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Chisholm v. United States, 149 Ct. Cl. 8 (1960). F.P.H. ch. 430. Incentive Awards Act of 1954. Salary Reform Act of 1962. 5 U.S.C. 4303.

The Performance Rating Act of 1950 requires performance evaluations and ratings through use of one or more performance rating plans subject to approval of the Civil Service Commission (CSC). It requires that each system provide for making performance requirements known to the employee, giving fair appraisals of employee performance, using appraisals to improve employee performance, strengthening supervisor-employee relationships, and keeping employees advised of their performance and promptly notified of ratings.

Findings/Conclusions: Summary performance ratings--outstanding, satisfactory, or unsatisfactory--have become essentially a single rating system of satisfactory. Such ratings do not adequately inform employees about their performance or provide management with a basis for personnel decisions. Also, because of court decisions, unsatisfactory ratings may not be used as a basis for dismissal of employees. Most of the 10 performance rating systems in Federal agencies which were reviewed do not meet objectives of the legislation. Inadequacies of the systems are: graphic rating scale methods do not provide useful performance data, most procedures have not provided adequate guidance for rating employees, and there is insufficient linkage between performance and rewards. In private systems examined, there was better guidance for supervisors, and there were different systems for various occupational groups. A potential for improvement was seen in collaborative systems in which the employee participates. Recommendations: CSC should ask the Congress to amend 5 U.S.C. 43, formerly the Performance Rating Act, deleting requirements for performance summary ratings and

related statutory appeal provisions. It should provide a basis for awarding employees salary increases and service credits applicable in reduction-in-force situations. CSC and Federal agencies should improve performance evaluation systems by providing more guidance and training, instituting more substantive management reviews, considering the use of different methods for major occupational groups, and developing methods of linking performance achievements to rewards. The Office of Management and Budget should require all Federal agencies to assess the feasibility of implementing collaborative performance evaluation systems. (HTW)

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# REPORT TO THE CONGRESS



BY THE COMPTROLLER GENERAL  
OF THE UNITED STATES

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## Federal Employee Performance Rating Systems Need Fundamental Changes

The Chairman of the Civil Service Commission should request the Congress to amend chapter 43 of title 5, formerly the Performance Rating Act of 1950, to delete all statutory requirements for performance summary ratings of outstanding, satisfactory, or unsatisfactory for Federal employees.

The Chairman and the heads of Federal agencies should improve the performance rating systems by making more use of the collaborative approach. That is, they should

- establish systems built around employee participation,
- develop preset work requirements, and
- review work achievements in the performance evaluation process.



COMPTROLLER GENERAL OF THE UNITED STATES  
WASHINGTON, D.C. 20548

B-150411

To the President of the Senate and the  
Speaker of the House of Representatives

This report discusses a number of fundamental changes, including an amendment to chapter 43 of title 5, United States Code, formerly the Performance Rating Act of 1950, needed to improve Federal employee performance rating systems. It describes the principles and objectives upon which such systems should be based and which could result in more responsive and productive performance of the Federal work force.

We made our review pursuant to the Budget and Accounting Act, 1921 (31 U.S.C. 53), and the Accounting and Auditing Act of 1950 (31 U.S.C. 67).

We are sending copies of this report to the Acting Director, Office of Management and Budget; the Chairman, Civil Service Commission; and the heads of the 10 agencies whose employee performance evaluation systems we reviewed.

A handwritten signature in black ink, reading "James A. Stacks".

Comptroller General  
of the United States

D I G E S T

Summary performance ratings of Federal employees no longer serve a useful purpose. The ratings--outstanding, satisfactory, or unsatisfactory--have become essentially a single rating system of satisfactory. (See ch. 2.) Further:

- Court decisions have overtaken and nullified performance ratings provisions of the law as a basis for dismissal of employees who have received unsatisfactory ratings.
- Other personnel legislation and programs established by the Congress and Civil Service Commission are, to a large extent, more effective in recognizing and rewarding outstanding performance than the system required by law.

Performance ratings may be useful in some circumstances, but use of a single rating as the total summary of employee performance does not

- inform employees adequately about the quality of their performance in specific terms or
- provide management with sufficient information on which to base personnel decisions necessary to improve effectiveness of a Federal department, agency, or other unit.

Most of the 10 performance rating systems GAO reviewed in Federal agencies are not meeting the objectives of the legislation even though it has been in existence for more than 25 years. About every third employee at five Federal agencies indicated

insufficient job knowledge and feedback on their performance. This is due to a combination of fundamental problems with the current performance evaluation systems, the lack of supervisor training, and review processes. (See pp. 16 to 23.)

Correcting these problems is a first step toward improving performance rating systems. Accordingly, GAO shares the views expressed in earlier reports by congressional and administration committees that consideration should be given to eliminating performance ratings completely.

The Civil Service Commission should ask the Congress to amend chapter 43 of title 5, United States Code, formerly the Performance Rating Act, deleting requirements for performance summary ratings and related statutory appeal provisions. In doing so, the Commission should provide a basis for awarding employees salary increases and service credits applicable in reduction-in-force situations. (See p. 12.) The Commission and Federal agencies should also improve specific aspects of their performance evaluation systems. (See pp. 30 and 51.) Furthermore, the Office of Management and Budget should require all Federal agencies to assess the feasibility of implementing collaborative performance evaluation systems. (See p. 44.)

#### WEAKNESSES IN PERFORMANCE RATING SYSTEMS

Performance evaluation systems should provide supervisors and employees with performance objectives that are stated clearly and methods and forms of evaluation that are practical. The systems should help supervisors and employees toward a systematic collection of performance data. This would enable them to identify strengths and weaknesses in order to utilize and develop employees to their fullest potential.

Most Federal systems have tried to achieve these objectives, but their methods have been inadequate. They used traditional

graphic rating scale methods that do not provide useful performance data. Most procedures have provided little direction and guidance, leaving determination of ratings entirely to the discretion of supervisors. Since the training of supervisors has also been inadequate, the ratings of employees are now largely dependent on individual supervisors' skills and inclinations.

In contrast to this, most performance evaluation systems examined in private enterprise provided supervisors with considerably more guidance, forcing them to stay within the ground rules of each enterprise. Private sector systems usually are different for separate occupational groups rather than the same for all employees. These systems provided supervisors with more guidance than Federal systems and also focused on actual employee performance rather than rating. Coupled with more frequent supervisory reviews, these systems should produce more objective data that, in turn, could become a highly visible basis for supervisor decisions.

The degree of detail and coverage of performance evaluation systems should vary with the duties and responsibilities of employees. As a minimum, performance evaluation systems should make clear to employees what will be expected of them during a rating period and how they have performed in terms of work accomplished. In addition to providing work direction, well-designed and well-implemented systems should provide the performance data needed to (1) assure a basis for fair and objective performance feedback and (2) make work-related decisions essential to employee development. (See ch. 3.)

### IMPROVING FEDERAL EVALUATION SYSTEMS

Every Federal agency must periodically examine its personnel policies and practices to be sure of their continuing appropriateness and to take advantage of innovation.

Performance evaluation is no exception to this rule. Notwithstanding department or agency concerns over costs to develop and implement new performance evaluation systems, agencies must look at these costs in light of the potential benefits to be derived from a more productive, informed, motivated, and satisfied work force.

GAO analyses indicate that a recognizable benefit appears possible through the collaborative system approach to performance evaluation. This offers potential for improved performance and employee development. Data indicates that, regardless of major occupation or grade groupings, best results were obtained from collaborative systems supported fully by management at all organizational levels.

Employees perceived the collaborative systems to be helpful in gaining a clear understanding of their expected performance and in assessing and improving their actual performance. This is not surprising since employees, after all, have good information about their own work and performance. (See ch. 4.)

#### INSUFFICIENT CONNECTIONS BETWEEN PERFORMANCE AND REWARD

Development and implementation of effective performance evaluation systems is insufficient to increase employee performance and development. Employees must believe that their efforts and accomplishments may lead to recognition in the form of tangible rewards following evaluation of their work. This evaluation should therefore be linked in a meaningful way to personnel decisions involving compensation, incentive awards, and opportunities for advancement.

Various laws provide agencies with the mechanism and funds necessary to make such personnel decisions. While seemingly complementary to the performance evaluation program, neither the Civil Service Commission nor Federal agencies have directly linked these programs. Since each program



is administered independently, employee perceptions of the relationship between the performance rating and reward are limited or do not exist. There can be no assurance that any new performance evaluation system will be effective unless a meaningful link is established.

Although various Federal studies support a connection between performance and reward, Federal officials expressed concern over the establishment of any regulated or automatic connections. Others also caution against results of such direct linkage that might potentially also be counterproductive. It appears that private enterprise practices offer the best solution by using information derived from the performance evaluation rather than an overall performance rating to support personnel reward actions. (See ch. 5.)

The Office of Management and Budget commented favorably on the report and generally agreed with the conclusion that the present plan is not meeting the objectives of the legislation. It further stated that the report's findings will be helpful and the recommendations will be given full consideration in developing improvements to enhance work-force productivity by the ongoing Office of Management and Budget and Civil Service Commission review of present Federal personnel policies.

In responding to GAO's request for comments on its draft report, the Civil Service Commission submitted staff comments rather than an institutional position. The Commission explained that its Chairman did not wish to take a position pending the final results of the Federal Personnel Management Project, which is studying performance evaluation among other areas. The Project staff was provided draft copies of this report, and the proposed options they are considering include elements of the recommendations in GAO's draft. (See app. IX.)

Generally, other agencies commented that (1) performance evaluation needs strong

support from agency heads if any system is to succeed, (2) the supervisor is the key to the system and must be well trained and objective, and (3) formalizing the system may create additional paperwork. GAO shares the concern over additional paperwork, but its recommendations center on making the systems more meaningful through changes rather than major additions to the systems.

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#### ABBREVIATIONS

CSC	Civil Service Commission
DOT	Department of Transportation
EPA	Environmental Protection Agency
FHLBB	Federal Home Loan Bank Board
FHWA	Federal Highway Administration
FPM	Federal Personnel Manual

FS Forest Service

GAO General Accounting Office

GS general schedule

GSA General Services Administration

HEW Department of Health, Education, and Welfare (excluding Social Security)

KOI key operating indicator

MBO management by objectives

NASA National Aeronautics and Space Administration

PRA Performance Rating Act of 1950 (presently chapter 43, title 5, United States Code)

RC research center

SSA Social Security Administration

WPPR work planning and progress review

## GLOSSARY

Performance	Employee's accomplishment of assigned tasks.
Performance evaluation system	Official performance rating plan required by chapter 43, title 5, United States Code.
Performance rating (summary adjective rating)	Adjective rating required by chapter 43 of title 5, U.S. Code, to describe how an employee's work accomplishments compare with established performance requirements. The rating may be derived from several performance factors or may be an overall conclusion representing management judgment.
Performance evaluation	Total process of observing an employee's performance in relation to performance requirements over a period of time, and then making objective and subjective assessments of the performance.
Rating period	The period of time established by the agency performance evaluation system during which an employee's performance is evaluated and, if required, assigned a performance rating.
Performance requirements, also referred to as work expectations	Work results or accomplishments expected in terms of objective units that are the expressed measures of the quality, quantity, timing, and level of achievement expected by management of an individual's work results. Work plans, work instructions, project proposals, goals, targets, and quotas are examples of work expectations provided they identify to the maximum extent possible the quality, quantity, timing in objective terms, and specifically assign responsibility so that individuals can be held accountable for the completion of assigned work.

## CHAPTER 1

### INTRODUCTION

"\* \* \* An obligation of every manager is to see that employee performance is appraised, communicated, and documented. Practical experience has shown that this seemingly straightforward management task is actually one of the most difficult and often most neglected supervisory responsibilities. Some managers have even convinced themselves that performance appraisal is unnecessary since they believe that employees generally know how well they are performing. Employee attitude surveys have repeatedly shown the contrary." 1/

Most Federal civilian employees should receive performance ratings under the provisions of chapter 43 of title 5, United States Code, formerly referred to as the Performance Rating Act (PRA) of 1950. That law requires performance evaluations and ratings. 2/ The stated purpose of this legislation is to recognize Federal employee merit and its contribution to efficiency and economy in the Federal service. Preceding legislation and events leading to the PRA are described in appendix I.

To accomplish its purposes, the law requires Federal agencies to establish and use one or more performance rating plans (systems) which are subject to the approval of the Civil Service Commission (CSC). The law requires that most Federal employees receive a performance summary rating of at least outstanding, satisfactory, or unsatisfactory. Further, it requires that each agency system provide for

--making performance requirements known to the employee,

--giving fair appraisals of employee performance in relation to the performance requirements,

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1/Source: Performance Appraisal, Corporate Human Resources, Honeywell Inc., 1975.

2/Other legislation and programs that affect the performance evaluation include the Government Employees Incentive Awards Act of 1954 (chapter 45 of title 5), Merit Promotion Program of 1959, and Salary Reform Act of 1962 (chapter 53 of title 5).

- using appraisals to improve employee performance,
- strengthening supervisor-employee relationship, and
- keeping employees currently advised of their performance and promptly notified of their performance rating.

The philosophy underlying these legislative requirements is to create an improved supervisor-employee working relationship that would ultimately result in better informed and effectively utilized employees.

Under the law, CSC is responsible for issuing regulations governing various aspects of the law. Such regulations are found in chapter 430 of the Federal Personnel Manual (FFM). CSC recently completed work on revisions to the chapter. Although the only policy change is to require that all employees be rated annually, the revised chapter provides clarification of performance rating and discusses the relationship of performance rating to other personnel decisions, such as within-grade salary increases, incentive awards, adverse actions, and merit promotions. Additionally the revised chapter includes an expanded appendix in the form of a guide to improving performance evaluations. The guide provides up-to-date information for consideration by Federal agencies. CSC's efforts are an important and valuable step toward improving performance evaluation. As discussed in the following chapters, however, much more can and needs to be done in this important but neglected personnel management area.

#### PURPOSE OF REVIEW

Chapter 43, title 5, United States Code, formerly the PRA, has provided the statutory framework for Federal agencies' performance rating systems for more than 25 years. We reviewed several such systems to determine if the

- law is still providing a workable legislative framework in today's Federal personnel management environment and
- Federal agencies' performance evaluation systems are effectively meeting the objectives sought by the Congress and, if not, suggest possible improvements.

Furthermore, in response to a request by the Manpower and Housing Subcommittee of the House Committee of Government



Operations, we looked specifically at the use of performance summary ratings. According to the Subcommittee, Federal supervisors contended that the rating system tends to restrict the use of outstanding and unsatisfactory ratings, resulting in the overuse of the satisfactory rating. The Subcommittee also requested a comparison between public and private sector performance evaluation systems.

## SCOPE

We examined chapter 43, title 5, United States Code; the legislative history; CSC's performance rating systems approval process; and 10 Federal agencies' performance rating systems and their implementation. The systems were used during fiscal year 1976 by CSC; the Environmental Protection Agency (EPA); Federal Highway Administration (FHWA); Federal Home Loan Bank Board (FHLBB); Forest Service (FS); General Services Administration (GSA); Department of Health, Education, and Welfare (HEW) (excluding Social Security); National Aeronautics and Space Administration (NASA); Department of the Navy; and Social Security Administration (SSA). Together these agencies employ about one-half million Federal workers and were selected because they seemed to represent a cross section of agencies covered by the PRA.

Fieldwork was performed at the agencies' Washington headquarters and field offices or installations located in the San Francisco, California, area. Additional fieldwork was performed in the Atlanta, Georgia, and Boston, Massachusetts, regional offices of CSC, GSA, HEW, and SSA. Navy field installations included the Naval Air Station and Naval Air Rework Facility in Alameda, California; the Naval Underwater Laboratory in Rhode Island; the Charleston Navy Shipyard, Charleston, South Carolina; the NASA Ames Research Center in Mountain View, California; and the NASA Langley Research Center near Hampton, Virginia.

CSC and Federal agency views and personnel practices were obtained through a management questionnaire <sup>1/</sup> directed to CSC headquarters and three regional offices, the heads of administration of 18 Federal agencies, and field personnel officials of the 10 selected agencies. We followed up the responses to these questionnaires through discussions with selected headquarters and field officials.

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<sup>1/</sup>App. II contains a copy of our management and employee questionnaires and the methodology used in our statistical analyses.

Employee views were solicited through an attitude survey 1/ involving six agencies--FHLBB, GSA, HEW (including SSA), Navy, and NASA. At GSA, HEW, and SSA regional offices and the Navy installations, we also reviewed selected employee performance ratings, read the support for these ratings, and talked with some supervisors who prepared the ratings. At the three CSC regional offices, we examined employees' rating appeals filed and decided during fiscal year 1976.

We reviewed the literature, research studies, and reports; obtained information on current practices in performance evaluations from the private sector; 2/ and reviewed the research effort conducted by CSC.

Finally, we held extensive informal discussions with agency officials concerning our findings, conclusions, and recommendations as they pertained to their agencies and discussed Government-wide implications near the conclusion of our review. Each agency also had an opportunity to formally comment on the draft of our proposed report. NASA, Navy, and the Department of Defense offered no further comments than already included in the draft report. The Office of Management and Budget, GSA, EPA, FS, FHLBB, HEW, CSC, and the Department of Transportation (DOT) staffs did provide comments that have been reflected in the appropriate chapters of this report.

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1/App. II contains a copy of our management and employee questionnaires and the methodology used in our statistical analyses.

2/For listing of private companies and institutions, see app. VI.

## CHAPTER 2

### LEGISLATIVE CHANGES ARE NEEDED

### TO PROVIDE A WORKABLE FRAMEWORK

### FOR PERFORMANCE EVALUATION

Enactment of the PRA started a trend in the Federal Government that performance evaluation should meet not only administrative needs, but also employee development needs. According to congressional hearings, the performance ratings were intended to identify the truly outstanding and unsatisfactory performers for the purpose of taking positive or negative administrative actions. Additionally, the legislation intended to remedy past problems by focusing on employee development.

Performance evaluations for employee development purposes are primarily counseling related. Generally they should be used to improve employees' performances in their current positions and to develop further their capacity for greater job responsibilities. Performance evaluations are also used for administrative purposes. These are primarily selection related and considered in a variety of personnel actions, such as selection of employees for salary increases, promotion, and retention during reduction-in-force situations.

The above purposes have differing requirements. For instance, administrative decisions require employee comparisons to establish their relative standings. Such comparisons usually require agencies to develop so-called relative work expectations to insure an equitable selection process. In contrast, employee development deals with the individual rather than relative performance. Such evaluation is non-selective and therefore requires the development of performance requirements that are geared toward an individual's motivation, ability, and skill.

### PERFORMANCE RATINGS INADEQUATELY RECOGNIZE EMPLOYEE MERIT

Dissatisfaction with chapter 43, title 5, United States Code, formerly the PRA, surfaced almost immediately upon enactment and still exists today. The Commission on Organization of the Executive Branch of the Government (Second Hoover Commission), the Subcommittee on Federal Civil Service, CSC, and Federal agencies have been critical of various administratively impractical or even counterproductive features of the legislative requirement to assign employees a

performance summary rating of outstanding, satisfactory, or unsatisfactory.

Since 1954 several Federal studies have reported that about 99 percent of all employees rated under the law received a rating of satisfactory. Similar statistics were reported by 3 of 10 Federal agencies involved in our study. The other seven agencies kept no such agencywide statistics for the last 3 years, because they were not used for any management purpose. The overall statistics for the three agencies that did collect this information are shown below.

Summary Performance Ratings

<u>Rating</u>	<u>Calendar years</u>		
	<u>1973</u>	<u>1974</u>	<u>1975</u>
Outstanding	1%	1%	1%
Satisfactory	99	99	99
Unsatisfactory	-	-	-

The essentially one-level performance ratings can be attributed to the legislation which established a broad satisfactory rating level and defined outstanding performance in such restrictive terms that few employees could meet the definition. The law also burdened performance rating systems with warning and appeal procedures that seem to be defeating the timely identification of unsatisfactory performance.

Satisfactory rating

Inadequate recognition of the relative levels of employee performance is most notable under the satisfactory rating. It replaced the three intermediate rating levels (very good, good, and fair) previously used under the Uniform Efficiency Rating System, which preceded the PRA. Thus, the satisfactory rating is generally awarded to employees whether their performance is just below outstanding or barely above unsatisfactory. In 1954, reporting on this problem, the Subcommittee on the Federal Civil Service stated to the House Committee on Post Office and Civil Service that the lumping of employees into one rating category was counterproductive to recognizing and retaining the best performers.

The Subcommittee pointed out, for example, that Federal agencies could at some time be required to reduce the number of employees. In the interest of retaining the best performer, section 12 of the Veterans' Preference Act of 1944 required that any such reduction in force should give due consideration

to efficiency ratings. Under the Uniform Efficiency Rating System, this was possible because three of the five ratings (excellent, very good, and good) received extra retention credits ranging from 1 to 5 in computing the total service years. Under the PRA, the Subcommittee further reported, CSC initially allowed one retention credit for the satisfactory rating and five for the outstanding rating. This practice was subsequently discontinued for the satisfactory rating, however, once CSC recognized the offsetting effects since most employees were rated the same.

The same problem still exists although CSC now allows Federal agencies to use an optional "excellent" fourth performance rating level with 2 additional years of service credits for retention purposes. Such extra credits for meritorious services are difficult for employees to receive because few agencies use this rating. For instance, none of the 10 agencies we reviewed used the fourth rating level in their systems.

#### Outstanding rating

Section 4304(c) of title 5 states:

"A performance rating of outstanding may be given only when all aspects of performance not only exceed normal requirements, but are outstanding and deserve special commendation."

The Subcommittee report and top Federal officials questioned the criteria for awarding an outstanding rating. One agency official commented that the definition ignores the reality that few, if any, employees are outstanding in all aspects of performance. The outstanding rating seems to present problems because his agency regards some employees' performances as outstanding even though their outstanding skills are singular and therefore not necessarily reflected in all aspects of performance. Consequently, the choice appears to be either to underrate such employees or to overrate them in order to justify the otherwise warranted outstanding performance rating.

The restrictive definition also creates inequities between agencies. For instance, three agencies included in our review use only the performance summary rating. Five agencies, however, require such a rating plus traditional graphic ratings which require supervisory judgments on several performance-related factors. In the latter case, supervisors

must generally justify an outstanding rating for each performance factor before being able to award a summary rating of outstanding. In contrast, those supervisors whose concern is only the summary rating have considerably more flexibility, because they can conceivably restrict the justification to only those performance aspects considered outstanding.

