




**OPM'S
CLASSIFICATION AND QUALIFICATION
SYSTEMS:**

A Renewed Emphasis, A Changing Perspective

*A Report Concerning Significant Actions
of the Office of Personnel Management*



A Report to the President and the
Congress of the United States by the
U.S. Merit Systems Protection Board



THE CHAIRMAN



U.S. MERIT SYSTEMS PROTECTION BOARD
1120 Vermont Avenue, N.W.
Washington, D.C. 20419

November 1989

Sirs:

In accordance with the requirements of the Civil Service Reform Act of 1978, it is my honor to submit this report titled "OPM's Classification and Qualification Systems--A Renewed Emphasis, A Changing Perspective."

The report reviews some of the major activities of the U.S. Office of Personnel Management (OPM) regarding the Federal Government's position classification and qualifications rating systems. While it has a special focus on OPM's development of "generic" classification and qualification standards, the report also touches on a number of related issues, including pay banding, locality pay, and the implications of recent demographic projections regarding the Government's work force in the year 2000.

In general, our research found a new, more active style of program management by OPM, from which some positive results are already apparent. Substantial issues still remain to be resolved in the classification system, however. While some of these may be amenable to administrative remedies, an overall solution awaits a resolution of the Government's pay system problems.

I hope you will find this report useful as you develop plans for the future of the civil service.

Respectfully,

Daniel R. Levinson

The President
President of the Senate
Speaker of the House of Representatives

Washington, DC



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SYSTEMS--
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**A Report to the President
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U.S. Merit Systems Protection Board

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IN MEMORIAM

DENNIS L. LITTLE
1938 - 1989

This report is dedicated to the memory of Dennis L. Little, former Director of the Office of Merit Systems Review and Studies (now known as the Office of Policy and Evaluation), who died on September 4, 1989, following a prolonged battle with cancer.

Through his leadership and inspiration, Dennis set a standard of excellence and objectivity for the Board's public personnel policy research. His belief in and commitment to public service was evident throughout his 17-year Government career. He will be missed.

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Overview

General:

In this report, the U.S. Merit Systems Protection Board (MSPB) assesses some of the significant actions recently taken by the U.S. Office of Personnel Management (OPM). Specifically, the report reviews OPM's stewardship of the Federal Government's position classification and qualifications rating systems, with a special focus on the development and use of "generic" classification and qualification standards.

Position classification is a basic building block upon which much of the Federal personnel management system is built. It provides a means to identify, describe, and evaluate the work which Government employees perform. Decisions about who is qualified to do a job and how much they should be paid for their efforts inexorably flow from the classification. Once the classification of a job has been determined, action can be taken to fill it, either through the recruitment of a new employee, or through the placement or promotion of a current employee. The qualifications rating system is central to this latter process, as it governs who may be considered eligible to fill the job.

OPM is responsible for the overall management and direction of the Government's classification and qualification systems; actual operation of these systems, however, is carried out by individual Federal agencies on a decentralized basis. A key part of OPM's role is to provide the tools which drive these systems; that is, position classification standards and qualification standards. The existence of current and accurate standards is essential to an efficient and effective system.

Currency of Classification Standards:

In the classification area, the Board's review indicates that standards have not been kept current, with 70 percent of them being at least 10 years old, including some 42 percent that are at least 20 years old. Part of the reason for this state of affairs can be traced to a moratorium on the issuance of standards imposed in 1984 by OPM. While the moratorium may have been designed to avoid squandering resources on a system which was going to be replaced, we are still operating under basically the same system several years later and little has been done to make up for the lost time in updating standards.

Generic Classification Standards:

Recently, OPM has undertaken a major revamping of its approach to publishing classification standards, experimenting with "generic" standards. As envisioned by OPM, generic classification standards are multioccupation classification guides which are written in a simplified format. They are designed to cover similar work in different occupations, using more generic, or less occupationally specific, classification criteria. Owing to their lack of specificity, OPM projected that generic classification standards would be more amenable to clarification, interpretation, or individualized tailoring by agencies.

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OPM apparently views the nonspecific nature of these new guides, with their openness to interpretation, as an important achievement. Agencies, however, did not share this view. Many expressed concerns that the vagueness of the generic criteria would lead to inconsistencies in classification decisions. More generally, agency perceptions about the role and utility of generic standards differed quite a bit from OPM's expectations.

OPM's strategy for agencies to overcome problems with the lack of specificity in the standards has been to have the agencies develop their own supplemental guidelines. The Board questions the efficacy of this approach, as it requires a duplication of effort by many agencies to accomplish basically the same objective. Furthermore, since OPM does not review or approve agency-developed guides, there is no assurance of consistency in the results produced by those guides. Finally, those agencies unable or unwilling to devote the resources to preparing supplements are forced to work with minimalist generic standards which might not be able to be applied with consistency or efficiency.

At their core, OPM's generic classification standards represent a bold and daring thrust—a willingness to "let managers manage." While this is not fundamentally in conflict with the legal underpinnings of the current classification system, it does represent a different culture and philosophy than has prevailed in the past. Therefore, if OPM is going to make this new approach work, it will need to develop ways to deal with the problems identified.

One aspect of dealing with these problems may involve OPM educating its various constituencies to a new way of doing business. To be successful at this, however, OPM needs to pay more attention to its communications and marketing skills. Another part of making generic standards workable could involve devising new ways to hold managers accountable for the cost of their operations. In this regard, perhaps the next step might involve coordinated oversight from both OPM and the Office of Management and Budget.

In any event, it is important not to overreact to these concerns about OPM's initial attempt to produce generic classification standards. Based on the evidence to date, the Board does not believe that generic classification standards should be rejected out-of-hand simply because they have risks of inconsistency, nor should they be embraced simply because they offer flexibility. If generic classification standards are to be the wave of the future, OPM will need to think the process through much more thoroughly and then commit itself to a comprehensive and truly integrated implementation process.

Systemic Questions Regarding Classification:

Regarding the future, it is by no means assured that the best classification system for the Federal Government is the current one. In response to a Board questionnaire, 8 of the 21 largest Federal agencies indicated that the current classification system is not working properly. In addition, OPM itself responded with a "qualified yes" regarding whether the current system had problems.

Some of these perceived problems are probably traceable to the antiquated nature of the existing body of classification standards, while others perhaps relate to the system's design itself. Regarding the first of these concerns, the resources being applied by OPM to the production of standards appear inadequate to ever achieve the level of currency which OPM says is desirable. Therefore, if OPM intends to revitalize the current system, it must allocate additional resources to this program.

On the more global question of the system's overall design, no OPM master plan is evident at this time which will define the classification system of the future. Initiatives such as generic standards may be helpful interim measures, but they do not address these more fundamental questions. The challenge for OPM is to proactively uncover (or create, if necessary) the next generation of classification methodology, so that the system can serve the Government's mission, rather than the reverse.

Linkage of Classification and Pay:

An overall solution to the classification system's problems cannot be narrowly confined to classification issues, but must address related pay system problems as well. Recognizing this, OPM has initiated several actions which affect the way in which the classification system is linked to the Federal pay system. Specifically, two concepts have recently gotten a lot of attention—pay banding and locality pay. While these ideas have an aura of newness and excitement about them, both are actually variations of proposals which surfaced at least as early as 1955. Fortunately, in this case, "not being new" does not translate into "not being useful."

Pay banding is attractive because it lessens the number of classification decisions which must be made, while putting more control over employee compensation in the hands of the manager. If it is to be successfully implemented on a broad scale, however, OPM will have to reckon with several issues. These include: the potential for increased salary costs; the policy implications of pay banding on "equal pay for equal work" expectations; and the deficiencies in current performance appraisal systems.

Locality pay has different features but is similarly attractive—it allows for a more market-sensitive compensation system, while relieving pressure on the classification system to produce higher grades in order to support higher pay. While it is not without cost (lower salary costs in low-wage areas will not offset higher costs in high-wage areas), locality pay has few other down-side aspects. Perhaps the biggest risk of locality pay is that it will be perceived as a panacea, solving all of the classification and pay systems' problems. It can be an important corrective, but it is by no means the only one needed.

Qualifications Issues:

Turning to the qualifications rating process, the Board's review uncovered few problems and found a system which seems to be working fairly well. This conclusion was clearly evident, for example, from the agency responses to the Board's questionnaires. When asked if there were any indications that the system was not working properly, agencies were unanimous in saying that it was working properly.

Further questions regarding generic qualification standards elicited responses suggesting that these standards are viewed as being a real improvement over the old ones and contributing to a meaningful simplification of the overall system. While some concerns were raised about possible inconsistent interpretations of generic qualification standards, the consensus seemed to be that the rewards of these new standards far outweighed any risks associated with them.

Another recent innovation by OPM which we explored was the publication of a "general amendment" to the qualification standards which permits agencies to modify qualification requirements for certain employees who do not meet the letter of the standard but could perform the job. While this provision has not had much use yet, it did raise some concern about adding excessive flexibility to already flexible standards. The report suggests that OPM monitor usage of this authority, to ensure appropriate utilization of its flexibility.

Conclusion:

As the above summary indicates, OPM has recently taken a number of significant actions in its classification and qualifications program areas. These actions suggest a new, more active style of program management, which is both welcome and long overdue. Characterized by a renewed emphasis and a changing perspective, OPM's actions have the potential for positive results. Given where these programs were starting from (particularly position classification), however, much still remains to be done.

Introduction

There are over 2 million civilian employees in the Federal civil service. The ability of these employees to successfully carry out the work of the Government is directly related to the effectiveness of the Government's personnel systems. That is, when these systems work properly, the right people get put into the right jobs in a timely way. While the foundation for these personnel systems is found in law, their practical application is driven by the policies and procedures established by the U.S. Office of Personnel Management (OPM). This report examines OPM's management of two of the Government's most important personnel systems, i.e., those that control the classification of positions and the rating of qualifications.

The U.S. Merit Systems Protection Board (MSPB) is required by 5 U.S.C. 1206 to report annually to the President and the Congress on the significant actions of OPM. A key part of this requirement is that the Board's report must include "an analysis of whether the actions of the Office of Personnel Management are in accord with the merit system principles and free from prohibited personnel practices."

This report is one of a series being published by MSPB during 1989 which meet this mandate. After explaining what the Government's position classification and qualification systems are and how they work, the report describes and analyzes recent OPM significant actions in these areas, with a special focus on "generic" classification and qualification standards.

While classification and qualification standards are both issued by OPM, they serve different roles in the administration of the Federal personnel system and are subject to different demands. Accordingly, except for where they overlap, they are addressed in separate, discreet sections of this report.

Owing to the technical subject matter of this report, it was not possible to completely avoid the use of jargon. To help overcome the problems which unfamiliar, specialized terminology creates, we have also provided extensive explanations to put the subject matter into a more understandable context (see background sections beginning on pp. 5 and 37). While this makes for a longer document, it should also make the report's content more accessible to readers who are not otherwise versed in the Government's classification and qualification systems. Readers already knowledgeable about these systems, however, may wish to bypass this material.

Methodology

In preparing this report, MSPB relied heavily on three primary sources of information, as follows:

- Responses from OPM's Assistant Directors for Classification and for Staffing Policy and Operations, to MSPB questionnaires concerning classification and qualification issues, respectively. These questionnaires were returned to us in November and December 1988.
- Responses from the Directors of Personnel of the 21 largest Federal departments and agencies to questionnaires dealing with these same topic areas. These questionnaires were returned to the Board in October through December 1988.¹
- Materials published by OPM, including actual classification and qualification standards and related materials.

Given the nature of our information sources, the findings cited in the report are necessarily a mix of facts, perceptions, and opinions.

Throughout this report, we attribute a number of quotations to departments, agencies, and OPM. Unless otherwise noted, these quotations are drawn from the above-mentioned questionnaire responses. Other quotations included in the body of this report, including several from comments provided by the Classification and Compensation Society, are footnoted to show their origin.

In designing the questionnaires used and in analyzing the responses received, we specifically focused on the degree of consistency between the answers given by OPM and those given by the agencies. Through this approach, we sought to determine if OPM's intent was being clearly understood by OPM's primary target audience—the Federal agencies.

¹ The 21 departments and agencies included in our sample were: Agriculture, Air Force, Army, Commerce, Defense (Office of the Secretary), Education, Energy, Environmental Protection Agency, General Services Administration, Health and Human Services, Housing and Urban Development, Interior, Justice, Labor, National Aeronautics and Space Administration, Navy, Small Business Administration, State, Transportation, Treasury, and Veterans Administration (now Dept. of Veterans Affairs).

Classification Findings

Explanation of the Position Classification Process:

Position classification is a term of art whose meaning and purpose are not immediately obvious to most people, even though its underlying concepts are quite prosaic. An analogy often used to explain the need for classification is to compare it to a supermarket, where products are displayed in some type of orderly fashion on the store's shelves, rather than randomly. This organization of materials assists both customers (in finding products they want) and the store's management (in pricing, stocking, and controlling merchandise). Without such a system, frustration and inefficiency, if not chaos, would quickly ensue.

Similarly, in a large organization such as the Federal Government, it is necessary to organize what needs to be done (the work) and the resources needed to do it (the people and their pay). As it operates today, position classification serves this need by categorizing positions according to: (1) kind of work; (2) level of difficulty and responsibility; and (3) qualifications required.²

The immediate objective of position classification is to "classify" the job, that is, determine its proper:

- *Pay plan*—a two-letter designation such as "GS" or "WG" which represents the type of work, such as white-collar or blue-collar; the overall pay scales associated with that type of work; and the system for subdividing those pay scales into specific grades, steps, etc.;
- *Occupational series*—a numerical code which signifies a particular type of job, such as "318" for secretaries or "1896" for border patrol agents;
- *Classification title*—a prescribed label which flows from the occupational series and describes the specific type of job within that series, such as "flight engineer" for a nonsupervisory position in the aircrew technician series, GS-2185;³ and
- *Grade*—a numerical code used in conjunction with the pay plan to establish, among other things, what specific salary range applies to positions in that category. As of January 1989, for example, the annual base pay for grade GS-9 positions ranged from \$23,846 for step 1, to \$31,001 for step 10.

² This discussion primarily focuses on civilian white-collar positions in the executive branch of the Federal Government which are covered by the General Schedule.

³ In addition to official classification titles, agencies may also assign unofficial "organizational titles" to positions. Organizational titles are not prescribed by OPM; thus, agencies are free to assign titles which are more meaningful within the agency than the classification title would be (e.g., organizational title of "Chief, Office of Policy and Evaluation," rather than classification title of "Supervisory Personnel Management Specialist").

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As an illustrative example, if all these pieces of the classification puzzle were put together for a job as a member of the flight crew of a heavy multi-engine aircraft, the classification of the job (title, pay plan, series, and grade) might look like this: "Flight Engineer, GS-2185-9."

Having the job classified, however, is not an end in itself; rather, the utility of the position classification system must come from its ability to help an agency accomplish its mission. Classification provides a means to describe useful and important information about jobs in an objective and consistent manner. Once described, this information can be communicated to prospective and current employees, managers, personnel officials, budget analysts, and others. Therefore, when it works properly, position classification is an integral component in the management of an agency's human and financial resources.

To actually classify jobs in the Federal Government, certain procedures must be followed and certain tools used. First, the manager must define what the jobs are. He or she must decide what tasks need to be accomplished, and then, often in consultation with personnel specialists, allocate these tasks to specific positions. A variety of factors (e.g., career ladders, recruitment sources, cost effectiveness) may be considered in this process, in order to arrive at an appropriate organizational design.

The manager's decisions about what tasks each position's incumbent will perform are codified in a written position description (PD). In the typical Federal installation where classification authority is not directly exercised by line managers, the PD would then be turned over to Personnel for its official classification. A personnel specialist would analyze the PD and compare its key elements (kind of work, level of difficulty and responsibility, and qualifications required) with OPM classification standards, in order to determine the pay plan, series, title, and grade of the position.

The tools used to actually classify a job—that is, the classification standards—are central to this process. Typically, each occupation is covered by a standard that describes the work of the occupa-

tion at various grade levels. Not all occupations are covered directly by OPM classification standards, and even for those occupations where there are standards, not all jobs in that occupation will clearly match the criteria described in the standards. To function, the classification process must therefore bring together three elements—position descriptions, classification standards, and human judgment—to arrive at appropriate conclusions. This point was cogently captured in the following excerpt from the cover letter submitting the 1968 "Report on Job Evaluation and Ranking in the Federal Government" (the "Hanley Report") to Congress:

Job evaluation and ranking is not a science or an art. Every known method of accomplishing it requires the application of human judgment, and the results are only as good as the tools used and the judgment exercised. One of the most important elements in job evaluation and ranking, therefore, is an understanding of the method to be used and the ability to make judgments that are consistent and equitable to all concerned. In the Federal service, the required judgments begin with the supervisor and end with the decision of his top management and the personnel office.⁴

OPM took this perspective one step further in a statement contained in its recent proposed revision to the Introduction to the Position Classification Standards. It said:

Position classification standards are intended to be a guide to judgment, not a substitute for it. * * * Proper application of standards, therefore, requires the use of judgment rather than just a mechanical matching of specific words or phrases in standards.⁵

⁴ "Report on Job Evaluation and Ranking in the Federal Government," prepared for the use of the Subcommittee on Position Classification, Hon. James M. Hanley, Chairman, Committee on Post Office and Civil Service, U.S. House of Representatives, Dec. 17, 1968, 90th Cong, 2d sess., Committee Print No. 15, p. IV.

⁵ Draft revision of the "Introduction to the Position Classification Standards" issued to Federal directors of personnel for review and comment by OPM on Oct. 13, 1988, pp. 12-13.

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Once the position has been classified, action can then be taken to fill it, using among other things, OPM's *qualification standards* to determine what skills are needed and to evaluate whether candidates who apply are basically qualified to perform the work (see p. 37 for a fuller explanation of the qualifications rating process).

Legal Authority for the Issuance and Use of Standards:

Title 5 of the United States Code (5 U.S.C.) authorizes OPM to issue classification standards.⁶ Specifically, section 5105(a) says, "The Office of Personnel Management, after consulting the agencies, shall prepare standards for placing positions in their proper classes and grades."⁷ This section goes on to explain that:

In the standards, which shall be published in such form as the Office [of Personnel Management] may determine, the Office shall-

- (1) define the various classes of positions in terms of duties, responsibilities, and qualification requirements;
- (2) establish the official class titles; and
- (3) set forth the grades in which the classes have been placed by the Office.

⁶ Public Law 89-554, Sept. 6, 1966, 80 Stat. 452.

⁷ According to section 5102(a) of title 5, " ' ' ' ' ' position ' means the work, consisting of the duties and responsibilities, assignable to an employee; ' ' ' ' ' class ' or ' class of positions ' includes all positions which are sufficiently similar, as to- (A) kind of subject-matter of work; (B) level of difficulty and responsibility; and (C) the qualification requirements of the work; to warrant similar treatment in personnel and pay administration; and ' ' ' ' ' grade ' includes all classes of positions which, although different with respect to kind or subject-matter of work, are sufficiently equivalent as to- (A) level of difficulty and responsibility; and (B) level of qualification requirements of the work; to warrant their inclusion within one range of rates of basic pay in the General Schedule."

