- 7) Sponsoring innovation contests (e.g., "challenge-driven innovation") that use competition to motivate participants to generate policies, solutions, capabilities, efficiencies, or cost saving proposals. In these events, the sponsor offers incentives (often non-monetary or intrinsic rewards) to individuals or teams for developing the best proposals, and then choosing winners. Open innovation contests and idea competitions enable and reward contributions from exceptional employees and contribute to a culture of innovation and entrepreneurship. The DIN Hub will host some of these and provide support and best practices to Military Services or other DoD organizations looking to sponsor such events.
- 8) Launching an internal technology platform for hosting virtual challenge-driven innovation contests and discussion forums (e.g., "crowdsourcing"). DoD can find exemplars in several existing projects in the Military Services and interagency

community, such as “The Hatch”<sup>68</sup> the recently launched platform in the Navy Innovation Network, as well as comparable platforms at multiple classification levels at Office of Director of National Intelligence, Central Intelligence Agency, State Department, Department of Homeland Security, VA, HHS, USAID, and Transportation Security Administration.

- 9) Championing innovation by regularly convening educational events, conferences, symposia, or technology demonstrations to advocate for innovation and entrepreneurship, and continually inject dynamic or disruptive thinkers from the private sector and academia into the Department of Defense’s intellectual culture.
- 10) Developing an internal social network (inspired by LinkedIn) to help connect the innovators in the DIN to encourage sharing of ideas and best practices.

By accelerating the timeline from inception to adoption for new ideas, and improving organizational agility, the Department of Defense will demonstrate its commitment to innovation and empowering employees at all levels.

**Establish an Entrepreneur-in-Residence Program:** A core feature of the DIN Hub will be an Entrepreneur-in-Residence (EIR) program. In the two-year pilot, three EIRs will be selected by the Chief Recruiting Officer (CRO).<sup>69</sup> The CRO’s support office, the Office of Executive Recruiting (OER),<sup>70</sup> will handle the administrative requirements of the three people selected for the EIR program. The OER will assign career mentors from the Senior Executive Service (SES) to the EIRs to help orient them toward the Department.

Each EIR will spend much of their two-year-long tenure at DoD working on a strategic project with a designated senior leader serving as a sponsor and supporting the effort with a project team working under the EIR’s direction. While each EIR’s role will be unique and negotiated by the EIR and the CRO, presumably each one would be assigned to the specific office of the sponsoring senior official, not unlike a White House Fellow, from which they could address the challenge assigned. As an additional duty, the three EIRs will play a crucial

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<sup>68</sup> The Department of the Navy (DON) launched its crowdsourced ideation platform, named the "Hatch," in May 2015, as part of an initiative called the Naval Innovation Network (NIN). It is an accessible, virtual collaboration forum where innovators can submit their creative ideas for improving the DON. In the Hatch, ideas can be refined through crowdsourcing and further developed by local innovators and subject matter experts. It can be accessed here: <http://doninnovation.ideoscale.com/>

<sup>69</sup> The Chief Recruiting Officer (CRO) is recommended by Civilian Personnel Reform Proposal 4. The CRO would be responsible for identifying exceptionally talented people outside of government and recruiting them to the Department.

<sup>70</sup> The Office of Executive Recruiting (OER) is recommended by Civilian Personnel Reform Proposal 4. The OER constitutes the staff of the CRO.

role as leaders in the DIN Hub by providing a powerful example to aspiring and accomplished “intrapreneurs” throughout DoD. EIRs will participate in DIN activities for approximately 20% of their time, organizing activities that promote an entrepreneurial culture. At the end of the two year period, EIRs who wish to remain in the Department of Defense will work with the CRO to find the appropriate hiring authority by which to continue their work.

**Create a More Flexible Work Environment:** This reform proposal recommends expanding, constructing, and promoting the existing options for telework, hoteling, and co-working, and also approving the construction of seven prototype “innovation lab” collaboration spaces throughout DoD: one for each Service, one for Fourth Estate, and two in locations selected by DCMO to advance research on improving workforce productivity and efficiency. Collaborative spaces like “hoteling” or co-working environments—similar to those recently built at the GSA building or found within the Intelligence Community—increase the frequency of contact between employees. Studies have shown that increased contact with coworkers, particularly those from different teams, boosts interdisciplinary and cross-team collaboration. Providing flexible work options contributes to a culture of innovation and entrepreneurship by providing employees more autonomy to choose when and where they can work, often resulting in greater latitude of how work is performed, thus encourages creativity and entrepreneurship. In contrast to the cubicle-based floor plans and boardroom style meeting rooms of the 1960s, open floorplan workspaces (when combined with private areas for individual work) promote more collaborative interpersonal dynamics on teams. Flexible workspace and work policies, when combined with effective performance management, will increase productivity, reduce facility costs, and will make DoD a more attractive employer to Millennials, working parents, and those with disabilities.