Extensive administrative requirements  
for use of unsatisfactory ratings

The number of unsatisfactory ratings have been very few. According to one top Federal official, the surprise should not be that there were so few, but that there were any because of the many burdensome statutory requirements to be satisfied.

Section 4304(b) of title 5 states:

"An employee may be rated unsatisfactory only after a 90-day advance warning and after a reasonable opportunity to demonstrate satisfactory performance. A performance rating of unsatisfactory is a basis for removal from the position in which the performance was unsatisfactory."

Additionally, once an unsatisfactory rating has been awarded, the employee can refer it for review to the agency's internal review board and, if not satisfied, appeal it to an independent statutory appeal board whose three members are designated by the employee, the agency, and CSC.

In 1955 the Second Hoover Commission reported to the Congress that the performance ratings were not measuring the relative merits of employees. They criticized the elaborate procedural safeguards surrounding an unsatisfactory performance rating. According to Federal officials at various management levels that we interviewed, supervisors are simply reluctant to subject themselves to the amount of paperwork and appeals procedures involved in giving an employee an unsatisfactory performance rating. Moreover, six of the Federal agencies included in our review openly discourage supervisors from using the unsatisfactory rating in an apparent attempt to avoid what they consider to be a costly and time-consuming process.

As a practical matter, the extent of the safeguards provided under the law are questionable. First, Section 4303(5) of title 5 provides that employees be kept currently advised

of their performance. We interpret this to mean an ongoing rather than a once-a-year process. If followed by supervisors, employees should know without delay when their performance falls below a satisfactory level. And with good supervision they should be able to improve their performance without the necessity for a 90-day advance warning letter or other required administrative procedures.

Second, removing an employee from the Federal service on the sole basis of one unsatisfactory performance rating is outside an agency's purview. At issue here is not the reassignment of an employee after all efforts have failed to bring performance to a satisfactory level, but rather the personnel action of last resort--dismissal from the Federal service. Prior to 1960 it was generally assumed that the unsatisfactory performance rating was a proper basis for dismissal action. In 1960, however, a Court of Claims ruled in *Chisholm versus U.S.* (149 Ct. Cl. 8) that dismissal does not automatically follow an unsatisfactory rating. In the court's opinion, the provision of the Lloyd LaFollette Act of 1912 and Veterans Preference Act of 1944 took precedence over the 1950 PRA.

According to Federal officials, the court's opinion left them open to possibly two statutory appeals before they could discharge an unsatisfactory employee--the first after giving the employee an unsatisfactory rating and the second after initiating dismissal action. Since such dual process was considered costly and time consuming, Federal officials preferred to initiate adverse action proceedings immediately and dispense with the unsatisfactory performance rating altogether.

#### CONSIDERATION FOR THE REPEAL OF THE PERFORMANCE SUMMARY RATING REQUIREMENTS

The congressional Subcommittee's solution, proposed more than 20 years ago, to the performance rating problems was to recommend that the Congress liberalize the definition of outstanding performance and CSC clarify regulations to clearly permit agencies to include additional rating levels. While the Subcommittee also favored more emphasis on the performance review process, it saw a continued need for the statutory appeal procedures to adequately protect employee rights. At the same time, however, the Subcommittee believed that complete elimination of the performance rating systems should be considered, an action that was proposed in the Second Hoover Commission Report.

The Second Hoover Commission concluded that performance rating plans fall far short of the objectives sought by the Congress to create a friendly and helpful relationship between supervisor and employee. The Commission believed that a useful plan must be an adjunct to good supervision and a means for improving subordinates rather than an end in itself. Accordingly, it recommended that the PRA procedures be replaced by a system under which the supervisor would report in writing on marginal and superior employees with a view toward recommending desired personnel actions and the employee's appeal rights be restricted to a one-level intra-agency appeal.

Following these two independent sets of recommendations, CSC proposed new legislation in 1960. Again CSC tried to eliminate performance ratings and to stress the evaluation process for the purpose of improving employee development. In essence, the bill attempted to focus the objective solely on employee development rather than both employee development and administrative uses. CSC's efforts were unsuccessful, and CSC has made no new efforts to change the legislation even though the administrative purpose of the performance ratings had been weakened with the introduction of new personnel programs which provided Federal agencies with more meaningful ways to recognize employees' performance.

OTHER FEDERAL PROGRAMS  
MORE EFFECTIVELY  
RECOGNIZE EMPLOYEE MERIT

During the 1950s the Congress and CSC introduced personnel legislation and programs which provided Federal agencies with the policies to select employees and the funds to recognize the merits of such employees with monetary and nonmonetary rewards. Since the legislation and programs were not directly linked to the performance summary rating, that provision of the PRA was weakened as a basis for personnel action. Some of the programs are:

- The Incentive Awards Act of 1954, which recognizes employees' efforts to improve Government operations by rewarding them with monetary and honorary awards. Such awards are available for suggestions, special achievements, or sustained superior performance by an individual employee. The criterion for a superior performance award is a supervisory determination that employee performance substantially exceeds normal job requirements in one or more of the most important job elements.



--The Merit Promotion Program, which requires that all promotion selections in the competitive service be made from among the best qualified candidates. Although CSC regulations require that each agency consider past performance in the selection process, primary importance is placed on how the candidate is expected to function in the higher position.

The Salary Reform Act of 1962, however, most severely weakened, if not largely negated, the law's administrative purpose. Prior to the new compensation program, the performance summary rating of "satisfactory or better" had been the basis for granting general schedule (GS) and wage grade employees within-grade pay increases. With the enactment of the Salary Reform Act, the Congress eliminated this direct linkage for general schedule employees and, instead, required Federal agencies to make an independent "acceptable level of competence" determination. This new rating level provides agencies with another opportunity to recognize employee performance without formally considering any previously assigned satisfactory or better performance rating.

In addition to the within-grade salary increase, the Salary Reform Act of 1962 also authorizes agencies to grant an additional step increase when a GS employee's performance substantially exceeds normal job requirements in most of the important duties and the performance is likely to continue. Similar to the superior performance award, the performance criterion for a quality step increase is lower than for an outstanding performance rating, which requires outstanding in all aspects of the position's job requirements. Although CSC discusses in the FPMR (chapter 430) the close relationship between the outstanding performance rating of the PRA and a quality step increase, it only suggests, rather than requires, that an outstanding performance rating also carry with it a quality step increase. This is discussed in more detail in chapter 5.

## CONCLUSIONS AND RECOMMENDATIONS

### Conclusions

Performance summary ratings as required by chapter 43, title 5, United States Code, formerly the PRA, no longer serve a useful purpose. The ratings of outstanding, satisfactory, or unsatisfactory have evolved into essentially a one-level rating system with about 99 percent of all employees covered by the law receiving a satisfactory rating. Further:

--Court decisions have overtaken and nullified the performance summary ratings provisions of the law as a basis for dismissal of employees who have received unsatisfactory ratings. ●

--To a large extent, other personnel legislation enacted by the Congress and programs established by CSC are more effective in recognizing and rewarding outstanding performance than provided for by the law.

Performance ratings may be useful in some circumstances, but the use of a single rating as a total summary of employee performance does not serve such needed purposes as

--adequately informing employees about the quality of their performance in specific terms or

--providing management with sufficient information on which to base personnel decisions necessary to improve organizational effectiveness.

We also share the views of earlier reports by congressional and administration committees that consideration should be given to eliminating performance summary ratings completely.

### Recommendations

We recommend that CSC request the Congress to amend chapter 43, title 5, United States Code so as to delete legislative requirements for performance summary ratings and related statutory appeals provisions. In doing so, CSC should also propose to the Congress a new legal basis for awarding within-grade salary increases for wage grade employees and retention service credits under reduction-in-force situations.

### AGENCY COMMENTS AND OUR EVALUATIONS

EPA agreed that the PRA, as currently applied, no longer serves a useful purpose and believes that our recommendations represent a positive step toward improvement. GSA endorsed that part of our recommendation dealing with eliminating the legal requirements for performance summary ratings. GSA disagreed, however, that CSC should provide a basis for awarding employees salary increases and service credits applicable in reduction-in-force situations.

We have recommended eliminating the statutory performance summary rating requirement and believe it would be a major step toward removing legislative provisions no longer serving a useful purpose. The performance summary ratings, however, are currently the administrative basis for the above mentioned retention and salary personnel actions. When the legal requirements for performance summary ratings are removed, it seems reasonable to also provide an acceptable alternative for such personnel actions. It is in this context that our recommendation is made to CSC.

DOT agreed with us that the PRA has outlived its usefulness and that more recent programs are more effective in rewarding superior performance. DOT favored repeal of the PRA, however, rather than just those provisions for performance summary ratings and associated appeal procedures. DOT stated that the retention of the remaining PRA provisions without specific ratings would be unworkable. We disagree with the foregoing statement because, in our opinion, DOT ignores such sound remaining provisions of the PRA as keeping employees currently advised of their performance, strengthening supervisor-employee relationship, using appraisals to improve employee performance, giving fair appraisals in relation to requirements, and making performance requirements known to employees.

The CSC staff does not agree with the recommendation to amend the PRA so as to delete legislative requirements for performance summary ratings. They believe it was the intent of the Congress that most employees would fall into the satisfactory category. The real problem, they believe, lies in the statutory appeals provisions of the PRA, and they suggest that it be replaced by a grievance procedure.

Although the intent of the Congress may have been that most employees fall into the satisfactory category, we do not believe it intended that substantially all employees be so categorized as has proven to be the case over the last 25 years or more. Further, the undesirability of this situation has been pointed out by the Second Hoover Commission, the Subcommittee on Federal Civil Service, and Federal agencies.

We agree that the statutory appeals provisions of the PRA do present problems as pointed out under our discussion on pages 8 through 9. We therefore recommend that CSC request the Congress to amend chapter 43, title 5, United States Code, so as to eliminate the appeals provisions related to performance summary ratings. CSC should then be able to establish policies to provide fair and effective grievance procedures within a simplified administrative framework.

### CHAPTER 3

## WEAKNESSES IN FEDERAL AGENCIES'

### PERFORMANCE RATING SYSTEMS

The PRA requires Federal agencies to establish one or more performance rating systems for the purpose of employee development--to strengthen supervisor-employee relations and to improve employee performance. Each system should assure that (1) performance requirements be made known to employees, (2) performance of the employees be appraised fairly in relation to the requirements, and (3) employees be currently advised of their performance and promptly notified of their performance ratings.

The systems reviewed still do not seem to be meeting the objectives sought by the legislation even though it has been in existence for more than 25 years. For example, about every third employee at five of six agencies indicated insufficient job knowledge and feedback on their performance during a recent annual rating period. The only encouraging responses were provided by FHLBB employees.

	<u>Agency</u>					
	<u>FHLBB</u>	<u>GSA</u>	<u>HEW</u>	<u>Navy</u>	<u>NASA</u>	<u>SSA</u>

Employees indicated they:

had <u>no clear</u> understanding of <u>expected</u> job performance	14%	34%	29%	35%	34%	34%
<u>never</u> received a formal supervisor-employee counseling session	16	26	33	32	27	36

We attribute these less than desirable results to a combination of poor supervisory practices and problems with agencies' performance evaluation systems, including inadequate performance evaluation review processes and supervisory training.

UNIFORM FEDERAL PERFORMANCE  
EVALUATION SYSTEMS

CSC approved the performance evaluation systems we reviewed at 10 Federal agencies. <sup>1/</sup> The 10 systems consist of written procedures, guidelines, and in some cases forms for evaluating and rating employee performance. Each system's procedure stated rating objectives, delineated supervisory responsibilities, detailed rating and appeal procedures, outlined the minimum communication requirements stipulated in regulations (including the rating of supervisors on their efforts to further Equal Employment Opportunity objectives), and required supervisors to implement them.

Each procedure required supervisors to evaluate employees' overall performance and assign a performance summary rating, such as outstanding, satisfactory, or unsatisfactory. Two agencies informed employees orally of their rating, unless it was outstanding or unsatisfactory. The remaining agencies used a written form to notify employees of their performance summary rating.

In addition to the performance summary rating, seven agencies used either a more traditional graphic rating scale method or a more collaborative management by objectives (MBO) and work plan method as follows.

Performance Evaluation Systems

<u>Type of method</u>	<u>Number</u>
Graphic rating scale	5
Modified MBO, including work planning and progress review (WPPR) (note a)	2

<sup>a/</sup>NASA complemented the basic summary adjective performance rating system with an independently administered WPPR system. Due to its performance orientation, for the purpose of this review, we viewed the two systems as one.

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<sup>1/</sup>CSC, EPA, FHWA, FHLBB, FS, GSA, HEW (other than SSA), NASA, Navy, and SSA. FHWA's plan was subordinate to the CSC approved performance rating system of DOT. App. III provides detailed descriptions of several of these plans.

Graphic rating scale forms were used by FEWA, GSA, SSA, FS, and Navy for all employees regardless of their occupation. These forms listed anywhere from 3 to 16 performance factors which describe work output (quality and quantity), job skills (the ability to write), and personal attributes (adaptability). Additionally, the forms listed factors dealing with supervisory or managerial factors.

Supervisors were requested to check the appropriate performance factor and rate it on an adjective rating scale or some other description, such as "meets requirements." Most forms provided a space for comments and signature blocks for the employee, supervisor, and reviewing officials. With the exception of outstanding and unsatisfactory performance summary ratings, and in two agencies 1/ for performance factor ratings, supervisors were not required to support with comments the assigned ratings.

FHLBB uses a modified MBO and key operating indicator method (MBO/KOI). This method focuses on the work plan, which requires supervisors and employees to set out the employees' performance requirements or work expectations, results expected, and assistance required in advance of the rating period. As the employee completes the work, the results are recorded and evaluated. The completed form generally documents the entire evaluation process and forms the basis for work-related decisions. The WPPR method used by NSA is very similar. It is less formal, however, because the documentation part is left to the discretion of individual supervisors.

#### PROBLEMS WITH CURRENT FEDERAL PERFORMANCE SYSTEMS

##### Forms focus on rating instead of performance

Most of the reviewed performance systems were not providing supervisors with the forms necessary to focus the evaluation process on the systematic documentation of employee performance. Only the FHLBB system provided a form to document in advance employee work expectations, and later on, employee work results. These forms provide a

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1/Two agencies required narratives in support of any performance factor with a rating of unsatisfactory, outstanding, or marginal.

means for focusing on employee future work, while also providing supervisors and employees with performance data for use in evaluating work results and making work-related decisions.

In contrast the traditional graphic rating scale forms used by most agencies focused on performance factor ratings. The limited descriptive nature of the performance factors and ratings provide insufficient information about employee work expectations and accomplishments. Although some forms have comment sections, their use is only required to justify an outstanding, unsatisfactory, or marginal rating.

In 1954 the congressional Subcommittee commented on the lack of narratives describing employee accomplishments. The Subcommittee favored including narratives in personnel folders because the ratings were not providing the data needed to reflect the capabilities and potential of employees. The Subcommittee further reported that narratives would allow anyone to:

"\* \* \* review any employees past performance and determine whether or not he is improving his weak points, whether or not he should be promoted, or if he has the qualities necessary to become a supervisor."

Interest in more detailed performance data was also expressed by Federal officials. The majority favored performance evaluation methods that would include written narratives for all employees, except trade and other wage grade employees. For trade and wage grade employees, only 7 of the 26 questioned Federal officials favored modified MBO methods or graphic rating scale methods with written narratives to support performance ratings.

Systems leave supervisors with too much discretion in implementing procedures

The legislative mandate to establish performance requirements and make them known to employees in advance of a rating are fundamental steps in a process designed to assure a fair and equitable performance evaluation. So is the requirement to keep employees currently advised of their performance, because we believe it is difficult to see how employees can be fairly evaluated unless they

- know in advance what is expected of them so as to have a fair opportunity to meet the work expectations and
- receive timely and periodic feedback from supervisors on their performance so as to have a fair opportunity to correct weaknesses or be acknowledged for quality performance.

Failure to develop  
performance requirements

Each of the 10 agencies whose systems were reviewed required supervisors to develop performance requirements, and most encouraged them to seek employee participation in such processes. Only FHLBB procedures, however, required the development of written performance requirements. The other nine agencies' procedures were either silent on the issue or listed the documentation of performance requirements only as a worthwhile option.

Six agencies specifically required supervisors to inform employees in advance of their performance requirements. Four others, EPA, GSA, HEW, and the Navy, did not require an advance notification, but left it to the discretion of individual supervisors. In those instances, there was inadequate assurance that employees knew what was expected of them and had a fair opportunity to meet performance requirements.

The adequacy of these procedures, which provided supervisors with varying degrees of discretion, was evaluated through an employee attitude questionnaire at six agencies. In five agencies, as previously noted, a significant number of employee responses indicated that they had no clear understanding of expected job performance. Similarly, about 50 percent of the employees of these five agencies indicated that they were either never made aware of performance requirements or not until the evaluation period had ended. The exception was FHLBB, in which only 14 percent of the employees indicated a similar situation.

Supervisors generally confirmed that they had not developed performance requirements. Twelve percent of the 190 supervisors who were personally contacted in our review stated they had formally or informally established performance requirements and discussed them with their employees. Eighty-eight percent stated they had not done so because they believed, among other reasons, that the process was unnecessary, not required, too time consuming, or too difficult.



The problems with performance requirements were further evidenced by employee write-in responses to our questionnaire. We randomly sampled 285 of the 1,010 responses and found that 30 percent mentioned problems dealing with performance requirements or related aspects. For example, one employee stated, "The performance rating system is poor due to the lack of job performance standards." Another said, "It is a subjective process based on ill-defined factors, sporadically-observed, and measured against varying personal interpretations of the so-called standards of performance."

Inadequacies in employee performance requirements were also evident in our review of employee rating appeals filed with boards chaired by CSC examiners in three regions. During fiscal year 1976, the boards decided 51 employee appeals involving 3 unsatisfactory and 48 satisfactory ratings. In 23 of the 48 cases the boards' decisions cited the lack of performance requirements or outdated position descriptions. For instance, in one case, a board commented that:

"It is very clear that there is a distinct misunderstanding regarding the extent and nature of the appellant's assigned responsibilities. A lack of written performance standards and a clearly unspecific and ill-defined position description contribute to this confusion."

In this regard a CSC Regional Director stated:

"In chairing performance rating statutory Boards of Review, we have found that agencies are not complying with the requirements that performance requirements be stated (not necessarily in writing) for each position and that employees be rated on these requirements. Supervisors are often unable to furnish statements on what is actually required by the job, beyond performing the duties listed in the position description. This leads us to believe that performance requirements appear only when they are needed to document an outstanding or unsatisfactory rating \* \* \*."

Insufficient supervisor-  
employee discussions

In addition to developing sound performance requirements, employees should know how well they are performing on the job. Each agency system we reviewed required frequent or

ongoing supervisor-employee discussions. Eight of the ten, however, left the interpretation of frequent or ongoing discussions to the discretion of individual supervisors.

SSA requires that supervisors should have at least two discussions of work performance during the evaluation period and more if needed. The term "should" tends to imply an option rather than requirement. In contrast, the FHLBB plan states that supervisors meet quarterly, when possible, to discuss progress, problems, and possible revisions in the work plan. Although the term "when possible" provides an option, FHLBB supervisors are less likely to avoid such meetings since employees can ask for them in the interest of maintaining the mutually developed work plan.

We asked employees in our survey about the value and frequency of informal discussions with their supervisors. Over 80 percent who had held such discussions believed them to be valuable and helpful. Many indicated, however, that such discussions never took place. The following table lists the frequency of informal discussions in the agencies included in our survey.

<u>Agency</u>	<u>Informal discussions held</u>			
	<u>Never</u>	<u>At least once a year</u>	<u>At least every 6 months</u>	<u>At least every 3 months</u>
FHLBB	25%	8%	19%	48%
GSA	46	16	9	29
HEW	54	12	9	25
NASA	43	15	15	27
Navy	57	14	8	21
SSA	43	12	17	28

This same concern over insufficient communication was noted more than 20 years ago in the 1954 report of the Subcommittee on Federal Civil Service. The report stated:

"Evidence given the subcommittee indicates that in many instances employees have not been interviewed at all by their supervisors either prior to or after the receipt of their performance ratings. Such failure by supervisors to perform this duty will

completely defeat one of the primary purposes of any rating system--namely, to strengthen supervisor-employee relationships."

### Inadequate agency review of assigned performance ratings

Extensive discretion is given to supervisors for employee performance evaluation. The exceptions are outstanding and unsatisfactory ratings, which require an independent agency review of the supporting narratives. Most of the outstanding ratings we analyzed were not appropriately justified, even though they had been reviewed in the agency.

Agency systems require supervisors to prepare written statements in support of outstanding and unsatisfactory performance ratings. Additionally, in one agency, a supporting narrative is required for each outstanding or unsatisfactory performance factor rating. Generally, such narratives should describe the performance requirements for each major job responsibility, describe how the employee exceeded or fell below each listed requirement, and state why the performance was considered outstanding or unsatisfactory.

To determine the adequacy of the narratives and agency reviews, we examined 291 performance ratings awarded GSA, HEW, SSA, and Navy employees in our survey at 12 field locations. Narrative statements were included to support 109 performance ratings. Five of those 109 supported outstanding performance summary ratings and 104 supported satisfactory summary ratings with one or more outstanding individual performance factor ratings.

The five outstanding ratings were supported with a combination of specific performance-related and personal remarks. Generally the supporting remarks did not specifically describe the outstanding characteristics of the performance. Nevertheless, each rating had been reviewed and approved by a reviewing official. The support for the other outstanding performance factor ratings (even though reviewed by agency officials) provided little specific indication of the performance requirements and outstanding results.

### Example one

A senior quality appraisal specialist was rated outstanding on the element of "quantity"--the amount or volume of work output. The rating was justified by saying that the person:

"Consistently produces an exceptional amount of work. Is always willing to accept additional assignments and can be depended upon worthwhile contribution to office management."

Example two

A contract representative was rated outstanding on the same "quantity" factor. The justification simply stated the person "produces a tremendous amount of work for his stage of training."