In drafting this language, Congress recognized that jobs, and the standards describing and evaluating jobs, would be subject to change. Accordingly, section 5105(b) of this law provides that OPM should " ' ' ' ' ' revise, supplement, or abolish existing standards, or prepare new standards, so that, *as nearly as may be practicable*, positions existing at any given time will be covered by current published standards." (Emphasis added.)

The above legal citations directly address position classification standards. While there is no separate legislative authorization for OPM's qualification standards, the above language from section 5105(a)(1) does provide a basis for their development and use as well (" ' ' ' ' ' the Office shall ' ' ' ' ' define the various classes of positions in terms of duties, responsibilities, and *qualification requirements* ' ' ' ' '." (Emphasis added.))

While OPM writes the standards, title 5 specifically directs agencies to apply them (i.e., classify their own positions), except under unusual circumstances. Agencies are charged to carry this out " ' ' ' ' ' in conformance with standards published by the Office of Personnel Management or, if no published standards apply directly, consistently with published standards."⁸

OPM's role is not limited to just supplying classification standards, however. Another key OPM responsibility is to monitor, on a post-review basis, agency use of classification standards. Section 5110 of title 5 stipulates that, "The Office of Personnel Management, from time to time, shall review such number of positions in each agency as will enable the Office to determine whether the agency is placing positions in classes and grades in conformance with or consistently with published standards." Where OPM finds a problem with an agency's classification decisions, it is empowered to not only impose the correct classification[s], but also to revoke or suspend the agency's classification authority.

⁸ 5 U.S.C. 5107.

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Finally, OPM is also responsible for adjudicating appeals concerning the proper classification of Federal jobs. This authority flows from section 5112 of title 5, which authorizes an affected employee (or an agency) to request that OPM *** decide whether a position is in its appropriate class and grade; and change a position from one class or grade to another class or grade when the facts warrant.”

Historical Perspective on Position Classification:

*** [T]he present classification system needs improvement. Managers and supervisors perceive that the system, while producing technically precise results, can be overly complicated, time consuming, and difficult to work with for the very people who carry out the work of the Government. Time and effort is wasted as classifiers work with managers, insisting on arcane and overly fine distinctions on judgments which, in the final analysis, managers are best prepared to make ***.⁹

The above statement sounds like it could have been written by any number of frustrated Federal managers. Interestingly enough, however, it was penned by the OPM manager responsible for the Government’s classification system. Given OPM’s responsibility for this system, it is refreshing to see this openmindedness about the system’s shortcomings. To the extent that this attitude is a harbinger of the new directions which OPM is now struggling to define, it bodes well for the potential success of OPM’s plans for change in the world of classification.

In order to understand the significance of OPM’s future plans, as well as its past actions, it is helpful to know something about the history of the Federal position classification system. The system as we know it today actually took on its present form about 40 years ago, with the passage of the Classification Act of 1949.¹⁰ Before that, the Government used a variety of different systems at different times. The following quotes drawn from a 1961 General Accounting Office position classification manual succinctly capture the highlights of the pre-1949 period:

Prior to 1853, there was no position classification or other plan in the U.S. Government designed to insure equal pay for substantially equal work. Since the number of Government employees at that time was small by modern standards and since the turnover of Government employees was great when administrations changed, the problem of equitable pay was not too acute. The Congress, however, in its appropriation bills from 1789 to 1850, indicated an awareness of inequities in pay in the Federal service. In 1853, the Congress enacted the first law (10 Stat. 209) designed to correct these inequities. This law created the first “classified civil-service,” creating four classes of clerks, with a different salary rate for each class. The Congress did not, however, define or set standards for each class and inequities continued. An employee in Class one in one Government department with an annual salary of \$1,200 might be performing substantially the same work as an employee in another Government department in Class four, with an annual salary of \$1,800. ***

⁹ Excerpted from response dated Nov. 7, 1988, by George P. Steinhauer, Assistant Director for Classification, Personnel Systems and Oversight Group, OPM, to MSPB’s questionnaire.

¹⁰ Classification Act of 1949, ch. 782, 63 Stat. 954.

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The increase in the number of Government workers during and after World War I and the creation of new agencies which were not subject to the classified civil service made the problem of achieving equal pay for equal work more acute. In 1923, the Congress passed the first classification act. This act: (1) was the first systematic attempt for job standardization; (2) established various grade levels for positions based on the importance, difficulty, responsibility and value of the work; (3) established five services, the Scientific and Professional service (P), the Subprofessional service (SP), the Clerical-Administrative-Fiscal service (CAF), the Custodial service (CU), and the Clerical-Mechanical service (CM); (4) set salary for each grade of each service; and (5) established a Central Classifying Authority, the Personnel Classification Board (which was abolished in 1932 and the duties, powers, and functions transferred to the Civil Service Commission). For the first time, a central authority had the responsibility for seeing to it that positions in the departmental service [positions located in Washington, DC] were classified in their proper grades.

The Classification Act of 1923 was a giant step forward in achieving equal pay for equal work in the Federal Government.¹¹ Experience with this act, however, indicated that substantial changes were needed to cope with current problems. Under the Classification Act of

1923, as amended, for example, all positions subject to the act had to be classified by a central authority, the Civil Service Commission. Due principally to the increase in the number of positions in the Federal Government as the result of World War II, it became impractical for one agency to allocate all positions in the departmental service. Problems also arose in determining which service (e.g., Scientific and Professional or Clerical-Administrative-Fiscal) certain classes of positions belonged in. To resolve these and other problems, the Congress, in 1949, passed the present Classification Act which superseded the act of 1923.¹²

Turning to the specifics of the Classification Act of 1949, title VI established the General Schedule (GS) for most white-collar positions in the Federal Government. In addition, it also established the Crafts, Protective and Custodial (CPC) Schedule, to which the balance of positions covered by the 1923 act were transferred.¹³

Under the General Schedule pay plan, there are 18 GS grades. For each of these grades, the 1949 act provides a specific definition of the duties, responsibilities, and qualifications required for work at that grade level. In drafting classification standards, OPM is required to use these definitions as the touchstone against which a standard's grade level criteria are defined. These definitions are therefore the underpinning upon which the white-collar classification system is theoretically based.

¹² U. S. General Accounting Office, *Position Classification Manual for Supervisors, G.A.O. Personnel Manual*, pt. 4, November 1961, pp. 2-4.

¹³ The CPC Schedule was abolished in 1954 (Amendments to Classification Act of 1949, ch. 1208, sec. 107, 68 Stat. 1108 (1954)). Employees formerly covered by this schedule were transferred to a local prevailing-wage rate system, or the General Schedule, depending upon the type of duties performed.

¹¹ Classification Act of 1923, ch. 265, 42 Stat. 1488.

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To illustrate both the nature of these definitions and their progression from one level to the next, the GS-12 and GS-13 criteria found in the law are reproduced below:

Grade GS-12 includes those classes of positions the duties of which are—

(A) to perform, under general administrative supervision, with wide latitude for the exercise of independent judgment, work of a very high order of difficulty and responsibility along special technical, supervisory, or administrative lines in office, business, or fiscal administration, requiring—

(i) extended specialized, supervisory, or administrative training and experience which has demonstrated leadership and attainments of a high order in specialized or administrative work; and

(ii) intimate grasp of a specialized and complex subject matter or of the profession, art, or science involved;

(B) under general administrative supervision, and with wide latitude for the exercise of independent judgment, to perform professional, scientific, or technical work of marked difficulty and responsibility requiring extended professional, scientific, or technical training and experience which has demonstrated leadership and attainments of a high order in professional, scientific, or technical research, practice, or administration; or

(C) to perform other work of equal importance, difficulty, and responsibility, and requiring comparable qualifications.¹⁴

Grade GS-13 includes those classes of positions the duties of which are—

(A) to perform, under administrative direction, with wide latitude for the exercise of independent judgment, work of unusual difficulty and responsibility along special technical, supervisory, or administrative lines, requiring extended specialized, supervisory, or administrative training and experience which has demonstrated leadership and marked attainments;

(B) to serve as assistant head of a major organization involving work of comparable level within a bureau;

(C) to perform, under administrative direction, with wide latitude for the exercise of independent judgment, work of unusual difficulty and responsibility requiring extended professional, scientific, or technical training and experience which has demonstrated leadership and marked attainments in professional, scientific, or technical research, practice, or administration; or

(D) to perform other work of equal importance, difficulty, and responsibility, and requiring comparable qualifications.¹⁵

These grade level criteria have come to be viewed as if they were “cast in stone,” since they have only had one minor modification in the last 40 years.¹⁶ This immutability has elements of both strength and weakness inherent in it. It can be viewed as a strength because the criteria have come to represent “* * * a consensus of values that determine relative levels of work, and provide a framework for internal equity, and potentially, a communications framework that can support ‘perceived equity’.”¹⁷

¹⁶ The Federal Employees Salary Increase Act of 1958 (Public Law 85-462, sec. 13(a), 72 Stat. 214) made minor changes to the definitions of GS-5 and GS-7 found in the Classification Act of 1949.

¹⁷ Lyn M. Holley, Project Director et al., “Compensation for the General Schedule,” a draft task force report prepared under the auspices of the National Commission on the Public Service (the “Volcker Commission”), December 1987, p. 14.

¹⁴ 5 U.S.C. 5104(12).

¹⁵ 5 U.S.C. 5104(13).

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Resulting in virtually fixed and therefore unresponsive standards, however, the immutability can also be a weakness. Since the standards aren't readily adapted to changes which may occur in how society values certain kinds of work, the classification system can rarely, if ever, be a proactive tool of personnel management policy.

Going beyond the question of what values they represent, even a cursory reading of the above definitions illustrates why agencies (and now even OPM) perceive problems with the current classification system. The definitions appear to be incredibly broad in scope, giving the impression of great objectivity. In practical application, however, they are filled with specific words which have subtle nuances of meaning and are therefore subjective in application. While agencies do not have to work with this arcane statutory language when actually classifying jobs (because OPM issues more direct, occupationally specific criteria in its classification standards), the system is still driven and shaped by these definitions.

This problem was succinctly described by the Department of the Air Force in its response to our questionnaire. Referring to one of the most commonly used classification standards, the Air Force noted that:

It is lengthy and complicated, and requires significant training and experience to use correctly. We believe the complexity of the [standard] is an artifact of the classification system as a whole, and is not particularly amenable to simplification by itself. Simplifying this guide would have to be in the context of an overall simplification of the classification system.

Given these systemic concerns, it is certainly pertinent to examine what might be done to change the system (and such a discussion of OPM's planned or proposed actions appears later in this report). However, whatever the merits of any of these future changes, the fact is that unless and until the law changes, OPM has the responsibility to make the existing system work as well as it can. Looking back at OPM's record in this regard, the results are, at best, inconsistent.

Currency of Existing Classification Standards:

One threshold measure of the functionality of the classification system is the currency of the standards published by OPM. As shown in figure 1 on page 12, based on the standards currently in use, OPM's production of new or revised standards has undergone some major ebbs and flows over the years, resulting in many out-of-date standards.¹⁸

As is evident from figure 1, there were two major dips in OPM's production of General Schedule classification standards. The first of these (roughly 1973 through 1976) was caused by OPM's shift from narrative-style classification standards to a new approach called the Factor Evaluation System (FES). The second (roughly 1984 through 1986) resulted from a moratorium imposed by OPM (see p. 15 for a discussion of this moratorium).

Perhaps the larger significance of figure 1 becomes most apparent when the data are translated into the age of standards currently in use. As shown in

¹⁸ Information on GS standards for figs. 1 and 2 was extracted from OPM's Code Structure Index to Printed Position-Classification Standards, dated February 1988, plus additions made in April 1988. All categories of initial OPM standards which are currently in use are included in the figures (i.e., single-agency and Governmentwide standards, series coverage standards, and flysheets). Not included are minor revisions or explanatory memorandums which OPM issued after initial publication of a standard. Approximately one-sixth of the GS standards shown were subject to these types of minor revisions. Information on Federal Wage Systems classification standards was drawn from OPM's Nov. 7, 1988, response to MSPB's questionnaire.

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Figure 1.
Number of OPM Classification Standards Which Are Still In Use, by Year Published (1957-88)

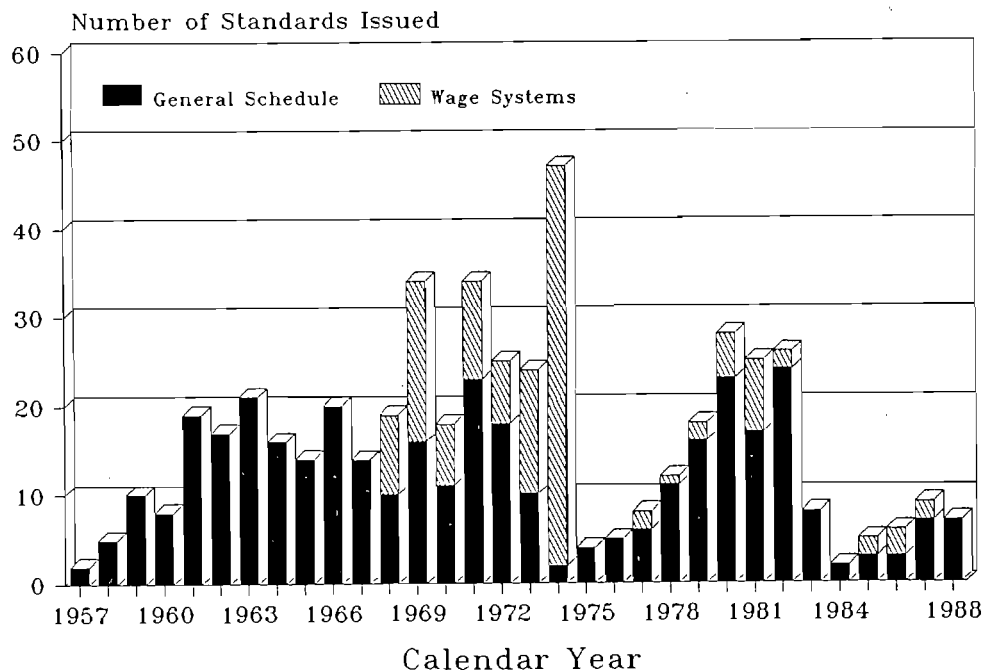


table 1 below, 70 percent of all white-collar classification standards are at least 10 years old, including 42 percent which are at least 20 years old.

While OPM would like to see all standards kept current, they have obviously fallen far short of this goal. In partial mitigation of this reality, a 1984 OPM internal position paper made the following points:

Table 1.
Number and Percent of OPM White-Collar (GS) Classification Standards Still in Use, by Time Period Issued (1951-88)

Time Period	Number of Standards Issued	Percent of Total
1951-58	8	2
1959-63	75	20
1964-68	74	20
1969-73	78	21
1974-78	28	7
1979-83	88	24
1984-88	22	6
	<u>373</u>	<u>100</u>

Although CSC [the Civil Service Commission] and OPM adhere to the ideal or goal of updating standards within a five-year cycle, our experience indicates that individual standards age at different rates because of a variety of factors, e.g., stability vs. change in agency programs, technology, statutes, and other factors. A key factor is the way the grade level concepts were presented in the standards. Some of the older standards on the books, although not in the FES [Factor Evaluation System] format, are essentially "timeless." Although the agencies may change organizational arrangements, or levels of

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effort, or other features, the nature of the work does not change in a way that affects the classification criteria in the standard. The statutes governing position classification, including the grade level definitions in the law, have not changed.¹⁹

Notwithstanding this rationale, OPM's paper also recognized that "[i]f a standard does not reflect the latest terminology, for example, it is considered suspect and creates the perception that, because of the standard's age, the grades derived from its use may be incorrect."²⁰

If old standards with obsolete terminology were confined to occupations which had only a minor impact on the classification system, the impact of an out-of-date standard would of course be mitigated. Unfortunately, this is not the case. In our questionnaire to agencies, we asked them to list the top five classification standards which have the greatest impact on their classification program. In response to this query, six standards were cited by three or more agencies.²¹ These are shown in

table 2, below, along with the year they were published and an approximation of the number of positions they cover, Governmentwide.

Given the Government's full-time, civilian, white-collar work force of about 1.6 million people, these six standards alone directly control the classification of about 25 percent of all white-collar jobs. Indirectly, they account for an even bigger percentage, because some standards, such as Management Analysis, are used extensively for evaluating positions in other series which lack their own classification standards.

The "Year Published" column in table 2 shows these standards ranging in age from 6 to 30 years old. As OPM pointed out, some occupations are subject to change at a much more rapid rate than others (e.g., computer specialist vs. attorney). However, no standard that was written three decades ago is likely to be perceived as very relevant to an occupation as it functions today, even if the underlying criteria are indeed "timeless." In fact, for a fast-changing occupation, even

¹⁹ Unpublished OPM internal position paper, "Historical Review of the Standards Program," Book 1, pt. 1, sec. 2, "Assessments of the Factor Evaluation System," July 18, 1984, p. 24.

²⁰ Ibid., p. 17.

²¹ A number of professional engineering standards were cited by various agencies, but no single engineering standard was cited three or more times. Most of the engineering classification standards date from the 1960's and 1970's; many of these affect large numbers of positions. OPM is currently working on revising two of the engineering standards.

Table 2.
OPM Classification Standards Most Frequently Cited by Agencies as Having the Greatest Impact on Their Classification Program

Series	Number of Agencies Citing	Year Published	Approximate Population
Secretary	14	1979	100,000
Supervisory Grade Evaluation Guide (SGEG)	10	1976	200,000
Computer Specialist	9	1980	40,000
Management Analysis	8	1972	16,000
Contracting	7	1983	28,000
Attorney	3	1959	18,000

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10 years may be too long between major standards rewrites. For example, regarding the computer specialist standard (which is only 9 years old), the Department of the Army said:

This has been a useful standard ***. Very rapid and far-reaching technological changes in automation over the last few years have, however, made the standard obsolescent. This is because the standard was written before the PC/office automation revolution, and is oriented to a large mainframe environment. Major revisions would be needed to fully update this standard.

Obsolescence for a standard may be as much a function of changing management perspectives as changing technology. In the secretarial occupation, the Environmental Protection Agency found *** a growing gap between EPA management and human resources management concerning the adequacy of this standard ***, while the Department of the Army concluded that "Use of this standard has tended to generate much more heat than light, partly because of the sensitive nature of these positions and partly because of problems in interpretation ***."

Differences in interpretation would be troublesome enough if they were confined within an agency. Unfortunately, this situation occurs regularly between agencies as well, as illustrated by the following comments which are *both describing the same standard* (management analysis): The Treasury Department said that "Although issued in 1972, the standard is generally accepted and widely used ***," while, according to the Department of Education, "This standard is out-dated, loose, and among the most abused standards in the system ***."

