

Manage to Budget [24]

NOTE: The content of this document has not been reviewed by legal counsel, nor does it represent a consensus view of the Design Team or indicate any kind of preference among options presented to the Senior Review Committee.

Summary Description:

This plug and play option is a type of cost management control for DHS that permits the delegation of certain pay, performance management and classification human capital management decisions to components, provided those components stay within an established budget. While the option applies to DHS as a whole, delegated flexibilities allow managers to tailor human capital decisions using a human capital “toolkit” framework, but within a specified budget. This option at its broadest level could embrace many of the human capital management decisions that have a budget impact. At a second level, the option becomes a *salary increase budget* (for current employees) comprising a smaller number of delegated pay decisions. At either level, DHS might establish some common standards while delegating management of other actions to component organizations.

Key Features:

- Under this option, DHS could establish a broad framework of pay, performance management, and classification systems that would support the primary DHS mission and serve as a unifying force for the various DHS components. However, this is not a “one size fits all” option. DHS would delegate authorities for each system to the components for tailoring and implementation in support of their respective missions.
- Once DHS has established the pay, performance management and classification systems framework, the next decision is how much of each system to standardize and how much to delegate. For example, DHS may choose to establish a simplified classification system as a standard, with either central or decentralized classification authority. Along with the simplified classification system standard, DHS may mandate a four-level (one negative and three positive levels) performance management system architecture and delegate the development of performance metrics to the components. Each component could then develop performance metrics linked to its specific mission, as long as the summary rating is a four-level construct. DHS could grant broad authority for position management, contracting, pay administration, and compensation decisions, provided the component managed to the given budget. This approach gives the components a great deal of flexibility.
- Alternatively, along with the standard classification and four-level performance management architecture, DHS could grant each component a more limited manage-to-budget authority – a salary increase budget. Each component would be free to establish a system for individual salary adjustments based on any number of factors – or factors specifically authorized by DHS. Base pay factors could include performance-based pay, competency-based pay, geographic pay, structural and market adjustments, longevity pay, skill-based pay, or pay based on rank in person. DHS could also grant specific variable pay amounts to the components. The components would have the flexibility to grant performance awards, retention allowances, hiring bonuses, student loan repayments, etc. as they see fit. Components could tailor the payout of base pay and variable pay amounts in a manner that best supports their respective missions, provided they stay within their respective salary increase budgets.
- Oversight committees for the pay, performance management, and classification systems would review actions for internal consistency, impact on protected groups, and compliance with the overall

Manage to Budget [24]

framework, as well as with the component-developed tailoring, and would approve any "exceptions" to established systems.

Relation to Other Options:

- This option models a way for DHS to establish a new Department-wide personnel system framework, while permitting specific tailoring by the components. Many of the options presented by the design team could be used in whole or in part to construct the overall framework.

Implications (This section contains "possible advantages/benefits" and "possible problems/challenges" and "other implications" suggested by design team members. The views expressed in these "implications" represent the opinions of one or more members of the design team and therefore reflect sometimes opposing points of view. These opinions do not reflect the collective judgment of the entire design team on any of the issues addressed, nor have they been reviewed by legal counsel.):

Possible Advantages/Benefits

- Ability to tailor component-specific pay, performance management, and classification systems to component missions.
- Includes a strong cost management component by its very nature.
- Gives maximum flexibility in setting annual individual pay increases and addressing and resolving employee salary issues related to market, unanticipated business needs, equity, etc.
- Managers could more readily respond to changing economic or employment conditions or to new mission requirements.
- Accommodates varying salary adjustment mechanisms (general increases, market) and progression (pay for performance, longevity, career progression) within a given budget.

Possible Problems/Challenges

- The greater the flexibility, the greater the time spent by supervisors and panel members on pay determination, performance appraisal, and classification processes.
- Striking a balance between overall DHS system standards and sufficient flexibilities to accommodate the components – may not promote a uniform DHS culture.
- Higher levels of management discretion regarding pay ranges and pay levels may lead to greater employee uncertainty and less transparency.
- If the budget is not transparent, some employees may lose trust.

Other Implications

- DHS must decide what is subject to collective bargaining. The negotiability of systems would be addressed by the primary option that incorporates this "plug and play" option.

Cost

- Cost implications of managing to budget alone are minimal since by definition pay increase determinations or more extensive manage-to-budget processes are constrained by specific budget allocations. However, some options could entail first-year "buyout" costs.

Evaluation in Terms of Guiding/Design Principles:

Mission Centered

- Would give maximum flexibility to managers to use pay, performance management, and classification decisions as strategic tools for accomplishing mission requirements.

Manage to Budget [24]

Performance Focused

- Delegating personnel system authorities to the component level could foster component mission accomplishment and therefore Department mission accomplishment.

Contemporary and Excellent

- Components of DHS might adopt the best pay, personnel management, and classification systems.

Generate Trust and Respect

- Aligning the personnel system with mission accomplishment could promote employee trust and respect.

Based on Merit System Principles and Fairness

- Each of the systems adopted by DHS for its new personnel system framework should support merit systems principles and fairness.