Example three

An administrative clerk-typist was rated outstanding in seven factors ranging from quantity and application of time to adjustment to changes in work procedures and pressure. The supervisor justified the rating by simply saying that:

"\* \* \* is an exceptionally-dedicated employee and everyone in the office looks to her for support and information pertaining to personnel, requisitioning, and record keeping."

Inadequate supervisory training

Without adequate training, supervisors cannot be expected to fulfill effectively the responsibilities for employee performance evaluation their agencies place upon them. Many supervisors in our review indicated they (1) had never received training or (2) believed that such training when received was not very helpful. Personnel officers saw the need for more specialized supervisory training to improve their agency's performance evaluations.

Agency systems stipulate the training of supervisors in the use of performance evaluation plans and forms. Some plans even specified training in the development of performance requirements and the conduct of counseling sessions. According to personnel officers, however, the training was normally provided in connection with a required 80 hours of initial supervisory training and ranged from 4 to 24 hours of instruction on the subject of performance evaluation, including counseling. At the time of our review, FHLBB and GSA were providing supervisors with a special training course in connection with the recent implementation of their new systems.

Many personnel officers favored more specialized training to assure more meaningful evaluations. Generally, they believe that training should focus more on interpersonal relations and communication skills, such as employee-supervisor conflict resolution and frequency of discussion sessions. One official summarized the situation by saying that better training is required in two critical areas--how to evaluate performance and how to counsel employees.

Supervisory responses to our questionnaire indicated weaknesses in existing training programs. The following table shows that in four of six agencies about half of the supervisors indicated that they had never received training in three major elements of performance evaluation as follows:

Supervisors Indicating Lack of Training  
in Major Components of Performance Evaluation

<u>Agency</u>	<u>Preparing employee performance appraisals</u>	<u>Using agency rating forms</u>	<u>Counseling subordinate employees</u>
FHLBB	14%	13%	25%
GSA	36	33	39
HEW	60	66	62
NASA	54	70	45
Navy	47	44	49
SSA	56	56	54

Some supervisors who indicated they had received training did not consider it very helpful. This problem was most notable among GSA and Navy supervisors regarding the counseling of employees in their performance and use of agency rating forms and among NASA supervisors regarding the preparation of employee performance evaluations.

COMPARISON WITH PERFORMANCE  
EVALUATION SYSTEMS USED  
IN THE PRIVATE SECTOR

Most private sector systems included in our review provide supervisors with procedures, guidelines, and forms to evaluate and, in some cases, rate subordinate performance. Procedures state that performance evaluations are conducted

for employee development, administrative use, or both purposes. Invariably the procedures encourage frequent supervisor-employee communication and require at least one counseling session annually to discuss the employee's performance. The private sector also requires the establishment of performance requirements or work expectations and encourages or requires employee participation in the process.

While these performance evaluation processes are somewhat similar to those noted in Federal systems, differences do exist between the Federal and private sector. The more notables are

- different rather than uniform performance evaluation methods for different major employee occupational groups,
- evaluation procedures and forms that provide more guidance to supervisors,
- results or achievement-oriented narratives supporting performance ratings used in graphic rating scale methods, and
- required review by employees and higher levels of management.

#### Uniform versus multiple performance evaluation methods

Substantially all the Federal agencies included in our review used the same performance evaluation method for all employees, regardless of occupation. In contrast, about 69 percent of the private organizations included in our review used performance evaluation methods relevant to major occupational groupings within those organizations.

Different methods were generally established for management and nonmanagement or salaried and nonsalaried employee occupational groups, as well as other groups. The methods established by the 16 private companies were categorized as follows:

Performance evaluation method  
MBO/WPPR    Essay    Graphic rating scale

Single method-- all employees	4	1	0
Dual method:			
Management personnel	10	0	1
Nonmanagement personnel (note a)	1	2	4

a/Methods for nonexempt personnel were not administered at the corporate level in four of the private companies. We therefore reviewed and categorized only seven methods.

As can be seen above, the private sector seemed to favor MBO/WPPR evaluation methods for management personnel. According to personnel specialists, more individualized methods were needed for exempt personnel to better evaluate the non-standardized nature of their work. For example, one personnel director stated that higher level employees are evaluated on such items as their ability to manage and their performance in relation to the company's financial goals. In contrast, lower level employees' work tends to involve fairly standard and quantifiable work. Consequently, achievements from this occupational group can be evaluated in less time and therefore with less costly evaluation methods such as the traditional graphic rating scale.

Procedures and forms provide more guidance to supervisory personnel

The MBO or WPPR performance evaluation systems established by the private organizations also provided supervisors with the procedures/guidelines and forms that focused on employee performance. Unlike most Federal agencies, supervisors in private organizations were provided with procedures and forms that required them to document any previously established work expectations and work results achieved. In some cases the work expectations were supposed to be developed with employee participation and/or established in advance of the evaluation period to assure that employees know exactly what is expected of them and are provided the opportunity to meet the expectations.

The following example demonstrates the highly structured and visible nature of private sector procedures and forms built around the performance-oriented MBO or WPPR methods.

A performance planning and evaluation system is one part of the organization's appraisal and counseling program for all employees. The objectives of this system are to (1) insure that each employee understands what is expected in the job and (2) provide a more objective basis for evaluating individual performance.

The first step in the process is to establish written work expectations in the form of a work plan. The form provides space to document the major elements of the employee's job in advance. Besides delineating the job responsibilities in key words, the form provides space to write down the performance factors or results to be achieved and their relative importance. These factors or results are to be a specific statement of the performance goals an employee can be expected to achieve in the coming evaluation period. In addition, the form allows for documenting subsequent changes to the work plan or additional responsibilities the employee may want to undertake.

Guidelines suggest that supervisors conduct performance discussions on an "if necessary" basis. The objective of such periodic discussion is to assure that employee work progresses in the right direction and problems are addressed when they arise rather than at the end of the work plan period.

At the end of the period, supervisors are required to review employee performance on each stated performance factor. The form provides space for documenting actual achievements and any significant additional achievements. The supervisor is also provided with space to address responsibilities which were not covered under actual accomplishments but which have a significant positive or negative effect on the overall performance. Similarly, comments are requested concerning employee job-related relationships to other company employees.

The performance evaluation and rating should not surprise employees since the evaluation process is highly communicative and visible. But if employees disagree, the procedures encourage them to discuss with supervisors the reason for disagreement. At the same time, supervisors are required to discuss with employees their strengths and developmental needs and suggest changes to improve performance.



The required discussion is future oriented and supposed to take the form of constructive suggestions for next year's work rather than criticism of last year's performance. The form provides the space to record the results of this counseling session before the document is forwarded for higher level management review.

In addition to the basic evaluation form, management personnel are evaluated on people management. Each manager is evaluated on such factors as leadership/motivation and employee development.

### Narratives support performance ratings

MBO or WPPR systems used in private organizations provide for detailed documentation of the employees' expected and actual job-related performances. While Federal agencies employ narratives to a limited extent, in private organizations even graphic scale systems require narratives. Only one private organization stated such documentation as an option rather than a requirement.

Personnel specialists in private organizations generally viewed the preparation of written narratives as a very important part of the performance evaluation process. They reasoned that narratives required supervisors to identify employee work accomplishments in relation to all job-related performance factors. Such a process required more thought on the part of the supervisor than the common checkmark on a graphic rating scale. Additionally, some viewed the narrative as a more meaningful description of employee performance, less susceptible to misinterpretation by employees and higher management levels and more useful as backup data for supervisory personnel decisions.

Some private sector systems required supervisors to prepare the narrative first and then rate employee performance, a technique different from that used by those Federal agencies using the graphic rating scale method. According to private sector personnel specialists, the change in the sequence of events was not only considered more logical, but was expected to result in more thoughtful and performance-related ratings.

The following examples demonstrate the performance-oriented nature of the graphic rating scale systems.

### Example A

This organization implemented a system for all nonmanagement employees. The system required supervisors to evaluate employee performance in relation to fellow workers on three performance factors--quantity of work, quality of work, and contribution to the work group's performance. In the next step, the supervisors were required to rate each employee on a scale of five, ranging from low to high performance, and to prepare a narrative supporting the assigned rating. Procedures and forms required the supervisors to use objective and results-oriented data to support each performance factor rating.

In addition, employees may be evaluated on their management potential. Personnel research identified six management attributes that are important for success in a manager's job in that organization. The supervisor is generally required to evaluate an employee only on these attributes if the employee or management specifically requests such an evaluation.

### Example B

This organization also implemented a system for all nonmanagement employees. Procedures require supervisors to describe in writing employee performance on several job-related factors. Together with another staff member, employee performance is evaluated against the duties of each performance factor, recorded on the form in a narrative, and then rated on a scale of seven ranging from poor to outstanding. The preparation of the narrative describing employee performance precedes the evaluation and rating process.

### Supervisory review of performance evaluations

The private organizations generally require employees to review the prepared performance evaluation and sign the form. Unlike many Federal systems requiring higher level supervisory reviews only when the performance rating is outstanding or unsatisfactory, most of the private organizations required a management or higher level review of the performance evaluation.

Under some systems, higher level supervisors were required to review the proposed evaluation. In other systems, actual comments were solicited from the reviewing official to supplement the immediate supervisor's evaluation. An independent official in one system participates in the

evaluation and rating process to provide guidance to the supervisor and insure fair description of employee performance.

## CONCLUSIONS AND RECOMMENDATIONS

### Conclusions

Performance evaluation systems should provide supervisors and employees with clearly stated performance objectives and practical evaluation methods and forms. Systems should help supervisors and employees guide their efforts toward the systematic collection of performance data to make work-related decisions. In the context of employee development objectives sought by the Congress, such performance data should enable supervisors to identify and improve performance weaknesses and to move forward in developing the full potential of employees.

Most Federal systems have tried to serve the above objectives with inadequate methods. They used traditional graphic rating scale methods that do not provide supervisors with the format useful for systematic documentation of performance data. Procedures provided minimal direction and guidance, thereby leaving implementation of the evaluation process almost entirely to the discretion of individual supervisors. Since training for supervisors has also been inadequate, the success or failure of performance evaluation systems is largely dependent on an individual supervisor's personal skills and inclinations.

In contrast to these Federal systems, most performance evaluation systems examined in the private sector provided supervisors with considerably more structure and therefore forced them to stay within the objectives of these systems. The private sector built its systems around different rather than uniform methods for major occupational groups to better accommodate the characteristics of the assigned responsibilities. Also, similar to the FHLBB system, the private sector favored evaluation procedures and forms that not only provided supervisors with more guidance but also focused the evaluation process on actual employee performance rather than rating. Coupled with more frequent supervisory reviews, the resulting documentation of performance data should produce more objective data that, in turn, forms a sound and highly visible basis for supervisors and employees to make work-related decisions.

As a result of our examination of public and private sector systems, we believe that the degree of detail and coverage of performance evaluation systems should vary with the duties and responsibilities of employees. As a minimum, however, performance evaluation systems should make clear to employees what will be expected of them during the rating period and, in terms of work results, how they have performed. In addition to providing work direction, well-designed and well-implemented systems should provide the performance data needed to (1) assure a basis for fair and objective performance feedback and (2) make work-related decisions essential to employee development.

### Recommendations

We recommend that CSC require that Federal agencies establish and use performance procedures and methods which will provide employees in advance with specific written statements of work requirements commensurate with specific grades and positions. Provision should be made to require that such statements of work expectations are periodically updated and compared to work results or accomplishments for the purpose of evaluating performance and making appropriate work-related decisions. To avoid potential misunderstanding, work expectations and accomplishments should be documented and acknowledged by both supervisor and employee.

We also recommend that CSC require Federal agencies to:

- Provide supervisors with guidance that specifies a minimum number of required employee-supervisor job-related discussions during the evaluation period.
- Institute more substantive management reviews of narratives or justifications submitted in support of performance ratings to be certain that evidence of performance indeed matches the rating.
- Provide supervisors with adequate training on the importance and value of performance evaluations, to include using appropriate techniques in the evaluation system, conducting constructive interviews, and developing work expectations with a view toward employee development.
- Consider the establishment and use of different evaluation methods for major occupational groups.

--Emphasize in personnel management audits the reviews of the effectiveness of performance evaluation systems.

AGENCY COMMENTS  
AND OUR EVALUATION

EPA generally agreed with our recommendations and mentioned that many of them are contained in their revised policies on performance evaluation. DOT agreed with the concept of the collaborative approach to performance evaluation, the need for supervisory training, and a higher level review process. DOT disagreed, however, with the requirement for written performance standards and a specified number of discussions during the rating period. DOT reasoned that such requirements would create an inordinate workload and detract from the participative, communicative, and supportive atmosphere which must prevail in performance discussions. FS commented that in theory our recommendations are reasonable and justified, but ignore problems with the selection and behavior of supervisors. FS also believed that an additional workload would be generated, along with additional paperwork.

We fully agree that the selection of individuals for supervisory positions is a key issue. In our review, the issue of supervisory training surfaced more persistently than selection of supervisors. Nevertheless, we endorse the fact that agency management attention should be directed toward the supervisory selection process and, as FS points out, in placement followup and evaluation of supervisory competence and objectivity.

It is possible that our recommendations may initially increase workload by insistence upon formal and documented performance requirements and results. As pointed out in this chapter and demonstrated in chapter 4, however, performance evaluation systems which provide the supervisor with more structure--written performance requirements and specified discussions--tend to result in improved employee job knowledge and possibly improved performance. While not the panacea for all performance evaluation problems, we believe the benefits of our recommendations outweigh the possibility of increases in workload.

CSC staff commented that the PRA and FPM already require that performance requirements be made known to all employees at the beginning of the rating period. We agree that the PRA and FPM require such notification. Our review indicated,

however, that this requirement is not being adequately met. The law and FPM leave the means for notification to the discretion of individual agencies. Our recommendations provide for specific written statements of work requirements commensurate with employees' specific grades and jobs.

CSC staff also questioned our recommendations because they do not provide the means with which to address employee performance "validity and reliability." The intent of this report was not to provide agencies with a detailed "how-to-do-it" manual. It is the intent of this report to establish basic principles for effective performance evaluation systems with the implementation left to individual agencies.

## CHAPTER 4

### OPPORTUNITIES EXIST TO IMPROVE

### PERFORMANCE EVALUATION SYSTEMS

As discussed in the previous chapter, problems plague the effectiveness of most Federal performance evaluation systems we reviewed. Some problems are caused by perfunctory implementation and poor supervisory practices. Another and perhaps more important cause seems to be management's reluctance to establish more formal systems built around employee participation or collaboration in the performance evaluation process.

Personnel management literature and research and our own analysis have identified the collaborative approach, with its people and results orientation, as one promising way to improve and develop employee performance. <sup>1/</sup> Although most agency systems we reviewed encouraged employee participation, we noted that only 2 of the 10 Federal agencies used evaluation methods which can be identified with the collaborative approach. The remaining eight Federal agencies used more traditional methods.

Management's reluctance toward the collaborative approach in those agencies can be attributed partly to a basic skepticism toward the real value of collaborative systems. In discussions with directors of personnel at the headquarters level, we were told that hard evidence was lacking that mandatory employee participation, written work expectations and results, and feedback on performance would be cost effective as well as beneficial to employees, supervisors, and management. Since the directors expected considerable resistance to a perceived increase in paperwork, they had not established formal and structured collaborative evaluation systems.

### COMPARATIVE ANALYSIS OF FEDERAL PERFORMANCE EVALUATION SYSTEMS

The potential shown by the collaborative approach is evident in our comparative analysis of four traditional and two collaborative systems used by six Federal agencies. Correlation analysis of the employee attitude data provides some statistical evidence that the best results were obtained

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<sup>1/</sup>See app. IV for detailed explanation and description of literature and research.

from FHLBB's formal and structured collaborative system rather than the other more traditional or the informal collaborative systems. While employee responses indicated some dissatisfaction with all systems, they also indicated that job knowledge, communication, and helpfulness were markedly better under FHLBB's formal collaborative system. Furthermore, the employee responses showed no significant differences between and within Federal agencies' major occupational and grade groupings. Accordingly, the collaborative approach appears promising if viewed primarily as a method to improve and develop employee performance and to provide documented backup data for work-related decisions.

### Methods and assumptions

To determine the relative value of collaborative systems, we compared employee responses from six agencies 1/ to questions concerning (1) the more traditional graphic rating systems of GSA, Navy, SSA, and HEW (other than SSA) and (2) the more collaborative systems of NASA and FHLBB. Both NASA and FHLBB developed guidelines for the implementation of these collaborative systems. Only FHLBB required supervisors to participate with employees in documenting the entire process. FHLBB's system is more formal and structured than NASA's collaborative system. 2/

### Value of a structured collaborative performance evaluation system

Employees apparently perceived the most benefits from the formal and structured collaborative system. Our comparative analysis showed that the structured system apparently helped the greatest proportion of employees to

- assess and improve their performance and
- gain a clear understanding of the performance expected of them on the job.

Results indicated that the more successful performance evaluation system was characterized by a high degree of participative goal setting sessions, frequent and open communication between employee and supervisor, and a supportive "coach" rather than "judge" supervisory role.

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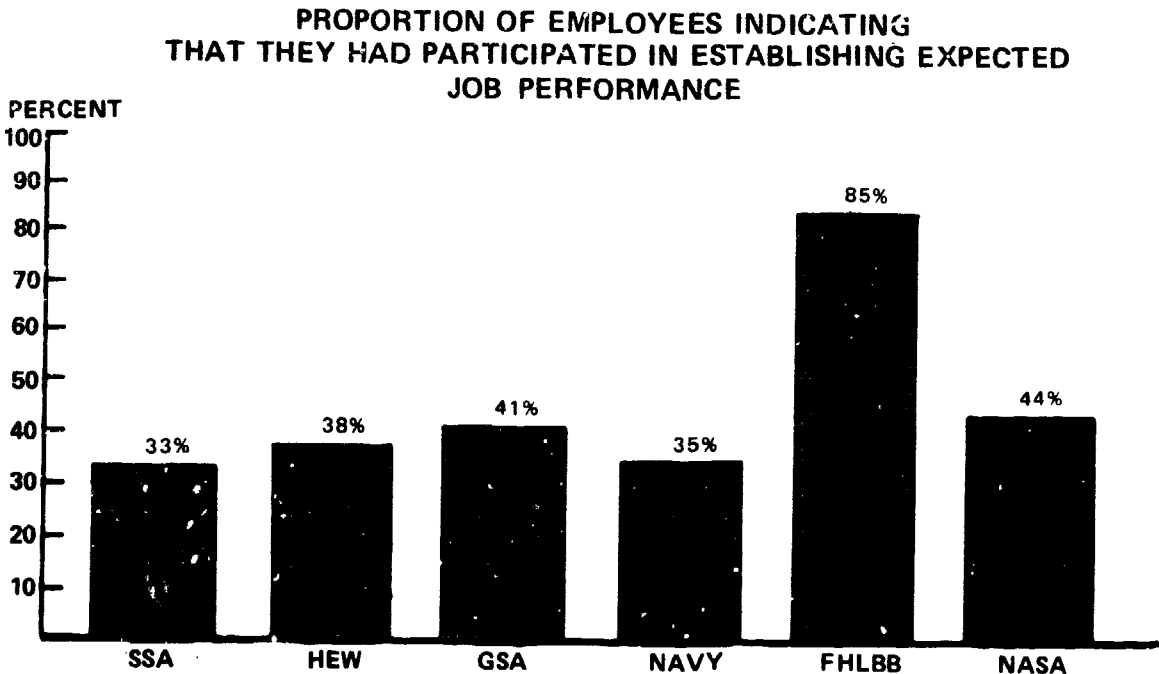
1/See app. II for description of statistical methodology.

2/For detailed description see app. III.



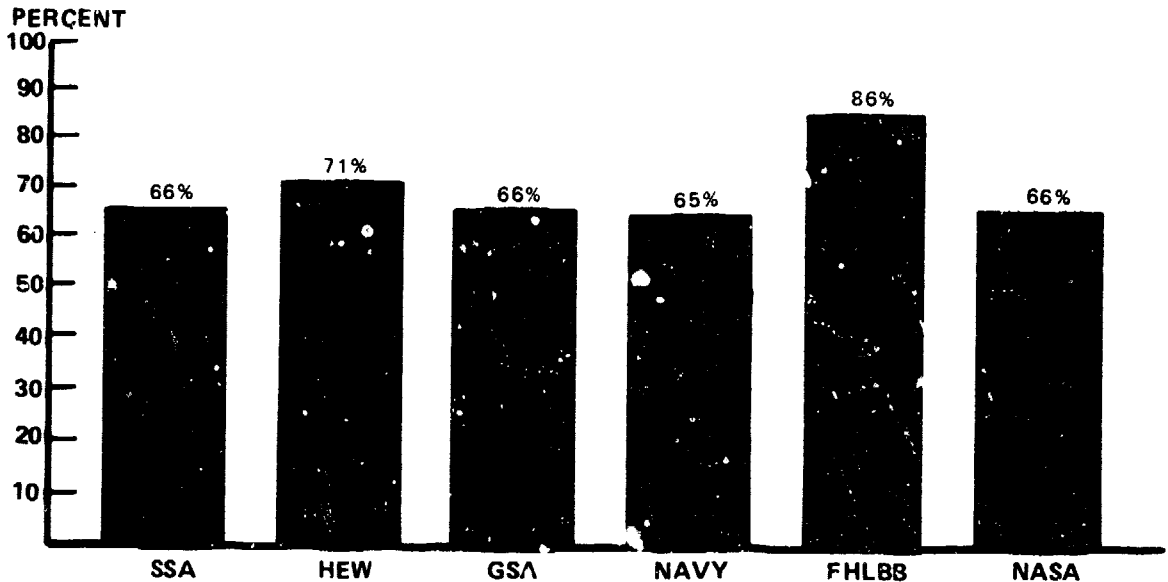
Better job understanding  
through employee participation

Survey results indicate an especially strong relationship between the employee's clear understanding of the expected job performance and the extent to which these performance expectations were jointly established. To illustrate, FHLBB employees had a more active role in determining the performance criteria against which they would be judged. As can be seen from the following chart, the proportion of FHLBB employees establishing joint job performance expectations is almost twice that of the next highest agency.