Whatever the truth regarding a particular standard, these agency comments certainly highlight the delicate balancing act which OPM must follow in order to produce a workable standard which will have basic credibility and acceptance. This task is made immeasurably harder because of the linkage of the Federal classification system with issues of pay. Comments from the Department of the Air Force regarding the contracting series address this issue directly, as follows:

This standard requires careful comment. From a purely technical classification point of view, the [contracting] standard is fine. It is relatively easy to apply to most contracting work situations; the language is clear; and a coherent grade structure is easily derived. However, the functional community to which the standard is applied is very strongly opposed to it, and believe it to be grossly inadequate. In particular, there is great dissatisfaction with the grades. The contracting/acquisition/procurement community speaks with one voice in rejecting this standard. In fact, the dissatisfaction is so strong that the various contracting instrumentalities (OFPP, FAI, etc.) have been lobbying for legislation to establish an entirely separate pay system for all employees currently covered by this standard. The fact that such legislation is more than a faint possibility indicates that this problem is very serious and needs to be addressed by the OPM.

Since the issue of classification versus pay is also explored in more depth later in this report (see p. 29), we will not dwell on it here. It is worth noting, however, that complaints such as those expressed above, which blame the classification system for what are really inadequacies in pay, color any assessment of the classification system, and OPM's management of that system.

An interesting example of how OPM and the classification system may be unfairly blamed for some problems was brought out in OPM's comments on the draft version of this report (see app. 2). In describing the impact of pay issues on the classification system, OPM surfaced an ironic dilemma it faces when updating classification standards. According to OPM:

*** since all new standards must replicate the grade level definitions in the law, which have not changed since 1949, they rarely support significant upgradings. In fact, the application of new standards can identify positions that were overgraded in response to pay pressure and, unless duties are added to support the grades, result in downgrades. *** The fact that it is difficult to reduce adverse impact during tests of draft standards results in

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extended consultation between agencies and OPM which adds to the time it takes to produce new standards.

Impact of the Moratorium On Issuing Classification Standards:

Turning back to the question of how frequently OPM's published standards are updated (as illustrated earlier in fig. 1), there is a particular significance to the events which occurred during 1984-86. Because OPM imposed a moratorium on the issuance of standards during this period, very few standards were issued and the system drifted without a clear direction or focus for several years. The moratorium was imposed by OPM for the purpose of conserving resources while an attempt was made to rethink OPM's classification program. Given the centrality of current standards to a healthy classification system, the moratorium generated major problems for the system.

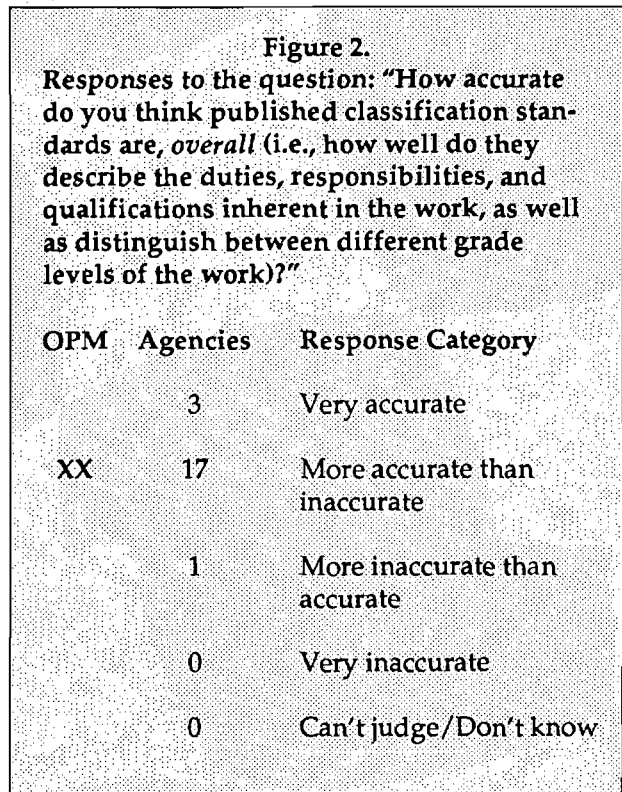
MSPB noted this negative impact in a previous OPM significant actions report, as follows:

Moratorium on Classification Standard Writing. This OPM action drew comments from more agencies (seven) than did any other except ***. Agencies view OPM's lengthy freeze on classification standards writing (initiated in August 1983), together with its 'failure to make a decision on what system [it] will continue or install,' as damaging to the entire classification process. Among the consequences cited by agencies are:

- The direct relationship they perceive between the absence of valid or current standards and the grade bulge problem;
- The possibility that necessary standards will not exist for emerging occupations and that standards for occupations experiencing rapid changes in work will be outdated. This is viewed as particularly negative for agencies which are technologically oriented;

- A perception that OPM's 'inaction *** has had a negative effect on the attitude of personnel officers to take their classification responsibilities seriously *** [and] *** implying that activity in the classification area is either nonexistent or unimportant in OPM's eyes.'²²

While this moratorium is now history, its effects will continue to be felt for some time. When asked about the overall accuracy of standards, only three agencies characterized standards as being "very accurate," while most of the other responses were in the "more accurate than inaccurate" category. (See fig. 2, below.)



²² U.S. Merit Systems Protection Board, "Report on the Significant Actions of the Office of Personnel Management During 1984-1985," May 1986, pp. A-3 - A-4.

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Given the responses which agencies provided to other parts of the questionnaire, we interpret the "more accurate than inaccurate" answers shown above as being, at best, a lukewarm endorsement of the current state of affairs. This can be illustrated by looking at the agency responses concerning how OPM sets its priorities for standards projects. While 16 of the 21 agencies were either "somewhat satisfied" or "very satisfied" with the priorities OPM has followed for revising classification standards, agency suggestions for how OPM might improve its priority-setting system gave an important insight into their underlying concerns.

For example, the Interior Department said:

We are less concerned with OPM's system of setting priorities, however, than with the assurance that OPM will devote sufficient resources to the development of needed standards, since the integrity of the classification system, itself, depends upon the maintenance of current and effective occupational standards.

Echoing the same theme, the Treasury Department suggested that:

*** concerns regarding the status of standards would be more appropriately addressed by increasing production to overcome the effects of the moratorium, rather than a fine-tuned priority system.

Taken together, these points suggest that the users of the classification system are concerned about the currency and adequacy of the tools which make the system work. While OPM's moratorium may have been designed to avoid squandering resources on a system which was going to be replaced, we are still operating under basically the same system several years later and little has been done to make up for the lost time in updating standards. As a result, the moratorium and resultant policy drift have weakened the whole structure, without any apparent offsetting benefits.

These deleterious effects extend beyond just the Federal agencies. This was apparent in the concerns shared with us by the Classification and Compensation Society, an organization composed

of the personnel specialists who operate the Government's classification systems. In its response to our invitation for comments, the Society noted the "conflicting signals" coming from OPM and stated that "It is one thing to sound a call for 'reform' of the system, as OPM has done; it is quite another to consign the current system to the scrap heap while it is still in place and functioning ***." The Society's reply also included the following:

A further perception evident to our membership is that since the present system has been decreed to be moribund and soon to be replaced, OPM has become uninterested in the long-term implications of the changes they're currently introducing, indifferent to enforcing current rules and regulations, and ambivalent at best about agency opinions on systems improvements which don't square with the preferred approach. In a sense it is immaterial whether these perceptions are grounded in fact, in whole or in part. Either OPM has a basic conflict in its policy aims or it has a massive communications problem ***.²³

Picking up on the last point raised by the Classification and Compensation Society, it is apparent that OPM now has a credibility problem. Since OPM cannot unilaterally control a decentralized classification system, it must have the cooperation and compliance of agency employees, managers, and personnelists, for the system to operate. Whether OPM ultimately attempts to substantively revitalize the old classification system (assuming this were possible), or change to a new system, it will need to overcome this problem.

Among the tools available to overcome credibility issues, appropriate communications and marketing strategies can be very helpful. These must, of course, be complements to well-designed programmatic plans, but without such tools, the obstacles can be all the more difficult to overcome. Therefore, as OPM addresses its various classification problems, we recommend that extra attention be given to the question of how best to involve its constituencies in this process.

²³ Classification and Compensation Society response dated Jan. 6, 1989, transmitted by Rob Jezek, Executive Vice President.

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Effectiveness of the Classification Appeals System:

Under section 5107 of title 5 of the United States Code, agencies have the initial responsibility to classify the positions in their organization, using standards published by OPM. An employee who disagrees with his or her agency's classification decision can appeal it to OPM without incurring court costs or requiring an attorney.²⁴ This administrative appeal process theoretically provides an impartial forum to guarantee classification accuracy.

Given that people don't file classification appeals unless they think their classification is wrong (e.g., graded too low), we gathered some data on classification appeals to see if they would provide any hints about the health of the classification system. Conventional wisdom might have suggested a rising trend in the number of appeals because of expected employee dissatisfaction with

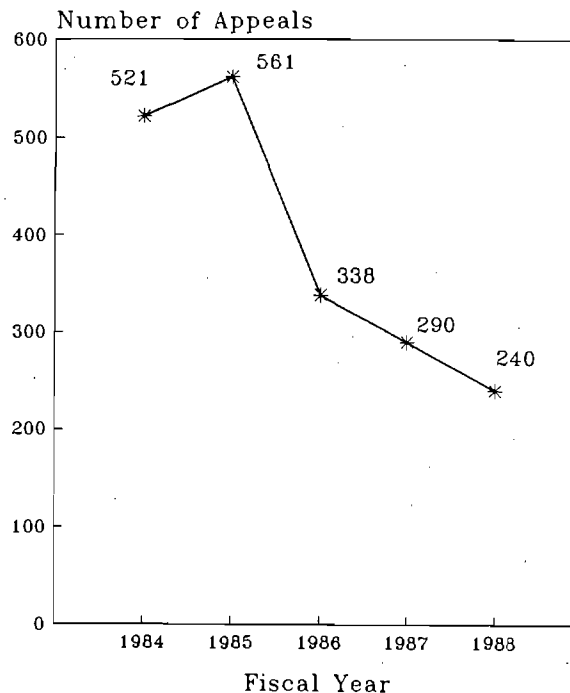
the grades (and therefore pay) the system produces, to say nothing of the increasing litigiousness of our society. The figures provided by OPM, however, show a declining trend in the number of classification appeal decisions being rendered by OPM (see fig. 3 below).^{25 26}

²⁴ The classification appeals system established by OPM is based on the language of 5 U.S.C. 5112. The system's procedures and requirements are described in 5 CFR 511, subpart F—Classification Appeals.

²⁵ First-level classification appeal decisions made by OPM are final (with no further right of administrative appeal) unless reconsidered by OPM. OPM may reopen and reconsider a "first-level" appeal decision at its discretion, following criteria which are published in 5 CFR 511. Roughly 10 percent of first-level appeal decisions are reconsidered by OPM.

²⁶ We had also requested data from agencies about the classification appeals adjudicated at their level, rather than at OPM. Because there were so few of these appeals, we were unable to draw meaningful conclusions from these data.

Figure 3.
Number of Classification Appeals Adjudicated by OPM, by Fiscal Year (1984-88).



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These data show a substantial decline over the period 1985-88, with 57 percent fewer appeals adjudicated in fiscal year 1988 than in fiscal year 1985. OPM has also observed this trend (which does not, incidentally, involve any particular occupational series), but could offer no definitive explanation as to why it was occurring.

We also analyzed the outcomes of the classification appeals adjudicated by OPM. As figure 4 shows, while the overwhelming majority of appeals result in no change to the position's grade, when a grade change does occur, it can be almost as likely to result in a *downgrade* as in an upgrade. More specifically, for those appeals where OPM changed the grade of the position being appealed, roughly one-third to one-half of the decisions

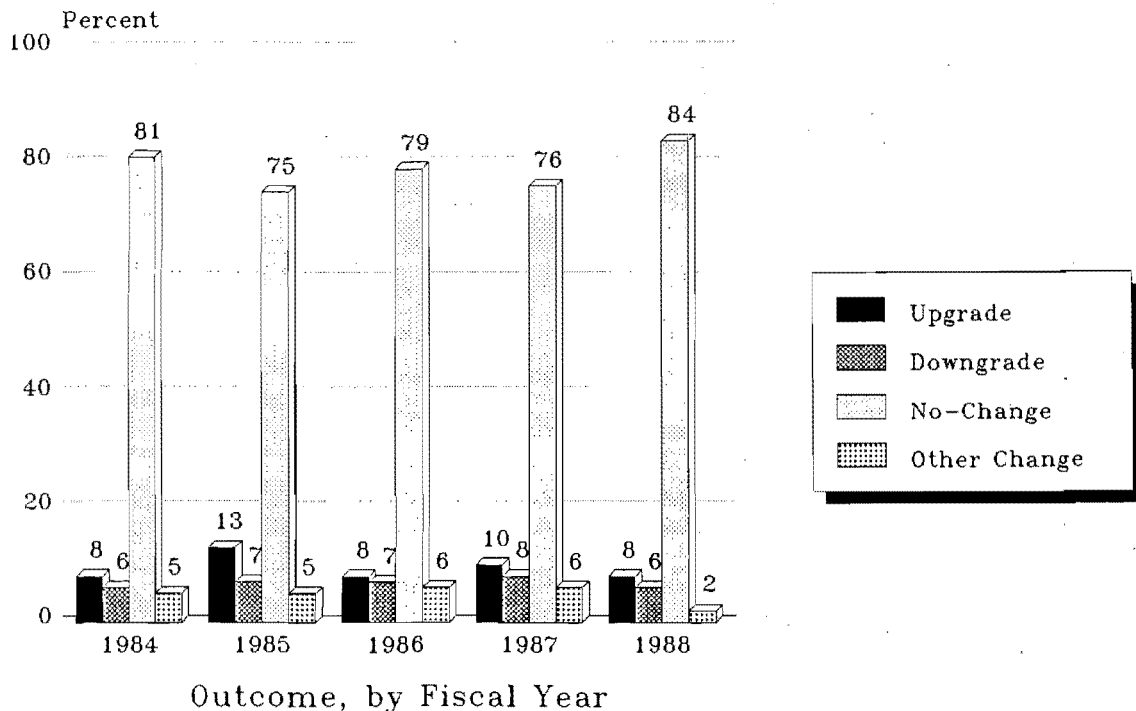
²⁷ This does not necessarily translate into the actual downgrading of the incumbents of these positions, as management may have reassigned the incumbent to another position before it was downgraded, or restructured the position so that it supported its current grade.

resulted in the appealed position being downgraded (low was 35 percent in 1985, high was 47 percent in 1986).²⁷

On some levels, these statistics should not be surprising. Given OPM's 1983 study on classification accuracy (which showed that some 14 percent of positions, Governmentwide, were overgraded), the fact that 6 to 8 percent of the positions subjected to an indepth review by OPM were found to be overgraded does not seem unreasonable. What is perhaps more surprising is that the incumbents of these positions had such an unrealistic assessment of the worth of their positions (as compared to what the standards apparently justified) that they chose to appeal in the first place.

Of course, from a broader perspective, the odds of an incumbent prevailing in a classification appeal appear sufficiently low (roughly 1 in 10) that one might wonder why anyone files an appeal. In fact, almost no one does, as figure 3 illustrated (240 in

Figure 4.
Percent of Classification Appeals Adjudicated by OPM, by Outcome and Fiscal Year (1984-88).



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1988, out of the Government's 2.1 million civilian nonpostal employees, or about one-hundredth of 1 percent). This paucity of appeals is puzzling—after all, could any system be so accurate that 99.99 percent of all employees believe their classification is accurate—but we have no authoritative data which would explain why it is happening.²⁸

OPM's New Approach to Writing Classification Standards:

In earlier sections of this report, examples of the statutory definitions of GS grade levels were shown and the constricting influence these definitions have on the classification system was noted. Also highlighted was the need for systemic simplification, rather than trying to simplify any particular standard in isolation. These points are not original to this report; in fact, OPM has grappled with them for some time. What distinguishes the present situation (as the quote shown below illustrates), is OPM's willingness to attempt changes which might address these concerns.

*The policy issue is that lengthy, detailed, specific standards contribute to an over-articulated, highly centralized system. * * * OPM's current policy direction is to lessen this reliance on detail and to move toward more flexible standards which provide responsible managers room for judgment. * * * The results OPM hopes to achieve if this endeavor is successful would be to create a classification system within the framework of existing statutes but adaptable to a personnel system designed for the 1990's and beyond.*

Office of Personnel Management

²⁸ One partial explanation of the low number of classification appeals may be that employees covered by collective bargaining agreements are able to address some of their classification problems indirectly, through a grievance under their union's negotiated grievance procedure. Overt classification appeals cannot be adjudicated through a grievance procedure, however; they must be handled under the statutory appeals process which OPM administers.

The centerpiece of this new initiative by OPM involves the development of classification standards which apply to more than one occupation. Specifically, OPM began an ambitious test program to produce "multi-occupation classification guides in simplified format, treating similar work in different occupations and using more 'generic' (i.e., less occupation specific) classification criteria."

Level of Specificity in Generic Classification Standards:

While the concept of a guide covering multiple occupations is not new—a number are already in current use—OPM's approach to such guides now involves a conscious choice to make them more general, with less descriptive material about the occupations covered. "By their very nature, [the new guides] will be less specific than many of our current products, and will thus be amenable to clarification, interpretation, and tailoring by individual agencies." OPM expects agencies to supplement its broad guides, so that the agencies " * * * will have the flexibility to develop more details as they feel are needed to classify specific positions in their organizations."

OPM apparently views the general nature of these new guides, with their openness to interpretation, as an important achievement. In light of this, agency comments about the initial draft guides are all the more noteworthy. Specifically, in their comments, agencies characterized the general language of the guides as one of their biggest deficiencies.

For example, the Labor Department conducted a test of one of OPM's draft generic standards, the grade level guide for administrative analysis work. This test applied the draft guide to several hundred positions; most were reviewed and rated by both a classifier and a manager, while a number were reviewed by several classifiers. In its description of the results of this test, the Labor Department said:

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Grade ratings obtained by applying the draft guide, even ratings of familiar standard position descriptions by trained classifiers, resulted in a high level of inconsistency. The blind test was even more revealing. Both managers' and classifiers' ratings using the guide were highly inconsistent, taken either as a whole or limited to either of the two groups. For example, classifiers rating one position by the guide selected the most popular grade only 58% of the time; in the second blind test, agreement was even lower with only 46% selecting the most popular grade. Thus, the likelihood of two trained classifiers applying the draft guide and coming to the same conclusion was only slightly better than one chance in two. *** Our results suggested that the problem was the lack of specificity in the guide.

Since we were unable to secure any data showing how traditional nongeneric classification standards would compare in this type of test situation, we cannot substantively evaluate the consistency ratings which Labor's test produced. Common sense would suggest, however, that existing nongeneric standards must be producing more consistency than 46 to 58 percent, or else the whole system would have ground to a halt long ago. In fact, problems with the current classification system may relate more to the "technically precise results" which it generates (see OPM quote on p. 8) than to its inconsistent results.