A one-size-fits-all approach to telework is not appropriate for the varied DoD workforce. This reform proposal primarily seeks to increase the use of occasional telework, often in conjunction with alternative work schedules (AWS), to grant employees greater autonomy to choose when and where they perform their work, provided that the employees are meeting or exceeding performance standards. Secondarily, fulltime teleworking should also be increased, but only when physical presence in the office is not necessary, and measurable performance standards are available to supervisors and employees to document sustained productivity. In certain circumstances, fulltime telework can present significant time and cost efficiencies. In both cases, improvements in technology can facilitate connectivity, virtual presence, and security to make either occasional or fulltime telework more attractive for employees and supervisors.

**IMPLEMENTATION AND GOVERNANCE MECHANISM:**

**Defense Innovation Network:** This reform will be achieved through writing a new DoDI on Innovation and Entrepreneurship. The Secretary of Defense would issue a DoDI to establish the Defense Innovation Network (DIN) Hub, an office with the responsibility of cultivating and expanding the Defense Innovation Network, and selecting from the portfolio of activities described herein to increase the capacity for creative and collaborative work throughout DoD. The Deputy Chief Management Officer (DCMO) would be the executive agent for the DIN Hub. The CRO would be responsible for recruiting the staff of the Hub.

**Establish an Entrepreneur-in-Residence Program:** This reform will be achieved through directive memorandum from the Secretary of Defense and later incorporated into the DoDI above. As part of the DIN Hub, the same DoDI which establishes the DIN should make provisions for the EIR program, as a two-year pilot. The CRO would be responsible for identifying, recruiting, and resourcing the EIR program.

**Create a More Flexible Work Environment:** This reform will be achieved through a Secretary of Defense memorandum promoting AWS and use of occasional telework and fulltime telework, as appropriate to the role, designating the maximum allowable number of DoD positions in the workforce as telework-eligible, setting the goal of 25% of eligible employees teleworking at least one day per month by the end of FY2016, and encouraging supervisors and managers to set an example by teleworking occasionally; (2) emphasizing telework as a strategic initiative in the DoD Strategic Workforce Plan by requesting quarterly reports from the Deputy Assistant Secretary of Defense for Civilian Personnel Policy (DASD (CPP)) to the Deputy Chief Management Officer on progress until the goal is reached, and then annual reports thereafter; (3) developing training on teleworking and alternative work schedules; and (4) launching an internal communications campaign in conjunction with organizational Telework Managers on the benefits of AWS and telework.

The Office of the Under Secretary of Defense for Personnel and Readiness (OUSD (P&R)) would be responsible for establishing and implementing a strategy to increase adoption of existing AWS and telework options by eligible employees and monitoring any cost savings as a result of the increased flexibilities. DASD (CPP) will identify positions that are ineligible for telework due to the nature of the work or its classification and exclude them from expanded telework policies. Military Services and other components may request additional exclusions from telework eligibility by documenting deleterious impacts on readiness or performance.

DASD (CPP) will work with the Defense Digital Service<sup>71</sup> to identify technologies to facilitate telework and present recommendations to DCMO 120 days after the Secretary of Defense memorandum. DCMO will address security and administrative concerns and identify pilots of technologies that could enhance telework.

DoD will invest \$4.2M in the creation of seven prototype “innovation lab” collaboration spaces that will be retrofitted inside existing DoD facilities, including and establishing two “flex work” hoteling or co-working locations in strategically chosen locations managed by DCMO. This reform will be achieved through directive memorandum from the Secretary of Defense and implemented by DCMO.

#### **METRICS FOR SUCCESSFUL IMPLEMENTATION:**

**Defense Innovation Network:** The first measure of success will be reflected in the active participation of civil servants and DoD leaders in the DIN and its activities – particularly events and online platforms, which can be easily measured, the demand for the products and services offered by the DIN Hub, and the continued availability of funding for innovation activities across DoD components. A second key measure of success is the amount of time and money that is saved through the adoption of recommendations. From the perspective of the DoD workforce, one important metric would be how the initiative influences workforce values and attitudes as reflected in workforce surveys. A successful program might improve workforce assessments of the workplace environment, enterprise values, and management. The desired, if indirect, effect of such shifts in workplace culture would be an improved ability to hire and retain the high caliber personnel who would value such initiatives and likely benefit most from them.