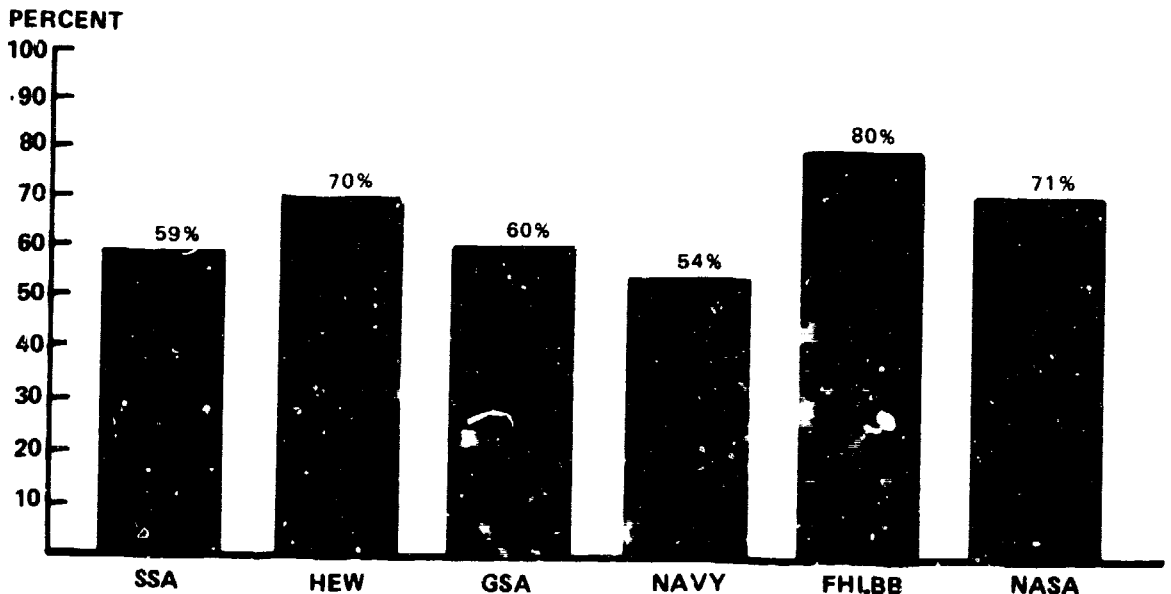
Correlation analysis showed that such participation affected the level of job understanding by employees. More FHLBB employees indicated they had a clear understanding of expected job performance than the other agencies.

**PROPORTION OF EMPLOYEES INDICATING THAT  
THEY HAD A CLEAR UNDERSTANDING OF EXPECTED JOB PERFORMANCE**



FHLBB employees were also generally more satisfied with their work experience than those employees at the other agencies. For example, 80 percent of the employees sampled felt satisfied with their last annual rating. The following chart compares sampled employee satisfaction among agencies.

**PROPORTION OF EMPLOYEES INDICATING THAT THEY WERE  
SATISFIED OR VERY SATISFIED WITH THEIR  
LAST ANNUAL PERFORMANCE RATING**



## Job-related counseling

If employees are to improve their performance and understand how to perform, they need to be provided ample opportunity to communicate with their supervisors. Such communication can take the form of either formal or informal job-related counseling about employee performance or the performance rating itself. Our data indicates that as employee satisfaction with formal counseling improved, the perception of the performance rating as being helpful to both employee and agency increased.

As an example, FHLBB's employee satisfaction with formal counseling differed significantly from other employees. Contributing to this high satisfaction is the degree each discussion pertained to job-related matters, dealt in specifics, suggested ways for the employee to improve his or her performance, and stressed the importance and use of the latest performance rating. As a result, these employees felt their system was helpful, especially in allowing them to assess their strengths and weaknesses, to develop a plan for improving performance, and to identify training objectives. The following table indicates the perceived differences in utility of the various agency rating systems.

<u>Responses to questionnaire</u>	<u>Respondents</u>					
	<u>FHLBB</u>	<u>NASA</u>	<u>SSA (except SSA)</u>	<u>HEW</u> <u>GSA</u>	<u>Navy</u>	
Their last performance rating was helpful in allowing them, to a moderate or great extent, to: <ul style="list-style-type: none"> <li>Assess their strengths and weaknesses in performing their job</li> <li>Develop a plan for their development and improvement</li> <li>Know what the agency thinks about them</li> <li>Know what their supervisor thinks about them</li> <li>Know what their promotion opportunities are</li> <li>Improve their performance</li> <li>Identify training objectives</li> </ul>	70%	42%	56%	54%	58%	43%
Their last performance rating allowed their agency, to a moderate or great extent, to: <ul style="list-style-type: none"> <li>Accurately measure their performance</li> <li>Distinguish between their and other employees' performance</li> <li>Reward their contribution to the accomplishment of the agency's goals</li> <li>Promptly keep them advised of their performance, training-development needs, etc.</li> </ul>	68	42	61	59	60	50
	45	32	47	49	50	42
	46	29	40	39	43	37
	45	28	35	36	40	33

## Supportive supervision

The effectiveness of a performance evaluation system can be enhanced through supportive supervision. For example, our analysis of factors influencing employee satisfaction with formal counseling shows that supervisor interest along with the degree their comments were perceived as valuable and fair related strongest to each employee's satisfaction. As can be seen from the following table, employees under collaborative systems most consistently indicated that their supervisors seemed genuinely interested and provided valuable and fair comments.

Responses obtained fell on a scale ranging from one to seven. One meant the supervisor's behavior closely matched such items as providing fair and valuable comments and appearing genuinely interested. Seven reflected the opposite feeling. We collapsed these seven scales, creating three more concise categories. Scale values one through three became a "yes" category, values five through seven became a "no" category, and value four became "undecided." Employees who were undecided were not represented.

<u>Agency</u>	<u>Seemed genuinely interested</u>		<u>Provided valuable comments</u>		<u>Provided fair comments</u>	
	<u>Yes</u>	<u>No</u>	<u>Yes</u>	<u>No</u>	<u>Yes</u>	<u>No</u>
FHLBB						
(note a)	58%	16%	61%	12%	68%	10%
NASA						
(note a)	54	27	47	20	66	8
SSA	49	32	41	26	52	19
GSA	48	28	51	20	54	17
HEW	44	29	41	21	49	18
Navy	42	34	39	24	53	14

a/Collaborative systems.

## Interagency and intra-agency differences

No statistically significant differences were apparent when the six sample agencies were compared on the basis of occupation and grade groups. Intra-agency differences, however, were noted in two agencies. A significant proportion of GS-12 and GS-13 employees at NASA felt their plan was not helping them to assess strengths and weaknesses, develop a plan for improving performance, and improve overall

performance. Similarly the data indicated that this group had a significantly lower understanding of what was expected of them during the rating period.

A significant proportion of HEW personnel, excluding SSA, in GS grades 12 and 13 and those indicating they belonged to the management/professional occupational group felt their performance evaluation system was not helping them develop a plan to improve performance. The GS-12s and GS-13s also felt they were unable to fully assess their own strengths and weaknesses. Even though we see no statistically significant differences in the expected level of performance, the data indicates that both groups had the lowest proportion of members in both participating in goal setting and understanding what was expected of them.

### Importance of formal management support

Our comparative analysis disclosed differences in the degree of perceived helpfulness of collaborative systems. One major difference appeared to be the level of active management support. For example, after developing the WPPR system, NASA delegated the implementation to its various research centers under a "soft sell" approach for adaptation to local management styles and requirements. In March 1975 NASA administered a personnel management questionnaire to 5,600 employees. The purpose of the questionnaire was to evaluate the effectiveness of personnel policies and practices.

Several questions concerning the performance evaluation system showed wide variations in employee responses. For instance, employees from one research center (RC-1) showed better results in job understanding and communication than employees from another research center (RC-2). This can be seen in the percent of "yes" responses to four important questions.

<u>Questions</u>	<u>Employee "yes" responses</u>		
	<u>RC-1</u>	<u>RC-2</u>	<u>Difference</u>
Your supervisor meets with you periodically (at least once a year) to plan and review your work.	62%	42%	20%
Your supervisor has given you a clear understanding of your duties and responsibilities.	58	46	12
Are you kept pretty well informed of how you are doing on the job?	66	50	16
Your supervisor periodically discusses with you your career development.	62	42	20

According to NASA officials, the differences in employee responses are at least partly attributable to the management support given to WPPR. If properly implemented, WPPR should provide employees with the type of communication necessary for a clear understanding of performance expectations and should explain their development opportunities. Since NASA is decentralized and leaves implementation decisions to research centers, differences exist in the level of management support. These differences are reflected in the level of commitment to WPPR implementation at RC-1 and RC-2.

RC-2 officials confirmed the limited use of WPPR because they questioned the system's value as a mechanism to improve employee performance. WPPR was considered too abstract since nothing tangible, such as a rating, was required from the system, and supervisors wanted something more specific. Consequently, the research center had not required supervisors to use WPPR nor developed any supplemental forms to assist them in the evaluation process.

The existence or nonexistence of active management support is partly seen on our own analysis. Within the NASA sample group, we compared the RC-1 system, which has full management support, with the RC-2 system, which has limited support. A greater proportion of RC-1 employees viewed their system as being more helpful and as providing a means of better understanding of the performance being expected. The following table shows this comparison.

Employee Understanding of  
Expected Job Performance

	<u>Clear</u>	<u>Unclear</u>
RC-1 system with management support	72%	28%
RC-2 system without management support	58	42

CURRENT TRENDS  
IN THE PRIVATE SECTOR

Acceptance in the private sector of collaborative systems appears greater than in the public sector. Some indications can be seen in the following table.

	<u>Total</u>	<u>Number of users by system</u>	
		<u>Collaborative</u>	<u>Traditional</u>
Private organizations (note a)	16	14	2
Federal agencies	10	2	8

a/Five organizations included blue-collar and clerical personnel within the collaborative systems.

The apparent higher use of collaborative performance evaluation systems can be attributed to several basic reasons. The private sector wants to improve employee performance in an attempt to increase productivity. Furthermore, the private sector believes that a reliable performance-oriented evaluation system will provide the necessary work-related and written information required to support personnel decisions and to defend against possible discrimination charges.

Use of Collaborative systems

Generally, the purpose of the 14 private organizations using the collaborative approach was (1) to establish an employee performance evaluation and development system that provided for formal communications between manager and employee on job performance, accomplishments, strengths, and developmental needs and plans and (2) to establish systems that provided input data for personnel actions.

Seven of the 14 private organizations changed over the last 5 years to the collaborative system. Some of the reasons for this shift were related to the failure of traditional



systems to counsel employees adequately, to show a correlation between performance ratings and personnel actions, and to identify potential supervisory and management personnel properly. Additionally, some employees were dissatisfied with their limited input to participate in a personnel process which affected their future.

### Other studies in the private sector

Use of collaborative systems is also shown in a study of private industry practices. <sup>1/</sup> The study reported that 26 out of 46 responding companies used collaborative systems for their exempt employees and that 3 additional organizations planned to change to the collaborative approach.

The Bureau of National Affairs Inc. surveyed private organizations in 1964 and 1974. Its 1974 survey indicated the increased use of collaborative techniques. It showed that the achievements of goals (77 percent) and managerial skills, such as communication and organizational proficiency (81 percent), were stressed in performance appraisal. In contrast, the 1964 survey indicated that only about 20 percent of the evaluation systems considered the achievement of goals.

A recent Conference Board study further substantiates increased use of MBO collaborative systems by private organizations. The Conference Board's Director of Compensation and Labor Relations Research attributed this increased use to the emphasis placed on improving white collar productivity. Furthermore, organizations believe that a reliable performance evaluation system linking pay more closely to performance can play an important part in defense against charges of age and sex discrimination.

### CONCLUSIONS AND RECOMMENDATIONS

#### Conclusions

Every Federal agency must periodically examine its personnel policies and practices to assure their continuing appropriateness and to take advantage of innovation. Even though it may be one of the most difficult personnel areas, performance evaluation is no exception to this basic approach to good personnel management. We appreciate the concern over costs

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<sup>1/</sup>Robert A. Zawacki and Robert L. Taylor, "A View of Performance Appraisals from Organizations Using It," Personnel Journal, June 1976.

involved in developing and implementing new performance evaluation systems. However, Federal agencies must look at cost concerns in light of the potential benefits resulting from a more productive, informed, motivated, and satisfied work force.

Our analyses indicate that a recognizable benefit appears possible through the collaborative system approach to performance evaluation, offering the potential for improved performance and employee development. Our data indicates that, regardless of major occupational or grade groupings, the best results were obtained from formal and structured collaborative systems supported fully by management at all organizational levels. Employees perceived such collaborative systems as helpful in gaining a clear understanding of expected levels of performance and in assessing and improving their actual performance. In our opinion, this is not surprising because employees, after all, are directly involved in the work situation and therefore should actually have good information about their own work and performance.

### Recommendations

We recommend that the Office of Management and Budget require all Federal agencies, with the technical help of CSC if needed, to review the principal features of the collaborative performance evaluation method and

- assess the feasibility of using the collaborative method in their own agencies, and if feasible
- develop their own system incorporating the principal features of the collaborative method, and
- on a selective basis, begin implementing such systems and keep careful records of results in terms of both costs and benefits.

### AGENCY COMMENTS AND OUR EVALUATION

HEW agreed with the basic desirability of implementing collaborative performance evaluation systems whose primary purpose is to maintain and improve employee performance on the job and to strengthen supervisor-employee relationships. We

believe it is important to highlight the following from FHLBB's comments, because it reiterates important aspects of its collaborative system:

"\* \* \* The MBO/KOI system was designed to meet specific Bank Board needs and is based on top management objectives and their commitment to them. The foundation of the system is increased communication, clarification, and understanding of job responsibilities between supervisors and employees. The performance evaluation aspect focuses on the individual's performance; namely, how well the results expected were met and areas for improvement."

FHLBB also pointed out the need to monitor and evaluate continually the system's effectiveness, to identify problems, and to take corrective action.

CSC staff agreed that each agency must assess for itself the desirability and feasibility of using the collaborative approach. The CSC staff emphasized, however, that success depends in large measure on widespread support at all organizational levels--a concept we agree with.

## CHAPTER 5

### INSUFFICIENT CONNECTION BETWEEN PERFORMANCE

#### AND REWARD IN THE FEDERAL GOVERNMENT

Previous chapters focused on ways to improve and strengthen performance evaluation systems so as to make them more meaningful to employees and supervisors. The best performance evaluation system, however, may fail to improve performance without adequate assurance that individual effort and accomplishment, as supported by a performance evaluation, are important considerations in personnel decisions involving monetary or nonmonetary rewards. Attitude surveys show that many Federal employees believe that quality performance is not always fairly rewarded under the current reward process. The linkage between performance and reward needs strengthening in order to assure that employees who most effectively improve their performance and develop potential are recognized and rewarded.

#### DIFFERING VIEWS ON LINKAGE BETWEEN PERFORMANCE EVALUATION AND OTHER PERSONNEL ACTIONS

Earlier in this report we discussed the problems associated with performance evaluations designed to serve both employee development and administrative purposes. Some writers contend that those two purposes are sufficiently distinct to require different evaluation methods. Others believe that a total separation of administrative actions and employee development could jeopardize the effectiveness of the performance evaluation process. They argue that monetary and nonmonetary rewards tied to performance achievements will lend credibility to the evaluation process by providing employees with the tangible evidence that reward is based on quality performance.

The importance of employee perception concerning the probability of reward based on effort has also been pointed out in a recent CSC report. <sup>1/</sup> According to that report, a private study of 600 lower and middle level managers found that highly motivated managers considered pay very important and felt that good job performance could lead to higher pay for them. The study concluded that

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<sup>1/</sup>"Rewarding Quality Performance," Study of Federal White-Collar Compensation by CSC, Bureau of Policies and Standards, Oct. 1975.

"\* \* \* to reinforce this type of attitude, a system must allow for a significant degree of distinction and recognition and the system must be perceived by the employee as bearing some relationship between the effort expended and the monetary reward which will be granted."

Federal agency officials generally supported this study's conclusions. They opposed any regulated linkage between performance and pay, however, even though employee attitude surveys strongly suggested the need for some linkage to improve the total personnel system's credibility.

## FEDERAL PRACTICES

### Management views

Most Federal officials we surveyed at headquarters and in the field opposed a formal linkage between performance rating and reward programs. They were concerned over the potential for automatic action so common to regulated personnel actions. They viewed such regulated personnel actions as a restriction on management's ability to reward quality performance in a timely and positive manner. One personnel director expressed the opinion that within-grade salary increases for GS employees are now practically automatic, even though the congressional intent was different. Other personnel officials shared similar views.

Federal personnel officials also questioned the feasibility of designing a method that would allow for fair and effective administration of the reward process. They also maintained that positive reinforcement was already achieved by rewarding performance with quality step increases, incentive awards, and the merit promotion program.

### Employee views

Contrary to management's view, attitude surveys disclose that Federal employees do not believe that under current personnel systems their level of performance determines monetary reward. For instance, CSC reported the results of a 1974 survey administered to 8,000 Federal employees in five agencies. Most responding employees were dissatisfied with the fairness of their agency's performance evaluations and the salary or incentive award decisions. Further, about 65 percent of the respondents were neutral or disagreed that their performance would affect existing opportunities for monetary reward.

Similar employee perception over the fairness of their agencies' personnel systems still exists. In our survey most Federal employees believed that performance should be considered in personnel actions. Only about every second employee, however, was satisfied with agency practices in selecting employees for promotions, incentive awards, or quality step increase. This can be seen in the following table.

Employee Level of Satisfaction

<u>Agency practice in selecting employees for</u>	<u>Satisfied</u>	<u>Dissatisfied</u>
Superior performance award	51%	49%
Promotions	54	46
Quality step increase	57	43

Lack of adequate connection between performance rating and monetary reward

Twelve of the 22 field organizations included in our review reported outstanding performance ratings for their employees during the year we reviewed. In four organizations each employee with an outstanding rating received a monetary award. <sup>1</sup>/ In the remaining eight organizations, a range of 20 to 93 percent of employees receiving outstanding ratings also received monetary rewards.

While the data reflects at least some connection between the outstanding performance rating and a monetary reward, this is not true of within-grade salary increases for GS employees. The introduction of the "acceptable level of competence" determination for within-grade salary increases in 1962 was intended to eliminate the automatic salary increases and to serve as a positive reward for good performance. No significant difference exists, however, between the "satisfactory" and "acceptable level of competence" ratings. Various Federal personnel management reports show that, as with the satisfactory rating, about 98 percent of GS employees receive within-grade salary increases, which are perceived as a right rather than reward for meeting job requirements.

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<sup>1</sup>/Includes promotions, superior performance awards, and quality step increases.

## PRIVATE SECTOR VIEWS

Private sector personnel specialists generally believed that a firm connection should be established between performance and rewards. To that end, even those organizations using the collaborative approach apparently used the performance evaluation data for salary and promotion determinations.

To reduce any negative effects from such linkage, supervisory and employee discussions concerning salary increases and promotions are often separated in time from discussions regarding performance. One organization's guidelines state:

"The subject of salary frequently comes up during appraisal discussions. This is natural, of course, because of the intended link between pay and work accomplished. It should be remembered, however, that the principal purpose of the appraisal is to discuss performance. Therefore, the manager would do well to recognize the employees' salary concern and arrange a separate meeting. This re-scheduling should be handled in such a way that the employee understands the postponement to be a way of dealing with the issue at a more appropriate time, not of avoiding it."

Additionally, the performance rating itself is not always the determining factor for an administrative action. According to private sector personnel specialists, supervisors are required to consider performance data developed through the evaluation process and use that data as backup for the preparation of salary or promotion recommendations. This process eliminates any automatic expectations, while retaining desired positive reinforcement by using the employee's accomplishments as backup data.

Many companies reviewed used the merit salary budget as the control tool. According to one personnel director, the supervisor makes salary decisions within the allotted budget. The decisions, in turn, are periodically reviewed against individual performance evaluations by the personnel department to assure that a close relationship exists between demonstrated performance and pay. The purpose of the review is to preserve the credibility of both personnel processes, which are a part of the total personnel administration system.

FEDERAL REPORTS RECOMMENDING  
CONNECTION BETWEEN PERFORMANCE  
DETERMINATIONS AND SALARY DECISIONS

Over the last 2 years, several reports have concluded the Federal Government needs to connect performance achievement more closely to pay. In October 1975 we reported on the fundamental changes needed in the Federal white-collar pay system (B-167266). The report pointed out many inequities in the current pay system and the need for a more direct link between performance and pay.

In October 1975 CSC reported on its evaluation of the Federal compensation administration and related practices. The discussion paper, "Rewarding Quality Performance," addressed, among other topics, the relationship between pay and performance. Overall, the CSC report concluded that the Federal pay system is not sufficiently related to performance and that a new system is needed. They suggested that modifications for handling within-grade salary increases, however, cannot be made without concurrent changes in the performance evaluation system to provide an improved basis for granting salary increases. One suggestion was to increase the summary adjective ratings from three to five performance rating levels. Four of the five new levels would be automatically tied to some compensation level.

In June 1975 President Ford established a Panel on Federal Compensation and requested a comprehensive review of the major Federal employee compensation systems. The Panel, which was to determine any needed changes in Federal compensation policies and practices, reported its findings in December 1975.

In addressing the within-grade salary increases, the Panel concluded the need for a closer and more realistic connection between performance and pay. For a proposed new clerical/technical employee group, the Panel recommended that this group should continue to receive longevity increases based on length of service. The administrative basis should be satisfactory performance as determined by the annual performance evaluation.

In its proposal for a new professional/administrative/managerial/executive service employee group, the Panel recommended that both the size and the frequency of such employee salary increases should be tied directly to employee performance on the job. The Panel further recommended that the current automatic salary increases should be replaced with a



merit system to assure that salary advancement is based on demonstrated job performance. To regulate the merit increases properly, the Panel recommended the establishment of a merit increase budget or other control technique rather than an automatic tie-in to a rating, such as suggested as an alternative in the October 1975 CSC report.

## CONCLUSIONS AND RECOMMENDATIONS

### Conclusions

The development and implementation of effective performance evaluation systems alone is insufficient to increase employee performance and development. Employees must also have good reasons to believe that their efforts and accomplishments, as evidenced by their performance evaluation, may lead to recognition in the form of tangible rewards. To achieve this purpose, performance evaluation should be linked in an indirect but yet meaningful way to personnel decisions involving compensation, incentive awards, and opportunities for further advancement.