Speaking more broadly, the Department of the Army said:

Our review and test of the generic guides that OPM has developed so far led us to another concern, that is that these guides are far too general. Although OPM issued guidance accompanying these guides which indicated that their generality could be remedied by agency supplementation, we did not agree that this was the proper solution. The Army position is that delegating the responsibility for development of occupational specifics to the agencies will invite too many interpretations on common issues ***.

The draft classification guide for test and evaluation engineering work, issued for comment in late 1987, illustrates the OPM guidance which Army referenced. In it, OPM said:

We intend to write the guide as clearly and briefly as possible, to provide a general grade-level framework to support agency efforts to organize and classify work. *If your agency feels it needs occupation-specific information or criteria to cover particular kinds of specialized test and evaluation engineering work, you should consider developing such material for your own use, using the OPM guide as a frame of reference for your more specific criteria.* Again, if you feel that additional or revised material is needed in the guide itself, please provide suggested language for consideration. [Emphasis added.]

MSPB has several concerns about this approach, including:

- The efficiency and cost effectiveness of having many agencies duplicate the effort of supplementing each standard, rather than having it done once by OPM;
- The lack of equal access to complete standards. Many agencies, especially the smaller ones, will likely lack the time, money, or expertise necessary to develop comprehensive supplements, forcing their managers and personnel specialists to work with the minimalist generic standard produced by OPM; and
- The risk of inconsistent classification decisions resulting from the vagueness of the generic standards or from differences in agency-developed supplemental guidelines.

Perhaps this last concern (which in part mirrors Army's) is the most important, as it gets to the heart of both the strengths and weaknesses of OPM's new approach. At its core, OPM's generic standards represent a bold and daring thrust—a willingness to "let managers manage." This Government jargon can be roughly translated as meaning letting managers exercise more judgment, without fear of being second-guessed by

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others. Such judgment might be applied directly, where managers are delegated classification authority, or indirectly, where they must work through their personnel office to achieve the desired result.

In using their judgment, managers can be expected to consider many factors which affect their human resource and mission needs, not just the conventional wisdom of what a grade "x" position is *supposed* to be. This is not to say that managers would ignore the legal requirements of the Classification Act, but rather it suggests that inconsistent interpretations on gray areas might become much more common. In addition, given the fact that the cost effectiveness of their operations is not a major factor in the performance appraisals of most Federal managers, it is only reasonable to expect that most "gray area" classification questions will be resolved on the high side, particularly in occupations where Federal pay is not competitive with private sector pay.

Under such a scenario, classification accuracy and consistency become much more negotiable. Where does legitimate use of judgment and reasonable latitude in devising interpretations stop, for example, and inappropriate stretching of criteria to solve recruiting, placement, or retention problems through misapplication of classification criteria begin?

While such questions are certainly not unknown in the current system, the detailed nature of existing classification standards provides greater limits on this discretion. With generic standards, and the inherent lessening of OPM oversight which comes from "letting managers manage," there could be many more gray areas and much greater variability.

In the private sector, where the links between classification, pay, and profitability are clearer, there is less ambivalence about these issues. Whether through bilateral agreements achieved through collective bargaining, a strong classification system administered by the personnel office, or holding managers accountable for costs, the "bottom line" exerts a moderating influence on the system. The Federal civil service largely lacks the

equalizer of a bottom-line orientation, however; thus it is easy for a manager to push for upgrading.

If agencies are going to have increased flexibility to manage positions (through the mechanism of generic classification standards), it only seems reasonable that they should have increased responsibility and accountability for the efficiency of their operations. The Navy Department has taken some steps in this direction through its "manage to payroll" program, which seeks to make managers accountable for the cost of their operations. More specifically, according to Navy, its initiative was designed to:

*** increase the flexibility of middle management to organize, classify, recruit and compensate personnel by delegating to line managers and supervisors expanded authority for position management and job classification along with an allocated payroll within which they must manage total compensation of subordinates."²⁹

If Navy's program, and others like it prove successful, they could set the stage for Federal managers taking on a greater degree of "bottom line" consciousness. Perhaps the next step in this process might be a two-pronged approach which involves coordinated oversight from both OPM and the Office of Management and Budget.

In any event, it is important not to overreact to these concerns about OPM's initial attempt to produce generic standards. These classification standards should no more be rejected out-of-hand because they have risks of inconsistency than they should be embraced, simply because they offer flexibility.

²⁹ Memorandum from Anthony R. DiTrapani, Director of Civilian Personnel Policy/Equal Employment Opportunity, Department of the Navy, to Navy's civilian personnel directors, dated June 2, 1986, announcing the "Managing to Payroll" program.

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Prior to the Civil Service Reform Act of 1978, “* * * [t]he entire civil service system was based on the concept of control—or, put more positively, guarantee of merit—through centralized rules and regulations.”³⁰ The current environment is different, perhaps guided in part by a dictum (shown below) from the Final Report of the 1977 Federal Personnel Management Project.

*Instead of creating highly complicated personnel systems to thwart dishonest people, personnel systems must be designed for use by honest people.*³¹

Federal Personnel Management Project

Operating in this new paradigm presents opportunities the old civil service did not provide, along with challenges it did not face. For example, the flexibility of generic standards appears to show that OPM’s primary focus is not currently on “thwarting dishonest people,” but it is not clear how OPM plans to *comprehensively* deal with the challenges (such as inconsistent results) which its proposed generic classification standards would naturally produce.

This is not to say that OPM has taken no action regarding these concerns. For example, OPM recently decided to restrict the scope of future generic classification standards, so that they will cover a smaller number of more closely related occupations than the first draft standards did, thus allowing the standards to be more specific. While this may be useful fine-tuning of the generic standards concept, it begs the underlying question. If taken to its logical extreme, generic standards with enough specificity to avoid inconsistency would be substantively equivalent to having nongeneric standards.

³⁰ Patricia W. Ingraham and John White, “The Design of Civil Service Reform: Lessons in Politics and Rationality,” paper prepared for the Conference on Ten Years of Civil Service Reform, the Maxwell School, Syracuse University, Oct. 13-14, 1988, p. 14.

³¹ Federal Personnel Management Project, “Final Report,” Government Printing Office, Wash., DC, 1977, p. 24.

A truly comprehensive plan would have to address the underlying policy issues. It might, for example, target inconsistency problems by instituting new systems of checks and balances. On the other hand, if OPM did not believe additional checks and balances were needed because of a changing philosophy and “culture” in Federal personnel management, OPM would need to educate its constituencies to this change. For that matter, no matter what comprehensive plan OPM adopts, the importance of such educational efforts should not be underestimated.

In its educational efforts, OPM would need to accomplish at least two things. First, it would need to inform agencies about what the new systems, expectations, and oversight mechanisms are, involving agencies in the development of these policies as appropriate. Second, OPM would need to help agencies *unlearn* all the negative assumptions they may have built up from past OPM (and CSC) “policeman” roles in the classification area.

When OPM, the former champion of rigid consistency in classification, starts acknowledging that some variations may legitimately occur when managers use judgment in applying generic standards, agency confusion, if not distrust, is certainly predictable. Furthermore, given some of the policy flip-flops which OPM has made in past years, it is not unreasonable that agencies might have additional reservations about what risks to take, since they would want to avoid being criticized later if the underlying philosophy should again change.

To overcome these obstacles, OPM will need to exert strong, consistent leadership. It must recognize that, while on the face of it, few would defend classification *inconsistency*, the inexorable outcome of generic standards, and for that matter, pay banding (see discussion of pay banding later in this report), is a form of inconsistency—that is, greater variation in the most important output of the classification process, pay. This inconsistency may be acceptable, or even healthy, but everyone—agencies, employees, unions, Congress, the public—must understand why, or else they will quite naturally object to it. To achieve this under-

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standing, OPM must get out in front of the issue and clearly, convincingly, and repeatedly communicate its policy objectives. Absent such action, generic classification standards are unlikely to achieve much success, and OPM's credibility will suffer further.

Specific Objectives Underlying the Design of Generic Classification Standards:

If we look beyond the broad policy goals which OPM had in developing this approach, we can learn something from analyzing the specific objectives which underlie the design of generic classification standards. We therefore asked both OPM and the largest Federal agencies a series of

comparable questions about what generic standards would accomplish. The answers received illuminate some important issues affecting OPM's ability to successfully implement this new program.

The four questions asked (using language from the agency questionnaire), and a compilation of the responses received, are shown in figures 5, 6, 7, and 8, below.³²

³² Of the 21 agencies queried, 1 did not directly answer these questions. Therefore, only 20 responses are shown in figs. 5-8.

Figure 5.

Responses to the question: "To what extent do standards written in this new format *** facilitate more accurate grading of positions than up-to-date standards written in the previous format?"

OPM	Agencies	Response Category
	0	To a very great extent
	2	To a considerable extent
XX	7	To a little extent
	11	To no extent
	0	Can't judge/Don't know

OPM's comment: "We expect agencies to supplement the broad guides. The ease of applying fewer guides should help improve classification effectiveness."

Figure 6.

Responses to the question: "To what extent do standards written in this new format facilitate classification decisions which are more understandable to employees and managers than up-to-date standards written in the previous format?"

OPM	Agencies	Response Category
	0	To a very great extent
XX	3	To a considerable extent
	9	To a little extent
	6	To no extent
	2	Can't judge/Don't know

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Figure 7.

Responses to the question: "To what extent do standards written in this new format make the classification system *simpler (and thus easier to administer)* than up-to-date standards written in the previous format?"

OPM	Agencies	Response Category
	0	To a very great extent
XX	6	To a considerable extent
	9	To a little extent
	4	To no extent
	1	Can't judge/Don't know

OPM's comment: "One broad guide that is brief and to the point is seen as easier to apply than several detailed, probably more complex occupationally-specific standards. One guide applied to several closely related occupations will become more familiar to the classifier or manager and will produce more consistent conclusions."

Figure 8.

Responses to the question: "To what extent do standards written in this new format *facilitate the delegation of classification authority to managers (for those departments/agencies who might want to take such action), as compared to up-to-date* standards written in the previous format?"

OPM	Agencies	Response Category
	0	To a very great extent
XX	5	To a considerable extent
	6	To a little extent
	4	To no extent
	5	Can't judge/Don't know

OPM's comment: "If authority is delegated, then the fewer the number of standards or guides that need to be learned to classify jobs in the organization, the easier the task and more consistent the results."

Looking at the above results, it is evident that agencies did not generally share OPM's attitudes about the role of generic standards. For example, while OPM felt that generic standards would make classification decisions more understandable to employees and managers "to a considerable extent" (fig. 6 above), only 3 of the 20 responding agencies had this same belief. While this is not to suggest that agencies universally condemned generic standards (in fact, some were quite enthusiastic about them), the overall tenor of agency comments indicated some confusion and concern about OPM's new approach. The following quotes illustrate some of these attitudes:

- We are not convinced that the new format is easier even for classifiers to apply, let alone managers (Department of Energy); and
- The draft [test and evaluation engineering guide] prescribed use of a mix of the FES Primary Standard for some factors and this new guide for others. This was confusing even though the guide was issued expressly under the 'simplification' label (Department of Agriculture).

Agency reservations about generic classification standards may be due to several different factors. First and most important, of course, would be the substantive questions which the agencies raised about the concept and design of the standards. Another factor which may be present is the natural tendency within large organizations (such as the Federal Government) to take a cautious approach when experimenting with major changes to their personnel systems, given the numbers of people who might be adversely affected if the change proves to be a mistake.

A third factor which we believe could also be operating here relates more perhaps to "style" than "substance," but it could nevertheless have a significant impact on OPM's overall success. Specifically, as discussed earlier in this report, on occasion, OPM has been perceived as giving conflicting signals about its policy aims and priorities. Given this attitude, it becomes all the more important for OPM to communicate clearly and consistently with its customers.

For example, to the extent that it could reasonably have been anticipated that agencies and classifiers would be skeptical of generic classification standards, OPM might have made greater efforts to educate and involve these audiences *before* putting the draft standards out for comment. Furthermore, during and after the comment period, OPM might have tried to reinforce the idea that it really valued agency input.

Unfortunately, in at least one instance, OPM probably sent just the opposite message. According to the minutes of an Interagency Advisory Group (IAG) meeting in December 1987 which addressed generic classification standards, "Several agency representatives stated that the reporting date may not provide sufficient time to get the views of their managers [regarding generic standards]. Mr. Howe [the former OPM assistant director for classification] said that OPM is anxious to move these guides along and asked agencies to make a special effort to meet the target date." Yet, later in the same minutes, OPM officials noted how they " * * * are counting heavily on receiving thoughtful and substantive comments from agencies on these drafts."

The agencies' concern and OPM's response in the above-cited incident are both routine, understandable, and, in a sense, beyond criticism. However, the situation described could also be viewed as a missed opportunity. If OPM's organizational culture and driving philosophy really valued agency involvement, in order to make agencies stakeholders in OPM's programs, and if its commitment was to both a policy *and* practice of quality, perhaps OPM might have responded differently.

The challenge of creating "a quality climate where quality is first among equals with schedule and cost"³³ is one which many managers might aspire to but few are able to achieve. The benefits of a different response at the IAG meeting, however, might have extended far beyond the particular target date which was at issue. This is particularly true since, in its subsequent actions, OPM appears to have made a sincere effort to consider agency concerns and suggestions (e.g., it has made substantial changes to some of its early draft generic standards based on agency input and, in some cases, is even planning to issue revised drafts for agency comment prior to final publication of the standard).

A further example of the problem of sending mixed messages is illustrated by the following comments from the Navy Department:

Another impediment to the development of standards is OPM's reluctance to allow agencies more freedom in developing standards tailored to agency needs. Although Navy develops agency guidance, OPM does not recognize these guides, nor do they encourage agencies to seek OPM validation of such guidance. If agencies could develop guidance that could be used in lieu of OPM standards, we would be able to issue official guidance quickly in areas of interest to our community. This has the potential to allow us to be proactive, not reactive, to our management constituency.

³³ The quoted phrase is drawn from the Internal Revenue Service's Quality Improvement Program, where it constitutes one of the five "principles of quality" established in IRS Policy Statement P-1-2.

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While OPM is now allowing some agencies to develop "official" classification standards with OPM oversight, Navy's point regarding supplemental guides is still valid. OPM officials have said they "do not anticipate OPM getting in the business of reviewing or approving such guides. As now, [agencies] may use guides as long as they are consistent with the standards issued by OPM."³⁴ This of course represents something of a "Catch 22," as agencies can develop all the guides they want, but they cannot rely on them to make authoritative decisions because OPM does not acknowledge their validity.

The question of effective communication between OPM and its various constituencies is not new. For example, although referring to a broader issue which arose under a former OPM director, MSPB noted OPM communications problems as early as 1981. Specifically, in its 1981 report of OPM significant actions, MSPB made the following recommendations concerning OPM's role in shaping Federal employee morale:

There are steps OPM can take that will help [improve morale]. OPM may be able to make a significant contribution by simply communicating its long range programs and goals for changing the terms and conditions of Federal employment more broadly and effectively. There appeared to be a gap between what OPM's leadership says it is trying to do in these areas and the perception the senior Federal personnel managers and senior executives we interviewed have of its efforts. This gap is potentially even greater for members of the general work force.³⁵

³⁴ Quote drawn from "talking points" for a speech given by Anthony F. Ingrassia, Deputy Associate Director, Personnel Systems and Oversight Group, OPM, to a Classification Chiefs' Conference of the Air Force Major Command on Sept. 22, 1987.

³⁵ U.S. Merit Systems Protection Board, "Report on the Significant Actions of the Office of Personnel Management During 1981," December 1982, p. 38.

³⁶ John H. Trattner, "The Prune Book, The 100 Toughest Management and Policy-Making Jobs in Washington," Madison Books, Lanham, Maryland, 1988, p. 88.

The importance of effective communications by OPM was also recently brought out in "The Prune Book," an analysis of the most difficult politically appointed executive jobs in Government. The author cited a congressional authority in the area of Government as saying that the major problem facing the next Director of OPM "is re-establishing some credibility with the [Federal] work force."³⁶

Less than optimal communication skills and lack of sensitivity to the usefulness of some marketing techniques are certainly not problems unique to OPM—Government bureaucracies are almost synonymous in the public's mind with these traits. Nor, for that matter, has OPM been oblivious to the need for such efforts. Its recent efforts at outreach (e.g., field visits by OPM central office officials, establishment of a "Classification Consultation Committee" with agency personnelists and managers, and a projected conference of Government classification chiefs) are both useful and welcome. However, in order to successfully carry out its mission (and overcome some of the institutionalized "control" mentality which typified the Civil Service Commission), OPM needs to pay greater attention to marketing and communications opportunities. There is a far greater risk from doing too little in this area, than from doing too much.

Systemic Issues and Future Options for the Classification System:

An analysis which exclusively looked at classification standards, without at least considering the health of the overall classification system, could very easily "miss the forest for the trees." Even if the standards were all perfect, they might not be the right tools to effectively carry out the Government's personnel management mission as it needs to be operating, both now and in the future.

While it is beyond the scope of this report to conceptualize what the Federal classification system of the future ought to be, it should at least be noted that some respected individuals in the field believe that the current classification system is no longer functional. In a lengthy essay on the subject, the president of the Classification and Compensation Society said that:

The nature of work has been changing, yet the way we conceptualize and organize such work has been frozen into a single repetitive track, and position classification in its turn has remained immutable to outside forces. Paralleling the hierarchical, bureaucratic form of organization structure, job design and job evaluation have not adapted to fit other structuring/valuation possibilities. Essentially, there has been very little original research and development activity in this area for a generation or more.³⁷

In support of his perspective, the author (Eugene Michael McCarthy) cited a variety of published sources. For example, he noted that "Jay M. Shafritz, who has spent much of his career studying position classification in the public sector, pointed out as early as 1973 that 'Almost all of the classification procedures currently in practice were catalogued and popularized in 1941' by the Baruch Report of the Civil Service Assembly."

Mr. McCarthy's essay went on to further quote Mr. Shafritz (as shown below) regarding inadequacies in the classification system.

A variety of factors have inadvertently conspired at this point in time to make many current position classification practices obsolete. The kind of work force that classification plans were originally designed to accommodate no longer exists. The principles of position classification that were established before World War II assumed, in the best scientific management tradition of the time, that work could most efficiently be organized by imitating industrial machinery and creating a system of human interchangeable parts.... This approach may well have been the most efficient possible system several generations ago. But now, because of advances in the social sciences and radical changes in the nature of the work force, conventional position classification systems are not only obsolete in terms of simply not being as efficient as other modes of organization but also have proved themselves to be counterproductive of the organizational mission.³⁸

Jay M. Shafritz

Given the above comments, one could certainly be concerned about the overall functionality of the current classification system. We therefore asked OPM and the agencies whether they had any indications that the classification system was not working properly. While this question does not get to the conceptual level addressed by McCarthy and Shafritz, it does at least provide some empirical insights into the bigger picture.

As figure 9 on page 28 shows, eight agencies (plus OPM) said they saw at least some problems with the system. These agencies represent a broad cross section of Federal establishments (military and nonmilitary, large and moderate in size); they employ about 28 percent of the Federal Government's full-time, civilian, white-collar work force.