**Establish an Entrepreneur-in-Residence Program:** The direct measure of the viability of the test will be the ability to recruit three respected entrepreneurs to serve as EIRs, to engage talented DoD staff in the initiatives to participate on the project teams, to secure leadership commitment to endorse and support the targeted projects, and to acquire necessary resources. A key outcome metric will be the measured outcomes of the projects: new capabilities developed; productivity improved; cycle times reduced; costs saved. A return on investment calculations would provide a concrete indicator of the success of the EIR program. Measures of the program’s contributions to workplace culture might be reflected in workforce survey data. Another direct measure is the willingness of a second round of entrepreneurs and civil servants to participate if the program is extended. Less direct

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<sup>71</sup> The Defense Digital Service is recommended by Multi Domain Reform Proposal 1.

measures of the EIR program's contributions to workplace culture would be changes in the propensity of people to join and stay in the DoD civilian workforce.

**Create a More Flexible Work Environment:** The measures of effectiveness would include the number and percentage of employees choosing teleworking or hoteling options; assessment of whether telework employees are meeting their performance goals; and cost savings realized from usage of teleworking and hoteling. Other measures may include the frequency of use of new “Innovation Lab” spaces and surveys of users on whether the new co-working spaces are conducive to sparking creativity and collaboration.

**TITLE:** *Employ Big Data to Inform Personnel Decisions* (Multi-Domain Reform Proposal 4)

**PROPOSAL SUMMARY:** This reform proposal will create structure and resources for a new Office of People Analytics (OPA), established as a subordinate office of the Defense Manpower Data Center (DMDC) that will provide research, senior-level advice, and support for enterprise-level talent management for both civilian and military personnel.

**CURRENT CHALLENGES:** In the private sector, the role of the human resources officer has taken on increased strategic significance, teaming alongside the chief financial officer and chief executive officer in planning and integrating operational lines of effort. The success in the private sector of what has become known as “people analytics” has been demonstrated by improved employee retention (and the associated avoided costs of rehiring and retraining), by revenue increases, and even by improved stock prices. In comparison, the Department of Defense, largely divorced from this revolution in human resources, has limited visibility into the characteristics of civilian and military personnel and possesses almost no in-house ability to analyze how policy or environmental changes will affect the performance or composition of that workforce.

**PROPOSAL DESCRIPTION:** The OPA will develop new data-analytic methods to address personnel issues for the Department of Defense. By analyzing workforce data to improve organizational performance, the OPA will specifically affect the following efforts:

- 1) Hiring, by including a more effective, user-friendly approach to the USAJobs process and by informing general recruitment activities;
- 2) Retaining employees, by offering support to the larger project of identifying, rewarding, and promoting talent across DoD;
- 3) Training, by improving methodologies for assessing training across the workforce;
- 4) Human resource functions, by promoting personnel services that support permeability and greater personal choice in assignments;
- 5) Talent matching functions, by providing the data foundation to support a market-based job market; and
- 6) Knowledge management functions, by facilitating better sharing of information across DoD.

This initiative will focus on establishing a central repository of, and serving as the clearing house for, all data related to talent management. OPA may require as many as 10 Full Time Equivalents (FTEs) and will maximize existing resources to hire data scientists and organizational psychologists who will then pull information from across DoD.

**IMPLEMENTATION AND GOVERNANCE MECHANISM:** This reform will be achieved through a directive memorandum from the Secretary of Defense.

The Office of the Under Secretary of Defense for Personnel and Readiness (OUSD (P&R)) will establish hiring and appropriate resources and spaces for OPA. Creation of the office will follow this general schedule: for the first sixty days, OPA will on-board four analysts every two weeks, with the goal of reaching 10 data scientists within the first eight weeks. Special pay authorities may be required as data scientists are in high-demand. Within two months of activation, OPA will meet with the Military Services and agencies in the Office of the Secretary of Defense to identify existing data sources that can be used for people analytics. After two months of work, OPA will have identified priority data questions and sketched a provisional landscape of the existing information technology systems that can provide needed data, while determining where there might be gaps in data collection.