As discussed in chapter 2, the Congress has enacted various Federal personnel legislation to provide agencies with the mechanism and funds necessary to make such personnel decisions. While seemingly complementary to the performance evaluation program, neither CSC nor Federal agencies have operationally linked these programs. Since each program is independently administered, employee perception of the relationship between the performance evaluation and reward is limited or even nonexistent. Accordingly, there is no assurance that any new performance evaluation system will be effective unless a meaningful linkage is established.

Although various Federal studies support a linkage between performance and reward, Federal officials voiced concern over the establishment of automatically generated personnel actions. Others have also cautioned against the potentially counter-productive results of a regulated or direct linkage. It appears that private sector practices seem to offer the best immediate solution by using the data derived from the performance evaluation rather than any overall single performance rating to support personnel reward actions.

### Recommendations

We recommend that CSC:

- Develop a method of granting within-grade and quality step salary increases linked to performance achievements. Such linkage should use performance data as backup for separately prepared salary recommendations.
- Develop a similar linkage between the performance achievements and personnel actions dealing with incentive awards, advancement opportunities, and other reward actions.
- Propose legislation, as required, to establish the recommended linkage between performance and reward.

AGENCY COMMENTS  
AND OUR EVALUATION

HEW agreed that ways should be sought to interrelate pay decisions with performance and believe that this should be done as an additional step. HEW observed that parts of our report will be useful in considering how this can be done while minimizing the mutual defensiveness of employees and supervisors when discussing matters of compensation. We agree with HEW's comments. The discussion preceding our recommendations, however, describes a two-step procedure involving the development of performance data through the evaluation process and then using this data as backup to support personnel recommendations. Such recommendations would then form the administrative basis for the desired personnel actions.

DOT acknowledged the need for improved administration of the current programs dealing with awards and salary increases, but disagreed with the need for changes in the basic regulations requiring more specific linkage to performance evaluations. The intent of our recommendations is to improve the administration of programs dealing with awards and salary increases. We believe that some regulatory or legislative change is required to support improvements of the existing performance evaluation and reward programs.

As pointed out in chapters 2 and 5, these seemingly complementary programs are almost independently administered. In order to achieve a linkage designed to strengthen the evaluation process and to reinforce the employee's perception of his or her relative worth as demonstrated by the performance evaluation, we recommended that CSC develop new methods of granting salary, incentive awards, and other reward actions. To the extent that the recommended

method requires new legislation, we recommended that CSC develop such legislation.

CSC staff agreed with the importance of developing a linkage between performance achievement and a wide range of personnel actions. CSC staff does not believe, however, that the report suggests any method for developing a single system that will successfully meet both behavioral and administrative objectives. We must note again that it is the intent of this report to recommend basic principles for linkage between performance evaluation and reward, but that it is CSC's responsibility for developing the systems necessary to meet that objective. Nevertheless, this report does discuss procedures, including those used in the private sector, that CSC could draw from in order to develop the necessary implementing procedures. Such procedures include the two-step approach discussed above.

CSC staff believe that this report does not address the problem of identifying marginal employees, even though it is a most important step in improving the performance of the Federal work force. We believe that, without singling out marginal performers as a special group, their identification is inherent in the evaluation process recommended throughout the report.

HISTORY OF PERFORMANCE EVALUATIONS  
IN THE FEDERAL GOVERNMENT

Efficiency rating systems were used in several forms by Federal agencies long before the Congress enacted the Performance Rating Act of 1950. First efforts to establish an employee performance evaluation and rating system were seen during the administration of President Tyler (1841-45). Other systems followed until the first uniform efficiency rating system was implemented under President Harrison. The efficiency rating was based on several factors, such as attendance, application, habits, and ability. The system applied to all civilian personnel in the classified service, and their promotions and within-grade pay increases were based solely on the ratings.

Over the next 30 years, the Congress and various Presidents and Commissions tried different performance evaluation and rating systems. Enactment of the Classification Act of 1923 overhauled the Federal pay system and the efficiency ratings, which again tied into personnel actions (1) within-grade salary advancement, (2) retention in grade without advancement or reduction, (3) reduction in pay within the grade, and (4) immediate demotion or dismissal.

The graphic rating scale, referred to in our report as the traditional method, was added in 1924 to obtain a quantitative measure for such ratings. It was composed of different elements with various descriptive points in which the supervisor checked the employee's abilities and traits on a rating scale. These checks were reviewed by the higher officials and later by a neutral board to produce a final rating. Since the boards could adjust ratings to conform to a predetermined pattern of distribution, supervisors were unable to explain the rating or to work with employees to improve their performance and thus obtain a better rating.

Due to its unpopularity, CSC and the Federal Personnel Council revised the graphic rating system under the Uniform Efficiency Rating system in 1935. The system provided for five ratings of (1) excellent, (2) very good, (3) good, (4) fair, and (5) unsatisfactory. The new system also gave numerical ratings to various performance factors. Adjustments, however, were not permitted to reach a predetermined pattern of distribution. The rating was used for personnel actions involving promotion, salary increases, reassignments, reductions in force, and removal. Although a formal appeal

procedure was added to the existing system that provided for an independent review board within each agency with representation from CSC and employees rather than just agency personnel, the performance rating system remained essentially the same until 1950.

This rating system was not viewed favorably by CSC, because the performance measures were too static, too little related to employee development, and too closely tied to personnel actions. On March 30, 1950, CSC sent a report to the Congress summarizing its study of the efficiency rating system in the Federal service along with its comments on a legislative proposal to replace the uniform efficiency rating system with a performance rating system. The Commission recommended that the Congress enact legislation which would:

- Let the agencies choose whether to have a rating plan.
- Drop the adjective summary rating.
- Limit rating appeals to an intra-agency administrative review.
- Prohibit personnel actions from being based solely on the rating.

Hearings held in 1950 by the House Committee on Post Office and Civil Service disclosed that CSC's dissatisfactions also centered on the cost associated with handling appeals. In fiscal year 1949, for example, CSC received 1,178 appeals and handling costs amounted to \$108,276. CSC was also concerned with employee complaints involving the present rating system, however, since it was used as a means for demoting or discharging employees. By reducing the use of a rating system as the sole basis for any personnel actions, CSC believed that a primary reason for employee dissatisfaction would be eliminated and would result in fewer appeals.

Various Federal employee organizations responded to the legislation and disagreed with some features of CSC's proposed revision. While they agreed that performance ratings should not be the sole basis for personnel actions, they maintained that employee dissatisfaction was primarily with the variety of ratings attainable, the tendency toward personal favoritism, and the use of rating elements not germane to the job employees were hired to perform. Accordingly, most organizations still favored mandatory rating plans that retained the appeal system to assure employees the right to

an independent hearing, but that reduced summary ratings from five to three levels since the difference between the current rating levels was unclear to employees.

After these hearings, the Committee introduced a revised bill whose provisions more closely reflected the ideas favored by the employee organizations. The bill still required rating plans, but reduced the summary ratings from five to three. The number and format of the plans, however, were left to individual agencies to best meet their particular requirements. While the proposed legislation also stressed employee development, the summary ratings remained the sole basis for within-grade salary increases and extra retention credits under reduction-in-force conditions.

The proposed legislation was enacted by the Congress as the Performance Rating Act of 1950 (chapter 43 of title 5) and is still the basic statute governing most Federal employee performance ratings.

EMPLOYEE QUESTIONNAIRE AND  
STATISTICAL METHODOLOGY

To assess employees' attitudes concerning their performance evaluation systems, we administered a questionnaire (attached) to a random sample of Federal employees from six Federal agencies. The agencies, sample size, and return rate can be seen in the following schedule.

Employee Attitude Survey

<u>Agency</u>	<u>Questionnaires distributed</u>	<u>Questionnaires returned</u>	<u>Percent returned</u>
FHLBB	250	175	70
GSA	595	387	65
HEW	600	349	58
NASA	650	452	70
Navy	610	422	69
SSA	600	467	78
Unidentified	-----	8	
TOTAL	<u>3,305</u>	<u>2,260</u>	68

SAMPLE SELECTION

Each agency was selected due to differences in the evaluation methods or forms. For example, GSA, HEW, Navy, and SSA were using more traditional graphic rating systems, whereas FHLBB and NASA were using modified versions of MBO or WPPR methods. To minimize sampling bias, we excluded from our sample universe FHLBB employees from the Office of General Council and Office of Examinations and Supervision, because those offices had not fully implemented the evaluation system.

RETURN RATE

Of the 3,305 distributed questionnaires, 2,260 (68 percent) were returned. Eight questionnaires could not be identified with a specific agency and therefore were included only at the aggregate level, but not within any single agency's data. Since we attempted no followup distributions or interviews, return statistics reflect a one-time-only distribution.

The overall agency mission, working environment, and occupational mix differs among our sample evaluation systems. Any potential discrepancies, however, should not substantially negate the results of our questionnaire effort.

Occupational Mix of  
Employee Attitude Sample

<u>Agency</u>	<u>Total responses</u>	<u>Management/professional</u>		<u>Technical/clerical</u>		<u>Trade/labor</u>	
		<u>Total</u>	<u>Percent</u>	<u>Total</u>	<u>Percent</u>	<u>Total</u>	<u>Percent</u>
FHLBB	172	98	57	67	39	7	4
GSA	380	121	32	117	31	142	37
HEW	345	181	52	133	39	31	9
NASA	452	283	63	139	31	30	7
Navy	422	136	32	134	32	152	36
SSA	<u>458</u>	<u>134</u>	29	<u>321</u>	70	<u>3</u>	1
Total	<u>a/2,229</u>	<u>953</u>	43	<u>911</u>	41	<u>365</u>	16

a/Thirty-one respondents failed to identify their occupational class.

STATISTICAL METHODOLOGY

The results of the various systems analyses were percentages or proportions of replies to a specific question. When reported proportions differed, a statistical test known as chi-square was applied to determine if such differences were significant. Correlation analysis was used to analyze inter-question associations. Such statistical techniques are widely used for measuring such relationships.

Chi-square analysis

Chi-square analysis is used when available data is categorical, as opposed to continuous. Examples of categorical data are sex, (male or female) and location (urban, suburban, or rural). Continuous data, on the other hand, can take any value on a scale even though the scale itself can have lower and upper limits. Examples are weights and heights of adults, aptitude test scores, or baseball players' batting averages.

Chi-square analysis examines differences among proportions reported for each category being considered.



Statistical tests then determine whether discrepancies in percentages are due solely to sampling errors or reflect statistically significant relationships. Such tests do not measure the degree of association; they only indicate the likelihood that a relationship exists.

### Correlation analysis

Correlation analysis provides the analyst with a single summary statistic describing the strength of association between two selected variables. The statistic, known as the correlation coefficient, enables the analyst to determine the degree or strength of association between two variables.



PERFORMANCE EVALUATION  
SYSTEM

EMPLOYEE  
QUESTIONNAIRE

MAY 1976

SAN FRANCISCO REGIONAL OFFICE



UNITED STATES GENERAL ACCOUNTING OFFICE  
REGIONAL OFFICE

888 GROEVENOR PLAZA 1300 MARKET STREET  
SAN FRANCISCO, CALIFORNIA 94102  
(415) 556-4200

IN REPLY REFER TO:  
962067

Dear Federal Employee:

The U. S. General Accounting Office is reviewing the effectiveness of the employee performance rating systems used by Federal agencies under the provisions of the Performance Rating Act of 1950. In order to do this, we need your help.

To find out how the system is working from your point of view, we are asking a selected number of employees in the Federal Government to complete the attached questionnaire. Please be assured that your responses will be held in strict confidence. Your responses will be combined with those of other employees so that it will be impossible to determine how any individual answered the questions.

Performance evaluations can play an important part in your career progress and that of other Federal employees. We hope that you will take the time to fill out this questionnaire and return it in the envelope provided within 5 days.

If you have any questions, please contact me on (415) 556-6200. Thank you for your participation in this important project.

Sincerely yours,

A handwritten signature in dark ink, appearing to read "H. Hansen".

H. Hansen  
Project Manager

Enclosures

**Explanatory Notes****For****National Aeronautic and Space Administration Employees.**

In answering the questionnaire you may come across unfamiliar terms. Here are a few clarifications.

--Question 18 asked you to list the bureau or administration.

Please list your employing organization in NASA. For example, Headquarters, Langley Research Center etc.

--Questions 14, 21, and 22 mention the term counseling sessions. This term encompasses your periodic work progress reviews and appraisal interviews with your supervisor.

Explanatory Notes  
For  
Federal Home Loan Bank Employees

In answering the questionnaire you may come across unfamiliar terms. Here are a few clarifications.

--Question 18 asked you to list the bureau or administration.

Please list your employing office or division in the Federal Home Loan Bank Board. For example, the Office of Communication.

--Question 6 asked for your occupational classification.

Please review your key work functions and then check the category which best describes your occupational classification.

--Question 14, 21 and 22 mention the term counseling sessions. This term encompasses any progress reviews and appraisal interviews with your supervisor.

Finally, if you have any questions for the Board, please contact Barbara Stevens on extension 63415.

## SURVEY OF PERFORMANCE EVALUATION

1. Indicate which Federal agency and which bureau or administration you work for.
  - A. Federal agency (e.g. HEW) \_\_\_\_\_
  - B. Agency Bureau or Administration  
(e.g. Social Security Administration) \_\_\_\_\_
2. What is your current work location (city and state)?  
\_\_\_\_\_
3. How long have you worked for this agency
  - A.  less than one year
  - B.  one year or more
4. What pay schedule classification are you under?
  - A.  General Schedule (GS)
  - B.  Wage Board
  - C.  Other (specify) \_\_\_\_\_
5. What is your grade? \_\_\_\_\_
6. What is your occupational classification?
  - A.  Management, or professional
  - B.  Office, clerical, and technical
  - C.  Trade, craft, and labor
7. Overall, how satisfied are you right now with your work in this agency?
  - A.  Very satisfied
  - B.  Satisfied
  - C.  Slightly satisfied
  - D.  Slightly dissatisfied
  - E.  Dissatisfied
  - F.  Very dissatisfied

8. How satisfied are you right now with each of the following aspects of your job? For each job aspect listed under A thru K circle the number that best fits your feelings.

<u>Job aspect</u>	<u>Very satisfied</u>	<u>Satisfied</u>	<u>Slightly satisfied</u>	<u>Slightly dissatisfied</u>	<u>Dissatisfied</u>	<u>Very dissatisfied</u>
A. The way your skills and abilities are used	1	2	3	4	5	6
B. The way your immediate supervisor treats you	1	2	3	4	5	6
C. The people you work with on a daily basis	1	2	3	4	5	6
D. The kind of work you are doing	1	2	3	4	5	6
E. The amount of pay you are receiving	1	2	3	4	5	6
F. The physical surroundings and working conditions	1	2	3	4	5	6
G. The opportunity for advancement	1	2	3	4	5	6
H. The amount of credit you receive for your performance or accomplishments	1	2	3	4	5	6
I. The opportunity to receive rewards for superior performance	1	2	3	4	5	6
J. The opportunity to do what is expected from you on the job	1	2	3	4	5	6
K. The amount of responsibility you are given	1	2	3	4	5	6

The following three questions are intended to indicate how much you know about performance evaluation system. Please do not guess at the answer. If you do not know or are not sure, mark answer "D."

9. Do you know, according to the law, how often you should receive a job performance rating?
- A.  At least once a year
  - B.  At least once every 18 months
  - C.  At least once every 2 years
  - D.  Don't know or not sure
10. Do you know, according to the law, what factors should go into your performance evaluation?
- A.  The supervisor's evaluation of how well you met established work standards for that job.
  - B.  The supervisor's evaluation of your promotion potential.
  - C.  Both of the above are true.
  - D.  Don't know or not sure.
11. Which of the following is true concerning the rights of the individual regarding his or her rating?
- A.  The individual must be told what the rating was.
  - B.  The individual must be told what the rating criteria is.
  - C.  Both of the above are true.
  - D.  Don't know or not sure.
12. Overall, how satisfied were you with your last annual performance rating?
- A.  Very satisfied
  - B.  Satisfied
  - C.  Somewhat satisfied
  - D.  Somewhat dissatisfied
  - E.  Dissatisfied
  - F.  Very dissatisfied
  - G.  I have not yet received a performance rating
13. Did your supervisor discuss your last annual performance rating with you?
- A.  Yes
  - B.  No



14. Overall, how satisfied were you with the counseling session conducted by your immediate supervisor when he/she discussed your last annual performance rating?

- A.  Very satisfied
- B.  Satisfied
- C.  Slightly satisfied
- D.  Slightly dissatisfied
- E.  Dissatisfied
- F.  Very dissatisfied
- G.  I did not receive a counseling session (Skip to question 16)

15. Each of the following represents a scale where the end points are opposites. For each scale A thru G, circle the number on the scale which you feel best describes your supervisor's behavior during your last formal counseling session.

EXAMPLE: If you feel that your supervisor discussed equally job and non-job related factors, circle 4. If, however, you feel that he/she talked more about job related factors, you would circle a number closer to that end of the scale (i.e. a lower number). Or, if you feel that he/she talked more about non-job related factors, you would circle a number closer to that end of the scale (i.e. a higher number).

<u>Behavior</u>	<u>Rating scale</u>							<u>Behavior</u>
A. discussed <u>only</u> job related factors	1	2	3	4	5	6	7	discussed <u>only</u> non-job related factors (personal characteristics)
B. discussed <u>only</u> specifics	1	2	3	4	5	6	7	discussed <u>only</u> generalities
C. suggested ways to improve your performance	1	2	3	4	5	6	7	did not suggest any ways to improve your performance
D. seemed genuinely interested	1	2	3	4	5	6	7	gave the impression the session was just part of his or her job
E. provided <u>only</u> valuable comments	1	2	3	4	5	6	7	provided <u>only</u> worthless comments
F. comments were completely <u>fair</u>	1	2	3	4	5	6	7	comments were completely <u>unfair</u>
G. told me what my rating was but did not explain what it meant	1	2	3	4	5	6	7	thoroughly explained what the rating meant

16. Did you participate with your immediate supervisor in establishing what would be expected of you on the job during the last rating period?

- A.  Yes
- B.  No

17. Regardless of whether or not you participated in establishing what was expected of you, were you made aware of the job requirements or performance standards you were going to be rated on?

- A.  At the start or before the start of the rating period.
- B.  After the rating period had started.
- C.  After the rating period had ended.
- D.  I was never made aware of what the criteria was.

18. How clear an understanding did you have about the kind of job performance which was expected of you during the last rating period?

- A.  Very clear
- B.  Clear
- C.  Unclear
- D.  Very unclear

19. What is the grade of your supervisor? \_\_\_\_\_

20. How many people is your supervisor directly in charge of and rate on performance? \_\_\_\_\_

21. In addition to the formal counseling session, how often did your supervisor informally counsel or discuss your performance with you during the last year?

- A.  About once every month or more often.
- B.  About once every 3 months.
- C.  About once every 6 months.
- D.  About once a year.
- E.  Did not receive any counseling. (Skip to question 23)

22. The following statements express opinions regarding performance counseling. For each statement, indicate the extent to which you agree or disagree as it applies to informal counseling you received from your supervisor. (For each item listed in A thru G, circle your choice)

The informal counseling I received was--	<u>Strongly agree</u>	<u>Agree</u>	<u>Disagree</u>	<u>Strongly disagree</u>
A. Valuable	1	2	3	4
B. Infrequent	1	2	3	4
C. Superficial	1	2	3	4
D. Helpful	1	2	3	4
E. Unbiased	1	2	3	4
F. Fair	1	2	3	4
G. Completely job related	1	2	3	4

23. In your opinion, how helpful was your last performance rating in allowing you to... (For each item A thru G circle your choice)

<u>Item</u>	<u>Very helpful</u>	<u>Moderately helpful</u>	<u>Slightly helpful</u>	<u>Not helpful</u>
A. Assess your strengths and weaknesses in performing your job	1	2	3	4
B. Develop a plan for your development and improvement	1	2	3	4
C. Know what the agency thinks about you	1	2	3	4
D. Know what your supervisor thinks about you	1	2	3	4
E. Know what your promotion opportunities are	1	2	3	4
F. Improve your performance	1	2	3	4
G. Identify training objectives	1	2	3	4

24. In your opinion, to what extent did your last performance rating allow your agency to... (For each item listed under A thru D circle your choice)

<u>Item</u>	<u>To a great extent</u>	<u>To a moderate extent</u>	<u>To a little extent</u>	<u>Not at all</u>
A. Accurately measure your performance	1	2	3	4
B. Distinguish between your and other employees' performance	1	2	3	4
C. Reward your contributions to the accomplishment of the agency's goals.	1	2	3	4
D. Promptly keep you advised of your performance, training development needs, etc.	1	2	3	4

25. The current appeal procedure provides you with access to a hearing which includes a person from the Civil Service Commission. Do you feel that you would receive a fair and impartial hearing of an appeal of your performance rating if your agency alone had the final say?

- A.  Yes
- B.  No, I don't think my agency would be as fair and impartial as the Civil Service Commission would be.
- C.  No, I think the Civil Service Commission has more expertise to handle appeals.
- D.  No, other (specify) \_\_\_\_\_

26. Overall, how satisfied are you with your agency's performance rating system?

- A.  Very satisfied
- B.  Satisfied
- C.  Somewhat satisfied
- D.  Somewhat dissatisfied
- E.  Dissatisfied
- F.  Very dissatisfied

27. In your opinion, how important should performance ratings be in selecting employees for each of the following personnel actions: (For each personnel action listed under A thru I circle your choice.)

<u>Personnel actions</u>	<u>Very important</u>	<u>Important</u>	<u>Somewhat important</u>	<u>Not important</u>
A. Promotions	1	2	3	4
B. Incentive awards for superior performance	1	2	3	4
C. Agency-paid training	1	2	3	4
D. Change in work assignments	1	2		3
E. Periodic step salary increases	1	2	3	4
F. Quality step salary increases	1	2	3	4
G. Career development	1	2	3	4
H. Discharge	1	2	3	4
I. Other (please list)				
_____	1	2	3	4

28. How satisfied are you right now with your agency's practices of selecting employees for each of the following personnel actions? (For each personnel action listed under A thru I circle your choice.)