In their explanatory comments on this question, some agencies expressed their concerns fairly strongly. The Department of Energy, for example, offered the following perspective:

The extent to which the system has ever consistently produced objective determinations of the correct classification of jobs in a timely, efficient manner is a very relative matter. No one who has studied the system in the last 20 years or so has ever described it in those terms; in fact every study has concluded that it is inconsistent, time consuming, and inefficient. Several years of neglect in producing classification standards, and increasingly uncompetitive Federal salaries have certainly not improved the operation of the system.

³⁷ Excerpts from "Like a Phoenix: Can Position Classification Rise from the Ashes with a Bold, New Approach?," by Eugene Michael McCarthy, have appeared in several issues of the Classifiers Column, the newsletter of the Classification and Compensation Society. The particular passages quoted here were published in the October and November 1988 issues, vol. XIX, No. 10., p. 6, and vol. XIX, No. 11, p. 3, respectively.

³⁸ Jay M. Shafritz, "Position Classification: A Behavioral Analysis for the Public Service," Praeger, New York, 1973, p. 4.

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Figure 9.

Responses to the question: "Do you have any indications that the position classification system is *not working properly*, i.e., that it is not consistently producing objective determinations of the correct classification of jobs in a timely, efficient manner based on the standards published by OPM?"

OPM	Agencies	Response Category
XX*	8	YES (they <i>did</i> have problems with the system)
	13	NO (they <i>did not</i> have problems with the system)

* OPM's response was a "qualified yes."

Putting its point-of-view in more graphic terms, the Department of Labor commented that:

OPM has developed a policy position that implies that the current system is not working, is probably unworkable, and is shortly to be abandoned or modified in substantial ways.

*** We believe that the system faces pressures which, if not effectively countered, will result in massive failures and inequities in the near future.

These concerns are not going unheeded at OPM. For example, the new Director of OPM, Constance Berry Newman, recently stated that a "*** major responsibility of OPM is the management of the classification system. That now means that OPM has the responsibility to simplify that system."³⁹

The former Director of OPM, Constance Horner, also spoke to this issue in an address to the Classification and Compensation Society annual conference on December 5, 1988.

*** [W]e simply can no longer afford our current monolithic, overcentralized, overregulated, inflexible Federal personnel system. We will need to continue our efforts to deregulate, decentralize, delegate, and simplify personnel procedures, in order to give agencies and managers the flexibility to adapt to the variety of new demands. But that's only half the challenge. The other half is equally important, and equally difficult. Beneath the new operational diversity we seek to build into the Federal workplace, we must strive to sustain the unity in principle that is the very essence of the civil service. That unity is built upon certain critical, shared values: a commitment to merit, for instance, and to equitable treatment of our employees ***

Constance Horner

In terms of translating these objectives into practical action items, Director Horner went on to describe a "balanced approach" composed of the following four classification and compensation initiatives:

- First, we will continue to push toward broader, more generic classification standards, in the effort to eliminate much of the administrative burden now involved in classification;

³⁹ Constance Berry Newman, "Pre-hearing Questions and Answers," submitted to the Committee on Governmental Affairs, United States Senate, in advance of her confirmation hearing, May 18, 1989, p. 26.

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- Second, we will urge movement toward some concept of pay banding, which would consolidate two or more existing GS levels into appropriate broad pay bands;
- Third, we will seek a stronger element of pay-for-performance in the system, with greater rewards for better performers;
- And fourth, we will work to increase the market sensitivity of the present system, through pay flexibilities such as pay-banding, recruitment and retention bonuses, expanded pay raises, or through some version of locality-based pay.

OPM has been working on several of the elements of this "balanced approach" for some time; thus, agency frustration about the pace of change is not without cause. Having noted this, however, OPM's recent efforts deserve consideration on their own merits, without being unduly burdened by past mistakes and false starts. Therefore, since the first of these objectives (generic classification standards) has already been discussed, the following sections will address the others.

Linkage of the Classification and Pay Systems:

The connection between classification and pay transforms what would otherwise be an obscure technical personnel tool into a topic of general interest. Neither employees nor managers (nor, for that matter, potential job applicants, Congress, or the taxpaying public) would likely have much ongoing interest in what classification system the Government used if it did not directly affect monetary issues. Given this connection, however, it is not surprising that, in the words of the Navy Department, "[t]he Federal classification system is not, and can not be, immune to pressures emanating from inequities in the compensation system."

These pressures can appear in many ways. In its questionnaire response, the General Services Administration (GSA) highlighted some of these:

GSA's major problems with the classification system itself relate to: (1) other agencies overvaluing jobs and therefore siphoning off GSA talent in certain job series, (2) outdated position classification standards, and (3) the need for flexibility in setting pay within various grade ranges. GSA's ability to accomplish its mission, employee morale, and operation of personnel management systems have all been impacted by these problems. We need up-to-date, easy-to-apply, occupation-specific standards, pay banding, stricter enforcement of interagency classification consistency, and a major revamping of the pay system.

GSA specifically identified two pay-related proposals which it believed might address these concerns. These two ideas—pay banding and a revamping of the pay system—are the ones currently receiving the most attention by agencies, as they mirror the OPM initiatives described above by former OPM Director Horner.

Pay Banding:

Pay banding is a concept which has recently been popularized by the "China Lake" demonstration project. This project is actually a test being conducted by the Navy Department at two of its research laboratories in California (Naval Weapons Center, China Lake, and Naval Ocean Systems Center, San Diego). Begun in 1980 under the authority of title VI of the Civil Service Reform Act (and currently scheduled to run until 1995), China Lake is designed to evaluate the efficacy of an enhanced pay-for-performance system using broad pay bands (which span two or more standard GS grades), simplified position descriptions, and a closer linkage between pay and performance. The evaluation compares various human resource measures at these "test" laboratories with those from two other "control" laboratories, in order to assess the impact of the personnel policy changes made at the test sites.

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The underlying concept for pay banding is not original to China Lake, however. In fact, the idea of reducing the number of grades in the General Schedule has been around for quite some time. The 1968 "Hanley Report," for example, had the following discussion:

Agencies commenting on the present 18 grades of the general schedule were almost unanimous in recommending a reduction in the existing number. Those recommending a reduction in the number of grades stated that the present structure results in "hair splitting" and is an overrefinement of distinctions which is unnecessary. *** Advocates of a reduction in the number of grades stated fewer grades with broader grade levels would provide managers with more authority and flexibility and would simplify the classification structure. These agencies also felt a system with a lesser number of grades would be easier to administer.⁴⁰

According to a General Accounting Office (GAO) summary analysis of the China Lake project published in May 1988:

The Navy's demonstration project showed that a pay-for-performance system with revised personnel processes to classify, appraise, and pay federal employees is workable. The project also showed that line managers could be given authority and responsibility for making personnel decisions—a factor the Navy considered essential in implementing the revised system. However, given the magnitude of missing data [necessary to properly evaluate the project] and the differences between the demonstration and control laboratories, we cannot assess whether the major outcome benefits cited by OPM are attributable to the change in personnel practices, to pre-existing differences between laboratories, or to outside factors.⁴¹

GAO's analysis went on to note that the funding level for China Lake was an important factor in its operation, as *** OPM reviewed salary costs and found that as of January 1986, employees at the demonstration laboratories were paid salaries that were 6 percent higher than those received by

employees at the control laboratories."⁴² Furthermore, GAO reported OPM's statement that *** barring any changes in policy at the demonstration laboratories, salary costs under the project could be expected to continue to increase."

While these increased salary costs were not the only factor contributing to the success of the project (OPM's research found only weak statistical relationships between attitudes about the project itself and the amount of pay employees were receiving), they were nonetheless viewed as an important part of the total program. Overall pay satisfaction was higher at the demonstration labs than at the control labs, for example, as was the sense of connectedness between pay and performance.⁴³

More recently, OPM's research appears to suggest that pay banding does *not* necessarily increase salary costs. As shown in appendix 2, OPM now finds the salaries at the demonstration and control laboratories to be roughly equivalent, owing to "relief from high grade controls" and "accelerated promotions" at the control laboratories.

In our view, this new information is inconclusive, since OPM also stated that *** the much broadened pay ranges at the demonstration laboratories have provided much more latitude for managers to accelerate pay increases for high performers ***." Over a longer time span, the Board is still inclined to believe that pay banding will increase overall salary costs, all other things being equal. Of course, even if pay banding does increase costs, it may still be a valuable enhancement to the classification system.

⁴⁰ Op. cit., "Report on Job Evaluation and Ranking in the Federal Government," p. 19.

⁴¹ U.S. General Accounting Office, "Federal Personnel—Observations on the Navy's Personnel Management Demonstration Project," report to the Chairman, Subcommittee on Federal Services, Post Office, and Civil Service, GAO/GGD-88-79, May 1988, p. 3.

⁴² Ibid., p. 19.

⁴³ U.S. Office of Personnel Management, "Effects of Performance-Based Pay on Employees in the Navy Demonstration Project: An Analysis of Survey Responses 1979 to 1987," OPM Management Report XII, December 1988, pp. 2, 6, and 10.

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What makes these funding issues important is that OPM's primary mechanism for expanding the pay-banding experiment has been the proposed Civil Service Simplification Act.⁴⁴ A key requirement of this proposed act is that its various provisions (including pay-banding) must be implemented in a "budget neutral" way, that is, at no increased cost. Since it remains to be seen if China Lake will be budget neutral, it is unclear if the positive changes of pay banding can be realized without increased costs. Perhaps the answer to this quandary may lie in a recent comment by OPM Director Constance Newman. When questioned about the increased costs of pay banding, Director Newman acknowledged that "[t]here is that argument—and OMB has certainly made that argument. And we certainly don't want to do anything that is not budget-neutral. I try to change the debate and talk about 'budget neutral in the long term.'"⁴⁵

One reason pay banding seems attractive is that it gives the appearance of simplifying the system. Fewer grades equate to fewer burdensome classification decisions. Once an incumbent gets into the full working-level (rather than trainee) band for an occupation, the determination of what type of work will be assigned to the position and the amount of pay the incumbent will receive are no longer decisions which the personnel office controls but, rather, are in the manager's hands.

In effect, the classification process subtly shifts from an evaluation of the duties assigned to the position, to a modified rank-in-the-person concept which focuses on an evaluation of the incumbent's performance in the position. While this shift is neither inherently good nor bad, it does have certain ramifications. Among the more significant of these are the following:

- The Government's working definition of what constitutes equal pay for equal work becomes much more "elastic." The third merit system principle states, "Equal pay should be provided for work of equal value, with appropriate consideration of both national and local rates paid by employers in the private sector, and appropriate incentives and recognition should be provided for excellence in performance."⁴⁶ Under the GS system, basic pay for a given job does not vary more than 30 percent (the difference between steps 1 and 10 in a grade). Under a pay band combining multiple GS grades, the variability of base pay for similar jobs could be much greater.

For example, one of the China Lake pay bands encompassed grades 5 through 8, resulting in a 78-percent pay differential between the bottom and top of the band (the difference between GS-5, step 1, and GS-8, step 10). While the language of the merit principle would not appear to prohibit such variability, it is a substantial change from past practice and one which should not be undertaken lightly.

As a further aside to this issue, it is perhaps worth noting that this variability may also have an impact on the process of assessing pay comparability or setting locality pay rates. Since the classification distinctions between levels of jobs will blur under pay bands, it will be harder to match specific jobs in the Federal and private sectors, thus complicating salary surveys.

- The accuracy and credibility of performance appraisals become critical to the system's success. Previous MSPB research has already surfaced questions about the operation of performance appraisal systems, noting, for example, the inflation of ratings, and raising the issue of "whether the expectations for the Government's performance appraisal systems are realistic, given the multiple demands placed on them (e.g., performance

⁴⁴ H.R. 2799, 100th Cong., 1st sess.—Civil Service Simplification Act of 1986.

⁴⁵ Federal Times, "Newman: On Image, Health Benefits, Locality Pay," July 24, 1989, p. 6.

⁴⁶ 5 U.S.C. 2301(b)(3).

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appraisals play a part in compensation determinations, promotion and reduction-in-force decisions, and as a tool to enhance employee motivation and productivity)."⁴⁷ Given this finding, it is questionable if the Government's appraisal tools and processes are up to the demands of a system using broad pay bands.

If OPM intends to institutionalize the use of broad pay bands (and is therefore going to pursue the legislative changes necessary to achieve this), the Board believes OPM will have to:

- Resolve the contradiction between the desire for budget neutrality and the potential for increased costs under a successful pay band system;
- Clarify the intent of the Government's "equal pay for work of equal value" policies, so that informed decisions can be made on the appropriate number and size of pay bands which might be implemented; and
- Redouble its efforts to refine and strengthen the performance appraisal process.

Two final points on this subject also bear mentioning. First, in designing a broad pay-band system, the determination of how many and what kind of bands will be used should be based on appropriate analytic research. This point surfaced in the Classification and Compensation Society's response, because of their concern about an "attitude that fewer levels of difficulty are *a priori* a beneficial change." The Society went on to say:

The number of difficulty levels for federal white-collar occupations, while constrained somewhat by the rigidities of the General Schedule framework, were at least set on the basis of occupational studies. Any changes to the number of levels shouldn't be done by fiat but rather as a result of surveying the market and developing alternate structures for organizing the work which are appropriate to the occupational area.

Second, if the *specifics* of the design are codified in legislation (as with the present title 5 definitions of GS grade levels), the new system would lose one of the most important qualities present in the demonstration project—flexibility. The need for some flexibility cannot be overstated, given the inherent inertia of any classification system. This point was very clearly made in another chapter of Eugene Michael McCarthy's essay on position classification, where he quoted an interesting and pertinent observation by Frederick Mosher.

*The whole concept of position classification runs somewhat counter, or restraining, to the concept of organization as a fluid, adaptive, rapidly changing entity, oriented to problems and motivated by organizational objectives. To the extent that it is coercive and binding, detailed and specific, and difficult to change, classification has the effects of: retarding organizational change and adaptation; discouraging initiative and imagination beyond the definition of the position class; inhibiting special ad hoc assignments or otherwise working "out of class"; discouraging recognition of unusual contributions and competence through rapid advancement.*⁴⁸

Frederick C. Mosher

Given its size, complexity, and position of public trust, the Federal civil service must use some form of position classification, notwithstanding the inherent limitations which Mosher points out. To do otherwise would only be a prescription for anarchy. Having said this, however, we recognize that there are undoubtedly some approaches which will work better than others. The challenge for OPM is to uncover (or create) these preferable approaches, so the system can serve the mission, rather than the reverse.

⁴⁷U.S. Merit Systems Protection Board, "Toward Effective Performance Management in the Federal Government," July 1988, p. v.

⁴⁸Op. cit., "Like a Phoenix * * *," Classifiers Column, January 1989, vol. XX, No. 1, p. 10. Original source for quotation was from Frederick Mosher, "The Public Service in the Temporary Society," *Organizational and Managerial Innovation: A Reader*, L.A. Rowe and W.B. Boise, eds., Goodyear Publishing, 1973, p. 323.

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Locality Pay:

The Correctional Officer occupation in the Bureau of Prisons [BOP] is another example where proper classification of its positions resulted in frustration for management, especially in high cost areas ***. *While these positions were properly classified* BOP was having 50 percent turnover rates and losing many quality applicants to state, local and municipal law enforcement agencies. Again, if OPM had not approved higher minimum rates, we would still have recruitment and retention problems. [Emphasis added.] [Department of Justice]

As described above by the Department of Justice, positions which were "properly classified" in the context of title 5's hierarchy were obviously not properly classified in the competitive real world, where pay is inseparable from classification. To address this problem, OPM approved the use of a special salary rate under the authority of title 5, section 5303, of the United States Code.

Section 5303 provides for these special rates (or more technically, "higher minimum rates of basic pay") when "*** the pay rates in private enterprise for one or more occupations in one or more areas or locations are so substantially above the pay rates of statutory pay schedules as to handicap significantly the Government's recruitment or retention of well qualified individuals ***." The higher minimum rate so established cannot exceed the maximum pay rate for that GS grade (i.e., step 10).

While this solution solved the immediate problem for the Bureau of Prisons, its use is problematic, as it puts a band-aid over the symptoms of a serious problem rather than dealing with its causes. In its comments, the Classification and Compensation Society addressed the usage of special rates, saying:

There are a variety of approaches being advocated today as panaceas for current systems problems. In the opinion of the Society, many of these purported system 'improvements' may contribute to the problem rather than the solution, or at the very least clutter the landscape and distract attention from fundamental design changes. ***

In the 100th Congress, there were a number of measures introduced which would have greatly expanded the use of the 'special rate' authority to deal with pay problems. Even without new legislation the number of positions falling under the authority has grown alarmingly in recent years. The Society views the 'special rate' mechanism as a tool intended to fine-tune a pay system to deal with minor, short-lived, local perturbations in supply and demand. Its use to try to compensate for an inadequately designed pay system is another instance of the quick-fix, piecemeal approach to a long-term and deep-seated problem.

If special rates are not an appropriate corrective measure for problems such as those experienced by the Bureau of Prisons, the question then becomes, "What other approaches *are* appropriate?" The prospective answer which seems to be most accepted today is locality pay. In a sense, locality pay is the ultimate "special rate," as it establishes a market-sensitive pay schedule for all jobs in a specific geographic area, not just those in a particular occupation.

As with pay banding, locality pay is not an original idea which just developed. For example, the second Hoover Commission "Task Force on Personnel and Civil Service" recommended in 1955 that, in addition to reducing the number of GS grade levels:

*** positions in the new grades 1 to 3 (present GS-1 to 6) *** should be paid on the basis of local prevailing rates as determined administratively by wage boards or other appropriate procedures. In dealing with the great number of clerical employees for whom the present general schedule grades 1 to 6 represent the normal range of possible advancement, the

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Government would be able to pay realistic wages and to meet competition for manpower in a practical way.

What was true in 1955 is even more true today, to say nothing of the future. According to the "Civil Service 2000" report:

Just as there is not really a unitary Federal work force, but rather a collection of Federal agencies, there is not really a national labor market, but a collection of local ones. The uniformity of Federal pay scales and classification systems will be increasingly confounded by this diversity of the nation's labor markets.⁴⁹

This point has also been echoed by the Volcker Commission and in recent MSPB reports. For example, the Board's 1988 report on Federal college recruiting said:

*** a substantial but uniform Governmentwide salary increase would in all likelihood still leave some jobs 'underpaid' and others 'overpaid' compared to the private sector, and even that would vary by geographic regions. *** In other words, the rigidity of the current Federal compensation system—same pay for the same grade regardless of occupation or location—is part of the problem and any solution must address that structural weakness.⁵⁰

Perhaps the time has finally come for the concept of locality pay to be implemented, given the enthusiasm it is now generating. OPM is clearly excited about the idea, as former Director Horner expressed in a recent speech:

*** perhaps our most far-reaching project at the moment in the pay area is our major new research initiative on locality pay. Locality pay, of course, would be a dramatic step toward the greater market sensitivity we seek, and our project is designed to prepare the best possible version of it, should the new Administration decide to go in that direction.⁵¹

Her enthusiasm is shared by the Classification and Compensation Society, which said:

Locality Pay—This may be an idea whose time has finally arrived. At the Society's recent Issues Forum, participants were unanimous in endorsing the concept of locality rates based on comprehensive salary surveys. This simply echoes the fact that during the last 30 years nearly every major study of the federal system has recommended some form of locality pay for at least some groups of white-collar workers. While the details of developing an approach will prove intricate to work out, this still may be the best hope for making fundamental change to the federal personnel system.