OPA will work with the OUSD (P&R) to identify top priority questions that could be answered with analytics, evaluate the quality and sufficiency of existing data resources relevant to those questions, and develop analysis strategies. OPA will also:

- 1) Develop and execute pilot projects to address the key analytic issues;
- 2) Develop predictive models for use in hiring and retention;
- 3) Support efficiency and compensation reform efforts (like the Military Compensation and Retirement Modernization Commission (MCRMC)) by collecting and analyzing data on what keeps people in federal service (civilian or military);
- 4) Identify positions and locations with unusual gender, racial, multigenerational, and geographic origin imbalances to support improving diversity of the workforce;
- 5) Advise the Military Services in improving existing capabilities with respect to gleaning and analyzing talent management data, and
- 6) Enable better performance management by constructing measures of performance important to managers and identifying qualities that predict top hires.

OPA will be a team with broad DoD human resources experience, analytical skills, and subject-matter expertise. Collectively, the OPA team should have expertise in civilian workforce issues, military manpower issues, data storage, analytic and statistical methods, and social science research methods (to aid collection of new data). The staff should largely be hired through the excepted service, perhaps through the Intergovernmental Personnel Act, but should also have career civil servants who can build long-term capability. The size of the team will be assessed every two years by the OUSD (P&R).

**METRICS FOR SUCCESSFUL IMPLEMENTATION:** OPA will be judged by the value of its input to personnel policy decisions over time and the effectiveness and timeliness of those decisions. Moreover, OPA will be expected to lead change in personnel policy and to be the analytic engine bringing the Department's human resources functions more in line with modern corporate efforts in talent management.

Success for OPA should be defined by the extent to which it can respond to analytic questions asked of the office. OPA should be measured not only by the number of questions to which it responds, but also the quality of responses. As personnel decisions become increasingly strategic in nature, OPA's contribution should become more visible to the Secretary of Defense and Deputy Secretary of Defense.

**TITLE:** *Establish Force of the Future Continuity and Governance* (Multi-Domain Reform Proposal 5)

**PROPOSAL SUMMARY:** This reform proposal will establish a non-career member of the Senior Executive Service, who will be designated Deputy Assistant Secretary of Defense for Future Force Implementation (DASD (FFI)), to oversee, implement, and provide governance for all reform proposals related to the Force of the Future initiative. This office and its attendant employees will sunset effective October 1, 2020.

**CURRENT CHALLENGES:** The timing of the Force of the Future initiative presents several challenges. First, the supporting Administration will end on January 20, 2017 (less than 18 months from the submission of the final report to the Secretary of Defense). Although a subsequent Administration may support the reform proposals included under the Force of the Future initiative, there is no guarantee of this outcome. Additionally, many of the proposed reforms will be deliberated in the opening months of a new budget cycle (PB17). It is unlikely that enough strategic trade-offs will be made to facilitate adopting all reform proposals in PB17, resulting in some reform proposals which will serve as legacy goals for future Secretaries of Defense or Administrations. The DASD (FFI) will oversee transition in both cases.

**PROPOSAL DESCRIPTION:** This reform proposal establishes a non-career, Tier 2 SES hired under Highly Qualified Expert (HQE) authority with a five year term of appointment, beginning October 1, 2015. The Office of the DASD (FFI) will be further augmented by five Full Time Equivalent (FTE) staff. The DASD (FFI) will report to the Under Secretary of Defense for Personnel and Readiness (USD (P&R)) through the Assistant Secretary of Defense for Manpower and Reserve Affairs (ASD (M&RA)) and provide updates to the Deputy Secretary of Defense and Secretary of Defense, as directed. Term billets will be allocated by the Washington Headquarters Service or re-allocated by the Department's Deputy Chief Management Officer to support staffing of this office. Funding for the office will sunset not later October 1, 2020, to ensure no permanent growth in Office of the Secretary of Defense staff allocations.

**IMPLEMENTATION AND GOVERNANCE MECHANISM:** This reform will be achieved through a directive memorandum from the Secretary of Defense.

The Office of the DASD (FFI) serves as the primary integrator, supervisor, and monitoring agent for successful implementation of the reform proposals approved by the Secretary of Defense and enacted into law by Congress. The DASD (FFI) will provide quarterly reports to the Secretary of Defense, through the USD (P&R) on the status of each reform proposal

approved as part of the Force of the Future initiative. The Secretaries of the Military Departments and Principal Staff Assistants (PSAs) will designate a single point of contact (General/Flag Officer or SES) to serve as the primary coordination point between the DASD (FFI) and the respective Military Service. Finally, the DASD (FFI) will be responsible for briefing the Deputy's Management Action Group (DMAG) on a semi-annual basis.

**METRICS FOR SUCCESSFUL IMPLEMENTATION:** The success of this reform proposal will be determined in the ability to rapidly establish the Office of the DASD (FFI) not later than October 1, 2015.