<u>Personnel action</u>	<u>Very satisfied</u>	<u>Satisfied</u>	<u>Slightly satisfied</u>	<u>Slightly dissatisfied</u>	<u>Dissatisfied</u>	<u>Very dissatisfied</u>
A. Promotions	1	2	3	4	5	6
B. Incentive awards for superior performance	1	2	3	4	5	6
C. Agency-paid training	1	2	3	4	5	6
D. Change in work assignments	1	2	3	4	5	6
E. Periodic step salary increases	1	2	3	4	5	6
F. Quality step salary increases	1	2	3	4	5	6
G. Career development	1	2	3	4	5	6
H. Discharge	1	2	3	4	5	6
I. Other (please list)	1	2	3	4	5	6

29. How many employees do you directly supervise and rate on performance?

- A.  None
- B.  1 or 2
- C.  3 to 7
- D.  8 to 18
- E.  19 or more

30. Have you ever received specialized training from your or any other Federal agency in any of the following areas? (For each area listed under A thru C circle your choice.)

<u>Areas</u>	<u>Yes, and it was helpful</u>	<u>Yes, but it was not very helpful</u>	<u>No</u>
A. Preparing employee performance appraisals or evaluations	1	2	3
B. Using your agency's rating form	1	2	3
C. Counseling subordinate employees on their performance	1	2	3

31. How long has it been since you last received specialized training in preparing performance appraisals, using the rating form, or counseling subordinate employees on their performance?
- A.  Within the last 3 years.
  - B.  3 to 10 years ago.
  - C.  Over 10 years ago.
  - D.  I have never received such training.
32. Which of the following would you prefer concerning when you would be rated?
- A.  All employees rated at the same time
  - B.  Employees rated at different times of the year depending upon the date they began working in their present job
  - C.  No preference
33. Do you have any additional comments about performance ratings?

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PERFORMANCE EVALUATION  
SYSTEM

MANAGEMENT

QUESTIONNAIRE

MARCH 1976

CODE 962067

SAN FRANCISCO REGIONAL OFFICE

1. Performance evaluation can play many roles. Indicate the importance you feel performance evaluation should have in each of the following processes.

	<u>Of little or no importance</u>	<u>Somewhat important</u>	<u>Important</u>	<u>Very important</u>
A. Assessment of performance in current position	_____	_____	_____	_____
B. Assessment of promotion potential	_____	_____	_____	_____
C. Counseling employees on areas for performance improvement	_____	_____	_____	_____
D. Basis for career planning and progress reviews	_____	_____	_____	_____
E. Motivation of employees	_____	_____	_____	_____
F. Selection of employees for training or assignments	_____	_____	_____	_____
G. Selection of employees for incentive awards	_____	_____	_____	_____
H. Selection of employees for salary step increases	_____	_____	_____	_____
a. quality step	_____	_____	_____	_____
b. longevity step	_____	_____	_____	_____
I. Other (please list)	_____	_____	_____	_____



Reason(s)

2. To what extent do you feel the Performance Rating Act allows you to establish a performance evaluation system which..

	<u>To a great extent</u>	<u>To a moderate extent</u>	<u>To a little extent</u>	<u>Not at all</u>
A. Accurately reflects the individual's performance	_____	_____	_____	_____
B. Distinguishes between various levels of performance	_____	_____	_____	_____
C. Recognizes the individual's contributions to the efficiency and economy of the Federal service	_____	_____	_____	_____
D. Promptly keeps the employee advised of his performance	_____	_____	_____	_____
E. Allows you sufficient leeway to manage the specific personnel requirements of your agency	_____	_____	_____	_____
F. Is simple to administer	_____	_____	_____	_____
G. Can be fairly and uniformly administered	_____	_____	_____	_____
H. Has credibility with employees	_____	_____	_____	_____
I. Allows you to compare the performance of different individuals	_____	_____	_____	_____

Reason(s)

3. To what extent do you feel the CSC implementing regulations allow you to establish a performance evaluation system which..

	<u>To a great extent</u>	<u>To a moderate extent</u>	<u>To a little extent</u>	<u>Not at all</u>
A. Accurately reflects the individual's performance	_____	_____	_____	_____
B. Distinguishes between various levels of performance	_____	_____	_____	_____
C. Recognizes the individual's contributions to the efficiency and economy of the Federal service	_____	_____	_____	_____
D. Promptly keeps the employee advised of his performance	_____	_____	_____	_____
E. Allows you sufficient leeway to manage the specific personnel requirements of your agency	_____	_____	_____	_____
F. Is simple to administer	_____	_____	_____	_____
G. Can be fairly and uniformly administered	_____	_____	_____	_____
H. Has credibility with employees	_____	_____	_____	_____
I. Allows you to compare the performance of different individuals	_____	_____	_____	_____

Reason(s)

4. Do you believe any changes are necessary in the Performance Rating Act? Why or why not?

5. Do you believe any changes are necessary in the CSC regulations to implement the Performance Rating Act? Why or why not?

6. Do you favor a requirement, mandated by legislation or CSC regulation, to formally link performance ratings with the following personnel actions? Why or why not?

	<u>Yes</u>	<u>No</u>
A. Salary longevity step increases	_____	_____
B. Salary quality performance step increases	_____	_____
C. Promotions	_____	_____
D. Outplacement	_____	_____
E. Dismissals	_____	_____
F. Incentive awards	_____	_____
G. Selection for training	_____	_____
H. Other (specify)	_____	_____



Reason(s)

7. Indicate the type of performance evaluation system you would prefer for each of the following employee groups.

A. Management

B. Professionals

C. Clerical Personnel

D. Technical Personnel

E. Trade and Craft Personnel

F. Semi-skilled or unskilled Personnel

8. Has your agency conducted any formal study of performance evaluation and rating systems? If answer is yes, please attach a copy of the most recent study.

\_\_\_\_\_ Yes

\_\_\_\_\_ No

9. Please indicate a point of contact for any follow-up questions we may have.

Name \_\_\_\_\_

Position \_\_\_\_\_

Phone \_\_\_\_\_

10. This questionnaire is not all inclusive. Consequently, we would greatly appreciate it if you will furnish us with any additional thoughts you might have, along with ideas, suggestions, and practical experiences dealing with employee performance ratings and other directly related personnel management matters.

DESCRIPTIONS OF AGENCYRATING SYSTEMS

The following performance rating systems were used by agencies included in our employee attitude survey.

FEDERAL HOME LOAN BANK BOARD

FHLBB has designed a management system aimed at improving internal operations and increasing the effectiveness of its staff and regulatory services. The collaborative MBO/KOI Performance Planning and Appraisal program is the most recent addition to its management system. Although preparatory work was started in 1972, FHLBB officials stated that the program still requires followup and refinements before its full value can be assessed.

The MBO/KOI system is people centered and job specific. It is designed to bring about a greater understanding of specific job responsibilities, a climate for open communication, a commitment to obtain specific results, and a coordination of efforts. An individual work plan is negotiated with the supervisor, describing the employee's key operations or objectives, the results expected, the assistance required to get the job done, the priority of the tasks, and the indicators that will signal to what degree the expected results were achieved. Some variations were implemented by FHLBB offices. For instance, the Office of Examinations and Supervision has outlined some basic key operations, results expected, and key operating indicators that are uniform to certain occupation groups, such as examiners. Additional indicators and expected results can be added on an as-required basis.

The purpose of the work plan is to help employees plan and document their work responsibilities, monitor and appraise their own efforts, hold productive and objective progress reviews with their supervisors, perform more effectively, identify areas where improvements are needed, and ultimately expand their career and professional growth.

The appraisal aspect of the program provides for evaluation and documentation of the achievements and contributions made by individual employees. The system requires supervisors to assign employees the mandatory summary adjective rating. In one office the supervisor is also required to rate employees on several other factors pertaining to job performance. The self-evaluation feature of the program

allows employees the opportunity to appraise their own efforts and have their views officially documented along with their supervisors' views. Employees take on a greater responsibility for planning and evaluating their contribution to the agency's mission. Furthermore, the program provides employees and supervisors with the format that not only documents the achievements, but also makes visible the entire planning and evaluation process. It thus reduces the potential for misunderstanding between employees and supervisors in the rating aspect of the program.

In implementing the program, management has provided supervisors with the forms and guidelines, as well as training. This training was not only for information and familiarization, but also for helping overcome resistance to change. Several steps on the training process have been of significant importance in overcoming resistance. The most important decision was to train the supervisor and the employee together in their regular work units. According to FHLBB officials, this did a great deal to remove the suspicion that the system was a means for managers to manipulate employees. It also provided an opportunity for participants to identify and develop skills to improve their own behavior in supervisor and employee roles.

An integral part of FHLBB's MBO/KOI system is a periodic evaluation of the system's effectiveness. Since the start of our review, FHLBB has conducted such an evaluation and initiated several improvements to the system. According to FHLBB officials, with top management support and with the help of representatives from each office, the following changes were proposed, approved, and implemented for all offices:

- Refocus of rating category definitions so that achievement of the results expected forms the basis for deciding on a particular rating category.
- Elimination of the optional "excellent" performance rating.
- Addition of subcategories within the "satisfactory" performance rating category to allow for recognition of above and below satisfactory performance.
- Redesign of the numerical system.

These improvements were used during the most recent round of performance evaluations. Preliminary analysis indicated a wider distribution of ratings and more satisfaction with the present design of the system.

#### GENERAL SERVICES ADMINISTRATION

GSA uses a traditional graphic scale performance rating system, which combines the annual performance evaluation and rating with the "Assessment of Abilities and Traits Relevant to Promotion Potential" on the same form. The performance rating section of the rating is broken down into six employee characteristics with a general description or meaning for each characteristic. The first four factors are to be used for all employees and are quantity, quality, cooperativeness, and dependability. The other two, development of subordinates and affirmative action for equal employment opportunity are for supervisors only. An example of the definition for the employee characteristic of quantity is the amount of satisfactory work completed by the employee or by the group that the employee supervises.

The rating scale for the six performance factors is comprised of five levels--inadequate, marginal, fully meets requirements, exceeds requirements, and exceptional. After the individual factors, there is a summary overall rating with three levels--outstanding, satisfactory, and unsatisfactory.

Employees are required to sign the rating form to acknowledge receipt. Rating and reviewing officials are also required to sign this rating form. Employee performance discussions are required on an ongoing basis throughout the year.

#### DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

HEW used a performance rating system which permitted supervisors to certify on one form those employees who were satisfactory and that they informed employees of such rating. Outstanding and unsatisfactory ratings, however, required a narrative which asked for a detailed listing of job tasks and the extent to which such tasks were performed by the employee.

Effective September 1, 1976, HEW implemented a new rating system to be used throughout the Department by March 1, 1977. The new system has on one form an appraisal section, which is the employee's appraisal for promotion

purposes, and a performance rating certification section comprised of four alternative responses--unsatisfactory, satisfactory, recommendation for outstanding, and postponed. Although appraisal and rating are on the same form, they are considered separate assessments for different purposes and performance ratings are not derived in any way from promotion appraisals. The form requires signatures from the employee, rater, and reviewer. A discussion of the rating is required unless the employee declines such discussion. Supervisors may still hold such discussions, however, if they feel it is necessary.

#### NATIONAL AERONAUTICS AND SPACE ADMINISTRATION

NASA uses a performance rating system which does not require a uniform rating form. Each NASA installation may adopt its own form or inform employees orally of their performance ratings. Discussions of the performance ratings are required.

In addition to its official performance rating system, NASA has implemented a collaborative type of WPPR program designed to improve employee performance through mutual goal setting and increased supervisor-employee communications. Documentation is not required of the total evaluation process.

NASA adopted the collaborative approach as a management policy because of the changing character of research and development in the aerospace field. Its engineers, scientists, and support personnel are engaged in missions of a rapidly changing nature. Their work is characterized by project assignments leading toward specific accomplishments. Many reorganizations are occurring, and personnel are often shifted to new work areas. The state of flux requires increased emphasis on communication between supervisors and employees. Based on studies NASA made of similar organizations in the private sector, it decided on the WPPR approach. Because the organization is so highly decentralized, however, NASA has not placed hard and fast requirements on its field activities for uniform implementation of the process. Instead, it has encouraged use of the work planning and review approach to resolve communication problems identified through their personnel management evaluation process.

The evaluation process involves separate analysis by each supervisor and employee of the work to be done, the



goals and objectives of the work, and the level of achievement to be met. This planning is done in brief meetings to develop mutual understanding of the work. The work objectives, depending on the employee's responsibilities, are oriented toward daily, monthly, or other short- or long-range work and results.

Other meetings occur as the work progresses and as new information about the work comes to the attention of either the supervisor or the employee. These reviews include evaluation by the supervisor and the employee of accomplishments, developmental needs, and problems encountered for which additional resources or guidance may be appropriate. The frequency of the meetings will depend on the ability of the supervisor and employee to establish effective communication. These meetings can be documented, when necessary, by a minimum amount of paperwork.

#### DEPARTMENT OF THE NAVY

The Navy uses a traditional graphic rating scale system for all GS-12 and higher grade civilian personnel. The graphic rating system requires use of a two-page rating form comprised of 35 separate performance rating factors categorized by knowledge, ability, and managerial/executive abilities. All 35 factors are rated on a scale of five levels--unsatisfactory, marginally satisfactory, fully satisfactory, highly satisfactory, and outstanding. The marginally satisfactory and unsatisfactory ratings require written statements of positive actions recommended or initiated to improve these ratings. The employee, rater, and reviewer are required to sign the form. Employee signatures on the rating forms indicate that their performance evaluation was discussed with them, not that they necessarily agree with the assigned ratings.

The Navy does not prescribe a performance rating form for GS-11 and below and wage grade employees. Navy instructions permit activities to inform employees of their satisfactory performance rating by a single employee listing. The Navy provides optional rating forms, however, for GS-11 and below and wage grade employees. The most popular form is a data processing card which shows the assigned performance rating. In addition, some Navy activities have locally developed graphic rating scale forms for different employee groups, such as clerical personnel, GS nonsupervisors, GS supervisors, wage grade nonsupervisors, etc.

SOCIAL SECURITY ADMINISTRATION

SSA used a graphic scale performance rating system consisting of three rating forms, one for GS-14 and above, one for GS-7 to GS-13, and one for GS-1 to GS-6 employees. Although each form differed in terms of the number of factors or elements rated, the format for each employee group was similar. All employees were rated on from 7 to 13 factors such as quantity, quality, timeliness, oral communication, written communication, initiative, getting along with others, and the like. Supervisors were additionally rated on three to six factors such as resolution of problems, morale and motivation, labor-management relations, equal opportunity, etc.

The rating scale consisted of five levels--did not meet job requirements, met but did not exceed basic job requirements, consistently met and sometimes exceeded job requirements, consistently exceeded job requirements, and consistently exceeded job requirements to an exceptional degree. Each of these rating levels was also assigned a numeric value so that a total score could be averaged by the number of factors rated. Then, an overall rating was determined based on the employee's average score compared to the established range of values for each of the overall ratings. The overall ratings were unsatisfactory, satisfactory, and outstanding.

All rating elements which were rated either did not meet job requirements or consistently exceeded job requirements to an exceptional degree were required to be supported by a narrative statement. At least two discussions of employee performance were required during the rating period. Although employees are not required to sign the rating form, they do receive a copy of the rating and the rater and reviewing official must sign the form.

COLLABORATIVE APPROACH  
IN PERFORMANCE EVALUATION

Management has always been concerned with the task of improving employee performance. Writings about the effectiveness of performance evaluation techniques can be divided into those supporting the traditional approach or those supporting the collaborative approach. The collaborative approach is addressed here because research indicates that certain collaborative techniques have shown promise in achieving increased employee job satisfaction and performance. The potential shown by the collaborative approach is also evident in the data we collected in our employee survey.

VALUE OF EMPLOYEE PARTICIPATION  
IN ESTABLISHING TARGET OBJECTIVES  
AND BEHAVIOR

The collaborative approach is not new in performance evaluation. Employees cannot effectively discharge their assigned responsibilities until performance requirements, such as verifiable target objectives, are known. In "The Practice of Management," 1954, Drucker emphasized that objectives are needed in every area where performance and results directly affect business. In 1957 Douglas McGregor defined this viewpoint further by advocating the use of pre-set objectives and a collaborative approach that would reflect management's willingness to treat employees as human beings. It would provide employees with autonomy and responsibility to establish their own work objectives for specified periods and reevaluate them with the assistance of the supervisor.

The four components of this approach are that (1) the involvement be active rather than passive, (2) the supervisor be placed in an advisory rather than judgmental role by the individual, (3) the emphasis be the future rather than the past, and (4) the performance be related to preset goals.

More recent writers address collaborative MBO and WPPR systems in the context of problem-solving refinements or additions to make system improvements. For instance, difficulties with results-oriented objectives center on avoiding other major job responsibilities such as staff development. Also, writers argue that goals, in terms of results, do not always identify the behavioral factors that lead to success or failure. Nevertheless, this information is vital to

both employees and management if the evaluation process is truly expected to improve weaknesses and develop strengths.

Writers also reiterate that the establishment of specific and job-related performance requirements is insufficient if achievement is outside the individual's control due to personal or organizational restrictions. Other writers stress that formalizing the actual evaluation process is important and that broad acceptance and usage cannot be achieved unless formal requirements are imposed on managers. A key to successful implementation is its use by top management.

#### INDICATIONS THAT THE COLLABORATIVE APPROACH MAY IMPROVE PERFORMANCE

Although not conclusive, research on worker job satisfaction and productivity tends to support collaborative writer viewpoints in the importance of human factors. Such techniques as mutual goal setting and feedback sessions, participative management, and supportive supervisory styles are seen as promising in improving employee job satisfaction and, in some cases, performance.

Under grants from the National Science Foundation, researchers from New York University 1/ and Case Western Reserve University 2/ evaluated the available policy-related research on human resources. The objectives were to ascertain the validity and utility of the research and to summarize the evidence which could be applied by those interested in developing ways to improve productivity.

New York University researchers concluded that socio-technical systems which have the following features seem promising in their ability to improve both worker productivity and job satisfaction.

"Financial compensation of workers must be linked to their performance.

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1/Kotzel, Yankelovich, et al., Work Productivity and Job Satisfaction, New York University, 1975.

2/Job Satisfaction and Productivity, Case Western Reserve University, 1975.

"Workers and work must be matched so as to create a work situation which workers will see as capable of meeting their needs and expectations, and where they will have the capabilities and resources to be successful.

"For workers who desire it, their work should provide opportunity for full use of their abilities, making a meaningful contribution, having challenging and diversified duties, and being responsible for others.

"Workers at all levels must have inputs to plans and decisions affecting their jobs and working lives.

"Adequate 'hygiene' conditions must exist, including competent supervision, fair pay, job security, good working conditions, and sound employee and labor relations."

In line with these findings, New York University researchers also reported that MBO programs can satisfy some of the above features. They reported:

"Management by Objectives (MBO) programs, which feature an increased role for the worker in setting goals for his or her own job, represent one approach to increasing self-control relative to control by others. Based on a small number of studies using managerial and exempt employees, our review suggests that MBO programs serve to increase those employees' motivation to attain the goals set for their work, and also to improve their job satisfaction (especially regarding the evaluation system and supervisors). Effects on actual job performance are not clear, but there are indications that they too may be positive. The utility of this approach with rank-and-file workers has yet to be demonstrated."

Case Western Reserve University researchers also reported the necessity for human involvement at the workplace in all facets of the work as a prerequisite for the enhancement of satisfaction. Performance variables such as autonomy, supportive supervisory style, and participative management, among others, pointed to a complex phenomenon of human involvement at the workplace. For example, correlation studies showed that autonomy appears to be a major organizational factor related to both job satisfaction and

productivity. According to the report, this can be seen in the following statements which received the most support in the analyzed research.

"Autonomy is positively related to satisfaction and performance.

"Democratic supervisory style is positively related to satisfaction, but may be either positively or negatively related to performance.

"Organizational climate (reflecting support, open communication and autonomy) is positively related to satisfaction, and in most cases, to performance."

Field experiments tended to further support the importance of autonomy in achieving improved productivity. According to the report, this involves work tasks that are relatively all inclusive (self-completing), discretion in selecting work methods, and the timely feedback of results. Furthermore, participative management styles offered more opportunities for job satisfaction than was the case with nonparticipative management styles.

#### CHARACTERISTICS OF PERFORMANCE EVALUATION SYSTEMS ASSOCIATED WITH EFFECTIVENESS

The potential shown by the collaborative approach is evident in the data we collected in our employee survey. Our questionnaire contained several goal-setting and feedback questions as well as questions on the effectiveness of the performance evaluation system. The results support previous research in finding that performance goals which are participatively set and communicated to the individual earlier tend to be more effective. Support was also provided for the contention that the quality and timeliness of feedback is positively related to performance evaluation system effectiveness.

#### Goal setting

Two aspects of goal setting were examined--participation and timeliness. As the data in table 1 shows, those employees who participated with their supervisors in establishing what would be expected of them on the job, as compared to those who did not participate, were significantly more likely to indicate:

- They had a clear understanding of the type of performance expected of them.
- Their last rating was helpful to their agency and was helpful to them.
- They were satisfied with their last rating.
- They were satisfied with their agency's performance evaluation system.

The data likewise shows that the earlier the employees became aware of the job requirements and performance standards, the more likely they were to report a clear understanding of work expectations, a perception that the ratings were helpful to the agency and the employees, and satisfaction with the ratings and the performance evaluation system.

### Feedback

In order for employees to improve their performance and develop their capabilities, they must have useful and timely information concerning how their present performance and capabilities measure up to established standards. While ideally such information is inherent in the rating instrument itself, such documents are rarely if ever informative enough to stand on their own. Consequently, the bulk of the feedback burden falls upon the organization's formal and informal feedback mechanisms. Our data dealt with three feedback mechanisms--the formal rating session, formal counseling session, and informal counseling sessions.

#### Formal rating session

The value of a formal rating session is readily apparent in the data displayed in table 2, column A. Those employees who had a formal rating session were much more likely, than those who did not, to have a clear understanding of what was expected of them. They were also more likely to perceive the performance rating as being helpful to their agency and themselves as well as to display a greater level of satisfaction with their rating and the rating system.

#### Formal counseling sessions

Over and above the rating session itself, formal counseling would presumably go beyond merely relating what the rating was, to discussion of such topics as strategies for improvement and career implications. Our

survey found that about 30 percent of the respondents indicated they had not received formal counseling.