As suggested by the Society, agreeing on the details of locality pay would likely involve delicate negotiations and compromise, if a workable system is to be devised. For example, OPM Director Constance Newman was recently quoted as saying that "*** locality pay could founder on the opposition of legislators from areas with lower costs of living where pay levels would be lower than those in high-cost metropolitan areas."⁵² Furthermore, since the probability of being able to enact a revision to the pay system which reduces current salary levels is remote, we would expect that any locality pay system would have to start by raising the pay levels in high-paying areas while holding the line in other areas—obviously not a "budget neutral" step.

⁴⁹ "Civil Service 2000," June 1988, p. 6. This document is a research report prepared by the Hudson Institute under an OPM contract. Its principal author was William B. Johnston.

⁵⁰ U.S. Merit Systems Protection Board, "Attracting Quality Graduates to the Federal Government: A View of College Recruiting," June 6, 1988, p. 31.

⁵¹ Constance Horner in remarks before the 19th Annual Convention of the Classification and Compensation Society, Wash., DC, Dec. 5, 1988.

⁵² Anne Laurent, "Senior Executives Told Locality Pay May Be Impossible," Federal Times, July 24, 1989, p. 5.

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How much locality pay would actually raise costs is, of course, a function of what design features are ultimately built into the system. Under at least some locality pay proposals, when an employee moves from a high-pay area to a low-pay one, his or her salary would be reduced, so it is theoretically possible that locality pay could, in the long term, not require additional funding.

Putting aside the objections which employees in low-pay areas might have, the most obvious argument against locality pay could be its potential conflict with the literal language of title 5, section 5101, which states that “* * * in determining the rate of basic pay which an employee will receive—(A) the principle of equal pay for substantially equal work will be followed * * *.”⁵³ However, there are several precedents which largely obviate this concern.

Current law provides for payment of “cost of living allowances” (COLA’s) in certain “nonforeign” areas (e.g., Alaska, Hawaii, Guam, Puerto Rico and the U.S. Virgin Islands).⁵⁴ If this deviation from the equal pay principle cited above is appropriate in these non-foreign areas, why should it not also be appropriate when comparable differences in cost of living exist between various “domestic” locations (e.g., New York City and Mobile, Alabama)? While a cost of living allowance is not the same as locality pay (the first is based on the costs associated with living in a particular area, while the second is based on the salary levels prevailing in that area), COLA’s nevertheless do result in different compensation being paid for similar work.

⁵³ Interestingly, language describing the merit system principles in another part of title 5 (section 2301(b)(3)), defines this principle somewhat differently. It says “Equal pay should be provided for work of equal value, with appropriate consideration of both national and local rates paid by employers in the private sector * * *.”

⁵⁴ COLA’s, which can range up to 25 percent of basic pay, are authorized by 5 U.S.C. 5941. COLA’s are permitted to be used only for specified employment situations outside the continental United States (plus Alaska) where: (1) living costs are substantially higher than in the District of Columbia; and/or (2), “conditions of environment” differ substantially from those in the continental United States and warrant an allowance as a recruitment incentive.

While not strictly a precedent, if one goes back to the historical antecedents of our current white-collar pay system, some recognition of the need for locality pay can be found as well. Specifically, the Classification Act of 1923 established pay rates only for positions in the Washington, DC, area. It required that a subsequent study be conducted of the “field services” so that positions, grades, and salaries for field jobs could be established which would “* * * follow the principles and rules of the compensation schedules [contained in the 1923 Act] *in so far as these are applicable to the field services.*”⁵⁵ (Emphasis added.)

In a 1928 amendment to this act, Congress mandated a further study which would, among other things, make “* * * recommendations as to principles and procedures for putting [field services] compensation schedules into effect, [in order to assure] uniform compensation of like positions *under like employment and local economic conditions* * * *.”⁵⁶ (Emphasis added.)

Finally, on a much broader scale, the concept of differing Federal pay rates for the same type of work is already well established for blue-collar positions under the prevailing-rate pay system.⁵⁷ While blue- and white-collar pay practices have evolved differently over time, there is nothing inherent in white-collar occupations which makes them fundamentally incompatible with this type of arrangement.

While we discerned no major arguments *against* locality pay, some smaller concerns may be worthy of mention. For example, a Federal employee who laterally transferred from one job to another and had to take a pay cut because of locality pay might be at a disadvantage if he or she later applied for a private sector job. While one should be able to explain the anomaly of the pay cut away, not all employers might take the time to seek out the explanation.

⁵⁵ Classification Act of 1923, ch. 265, sec. 5, 42 Stat. 1488.

⁵⁶ Welch Act, ch. 814, sec. 2, 45 Stat. 776 (1928).

⁵⁷ See 5 U.S.C. 5341 - 5349.

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Another potential obstacle to a smoothly running locality pay system might be its susceptibility to controversy, lobbying, or even legal challenge. Given the direct financial impact of the results of salary surveys on employees, unions, agency budgets, and the Federal deficit, it is not unreasonable to expect this process to be subjected to much greater scrutiny than current procedures.

In light of the above discussion of both pros and cons, and given the emerging consensus that the current classification/pay system is "broken," the Board finds no persuasive reasons (other than perhaps cost) why some type of locality pay system for white-collar positions should not be a part of the needed "fix."⁵⁸ If such a system is enacted, it might obviate the need for some other systemic changes, or at least affect how they are designed (e.g., pay banding).

On the other hand, locality pay is not a panacea which will solve all of the Government's classification and pay related problems. To illustrate and put this into context, consider how much further the Federal system would have to go in order to achieve the type of responsiveness which is described in the quote from "Civil Service 2000" shown below.

Increasingly in private industry, employers have found that to respond to competitive conditions they must be prepared to ignore the traditional, orderly rules of executive compensation. In Silicon Valley the pay of talented young engineers often bears no relationship to their age, experience, or rank, but only to their knowledge, value to the company, and attractiveness to the competition. On Wall Street, top commercial banks have found that to hire and keep investment bankers they must drop traditional rules that limited salaries to the levels of the CEO.⁵⁹

"Civil Service 2000"

Again, the point is not to disparage locality pay, or for that matter, to seek to emulate everything the private sector does. Rather, the challenge is to devise and operate personnel management systems which will aid in accomplishing the Government's mission. As Charles Bowsher, Comptroller General of the United States was quoted in the "Volcker Commission" report, "We know the human talent is there. We need to find good people, pay them competitive salaries, hold them accountable, and let them produce. Given leadership and motivation, they will do the job."⁶⁰

⁵⁸ Under the locality pay rubric, there are a number of possible ways to construct a new system. Some approaches maintain a single General Schedule, while others allow for multiple pay systems based on, for example, the type of work performed (e.g., occupationally-specific pay scales).

⁵⁹ Op. cit., "Civil Service 2000," p. 42.

⁶⁰ The Volcker Commission, "Leadership for America—Rebuilding the Public Service," the report of The National Commission on the Public Service, Wash., DC, April 1989, p. 33.

Qualification Findings

Explanation of the Qualifications Rating Process:

In order to be selected for a Federal job, a candidate must pass through several winnowing processes. The specific hurdles which must be overcome vary depending upon the nature of the job and the status of the candidate. Factors which might come into play include: is the person currently employed by the Federal Government; is the job in the competitive civil service; is the job change associated with a reduction in force; etc. OPM qualification standards are one of the few constants in this process—under most scenarios, they serve a central role in determining who can do the job.

The Federal Personnel Manual (FPM) describes the role of qualification standards as follows:

Qualification standards control the movement of employees into and within the Federal service by prescribing the experience, skills, knowledges, and abilities required for filling positions. The person to be selected for any position in the competitive service (whether under the General Schedule or not) must meet the standard OPM has established for that position. The standards established for the entrance level jobs in many occupations are developed to predict not only ability to perform the duties of the position, but also potential to perform more difficult and responsible duties in positions at higher grades in the occupation.⁶¹

⁶¹ Federal Personnel Manual, ch. 338, Qualification Requirements (General),” subch. 3, para. 3-1, May 7, 1981.

The FPM goes on to note that “It is the OPM’s general policy that the [qualification] standards for inservice placement actions are the same as the standards for competitive actions. The same standard applies to an employee moving from one position to another as to a new appointee.”⁶² Therefore, through the application of these standards, OPM establishes consistent criteria for all job applicants, attempting to screen out those who are not equipped to fulfill the requirements of a job.

Given this role definition, the next obvious question becomes, “What is a qualification standard?” One answer can be found in the following definition from the FPM:

A qualification standard is a statement of significant job requirements in terms of abilities, skills, knowledges, personal characteristics, minimum age and physical condition needed.⁶³

⁶² As used here, “competitive actions” means initial appointments into the competitive service, as distinguished from initial appointments into excepted service positions, e.g., attorneys. See upcoming U.S. Merit Systems Protection Board report on hiring for professional and administrative positions, tentatively scheduled for release in December 1989, for a discussion of proposed new methods of selecting applicants in competitive actions.

⁶³ Op. cit., Federal Personnel Manual, ch. 271, subch. 4, “Development of Qualification Standards,” July 1969.

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A more tangible answer can be found by looking at actual qualification standards. Typically, OPM qualification standards begin with a table specifying amounts of work experience and/or education which an applicant must have to qualify for various grade levels in that occupation. An illustrative example of such a table is shown in figure 10 below, which is reproduced from OPM's qualification standard for police and security guard positions, issued in 1988.

Figure 10.
Experience, education, and training requirements shown in OPM's qualification standard for police and security guard positions (GS-083 and GS-085).

Applicants for positions at GS-2 and above are required to show experience and/or education as described below:

Grade	Experience		OR	Education
	General	Specialized		
GS-2	1/4 year	None		High School graduation or equivalent
GS-3	1/2 year	None		1 year above high school
GS-4	1/2 year	1/2 year		2 years above high school
GS-5	None	1 year at least equivalent to GS-4		Police positions only—4 years above high school
GS-6/above	None	1 year at least equivalent to next lower grade level		None

Equivalent combinations of education and experience are qualifying for all grade levels and positions for which both education and experience are acceptable.

In addition to a table of experience and/or education requirements, qualification standards also typically contain the following elements:

- Definitions of what type(s) of experience may be counted towards the experience requirements;
- Definitions of what type(s) of education may be counted towards the education requirements;
- Rules governing how combinations of education and experience can be counted towards the standard's requirements;
- Descriptions of written or other proficiency tests which may be required;
- Where applicable, other requirements—special clearances or investigations required, physical requirements, drivers license requirements, etc.

The use to which a qualification standard is put is very different from that of a classification standard, even though both might be generated from the same OPM occupational study. Classification standards are applied to *positions*, while qualification standards are applied to *people* (or at least to the skills, knowledges, and abilities of people).

Classification and qualification standards are, however, inexorably linked—the questions of which qualification standard is used and what criteria in that standard must be met are directly controlled by the classification assigned to the position. For that matter, until it is classified, prospective candidates would not know what qualifications are needed to perform the work or how much they could expect to be paid for doing it.

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While qualification standards are an integral part of the Federal personnel process, it is interesting to note that the system *could* function without them. As explained in the first paragraph of the following brief history of the system, the use of qualification standards is not a legislatively mandated procedure (in contrast to classification standards), but rather one developed for administrative convenience.⁶⁴

Qualification standards as they exist today can be traced to the qualification requirements written a hundred years ago by the 'boards of examiners' established under the Civil Service Act. The Civil Service Commission was made responsible for establishing the qualification requirements, determining how to examine applicants, certifying the best qualified applicants to agencies and ensuring that agencies followed prescribed rules in making their selections. The Commission's appropriations were too small to provide sufficient staff to service the entire government. The Act provided instead for establishing boards of examiners around the country to help carry out the examining function. But the examination of large numbers of applicants for government positions was costly and time consuming. These problems were controlled through the establishment of minimum qualification requirements which applicants had to meet before being permitted to take any tests or to be ranked. In other words, the primary purpose of minimum qualifications standards is administrative convenience (or as the courts say 'business necessity') to reduce the number of applicants to a reasonable number for ranking purposes.

Agency boards of examiners were staffed by employees of the installations being serviced, with the Commission's central office continuing to control most examining requirements until about 1930. Because of increased recruitment needs, managers of the Commission's district offices suggested that 'standard examinations' be developed for positions which were common to a number of districts. In response to this suggestion, the Commission issued a circular letter in 1932 which contained common requirements for approxi-

mately 130 occupations. These were the first set of standards issued, and represented the first step towards bringing separately-issued examining requirements together.⁶⁵

The next step in the development of qualification standards occurred with the issuance of probational examination specifications (PES's), which began in 1941. PES's replaced the previous issuances, but were soon found to be cumbersome and repetitive, thus necessitating further changes in the system, including those described below:

In 1951, a Qualifications Standards Section was established in the Commission's Examination and Placement Division. It included a Test Development Unit and was responsible for developing and issuing qualification standards for all occupations in the competitive service. The same year, the Handbook X-118 [OPM's Handbook of Qualification Standards] was developed to provide a single source for qualification standards used in filling positions in the competitive service that existed in more than one agency. The first issuance of the Handbook included 600 standards. This Handbook was one of a series of examining handbooks (the 'X' is short for examining and they were numbered 101 to 130). In March 1960, the current X-118 issuance system for qualification requirements came into effect, and has remained largely unchanged since that time. At about the same time, qualification standards for positions which exist in only one agency were issued as 'Single-Agency Qualification Standards.'⁶⁶

⁶⁴ While it is beyond the scope of this paper to explore the issue, it is interesting to note that qualification standards are not applied to the selection of *all* Federal Government employees. For example, in addition to not being applicable to any employees in the legislative or judicial branches of the Government, qualification standards are not applied to the selection of political "Schedule C" appointees.

⁶⁵ Excerpted from "The New X-118," an article by Rob Jezek and Charles Hughes in the May 1988 "Classifiers Column," vol. XIX, No. 5, p. 10. This article reported on a presentation by Donald L. Holum, who was then Chief, Staffing Policy Division, Career Entry and Employee Development Group, OPM, at the Classification and Compensation Society's Eighteenth National Conference, held in December 1987.

⁶⁶ *Ibid.*, pp. 10-11.

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Qualification standards, then, are tools designed to help make the selection process more manageable. A simple statement perhaps, but one which can lead to an important question—"Given that the system is not legally mandated, why have it?" Or, in more simplistic terms, the question might be phrased, "Is the system more trouble than it is worth?"

The answer to a global question such as this must of necessity come from an analysis of smaller pieces of the overall issue. Two of the more significant of these "smaller pieces" are:

- Is the bureaucracy and delay inherent in a qualifications system which involves pre-screening of candidates more costly than the problems it is designed to avoid (excessive numbers of applications); and
- If a qualifications system is to be used, what does it take to keep the system "legal"—that is, operating in conformance with requirements governing such systems (e.g., criteria which are nondiscriminatory and job-related)?

While the first of these issues is self-explanatory, the second bears some explanation to set it in the proper context.

Nondiscriminatory, Job-Related Qualifications Procedures:

The requirement that qualifications procedures in the civil service be nondiscriminatory and job-related has several antecedents in law, as well as in sound management practices. One can start with the first merit system principle established by the Civil Service Reform Act of 1978, which states, in part, " * * * selection and advancement should be determined solely on the basis of relative ability, knowledge, and skills, after fair and open competition which assures that all receive equal opportunity."⁶⁷

⁶⁷ 5 U.S.C. 2301(b)(1).

Reaching further back, other legal touchstones include the Equal Employment Opportunity Act of 1972 and the Civil Rights Act of 1964.⁶⁸ The 1972 act is of particular significance, as it among other things specifically prohibited all levels of government from discriminating in their employment practices. In addition, the 1972 Act:

* * * [established] the Equal Employment Opportunity Coordinating Council, [which] paved the way for developing and issuing a uniform set of guidelines on the use of valid and fair selection procedures. Under the guidelines, issued in 1978 as *Uniform Guidelines on Employee Selection Procedures*, it is unlawful for employers to use unvalidated selection procedures that adversely affect any racial, ethnic or sex group. If a *valid* selection procedure has adverse impact on members of any racial, ethnic, or sex group, the employer is urged to substitute a procedure with less or no adverse impact to assure equal employment opportunity and the advancement of affirmative action goals. While the guidelines primarily discourage adverse impact, they also clearly encourage professionally acceptable selection procedures, job-related personnel decisions, and impartial personnel systems.⁶⁹

Judicial decisions affecting the private sector have also clarified and buttressed the requirements established by law:

A landmark Supreme Court case, *Griggs v. Duke Power Co.*, 401 U.S. 424 (1971), speaks to the crucial question of using arbitrary—in this case discriminatory—job requirements as employment procedures. The Court requires, in *Griggs* and many cases that have followed, a demonstrable relationship between job performance (job content) and job requirements (worker qualifications) if job requirements are to be considered a business necessity.

⁶⁸ Public Law 92-261, 86 Stat. 103; and Public Law 88-352, 78 Stat. 241, respectively.

⁶⁹ U.S. Office of Personnel Management, "Improving Personnel Selection Through New Approaches to Classification," February 1981, p. 3.

In another case, *Crockett v. Green*, 383 F. Supp. 912 (E.D. Wisc., 1975), the Court, addressing whether an apprenticeship and experience requirement constitutes discrimination under 42 U.S.C 1981, 1983, says that employment standards must be job-related to satisfy the 'business necessity' test and Federal guidelines.⁷⁰

While a Supreme Court decision in June 1989 appears to have changed some of the legal requirements regarding how adverse impact is defined and proven,⁷¹ the underlying requirements for nondiscriminatory job-related selection techniques are still in place. Furthermore, as mentioned earlier, such requirements would also be desirable from a management perspective, even if they were not legal requirements.

For example, MSPB research about the Government's pay-for-performance systems noted that:

*** a critical facet of improved employee performance is the amount of confidence an employee has that his or her extra effort will produce a desired reward. *** While failure to be selected for a new job is disappointing enough when the selection is fully consistent with merit principles, it is particularly frustrating (and harmful to the performance/reward linkage) when it is perceived to be based on non-merit criteria.⁷²

The definitions of merit criteria for the Federal civil service go beyond simple statements of nondiscrimination, however. The reason for this is that a democracy is best served by *** broad participation of social groupings in policy-making in order to ensure articulation of diverse points of view, to encourage a sense of participation

throughout the population, and to legitimize resultant policies by dispersing responsibility."⁷³ In recognition of this last point, the first merit system principle also stipulates that "[r]ecruitment should be from qualified individuals from appropriate sources in an endeavor to achieve a work force from all segments of society ***."