Compared to those employees who did not receive a formal counseling session, those who had formal counseling were much more likely to perceive the performance evaluation system as being effective on each of our measures of effectiveness (table 2, column B).

Not only is the existence of formal counseling important, but the quality of that counseling also has an impact upon effectiveness. As a proxy measure of counseling session quality, we used a question which asked respondents to indicate how satisfied they were with their last session. The use of this item as a measure of quality is justifiable in light of the relationship between the counseling satisfaction item and the respondents' ratings of various counseling session attributes considered indicative of effective counseling. As shown in figure 1, satisfaction with the counseling session is positively related to the

- perceived job relatedness,
- specificity of comments,
- extent to which suggestions for improvement were made,
- extent to which the supervisor was perceived as genuinely interested,
- perceived value of the comments,
- perceived fairness, and
- extent to which the rating was thoroughly explained.

The individual's assessment of the formal counseling session was found to be strongly related to our measures of performance evaluation system effectiveness (table 2, column C). Those employees who indicated they were satisfied with the formal counseling session were much more likely than those who were dissatisfied to

- have a clear understanding of what kind of performance was expected,
- perceive their latest rating as being helpful to their agency and themselves, and



--report they were satisfied with their latest rating and the rating system itself.

### Informal counseling

Some performance evaluation systems also encourage supervisors to provide their subordinates with additional counseling, which is more frequent and informal than the formal counseling session. Such counseling is conducted in the interest of providing employees with more timely information on their performance and developmental needs.

As was the case with the other feedback mechanism, receipt of informal counseling was positively related to each measure of performance evaluation system effectiveness (table 2, column D).

The relationship between the frequency of informal counseling and system effectiveness was also examined. The results (table 2, column E) indicate that the more frequently informal counseling is received, the more likely employees were to

- have a clear understanding of what kind of performance was expected,
- perceive their performance rating as being helpful to their agency and themselves, and
- be satisfied with their rating and the performance evaluation system.

Table 1  
Relationship Between Goal Setting  
and Effectiveness

Percent responding in this manner → who also indicated ↓	Did the employee participate in establishing performance expectation?		Point in time when employee became aware of rating criteria		
			At or before the start of the rating period	During the rating period	After the rating period had ended
	Yes	No			
A clear understanding of what kind of performance was expected	92	51	97	79	55
Their last performance rating allowed their agency to a moderate or great extent to:					
Accurately measure their performance	70	42	73	60	51
Distinguish between their and other employees' per- formance	58	33	59	42	28
Reward their contri- butions to the accomplishment of the agency's goals	54	26	53	44	27
Promptly keep them advised of their performance, training develop- ment needs, etc.	55	20	51	38	31
Their last performance rating was helpful in allowing them to a moderate or great extent to:					
Assess their strengths and weaknesses in per- forming their job	72	36	69	60	40
Develop a plan for their development and improvement	62	27	58	41	37
Know what the agency thinks about them	61	36	60	49	40
Know what their supervisor thinks about them	84	61	84	75	63
Know what their promotion opportunities are	53	31	53	44	39
Improve their performance	65	28	60	45	40
Identify training objectives	53	19	48	39	31
They were satisfied with their last rating	87	68	88	78	64
They were satisfied with their agency's perform- ance evaluation system	74	48	73	62	52

Note: Figures in the table do not add to 100 percent. The percentages are based on the number of yes or no employee responses to a particular category divided by the appropriate total of yes or no responses. For example, 92 percent of the respondents both participated in establishing performance expectations and clearly understood the kind of performance expected. Similarly, only 51 percent of those not participating understood the kind of performance expected.

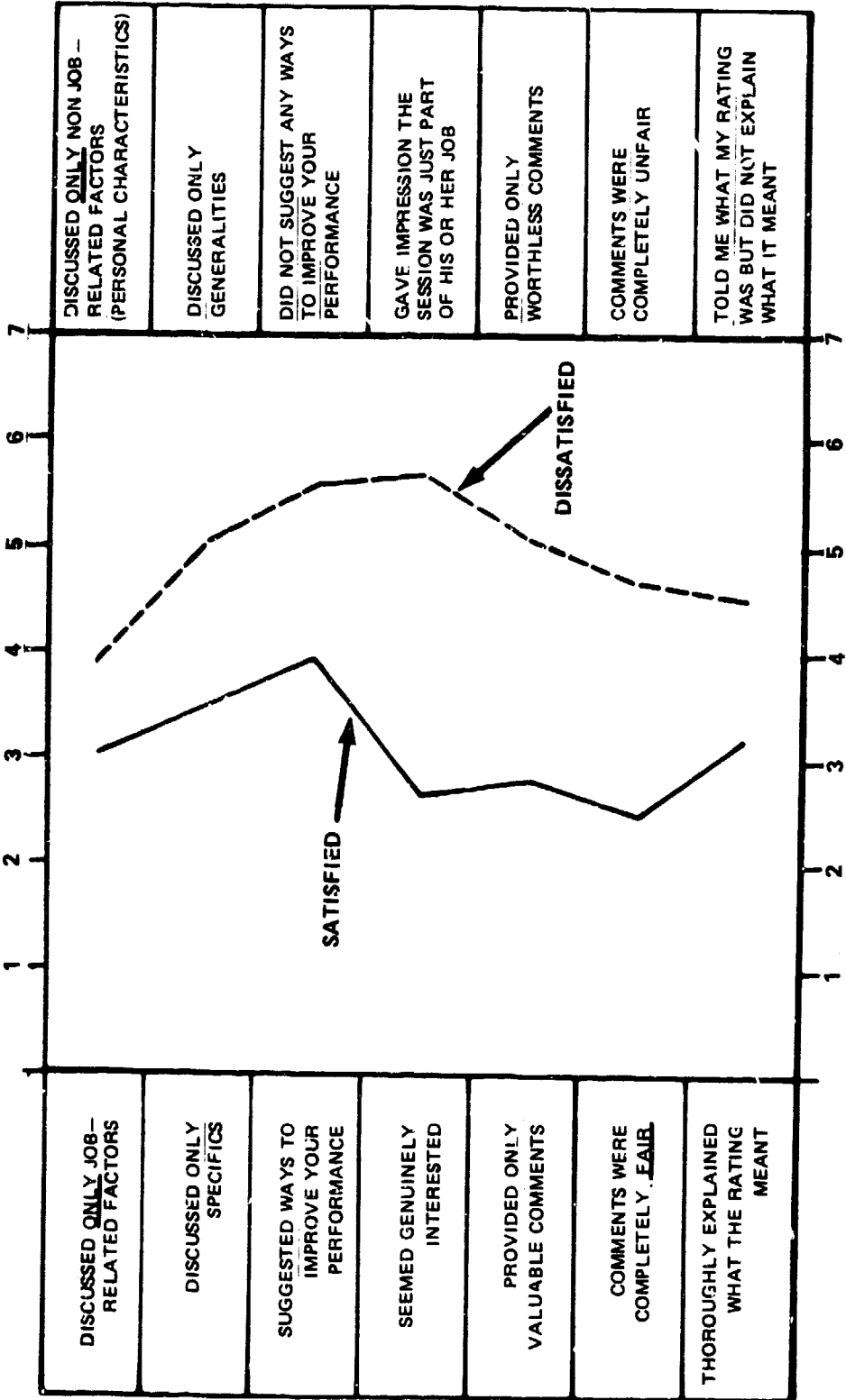
Table 2

Relationship Between Feedback and Effectiveness

Percent responding in this manner → who also indicated ↓	A		B		C		D		E			
	Was latest rating discussed with supervisor?		Did employee receive formal counseling?		Assessment of formal counseling session		Did employer receive informal counseling?		Frequency of informal counseling			
	Yes	No	Yes	No	Satisfied	Dissatisfied	Yes	No	Every mo.	Every 3 mos.	Every 6 mos.	Once a year
A clear understanding of what kind of performance was expected	76	50	75	50	84	39	82	51	91	86	82	70
Their last performance rating allowed their agency, to a moderate or great extent, to:												
Accurately measure their performance	52	37	60	41	70	22	66	42	74	74	68	50
Distinguish between their and other employees' performance	49	29	48	30	56	19	53	32	63	55	53	43
Reward their contributions to the accomplishment of the agency's goals	43	24	42	26	50	10	48	26	57	53	49	33
Promptly keep them advised of their performance, training development needs, etc.	41	19	40	20	49	7	47	20	60	55	47	29
Their last performance rating was helpful in allowing them, to a moderate or great extent, to:												
Assess their strengths and weaknesses in performing their job	59	32	57	36	68	16	65	35	75	71	66	48
Develop a plan for their development and improvement	48	26	46	29	55	14	54	27	70	60	55	34
Know what the agency thinks about them	53	31	51	33	58	24	54	37	63	60	53	41
Know what their supervisor thinks about them	78	52	76	55	83	51	81	59	86	83	82	72
Know what their promotion opportunities are	46	27	45	28	50	24	49	31	58	55	46	37
Improve their performance	51	26	49	30	58	14	57	29	69	65	55	39
Identify training objectives	39	19	39	22	45	9	45	19	56	50	45	31
They were satisfied with their last rating	85	69	82	59	94	35	83	66	87	85	84	77
They were satisfied with their agency's performance evaluation system	66	42	64	44	74	25	69	46	75	75	68	58

CHARACTERISTICS OF SATISFYING AND DISSATISFYING FORMAL COUNSELING SESSIONS

Figure 1



RATING SCALE  
 1—SUPERVISOR'S BEHAVIOR MOST LIKE THIS  
 7—SUPERVISOR'S BEHAVIOR MOST UNLIKE THIS

DESCRIPTION OF PERFORMANCEEVALUATION METHODS

Commonly used performance evaluation methods include:

- Graphic rating scale
- Essay or narrative evaluation
- Critical incident techniques
- Ranking or peer comparison evaluation
- Management by objectives
- Work planning and review

GRAPHIC RATING SCALE

The oldest and most widely used rating procedure is the graphic rating scale method. Commonly the rating scale approach is based on a check list form which lists various characteristics either of performance or personality and then provides several choices from which the rater selects the choice most suited to describing the employee and his or her performance. Some scales use general choices such as outstanding, excellent, average, below average, and unacceptable. Others use such descriptions as meets requirements, does not meet requirements, and exceeds requirements. In either case, the form could show a point scale for evaluating each characteristic numerically. The form often allows for a total score or overall score as well.

While the format of the forms varies, the basic premise is the same. The supervisor is to choose the description and then assign a numerical value for each characteristic. The total determines the overall score. The individual characteristics provide a basis for counseling the employee, and the total score provides management a quantified basis on which to make personnel decisions.

ESSAY OR NARRATIVE

The essay evaluation requires the supervisor to describe and record his or her impressions of the individual. The comments can, if the organization desires, be grouped under headings such as nature of job performance, employee characteristics, and developmental needs for future.

CRITICAL INCIDENT TECHNIQUE

In an attempt to overcome the problems of vague generalities and the lack of specific examples of behavior, the

critical incident method was developed to provide supervisors with data which could be used later in the appraisal process. The critical incident approach is used to supplement other systems. The approach consists of recording observations of important employee performance and behavior on the job. These documented observations are then used in discussions between the supervisor and the employee as a part of the appraisal process. It enables the supervisor to discuss specific performance instead of the employee's personality.

#### RANKING OR PEER COMPARISON APPROACH

The ranking or peer comparison approach probably most closely simulates the ranking process of performance evaluation. One approach to ranking is alternative ranking. In alternative ranking, the rater takes the best performer and worst performer and lists them accordingly.

#### WORK PLANNING AND REVIEW

The work planning and review approach, also known as the work planning and program review, was developed by General Electric. In contrast to the more results-oriented MBO method, this process is a means-oriented method to enhance human development. It is a systematic process for communication between supervisors and employees.

The evaluation process involves analyses by supervisor and employee of the work to be done, the goals and objectives of the work, and the level of achievement to be met. This planning is done in brief meetings to develop mutual understanding of the work. The work objectives, depending on employee responsibilities, are oriented toward daily, monthly, or other short- or long-range work and results.

Meetings occur as the work progresses and as new information about the work comes to the attention of either the supervisor or the employee. These reviews include evaluation by the supervisor and the employee of accomplishments, developmental needs, and problems encountered for which additional resources or guidance may be appropriate. The frequency of the meetings depends on the ability of the supervisor and employee to establish effective communication.

The process does not always involve formal ratings. Rather, it provides the basis for the employee and the supervisor to informally discuss the job to be done and then agree upon a plan and review progress. The process was designed to take advantage of research findings and to integrate

them with other known principles which relate to motivation and job performance. The principles are:

- Employees need to know what is expected of them.
- Employees need to know how they are doing.
- Employees need to be able to obtain assistance when and as needed.

### MANAGEMENT BY OBJECTIVES

The MBO approach has been referred to by various titles such as programmed management and management by results. The performance evaluation is based on employee accomplishments expressed in specific terms of employee responsibilities. The program judges employees on the performance measured by specific quantity and quality targets or objectives.

Generally, the evaluation consists of four basic steps:

- Subordinates and supervisors set joint objectives for short- and long-range accomplishments.
- Subordinates and supervisors agree on specific criteria for measurement and specific short-range targets.
- Supervisors try to help subordinates accomplish their objectives instead of merely judging their performance.
- Supervisors provide subordinates progress evaluations several times a year commenting on successful accomplishments and failures, while not commenting on personal traits.



LIST OF PRIVATE ORGANIZATIONS

<u>Name</u>	<u>Type of business</u>
Pacific Telephone & Telegraph Co. San Francisco, California	Communication
Bank of America Corporate Headquarters San Francisco, California	Banking
Blue Shield of California Corporate Headquarters San Francisco, California	Insurance
Chrysler Corporation Corporate Headquarters Detroit, Michigan	Manufacturing
Dayton-Hudson Corporate Headquarters Minneapolis, Minnesota	Manufacturing
General Electric Co. Nuclear Energy Division San Jose, California	Manufacturing
General Motors Corporation Corporate Headquarters Detroit, Michigan	Manufacturing
Hewlett-Packard Corporate Headquarters Palo Alto, California	Electronics
Honeywell Inc. Corporate Headquarters Minneapolis, Minnesota	Electronics
International Business Machines Development and Manufacturing Division San Jose, California	Electronics
International Paper Company Corporate Headquarters New York, New York	Paper

Metropolitan Life Insurance  
Corporate Headquarters  
New York, New York

Insurance

Sear, Roebuck & Co.  
Corporate Headquarters  
Chicago, Illinois

Retail

Standard Oil Company (Indiana)  
Corporate Headquarters  
Chicago, Illinois

Oil and chemicals

Stanford University  
Palo Alto, California

Education

TRW Inc.  
Systems Group  
Redondo Beach, California

Aerospace

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EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET  
WASHINGTON, D.C. 20503

October 12, 1977

Mr. Victor L. Lowe  
Director, General Government  
Division  
U.S. General Accounting Office  
Washington, D. C. 20548

Dear Mr. Lowe:

This refers to your request for review and comment on your draft report entitled, "Federal Employee Performance Rating Systems Need Fundamental Changes."

The report reflects a very comprehensive and excellent study of the performance rating system and we generally agree with the conclusions that the present plan is not meeting the objectives of the legislation.

As you know, the Office of Management and Budget and the Civil Service Commission are jointly engaged in a broad review of present Federal personnel policies to determine improvements required to meet objectives of Federal programs and policies and recommend appropriate process, regulation, legislation, and organizational solutions.

I understand that your staff has contacted the task force studying performance rating systems and that copies of your draft report have been made available to them. I am sure that your findings will be very helpful and the recommendations you are making will be given full consideration in the development of improvements to enhance workforce productivity.

We thank you for the opportunity you have afforded us to comment on the draft report.

Sincerely,

A handwritten signature in cursive script that reads "Edward F. Preston".

Edward F. Preston  
Assistant Director for  
Federal Personnel Policy



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY  
WASHINGTON, D.C. 20460

OCT 19 1977

OFFICE OF  
PLANNING AND MANAGEMENT

Mr. Henry Eschwege  
Director, Community and  
Economic Development Division  
United States General Accounting Office  
Washington, D.C. 20548

Dear Mr. Eschwege:

We have reviewed your draft report entitled "Federal Employee Performance Rating System: Need Fundamental Changes". In general, we are in agreement with the findings and recommendations contained in the report. In fact, the revised EPA policy on performance evaluation (June 1977) contains many of your recommendations. These items include:

1. Written performance requirements established collaboratively between supervisor and employee, periodically updated as mission requirements change.
2. Performance evaluation based on work results related directly to the established performance requirements.
3. Required employee-supervisor job related discussions during evaluation period.
4. Comprehensive supervisory training.

We definitely agree that the Performance Rating Act as currently applied throughout the Government no longer serves a useful purpose. We believe, however, that the GAO recommendations represent a positive step toward improvement.

We appreciate the opportunity to comment on the report prior to its issuance to Congress.

Sincerely yours,

A handwritten signature in cursive script that reads "Bill Drayton".

William Drayton, Jr.  
Assistant Administrator  
for Planning and Management

**Federal Home Loan Bank Board**

320 First Street, N.W.  
Washington, D.C. 20562

Federal Home Loan Bank System  
Federal Home Loan Mortgage Corporation  
Federal Savings and Loan Insurance Corporation

October 17, 1977

Mr. S. D. McElyea  
Director, Field Operations Division  
U.S. General Accounting Office  
Washington, D.C. 20548

Dear Mr. McElyea:

Thank you for the opportunity to review the GAO draft report on performance rating systems. We have no substantive criticisms of the report as we worked closely with Project Manager Hans Hansen at different points during the report preparation. I would, however, like to share some thoughts on the topic and specific comments on the Federal Home Loan Bank Board's MBO/KOI performance planning and appraisal system.

As you are well aware, the Performance Rating Act of 1950 spells out the basis for federal government worker performance evaluation; however, it does not state how performance ratings are to be given. Purposely, the Act allows for agency flexibility in designing a rating program which meets specific needs. The MBO/KOI system was designed to meet specific Bank Board needs and is based on top management objectives and their commitment to them. The foundation of the system is increased communication, clarification, and understanding of job responsibilities between supervisors and employees. The performance evaluation aspect focuses on the individual's performance; namely, how well the results expected were met and areas for improvement. We were pleased with GAO's endorsement of these and other similar objectives.

I also want to point out our awareness of the need to monitor and evaluate continually the effectiveness of the MBO/KOI system. In the past, problems were identified and corrective actions were implemented. We need to step up our efforts in this area especially for our Office of Examinations and Supervision. The district operations, by their very nature and structure, have differing needs to which an MBO-based system must be responsive.

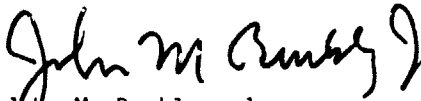


Page 2  
Mr. McElyea  
October 17, 1977

Our work is cut out for us if we are to continue our commitment to effective performance evaluation. The new Chairman of the Federal Home Loan Bank Board has given many indications of his desire for the Board to be responsive not only to the public needs but also to the needs of Board employees. We look forward to continuing our work on MBO/KOI with the Personnel Department under Chairman McKinney's administration and with his support.

Thank you again for allowing us to respond to the draft report. If I can be of further assistance on behalf of the Federal Home Loan Bank Board, please do not hesitate to contact me (202) 376-3291.

Sincerely,



John M. Buckley, Jr.  
Director  
Management Systems Division

UNITED STATES DEPARTMENT OF AGRICULTURE  
FOREST SERVICE

P.O. Box 2417  
Washington, D.C. 20013

6130

APR 1977



Mr. Henry Eschwege, Director  
United States General Accounting Office  
Community and Economic Development Division  
Washington, D.C. 20548

Dear Mr. Eschwege:

We appreciate the opportunity to review the draft report of your review of the Performance Rating Act of 1950. Our only editorial comment with reference to Forest Service coverage in the draft concerns the statement on page 27 which indicates that Forest Service procedures require the development of written performance requirements. This statement is only partially true in that while the Forest Service system does include 16 profile elements which have written performance requirements they are standardized and therefore do not require the development of individual written performance requirements.

Your draft presents an excellent analysis of both the history and deficiencies of the Performance Rating Act. We are not sure, however, of the extent to which the recommendations as a whole will improve performance evaluation in the Federal Government. In theory they are all reasonable and justified recommendations. In practice they may not be very realistic for two primary reasons.

First of all these recommendations represent a significant increase in both the workload and paperwork associated with performance evaluation. In a personnel system which is already over burdened with complex procedures it is doubtful that adding more procedures will obtain the desired results. Many Federal managers today consider the current Federal Personnel System more an obstacle than an aid to effective personnel management. To change this attitude we need to drastically reduce our procedural requirements not add to them. In view of this we feel another serious alternative is to recommend the repeal of the Performance Rating Act of 1950 entirely.

The second reason for questioning the effectiveness of the draft's recommendations in actual practice is that except for training they virtually ignore the key to effective performance evaluation,

the supervisor. As has been said so many times in so many ways the good supervisor does not need a formal performance rating system because he/she has a continuing communication system with employees which includes performance expectations as well as evaluations. The reverse is also true, the poor supervisor will not do an effective job evaluating performance no matter what system he/she is required to apply. There are of course many reasons for this, here are a few by way of example:

1. If the performance rating system is tied to the promotion and awards and/or rewards systems it will skew the supervisor's judgment in favor of the employee. We have seen thousands of cases where an employee's performance evaluation made for promotion is higher than one made for performance evaluation only.

2. It is difficult for most supervisors to deal with employee shortcomings.

3. Poor supervisors not only do not know what performance they expect or should expect from an employee but often they do not even know what the job is or should be.

As we have noted we feel the supervisor is the key to improved performance evaluation. All other efforts will be fruitless if the subject of quality of supervisors is not addressed. There are three areas with respect to supervisors which need special emphasis.

1. Selection of supervisors - Traditionally supervisors have been selected from the most technically competent employees in the work force. Their potential to become effective supervisors has largely been disregarded or considered secondary to their technical competence. Agencies should be required to fill supervisory positions primarily on the basis of supervisory potential and secondarily on technical ability. More effective methods of assessing supervisory potential also needs to be developed.

2. Training of supervisors - Supervisory training receives a great deal of attention in the Federal Government. Its overall effectiveness however is questionable. The primary reason is that many of the trainees do not have the potential to become good supervisors and hence no amount of training will take. If we improve the quality of the individuals we select as supervisors we will naturally get more out of our training dollar.