Taken together, the two parts of merit principle 1 might be viewed as creating an almost Solomonic conundrum—that is, to discriminate between the qualified and the unqualified (using job-related criteria), while at the same time, not discriminating with respect to nonmerit factors. In practical operation, however, these themes can be complementary when the system works properly, e.g., recruitment is "from all segments of society" whereas selection and advancement is "on the basis of relative ability, knowledge and skills."

In any event, it is evident that questions regarding job-relatedness of criteria, as well as efficiency and effectiveness of the system, are both pertinent to an evaluation of OPM's significant actions on qualifications issues. From these questions, insight can be drawn about whether the system *is* or *is not* "more trouble than it is worth."

Currency of Existing Qualification Standards:

In contrast to the advanced age of so many classification standards, the qualification standards covering most white-collar occupations are almost brand new. This is because OPM recently swept away hundreds of aging qualification standards and replaced them with five new generic standards which cover 78 percent of the Government's full-time, civilian, white-collar work force (see the following section of this report concerning generic qualification standards).

⁷⁰ Ibid.

⁷¹ *Wards Cove Packing Company, Inc., et al., Petitioners v. Frank Atonio et al.*, 57 U.S.L.W. 4583 (U.S. June 5, 1989).

⁷² Op. cit., "Toward Effective Performance Management in the Federal Government," p. 28.

⁷³ Quoted from ch. 25, "Representative Bureaucracy and Merit," from the book *Classics of Public Personnel Policy*, edited by Frank J. Thompson, Moore Publishing Company, Inc., Oak Park, IL, p. 299. Original source was from "The Negro in Federal Employment" by Samuel Krislov, University of Minnesota Press, Minneapolis, 1967.

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According to OPM, there are only 44 Government-wide white-collar occupations left which still have their own individual qualification standards.⁷⁴ (There are also a number of occupations with *single-agency* qualification standards; OPM is currently working to catalogue these and supersede them, where appropriate.) The ages of these 44 remaining nongeneric qualification standards are shown in table 3 below:

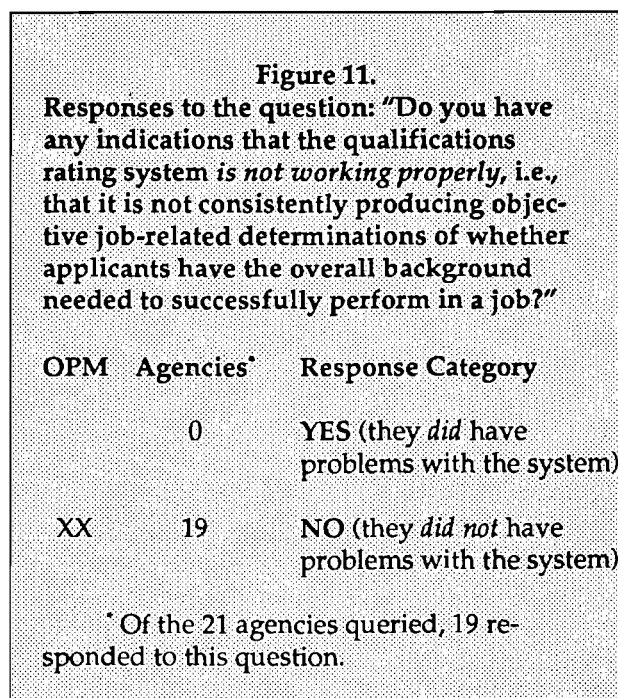
Table 3.
Number and Percent of OPM Nongeneric White-Collar (GS) Qualification Standards Still in Use, by Time Period Issued (1964-88)

Time Period	Number of Standards Issued	Percent of Total
1964-68	7	16
1969-73	8	18
1974-78	9	20
1979-83	13	30
1984-88	7	16
	44	100

As is evident from table 3, OPM's remaining nongeneric qualification standards are generally not as old as OPM's existing *classification* standards (shown in table 1 earlier). Slightly more than half (54 percent) of these qualification standards are at least 10 years old, while 70 percent of classification standards are that old. Only 16 percent of these qualification standards are more than 20 years old, while 42 percent of classification standards are more than 20 years old. Furthermore, OPM plans on reviewing these 44 standards in the early part of fiscal year 1990, with the expectation that they will all be updated by the end of that year.

⁷⁴ Information about OPM's qualifications programs cited here and in the following sections of this report was provided in response to MSPB's questionnaire. It was received on Dec. 5, 1988, from Donald L. Holum, Assistant Director for Staffing Policy and Operations, Career Entry and Employee Development Group, OPM.

Regarding the currency of qualification standards, agency comments were largely favorable in tone, with few specific complaints mentioned. In fact, when asked about the overall qualifications system, agencies were unanimous in their support for the system (see fig. 11 below).



These responses are encouraging on several counts. First, they indicate a generally effective, well-running system, with satisfied customers. Second, they suggest that the qualifications system is useful to management and is therefore *not* "more trouble than it is worth." Finally, they demonstrate confidence by agencies and OPM that the system is operating in a nondiscriminatory manner, utilizing job-related criteria to screen candidates.

Having said all this, however, we would not suggest that the qualifications system is perfect. For example, in September 1988, the Federal Section of the International Personnel Management Association identified several "critical personnel management issues." Among these was the following recommendation:

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To be able to recruit effectively, OPM needs to respond more quickly in developing qualification standards for new occupations that are emerging through office automation and for existing occupations that are rapidly changing as a result of new technology.

Another area where improvement is possible concerns OPM's management of single-agency qualification standards. In response to our request for an up-to-date listing of these standards, OPM indicated that, while they were currently making an inventory of them, "[a] comprehensive listing is not available because many of these standards were approved on an interim and/or local basis by OPM examining offices."

As the administrative body responsible for approving standards, OPM should know what standards it has approved for agency use. To the extent that OPM is now having to ask agencies what single-agency standards they are using, it is an indication that management information systems, if not management controls, were lax in the past. OPM's actions to remedy this are commendable; the fact that a remedy is needed is not.

OPM's New Approach to Writing Qualification Standards:

"Traditional" qualification standards were developed one at a time, usually in conjunction with the classification standard for the occupation. Because the standards collectively were developed over a fairly long period of time, there were some unavoidable inconsistencies among them in form and content, and it was difficult to maintain the currency of the standards. Each one contained many provisions pertaining to qualification requirements, regardless of whether the provisions were identical to or different from the same provisions in other qualification standards.

Office of Personnel Management

Given OPM's explanation of "traditional" qualification standards development as cited above, it is no wonder that OPM perceived the need for a new

approach to this program. What they came up with—i.e., generic qualification standards—appears to be a practical and effective solution which, according to many agencies, actually simplifies the system.

OPM cites the following as its primary objective in developing generic qualification standards:

*** to provide agencies with improved basic tools they need to carry out most efficiently their recruiting and staffing responsibilities. The generic approach enables the qualification standards to be more concise and easily understood by agencies and applicants. The more generally stated experience and educational requirements provide an opportunity to tailor the generic standards through the use of selective or quality ranking factors to better identify qualified applicants.

In translating this objective into reality, OPM sought to identify occupations where there were common qualification patterns and requirements. Once identified, these common features were refined and then published in one generic standard, rather than being repeated in separate standards for each individual occupation.

As mentioned earlier, OPM initially produced five new generic qualification standards. These will eventually cover 78 percent of the Government's full-time, civilian, white-collar work force. Specifically, OPM prepared the following generic qualification standards:

- *Clerical and Administrative Support Positions*—final standard issued in September 1987. Covers 65 occupational series (63 included in printed copy and 2 added in March 1988), which encompass more than 515,000 positions;
- *Technical, Medical, and Program Support Positions*—final standard issued in September 1988. Covers 40 occupational series, with over 130,000 incumbents;

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- *Student-Trainee Positions*—final standard issued in September 1988. Covers 22 occupational series encompassing over 5,000 student-trainees;
- *Administrative, Management, and Specialist Positions*—final standard issued in December 1988. Covers 98 occupational series, with over 377,000 incumbents; and
- *Professional Positions*—advance copy of final standard was issued in March 1989. Covers 96 occupational series, with over 227,000 incumbents.

While generic qualification standards, like their classification cousins, do not provide a lot of detail, agencies do not foresee the same type of problems with generic qualifications as they did with generic classification standards. For example, according to the Department of the Air Force, OPM's generic qualification standards have provided " * * * needed flexibility by removing artificial barriers, and allow[ing] those who will ultimately be responsible—the managers—to determine the knowledge, skills and abilities necessary to do the work of the position."

Similarly, the Navy Department did not envision problems, concluding that OPM's new generic qualification standards might simply permit more candidates to be considered for a job:

As a rule these standards are sufficiently job related for experienced personnelists to use accurately and well. They are less time-consuming than previous standards and more flexible to allow movement among related occupations. We anticipate this approach will result in some additional qualifications of applicants who would previously have been disqualified. As a rule this will be good. The former standards were sometimes too rigid and screened out individuals who were viable candidates but had not followed the normal lines of career development institutionalized in the qualification standards.

Department of the Interior officials, while perceiving increased risk, thought the rewards overshadowed them:

By definition, increased flexibility means increased reliance on interpretation and, therefore, an increased potential for abuse. However, we feel that the slight increase in risk is well justified by the substantial increase in effectiveness, while the probability that this risk will result in actual abuses is very slim. We feel that at some point we must acknowledge that abuses are the exception, not the rule. We must assume that most people are honest and take an additional risk of abuse in the interest of increased effectiveness.

The Interior Department also pointed out the inherent self-correcting nature of the system, noting that " * * * with the increase in interpretive flexibility granted by the new generic standards, the employee derives a greater latitude for appeal. Therefore, while there is increased flexibility, the persons evaluating qualifications must be able to justify their reasons for accepting experience and education as qualifying, based on its job relatedness. The alternative is to risk losing an appeal."

In the final analysis, the consequences of an inappropriately *liberal* interpretation of a qualification standard are relatively benign, as it does not necessarily mean that unqualified individuals would actually be *selected* for jobs. Before filling vacant positions, managers must still satisfy themselves that the candidates can succeed, or they presumably will not hire (or promote) them. Moreover, when they are needed, OPM also permits agencies to make use of "selective factors" in screening candidates, to more directly target appropriate skills which are needed for a given job vacancy.

On the other hand, generic standards are unlikely to result in overly *conservative* interpretations, since by definition generics are general and not restrictive. Therefore, the remaining risk would be the possibility of generics causing significantly more *inconsistency* in qualifications determinations than traditional qualification standards did, due to honest differences in judgment. This point was succinctly captured in the Commerce Department's comments which are quoted below.

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**** given the inherent 'flexibility' built into the system, one ethical personnelist could find an individual 'ineligible' when another ethical personnelist could rate the person 'eligible.' This could give the appearance of inequity in the system.*

Department of Commerce

The Board agrees that perceptions of unfairness and inequity could be increased by the greater judgment inherent in the use of generic qualification standards. The consequences of such perceptions, however, seem to be more than compensated for by the greater efficiency and effectiveness of the new standards. Moreover, it is quite possible that, as suggested by the Interior Department, the self-correcting mechanisms already in place adequately protect against any likely problems. Therefore, rather than presuming that the system is flawed until proven otherwise, we prefer to give it the benefit of the doubt and, in the interim, give OPM credit for having developed an improved system.

Specific Objectives Underlying the Design of Generic Qualification Standards:

As with classification standards, something can be learned from looking beyond OPM's broad policy goals to analyze its specific objectives in developing generic standards. Accordingly, we asked OPM and the largest Federal agencies a series of comparable questions about what generic qualification standards would accomplish. The questions (using agency-questionnaire wording) and answers are shown in figures 12, 13, 14, and 15, below.

Figure 12.

Responses to the question: "To what extent do qualifications standards written in OPM's new broadly applicable "generic" format (e.g., clerical and administrative support standard, technical, medical and program support standard) produce *more accuracy* in qualification ratings than up-to-date standards in the previous format?"

OPM	Agencies*	Response Category
	1	To a very great extent
XX	12	To a considerable extent
	3	To a little extent
	2	To no extent
	2	Can't judge/Don't know

* A total of 20 agencies responded to the questions shown in this fig. and in figs. 13-15.

Figure 13.

Responses to the question: "To what extent do OPM's new generic qualification standards result in a *simpler-to-administer* qualifications rating process than up-to-date standards in the previous format?"

OPM	Agencies	Response Category
XX	6	To a very great extent
	9	To a considerable extent
	1	To a little extent
	2	To no extent
	2	Can't judge/Don't know

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Figure 14.

Responses to the question: "To what extent do OPM's new generic qualification standards provide the flexibility necessary to rate as qualified all candidates who could do the work and to screen out those who cannot do the work, as compared to up-to-date standards in the previous format?"

OPM	Agencies	Response Category
XX	2	To a very great extent
	15	To a considerable extent
	1	To a little extent
	0	To no extent
	2	Can't judge/Don't know

Figure 15.

Responses to the question: "To what extent do OPM's new generic qualification standards increase the risk of possible merit system abuses (because of their increased flexibility), as compared to up-to-date standards in the previous format?"

OPM	Agencies	Response Category
	0	To a very great extent
	3	To a considerable extent
	6	To a little extent
XX	8	To no extent
	3	Can't judge/Don't know

Several of the responses shown in figures 12-15 are particularly interesting:

- of the 18 agencies with an opinion, 15 said at least "to a considerable extent" that the qualifications rating process was simpler to administer with generic qualification standards; and
- of the 18 agencies with an opinion, 17 said at least "to a considerable extent" that generic qualification standards provided the flexibility they needed.

While still short of 100-percent agreement, all of these responses show much greater congruence between OPM and agency attitudes regarding generic qualification standards than did the responses to our questions regarding generic classification standards (see figs. 5-8). While the differing roles—and demands placed on—qualification standards versus classification standards account for some of this, OPM's solid staff work in developing generic qualification standards nonetheless deserves substantial credit. This harmony in expectations should also portend well for the successful implementation of generic qualification standards.

Systemic Issues and Future Options for the Qualifications System:

Flexibility in Qualification Requirements: Conceptually, if a candidate does not meet the requirements imposed by a qualification standard, he or she is presumed to lack (or be unable to learn in a reasonable period of time) the skills, knowledges, or abilities necessary to do the job. While such individuals would optimally receive counseling which would assist them to qualify for future vacancies, they would normally be ineligible for consideration for the immediate vacancy. (We say "normally" since under special conditions like reductions in force, qualification requirements may be waived.)

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In an ideal world where qualification standards are 100-percent reliable, the above presumption would always be accurate and no one who could do a job would ever be arbitrarily excluded from consideration for it. Given an organization as large and complex as the Federal Government, however, situations may arise where management believes a candidate can do a job even though the qualification standard says he or she is not qualified. For these occasions, OPM has recently expanded the discretion which an agency has to address such problems.

The approach which OPM used for this was a "general amendment" to the qualification standards. Under the general amendment, OPM authorized agencies to modify the applicable qualification standard for certain inservice actions (i.e., those involving current employees) where the candidate's background includes closely related experience which provides the skills and abilities necessary for successful performance.⁷⁵

According to OPM, the general amendment "is designed to eliminate unnecessary rigidity in evaluating the qualifications of job candidates and thus to open more opportunities for employees and to allow agencies to make the best use of their people." As described, this is a reasonable goal and a valid exercise of agency discretion, given the limitations of older, nongeneric qualification standards. However, under the new, more flexible system of generic standards, the need for such a rule may be problematic.

⁷⁵ The authority to use *this* general amendment (there are other general amendments) was first delegated from OPM to agencies by Federal Personnel Manual Letter 338-11, "General Amendment to Qualification Standards - New Agency Authority to Modify Qualification Requirements for Certain Inservice Placement Actions," dated Apr. 28, 1987.

On June 19, 1989, OPM issued an advance copy of revised introductory material to its "X-118" Qualification Standards Handbook. In this new issuance, all of the previous "general amendments" have been recodified as "provisions" within the Handbook's General Policies and Instructions section, thereby rendering obsolete the "general amendment" nomenclature. In addition, these new handbook sections also describe the existence and role of generic qualification standards.

Comments from the Department of Commerce frame this issue quite directly:

The combination of the general amendment with flexible standards requiring only one year of experience or education eliminates the sole purpose of qualification standards—the sorting of applicants into groups of individuals who can either most likely perform successfully in the particular position, or who probably can't perform successfully given their current knowledge, skills and abilities.

People either meet, exceed, or fall short when compared to a standard. The general amendment allows agencies to determine that an individual who falls short of the standard should have qualified. Therefore the agency can find the person is qualified. We see the general amendment as adding total flexibility to already flexible standards, and interpret that to mean there is no standard.

This problem may be more symbolic than real, given that no agency reported having used the general amendment more than "to a little extent." Agencies will be able to track their own use of this authority through a special code which OPM established for official personnel records. Unfortunately, OPM itself will not have ready access to these data, since agencies have not been instructed to report this code to OPM's Central Personnel Data File (CPDF).

We are reluctant to recommend removing a flexibility from the system which lets agencies avoid "unnecessary rigidity," yet believe that the Commerce Department's concern has some validity. While OPM does plan on monitoring use of this provision through its Agency Compliance and Evaluation function, other precautionary steps may be useful as well. Specifically, OPM may wish to consider the following actions:

- Revise CPDF reporting requirements so that the code showing use of the authority is furnished to OPM, thereby facilitating timely monitoring through OPM's personnel management evaluation programs; and

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- Establish documentation requirements so that a complete audit trail will be available in agency records, should the agency, OPM, or others have need to post-review use of this authority.

Should indications arise that the general amendment is being used for other than extraordinary circumstances, OPM may wish to reconsider its delegation of this authority.

Future Impacts on the Qualifications System:

Just as the classification system is not immune to issues arising from its linkage to pay, so the qualifications system is not isolated from demographic and labor market trends which affect the Government's ability to recruit and retain a qualified work force. The Hudson Institute's "Civil Service 2000" report identified a number of these issues and made recommendations on how the Federal civil service might address them. Specifically, the report identified several trends which are summarized below:

- The national work force will grow more slowly than it has in recent years, and the numbers of young workers will decline;
- The average age of the work force will rise;
- More women will enter the work force;
- Minorities will be a larger share of new entrants into the labor force; and
- Immigrants will represent the largest share of the increase in the population and the work force since the first World War.⁷⁶

Assessing the impact of these changes, "Civil Service 2000" went on to conclude that:

In combination, these demographic changes mean that the new workers entering the work force between now and the year 2000 will be much different from those who people it today. Non-whites, women, and immigrants will make up more than five-sixths of the net additions to the work force between 1985 and 2000, though they make up only about half of it today. The increase in the share of minorities in the new work force will have particularly important implications, because these workers often have lower levels of language competence, poorer educational preparation, and other labor market problems. Employers of all types, including the Federal government, will be increasingly required to provide training, tutoring, or other remedial education in the workplace to enable this segment of the work force to reach optimum productivity.⁷⁷

Furthermore, the report concluded that:

*** hiring and retention [will become] much more competitive in the years ahead. Because tight labor markets are likely to develop in different ways in different states and to shift quickly in response to economic and population changes, it is essential to decentralize responsibility and to provide more flexibility in hiring and personnel management than is characteristic of the current system.⁷⁸

These perspectives lead to several potentially important questions regarding the future of the qualifications rating process. For example:

- In order to fill positions, will agencies be forced to recruit employees who do not meet current qualification standards? How would OPM accommodate this?;
- Circumstances may vary dramatically from region to region, or change rapidly in a given region—how well is OPM equipped to respond to such demands *on a timely basis*?; and

⁷⁷ Ibid.

⁷⁸ Ibid., p. 27.

⁷⁶ Op. cit., "Civil Service 2000," pp. 17 - 19.

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- If there are fewer interested candidates than there are jobs, what purpose does a qualifications rating process serve? Will the system be more trouble than it is worth?

While only hypothetical at this time, such questions may become very pertinent as the next decade evolves. Future assessments of OPM's stewardship in the qualifications program will therefore likely center on how much of a proactive response OPM was able to muster on issues such as these.

Resources Needed to Achieve Currency in All OPM Standards

As noted earlier in this report, OPM has, as an "ideal or goal," the desire to update standards on a 5-year cycle. While it is not practical to reliably estimate the overall resources needed to get all standards that current, even a cursory analysis suggests that this objective will not be achieved in the classification area, given the current resources OPM is devoting to this program.⁷⁹

According to rough estimates furnished by OPM, complex standards projects (i.e., generic standards) might cost \$100,000 for a classification standard and \$45,000 to \$65,000 for a qualifications standard. Similarly, OPM estimated the elapsed time to complete these projects at 22 months, and 15 to 18 months, respectively.⁸⁰

Currently, in terms of staff resources, OPM is devoting about 32 full-time equivalent (FTE) staff years to classification standards development, while about 4 FTE's are devoted to qualification standards development. In addition, OPM

awarded a contract in fiscal year 1988 for an outside contractor to perform a major classification standards study of word processing work.

Given the apparent mismatch between the resources currently being applied, and the resources needed to achieve some semblance of ongoing currency for standards (70 percent of all white-collar classification standards are at least 10 years old), it would appear that OPM needs to clarify what its commitments in this area are. In doing so, OPM will also have to overcome some credibility problems which its past inactions regarding standards production have created.

For example, when the Civil Service Commission (now OPM) initially approved the Factor Evaluation System (FES) approach to writing standards, it planned an admittedly ambitious 5 year implementation program to convert 290 classification standards to FES format between 1976 and 1981. While moratoriums and budget cuts have certainly had an impact, the fact is that 8 years after the intended *completion* of this project, fewer than 25 percent of the promised standards have been issued.

OPM must decide what the needs for updated standards really are, and then commit itself to a realistic action plan to accomplish this. Under the current approach, with no published criteria for how current standards must be and no timetable for getting this accomplished, there is no standard to measure OPM's actions against, and thus, no accountability.

⁷⁹ In the qualifications area, the task is much closer to completion, although the exact workload remaining is unclear. On the one hand, production of needed generic qualification standards has been completed; on the other, the extent of work needed to address single agency qualification standards is unknown at this time.

⁸⁰ A complex classification standards project was defined by OPM as a multiseried guide, developed by a team of two OPM specialists. Complex qualification standard projects were defined as those covering a group of occupations which include individual occupational requirements.

Conclusions

This report has reviewed some of the more significant actions which OPM has recently taken in two of its major program areas—qualifications and position classification. In so doing, a number of findings emerged. These are summarized below:

- Classification standards are not as current as they should be (or as OPM says it wants them to be), yet the resources being devoted to producing classification standards are unlikely to ever achieve the currency which is being sought.
- While OPM's moratorium on issuing classification standards is no longer in effect, its negative effects linger on. In addition to not having achieved any substantial improvement in the classification system's design during the moratorium, OPM's commitment to the current system is now questioned by some agencies and by the Classification and Compensation Society.
- Classification appeals are rare (and are getting more rare by the year); of those that are adjudicated by OPM, few are won by the appellant. The reason for this paucity of appeals is not known, nor is its significance.
- In an important policy shift, OPM recently changed the focus of classification standards development to a new generic approach. Generic classification standards have received a mixed reception from agencies, with some potentially serious concerns being raised about their impact on the classification system. Compounding the problem is the fact that OPM's expectations for these standards differ from those held by Federal agencies.
- On a conceptual level, the design of the existing classification system may not be what is needed to meet either current or future needs of the Federal civil service. Already over one-third of agencies (plus OPM) say that the system is not working properly. No master plan from OPM is evident at this time which will comprehensively address these concerns.
- The linkage of the classification and pay systems exacerbates whatever problems the classification system may have on its own. Current ideas for addressing pay issues (e.g., pay banding and locality pay), while not new, do have merit and should help the problem, even though they are not panaceas.
- The qualifications rating system appears to be functioning smoothly and effectively—no agency reported indications of the system not working properly.
- Qualification standards are more up-to-date than classification standards, and are generally well accepted by agencies.

CONCLUSIONS

- In a comparable policy shift to that taken with classification standards, OPM also recently began issuing new qualification standards in a generic format. These qualification standards have been very well received, and may represent a real improvement over the nongeneric approach to defining qualification requirements, as well as a simplification of both style and content. Agencies have little concern at this time about potential inconsistency in qualification determinations resulting from their use.
- Demographic and labor force changes may affect the future use of qualification standards. It will be a challenge for OPM to respond appropriately to these changes.

Taken together, these findings suggest that OPM has entered a new phase in managing its classification and qualification programs. Characterized by a renewed emphasis and a changing perspective, OPM's actions have the potential for positive results. OPM's intention seems to be to move from a maintenance-type program to a more proactive approach. How successful OPM will be, of course, remains to be seen. One critical component impacting on its success will be the level of resources devoted to the program, especially in the standards production area.

Given the newness of generic classification and qualification standards (in design and application, if not concept), we have avoided making definitive recommendations for OPM followup action at this time. However, interspersed throughout this report are specific observations, if not concerns, which suggest possible areas where OPM may wish to pursue action. The more significant of these are summarized below:

- Unless and until the current classification system is scrapped, it is important for OPM to maintain a body of classification standards which are current, relevant, and responsive to changing occupational practices. If resources are not available for OPM to directly update its standards in a timely way, more creative use of other approaches may be necessary to accomplish this goal (e.g., expanded use of private sector contractors, or official OPM "blessing" of agency classification guides).
- Lack of specificity in generic classification standards may lead to problems such as redundant efforts by agencies to supplement the standards, or inconsistent decisions which violate equal pay requirements. If the civil service will be operating under a different personnel management philosophy which obviates such concerns, a major retraining program appears necessary to educate all concerned about the new approach. If the system's philosophy has not changed, it appears that OPM needs to rethink, or at least further refine, its generic classification standards, before these standards are implemented extensively.
- Irrespective of what direction OPM follows, greater emphasis on communication with its constituencies cannot help but improve the end result. Whether it takes the form of marketing, educating, or simply listening, OPM's mission accomplishment could be enhanced if OPM is able to involve agencies and others more, making them stakeholders in the desired outcomes.
- If pay banding is to be pursued, several issues need to be addressed, including the costs of a successful system versus the desire for budget neutrality; the practical meaning of equal pay for equal work under pay banding; and the role which accurate performance appraisals play in making an effective system.
- While generic qualification standards have catapulted the qualifications rating system into a much higher state of currency, this momentum could be lost if OPM is not able to respond quickly with revisions or additions as new occupations emerge or other changes are needed.

- Finally, given the conclusions in “Civil Service 2000” about future recruitment and retention issues which the Federal Government will face, it is not too early to be aggressively developing and testing staffing and qualifications practices which might be helpful in overcoming the concerns raised.



OPM Review

OPM's Associate Director for Career Entry and Employee Development and Associate Director for Personnel Systems and Oversight were both given an opportunity to review this report before it was published. Following their review, each Associate Director provided written comments to MSPB on the draft report. Those comments were taken into consideration in preparing the final report. Copies of OPM's comments are shown in appendixes 1 and 2.

Appendix 1.

Text of Letter from OPM's Associate Director for Career Entry and Employee Development, providing comments to MSPB on a draft of this report:



United States
**Office of
Personnel Management**

Washington, D.C. 20415

In Reply Refer To:

Your Reference:

Ms. Evangeline W. Swift
Director, Policy and Evaluation
U. S. Merit Systems Protection Board
Washington, D. C. 20419

SEP 15 1989

Dear Van:

I appreciate the opportunity to comment on the qualification standards portion of the draft Merit Systems Protection Board report on OPM's classification and qualification standards systems.

Your staff has done an excellent job in capturing the complexities of the qualification standards system. The report generally presents a well-balanced view of the changes we have implemented to make qualification standards more responsive to agency needs. It identifies some important issues that we must be prepared to address in the future if qualification standards are to continue to support Federal recruiting and staffing operations effectively.

We understand your concern that the additional flexibility now available may result in some variance among agencies. We believe that agencies need appropriate latitude if they are to have staffing programs that meet their particular needs. As OPM and the agencies gain more experience with the new system, we will continue to evaluate its implementation and make modifications as necessary.

Sincerely,

A handwritten signature in black ink, appearing to read "Curt".

Curtis J. Smith
Associate Director
for Career Entry and
Employee Development

Appendix 2.

Text of Letter from OPM's Associate Director for Personnel Systems & Oversight, providing comments to MSPB on a draft of this report:



United States
**Office of
Personnel Management** Washington, D.C. 20415

September 28, 1989 In Reply Refer To

Your Reference

Ms. Evangeline W. Swift
Director, Policy and Evaluation
U.S. Merit Systems Protection Board
Washington, DC 20419

Dear Ms. Swift:

This responds to that portion of the MSPB report on "OPM's Classification and Qualification Systems" that focuses on the classification system.

We found the report to be well researched and the conclusions generally balanced, especially to the extent that they reflected attitudes and opinions expressed by the agencies. Although the primary focus of the report is on OPM's classification and qualification standards development activities, the findings are presented in the context of the larger issue, i.e., our effort to administer an archaic system that no longer meets our needs but is difficult to change because the law provides very little latitude to add necessary flexibilities administratively.

OPM has been acutely aware that there are problems with the Government's white collar classification system. Currently we are reviewing options for reforming the entire compensation system, and we are working on legislative proposals to that end. In the meantime, we will continue to support the current system by meeting all the critical requirements, but in ways which are likely to be most compatible with the new directions expected in future system alternatives.

The OPM experiment with more generic classification standards is one initiative that fits this criterion. We appreciate the MSPB support of this effort in spite of early agency expressed concerns for potential adverse impact on inter- and intra-agency classification consistency. We understand their concerns, but until several generic standards have been issued and applied in other than a test setting we won't know what the actual impact will be.

Evangeline Swift

2

Specific comments and recommendations pertaining to particular sections of the report are contained in the enclosure. The opportunity to comment is sincerely appreciated.

Sincerely,

Claudia Cooley
Claudia Cooley
Associate Director for
Personnel Systems & Oversight

Enclosure

Comments on Specific Aspects of the MSPB Report on OPM's
Classification and Qualification Systems

Currency of Existing Standards (pp 10-13)

The fact that OPM has been unable to update occupational information in standards as quickly as occupations change cannot be disputed. As the section on generic standards makes clear, this approach is one that we are using to try to catch up, at least for those occupational job families that are most urgently needed now. While we agree that we need to find better and quicker means for satisfying the need for up to date standards, the pay crisis is also a key contributor to the demand for new standards.

Many managers are convinced that if the standards were revised to reflect new technology and terminology, they would justify higher grades, and the increased salaries would alleviate staffing problems. In fact, since all new standards must replicate the grade level definitions in the law, which have not changed since 1949, they rarely support significant upgradings. In fact, the application of new standards can identify positions that were overgraded in response to pay pressure and, unless duties are added to support the grades, result in downgrades.

Most of the personnel community understands this often undesirable side effect of new standards, which could explain why there is a lack of consensus among the agencies about which standards need to be rewritten. The fact that it is difficult to reduce adverse impact detected during tests of draft standards results in extended consultation between agencies and OPM which adds to the time it takes to produce new standards.

Overall accuracy of Standards (pp 14-15)

We would have characterized the agency response in a different manner than that on page 15 concerning a tabulation of responses to the question: "How accurate do you think published classification standards are, overall (i.e., how well do they describe the duties, responsibilities, and qualifications inherent in the work, as well as distinguish between different grade levels of the work)? The responses were as follows:

- Very accurate - 3 agencies
- More accurate than inaccurate - 17 agencies
- More inaccurate than accurate - 1 agency
- Very inaccurate - 0 agencies
- Can't judge/Don't know - 0 agencies

The MSPB report characterized these responses as follows: "When asked about the overall accuracy of standards, only three agencies characterized standards as being 'very accurate.'" This is a rather misleading interpretation of the data. A different slant could have been given by saying: "Only one agency characterized the standards as being more inaccurate than accurate." A fairer summary would have been: "Twenty-one agencies found the standards either 'very accurate' or more accurate than inaccurate."

Classification Consistency (pp 22-24)

While the report contains a very insightful discussion of the relationship between classification program policy, standards development approaches, and consistency, it has drawn conclusions that seem premature. It is not at all clear that less detailed but more current OPM standards will produce more inconsistency than is being produced by more specific but less current standards. However, the need for more open discussion of our policy objective and of all the ways the agencies and OPM might use to improve consistency, while letting managers manage, is apparent. Clearly, the kind of "managing to budget" program being used by Navy is one example of an approach that is being tried to better share the accountability for control of costs. Another example is the redistribution of responsibilities of the agencies and OPM with regard to oversight. Improving automated information systems capabilities, both in OPM and agencies, are encouraging and facilitating this change in our traditional roles, but they need to be better understood in the context of our policy objectives.

All of the above notwithstanding, it is important that we establish for the record that OPM has not said that inconsistency is "OK." Indeed OPM has a very active and positive intra-agency consistency program, as discussed later. Central to this effort is the legal requirement to assure equal pay for equal work. We are saying that new ways have to be found to be sure that consistency is maintained in spite of increasingly difficult management conditions.

Communication with the Agencies (pp 28-29)

We do have to do a better job of communicating with agencies about what we are doing, but also about why we are doing it. To that end, we are revitalizing the IAG Committee on Position Classification; continuing to seek counsel and assistance from the Classification Consultation Committee, taking advantage of all opportunities to meet with personnelists and managers in the field and will convene the first OPM Conference on Position Classification in nine years, in November 1989. OPM is committed to involving the stakeholders in the decision making process early and continuously because we can't afford more false starts, and there is too much at stake to risk failure. On the other hand, some of the discussion on page 27 about agency reaction to

the test of more generic standards ignores later events and is misleading. For example, the complaints regarding the Test and Evaluation Engineering Guide were dealt with in a totally revised draft that was well received by all the agencies. Also, with regard to the 1987 IAG meeting, although timely response has always been emphasized, reasonable extensions have always been granted, and this is well known by the agencies. Although we realize that the report was based on data received from agencies in 1987 and 1988, we do not believe MSPB can ignore what has already been done to correct the complaints.

Pay Banding (pp. 33-35)

We acknowledge that pay banding provides agencies flexibilities that can result in cost increases. However, we do not agree with MSPB's assumption that increased costs are inherent outcomes of a successful pay banding system. In fact, in the Navy demonstration project ("China Lake") there is no documented relationship between the concept of pay banding and the increased costs experienced by the demonstration laboratories up to now. The very small increased costs (approximately 6% over 9 years) are due to higher starting salaries, increased pay pool funding and "buyout" costs incurred at the time of conversion, not to pay banding. While the much broadened pay ranges at the demonstration laboratories have provided much more latitude for managers to accelerate pay increases for high performers, relief from high grade controls and accelerated promotions at the control laboratories have now offset any real differences in salary costs per se.

Effectiveness of the Classification Appeals System

On page 19 is the statement "the odds of an incumbent prevailing in a classification appeal appear sufficiently low (roughly 1 in 10) that one might wonder why anyone files an appeal." This statement is not constructive toward the operation of a sound appeals system. The "odds" of an employee prevailing in a classification appeal are dependent on the facts of his or her case. We believe that employees whose jobs are undergraded will prevail in 100 percent of their appeals. The fact that 9 out of 10 appellants don't prevail is immaterial to the employee with a legitimate case. The statement in the MSPB report could discourage employees with valid classification complaints from filing classification appeals and receiving the upgradings to which they are entitled. Moreover, if we again accept the premise that data on appeals tell us something about the health of the system, we should conclude that the system is healthy, if 9 of 10 agency determinations are correct.

The report expresses surprise over the low percentage of employees who file classification appeals and the relatively low number of employees who prevail in their appeals. The report overlooks some of the more plausible explanations for this. In the first place, the pressure to undergrade jobs is almost

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nonexistent. On the contrary, classifiers are almost constantly faced with strong pressures to upgrade positions so that managers can reduce turnover and maintain the quality work force. Given the widening pay gap (recognized as sizable in several studies) between correctly classified Federal positions and counterpart private sector positions, it would be disastrous for an agency to compound underpayment of salaries with undergrading of positions.

In the second place, the agencies also have a very formal appeals process in place that resolves the more obvious errors at that level. Only those cases that the agencies could not approve are likely to be forwarded to OPM--unless the employee chooses not to use the agency process.

The report also overlooks the positive impact that OPM's intra-agency classification consistency requirements have had on agency classification programs. Since 1981, agencies have been required by regulation to apply OPM classification appeal decisions to identical, similar, or related positions in the agency to insure consistency with the OPM decision. When OPM has reason to believe that positions within an agency may be classified inconsistently with a position in an appeal decision, it requires the agency to review the classification of these positions and report the results of the review to OPM. Since OPM began the program in 1980, agencies have reviewed over 17,000 positions to assure consistency with OPM classification decisions. Agencies have found approximately 18.5 percent of these positions to be overgraded and 7.4 percent undergraded.

Resources needed to achieve currency in OPM standards (p 59)

Given the possibility that changes may be made in the pay and classification system, it would not be a wise use of limited resources to try to achieve currency for all occupational standards under the existing system. Director Newman has convened a broad-based task force to review options for reform of the General Schedule system and is committed to developing a legislative proposal by early 1990. Until the scope and nature of that initiative are determined, we will proceed with our test of more generic standards while updating single occupation standards which do not lend themselves to broader treatment and are of great interest to agencies. If we eventually determine such an approach is not effective, we will work with the agencies to explore more effective alternatives.

Locality Pay (pp 38-41)

Also on page 40, the presumption that pay will be reduced when an employee moves from a high pay area to a lower pay area may be incorrect. Should the locality pay be included in the base, rather than paid as a differential, it may be possible and desirable to adjust pay within the lower wage area range to accommodate the difference, or provide for some method of pay

retention. This is an issue that will be addressed as part of any move to locality pay. Furthermore, to suggest that private employers might attribute the pay loss that could result from movement from a high pay to low pay area to a failure of some kind on the part of the employee is unnecessarily alarmist.

Finally, OPM'S recently completed study on geographic mobility reveals extremely limited movement from one metropolitan statistical area (MSA) to another--less than 5% of the workforce.



A Report to the President and the
Congress of the United States by the
U.S. Merit Systems Protection Board