3. We do very little placement followup with respect to supervisors. Seldom do we really evaluate the quality of our original selection decision. Even if we do, action is rarely

taken to remedy the situation if a mistake has been made. We need more emphasis on the evaluation of newly selected supervisors to determine the quality of that selection. If deficiencies are noted training should be provided. If training does not correct these deficiencies the employee should be removed from the supervisory position.

Again we want to thank you for the opportunity to comment on your draft and beg your indulgence for using this opportunity to philosophize on performance evaluation in general.

Sincerely,

A handwritten signature in black ink that reads "Robert W. Harris". The signature is written in a cursive style with a large, looping initial "R".

JR JOHN R. McGUIRE  
Chief

Enclosure



General  
Services  
Administration Washington, DC 20405

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October 4, 1977

Honorable Elmer B. Staats  
Comptroller General of the United States  
General Accounting Office  
Washington, DC 20548

Dear Mr. Staats:

Thank you for the opportunity to review a draft report to Congress on your agency's review of the Performance Rating Act of 1950 and Federal employee performance rating systems.

We do not believe that the draft recommendations go far enough. In a letter of April 12, 1976, from the General Services Administration Director of Administration to your San Francisco Regional Manager, we expressed the view that "acceptable level of competence" determinations involve distinctions that are too subtle for effective administration, and we questioned the validity of those regulations that provide for extra seniority based on performance ratings. Therefore, although we endorse that part of your draft recommendation which states: "The Civil Service Commission should ask Congress to amend the Performance Rating Act deleting requirements for performance summary ratings...", we recommend deletion of the following sentence: "In doing so, the Commission should not overlook the need to provide a basis for awarding employees salary increases and service credits applicable in reduction-in-force situations." We believe that the Civil Service Commission should be charged to review and to recommend amendments to any and all legislation that tends to impede effective performance appraisal in the Federal Government.

We appreciate this opportunity to comment on the draft report.

Sincerely,

Jay Solomon  
Administrator



DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE  
OFFICE OF THE SECRETARY  
WASHINGTON, D.C. 20201

OCT 20 1977


Mr. Gregory J. Ahart  
Director, Human Resources  
Division  
United States General  
Accounting Office  
Washington, D.C. 20548

Dear Mr. Ahart:

The Secretary asked that I respond to your request for our comments on your draft report entitled, "Federal Employee Performance Rating Systems Need Fundamental Changes." The enclosed comments represent the tentative position of the Department and are subject to reevaluation when the final version of this report is received.

We appreciate the opportunity to comment on this draft report before its publication.

Sincerely yours,

  
For Thomas D. Morris  
Inspector General

Enclosure

HEW COMMENTS ON GAO DRAFT REPORT,  
"FEDERAL EMPLOYEE PERFORMANCE RATING  
SYSTEMS NEED FUNDAMENTAL CHANGES"

1. The detailed, comprehensive analysis of performance rating systems appears to cover all aspects of the subject. The method of providing historical perspective regarding evaluation systems, describing current methods used by Federal agencies, and then including comparisons with the private sector enables readers to draw independent conclusions concerning the effectiveness of any one system.
2. This Department agrees with the basic desirability of implementing collaborative systems in which the primary purpose of performance evaluation is to maintain and improve employee performance on the present job and strengthen supervisor - employee relationships. We agree that ways should be sought to directly interrelate pay decisions with performance but we think this should be done as an additional step. Parts of the GAO report (see especially p. 69) will be useful in considering how this can be done while minimizing the mutual defensiveness of employees and supervisors when discussing matters of compensation.

GAO note: Deleted material suggested changes in the final report. We have considered these changes in this report.



National Aeronautics and  
Space Administration

Washington, D.C.  
20546

Reply to Attention **W**

OCT 14 1977


Mr. R. W. Gutmann  
Director  
Procurement and Systems  
Acquisition Division  
U.S. General Accounting Office  
Washington, DC 20548

Dear Mr. Gutmann:

We appreciate the opportunity to review GAO's draft report entitled "Federal Employee Performance Rating Systems Need Fundamental Changes", which was prepared in the Federal Personnel and Compensation Division.

As noted in your transmittal letter, dated September 20, 1977, we discussed the earlier draft of the observations and findings that pertain to NASA with GAO representatives. We have no further comments to offer at this time with regard to those findings or to other segments of the proposed report.

Sincerely,



Kenneth R. Chapman  
Assistant Administrator for  
DOD and Interagency Affairs





ASSISTANT SECRETARY  
FOR ADMINISTRATION

OFFICE OF THE SECRETARY OF TRANSPORTATION  
WASHINGTON, D.C. 20590

October 25, 1977

Mr. Henry Eschwege  
Director  
Community and Economic Development Division  
U.S. General Accounting Office  
Washington, D.C. 20548

Dear Mr. Eschwege:

We have enclosed two copies of our reply to the General Accounting Office draft report "Federal Employee Performance Rating Systems Need Fundamental Changes." Please let us know if we can assist you further.

Sincerely,

  
for Edward W. Scott, Jr.

Enclosures

## DEPARTMENT OF TRANSPORTATION REPLY

TO

GAO DRAFT REPORT OF SEPTEMBER 1977

ON

FEDERAL EMPLOYEE PERFORMANCE RATING SYSTEMS

NEED FUNDAMENTAL CHANGES

REPORT TO THE CONGRESS

Summary of GAO Findings and Recommendations.

The purpose of the GAO review which covered performance rating systems used by ten selected Federal agencies was to determine whether the Performance Rating Act of 1950 is still providing a workable legislative framework in today's Federal personnel management environment; and, whether the systems are effectively meeting the objectives sought by Congress. In addition, at the request of the Manpower and Housing Subcommittee of the Committee on Government Operations, the report also covers a specific review of the use of performance summary ratings in the Federal service and a comparison of public and private sector performance systems.

Data cited in the report were collected primarily through the use of management and employee questionnaires with follow-up discussions with selected Headquarters and field officials. The GAO also reviewed literature, research studies and information on current practices of sixteen companies in the private sector, and reviewed the research effort conducted by the Civil Service Commission. The report presents the following findings and recommendations.

Findings

Summary performance ratings of Federal employees no longer serve a useful purpose. The ratings--outstanding, satisfactory, or unsatisfactory--have essentially become a single rating system. About 99 percent of all employees covered receive a satisfactory rating; and other personnel programs are more effective in recognizing and rewarding outstanding performance.

Use of a single rating as the total summary of employee performance does not inform employees adequately about the quality of their performance in specific terms, or provide management with sufficient information on which to base personnel decisions. This is due to a combination of fundamental problems with the current performance evaluation systems, the lack of supervisory training

and review processes.

Federal systems have tried to achieve the objectives of performance evaluation primarily through the use of "traditional" graphic rating scale methods that do not provide useful performance data. Most procedures have provided little direction and guidance leaving determination of ratings entirely to the discretion of supervisors. Since the training of supervisors also has been inadequate, the ratings of employees are now largely dependent on individual supervisors' skills and inclinations. Except for outstanding and unsatisfactory ratings, there is little review of the ratings.

In contrast to the public sector, most performance evaluation systems in private enterprise provided supervisors with considerably more guidance, forcing them to stay within the ground rules of each enterprise. Private sector systems usually are different for separate occupational groups rather than the same for all employees. Employees perceived such systems to be helpful in gaining a clear understanding of their expected performance.

Performance evaluation should be linked in a meaningful way to personnel decisions involving compensation, incentive awards, and opportunities for advancement. While seemingly complementary to the performance evaluation program, neither the Civil Service Commission nor Federal agencies have directly linked these programs. Since each program is administered independently, employees' perception of the relationship between the performance rating and reward is limited or does not exist.

#### Recommendations

The Chairman of the Civil Service Commission should request the Congress to amend the Performance Rating Act of 1950 to delete all statutory requirements for performance summary ratings of Federal employees and to permit agencies the option to use performance summary ratings within their systems for their own purposes. In doing so, the Commission should provide a basis for awarding within-grade salary increases for wage grade employees and retention service credit under reduction-in-force situations.

The Chairman and the heads of Federal agencies should improve their performance rating systems by making more use of the collaborative approach; i.e. -- establishing systems which are built around employee participation, development of present work requirements, and review of work achievements in the performance evaluation process. Such rating systems should:

Require specific written performance standards

Specify a minimum number of required employee-supervisor job-related discussions during the evaluation period

Require substantive management reviews of narratives and/or justifications submitted in support of performance ratings to assure that the performance indeed matches the rating

Provide supervisors with adequate training on the evaluation systems and appropriate techniques

Consider the establishment and use of different evaluation methods for major occupational groups

Require that agencies on a selective basis, begin implementing collaborative systems and keep careful records of results in terms of costs and benefits

Require the Civil Service Commission to:

Develop a method of granting within-grade and quality step salary increases linked to performance achievements

Develop a similar linkage between the performance achievements and personnel actions dealing with incentive awards, actions

Propose legislation, as required to establish the recommended linkage between performance and reward

#### Position Statement

We agree that the Performance Rating Act of 1950 has outlived its usefulness and that more recent programs are more effective in rewarding superior performance. It is not clear from the report, however, whether GAO is recommending repeal of the Performance Rating Act in its entirety or simply

the deletion of the requirement for summary ratings. We favor repeal of the Act. To retain other provisions, including appeal procedures, without specific ratings would be unworkable.

We agree with the concept of the collaborative approach to performance evaluation, the need for additional supervisory training and a higher level review of certain ratings. However, we disagree with the requirements for written performance standards, a specified number of discussions during the rating period, and the linking of specific personnel actions to performance ratings. Our experience with rating systems requiring written performance standards and a specified number of discussions has been that effective supervisors do as well without these requirements as they do with them. For others, the process often degenerates into an adversary situation resulting in grievances and appeals--whether because of poorly written or antiquated standards, the inability to communicate and agree upon them, or the supervisor's failure to comply with the requirements. For all supervisors, the requirements create an inordinate workload and detract from the participative, communicative and supportive atmosphere which must prevail in performance discussions. The report does not demonstrate that, with proper supervisory training, written performance standards materially improve the process either in the Federal sector or private sector. The discussion on private sector practices did not indicate that written performance standards are required. We believe that the key lies in supervisory training rather than an attempt to legislate good management practices.

The report appears to be internally inconsistent on the subject of linking personnel actions to performance ratings. First, there is the conclusion that other programs such as incentive awards and quality step increases are more effective in rewarding employees than the Performance Rating Act. With the exception of the few examples citing inadequate documentation of performance awards, there is little discussion of the programs; yet, there seems to be the recommendation that we institute programs which we already have. We agree that there needs to be adequate justification for, and a higher level review of, award recommendations. We also agree that the "acceptable level of competence" determinations result in an automatic granting of within-grade increases. However, the report does not speak to the reason which, in our opinion, stems from the elaborate review and appeal processes required by the Civil Service Commission. Supervisors are reluctant to submit themselves to such procedures. We suggest that the report recommend abolishment of the CSC appeal process and require only a review within the agency.

There is considerable discussion on the inadequacies of the "graphic rating scale" as it is used in the performance evaluation process, but no mention of its relationship to the merit promotion program. The Commission requires

a comparison of employees' relative skills, knowledges and abilities in the promotion ranking process. The graphic scale lends itself to such a comparison while narrative-type ratings generally do not. The report does not acknowledge that promotions, as well as performance awards, are related to job performance.

Appendix I of the report covering the history of performance evaluation in the Federal service states that the system in effect prior to 1950--which required that ratings be used for personnel actions involving promotion, salary increases, reassignments, reduction-in-force and removal--was totally unacceptable by the Commission, and the Congress concurred. It does not seem reasonable, therefore, to revert to such a system, as the GAO is recommending. In summary, we believe there needs to be better administration of our current incentive awards and quality step increase provisions, but we do not agree that changes in the basic regulations requiring more specific linkage to performance evaluation are desirable.

  
for F. J. Alfults  
Acting Deputy Assistant Secretary  
for Administration



## UNITED STATES CIVIL SERVICE COMMISSION

WASHINGTON, D.C. 20415

OCT 21 1977

IN REPLY PLEASE REFER TO

YOUR REFERENCE

Mr. H. L. Krieger  
Director, Federal Personnel and  
Compensation Division  
United States General Accounting Office  
Washington, DC 20548

Dear Mr. Krieger:

Chairman Campbell has asked me to respond to your request for comments on the GAO draft report "Federal Employee Performance Rating Systems Need Fundamental Changes." Mr. Campbell's leading role on the Federal Personnel Management Project, which as you know is currently studying performance evaluation among other areas, prompts his wish not to take a position on this topic before the final results of the study are available. Accordingly, the comments contained in this letter represent staff comments on the draft report rather than an institutional position. We are glad of the opportunity to comment on the draft report and recognize that much time and attention was given to the conduct of the review and the compilation of the report.

As the draft correctly indicates, many conditions have changed since the Performance Rating Act was passed in 1950. Pay increases are no longer tied to the performance rating for positions under the General Schedule. The courts have ruled that an adverse action, including removal and reduction in grade, rank, or pay cannot be taken solely on the basis on an Unsatisfactory rating if an employee is covered by adverse action procedures. The Incentive Awards Act has provided a greater range of alternatives for rewarding superior performance. Lastly and perhaps most importantly, there are additional uses for performance assessment information which the summary adjective performance ratings were not designed to accommodate, e.g. promotion, upward mobility, training needs assessments, improved ways of assigning work, tracking work progress, and improving the quality of work life. All of these factors have altered the ways in which the summary adjective performance rating had been intended to be used and pointed up the need for new management techniques.

Overall, the report confirms the problems in meeting behavioral objectives and administrative needs that have been identified over time with performance evaluation in the private and public sectors, problem areas of which the Commission, agency management, and employees

THE MERIT SYSTEM—A GOOD INVESTMENT IN GOOD GOVERNMENT

are well aware. However, the report does not fulfill its potential for usefulness because it fails to suggest a solution which encompasses behavioral and administrative needs.

Our comments follow below in the order in which recommendations are presented in the draft.

1. Summary ratings should be deleted and the CSC should establish procedures for determining granting of within-grade increases for wage grade employees and retention in reduction in force.

-- The report praises highly the collaborative systems in use at NASA and the Federal Home Loan Bank Board (FHLBB). It completely ignores the fact that both systems were developed and operate within the framework of the Performance Rating Act, including summary ratings. The Act does not provide specific appraisal methods, but is compatible with them and encourages agencies to develop and use them. Although the summary ratings themselves are not useful in obtaining behavioral objectives, they do provide a means of meeting administrative needs such as: within-grade pay increases for prevailing rate employees, retention in the position and the service, retention preference in reduction in force, and appeal rights for those not covered by other procedures. Therefore, the most obvious recommendation, one not given in the report, for meeting behavioral and administrative objectives is to keep the basic framework, i.e. the Performance Rating Act, rather than develop new procedures to accomplish the same things, and to add to it the specific behavioral methods needed, as did NASA and FHLBB.

-- We cannot agree that the solution to the fact that 99% of employees are rated satisfactory is to do away with the summary ratings. After all, it was the intent of Congress that most employees would fall in the Satisfactory category, as evidenced by the deliberate selection of an extremely high criterion for an Outstanding rating and the combining of the three middle rating categories.

-- We submit that the problem with the Act is its appeal provisions. Employees covered by adverse action procedures whose unacceptable performance results in an Unsatisfactory rating and an adverse action, have two separate appeal rights which can result in conflicting decisions. Eliminating the dual appeal rights would make the entire procedure more efficient. There is also the inconsistency of using the route of impartial review or appeal to a Statutory Board to complain about the summary adjective rating, but using grievance procedures for individual rating factors, supervisor's comments etc. As an



improvement, we suggest that the summary rating as well as the other aspects be grievable, and provision be made that in the situation wherein an Unsatisfactory rating results in an adverse action, the individual could question the merits of the Unsatisfactory rating in the adverse action appeal.

2. CSC require that agencies provide employees in advance with specific written statements of work requirements commensurate with specific grades and positions, that these be periodically updated and compared to work results for the purpose of evaluating performance and making appropriate work related decisions. Additionally, agencies should institute more substantive management review of justifications in support of performance ratings to be certain that evidence of performance indeed matches the rating.

-- The Performance Rating Act provides that performance requirements be made known to all employees and the recent revision of FPM chapter 430 stipulates that it be done at the beginning of the rating period. The "Guide for Improving Performance Evaluation" in Appendix A of FPM chapter 430 offers guidance in developing performance standards and appraising employees against them. The Act also stipulates that performance of the employee be fairly appraised in relation to the requirements. It isn't the lack of a requirement for them that is the problem with performance requirements and standards; the law presently requires them. The problem is that it takes time, effort and good procedures to do it well. For jobs predominantly involving qualitative duties such as analysis, decision-making, research and management, the results may not be completely satisfactory regardless of the time and effort spent. Likewise, everyone agrees that employees should be fairly appraised in relation to the requirements. The problem is how to do it validly and reliably. Here again, the draft report does not address the basic problem.

-- The recommendation to "review justifications in support of performance ratings to be certain that evidence of performance indeed matches the rating" is inconsistent with the report's earlier recommendation to delete summary performance ratings.

3. Recommend agencies assess feasibility of using collaborative method, develop such systems and implement on a selective basis.

-- Agencies, at present, can implement collaborative systems under Part 430 procedures. Guidance in doing this is provided in FPM chapter 430. Statutory change is not required to permit use of such procedures. We agree that each agency must assess for itself the desirability and feasibility of using the collaborative approach. It may be more useful for some agencies and certain positions than for others.

-- There is another possible interpretation of certain data illustrated in this section. The report points out that 85% of FHLBB employees participated in establishing expected job performance, 86% understood these expectations clearly, and 80% were satisfied with their annual rating. This was the highest percentage rate of all the agencies surveyed and is used to support the conclusion that the collaborative method is best. What we found interesting, however, are the statistics of the other agencies using the graphic rating scale method. For example, in HEW only 38% of employees participated in setting job requirements, but fully 71% understood what was expected of them, and 70% were satisfied with their ratings. The other agency statistics are similar. Accordingly we could conclude from this data the following:

- o 15% of employees are unlikely to understand job requirements for whatever reasons (the difference between 100% and FHLBB's 85%).
- o from 1/3 to 2/5 of employees will have supervisors who will collaborate with employees in setting job expectations even if not required by the agency and the employees will understand job expectations.
- o another 1/3 of employees will understand job expectations without participation in setting same.

The data interpretation above is not intended to minimize the usefulness and value of the collaborative method. It is presented to 1) point up the fact that the data are not as clear-cut as the recommendations to agencies imply and 2) illustrate that this method is not a panacea for all performance evaluation ills. With this, as with other methods, success depends in large measure on widespread support at all organizational levels. This point needs to be stressed in the conclusions and recommendations of chapter 4 in order to avoid the impression that collaborative methods are a "cure-all".

4. Recommend that the CSC develop a linkage between performance achievements and administrative actions dealing with within-grade increases, incentive awards, promotion, and retention in RIF.

-- This, of course, is the heart of the problem. Valid, reliable linkage requires quantifying and measuring performance data to determine who deserves greater pay, promotion, awards, or retention. The report does not suggest any method for doing this.

-- Basically, the report recommends a system to accomplish behavioral objectives but leaves to the CSC the problem of figuring out how to make that system (linkage) also achieve administrative objectives. It may be that the reason the report does not offer such a system is that one does not exist. Your findings in the public and private sectors confirm our conclusion that it is not really possible to develop a single system that will successfully meet both behavioral and administrative objectives.

-- The report's contentions that the MBO/KOI and WPPR-type approaches achieve several developmental purposes including improvement of supervisory-employee relationships may no longer be true when that performance data is subsequently used for administrative purposes. In other words, the employees' concerns about pay, advancement, etc. and the supervisor's anxieties about directly confronting an employee that are eliminated under a collaborative method would in all likelihood be resurrected when the performance data that is produced is then used for administrative purposes.

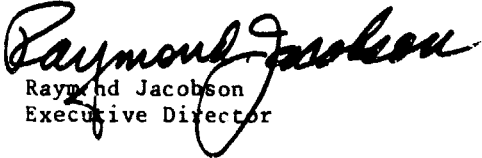
-- The report states on page 69, "...even those organizations in the private sector using the collaborative approach apparently used the performance evaluation data for salary and promotion determinations." Apparently, they either did not find out how this linkage was made or discovered that no one had yet found a desirable system. The latter may be the case because of the basic dichotomy between the behavioral and administrative objectives of performance evaluation.

One important problem in the area of performance evaluation which is not addressed by the report concerns identifying marginal employees and taking positive action regarding such employees. Dealing with this problem is a most important step in improving the performance of the Federal workforce.

A crucial point which the report discusses but which does not come across emphatically enough in the overall impression concerns the capacity of an organization to maintain a vital useful performance evaluation program after the transitory impact of instituting a new program fades. Agencies must realize that evaluation to improve performance is a continuing effort that must be followed up. It cannot succeed as a one-time effort, even a major effort, to get a program underway if that program is then expected to continue on its own momentum. (See discussion in the report of the NASA experience.) In order to succeed, a performance evaluation program needs strong, continuing support at all levels, but especially from the top.

In sum, we would consider the report as providing useful data on one method for achieving behavioral objectives. The report is remiss in not pointing out that 1) this method can be implemented by agencies under the current Performance Rating Act and 2) the answer to improving performance evaluation lies not only in providing proper tools, but also and even more importantly, in how those tools are used.

Sincerely yours,



Raymond Jacobson  
Executive Director

FEDERAL PERSONNEL MANAGEMENT PROJECT  
EXCERPTS FROM OPTION PAPER NUMBER ONE  
ON PERFORMANCE EVALUATION SYSTEMS

September 7, 1977

B. PERFORMANCE EVALUATION SYSTEMS

ISSUE 1: Agency performance evaluation systems to implement the 1950 Performance Rating Act are viewed by both management and employees as ineffective. The ratings process has become a ritual which is frequently carried out in cursory fashion and only in deference to the law. The issue is how to provide an effective and equitable system for performance evaluation.

BACKGROUND:

The primary purpose of the Performance Rating Act of 1950 was to maintain and improve employees' job performances and improve supervisor-employee relationships. However, Federal regulations implementing other programs have stipulated several other uses for performance appraisals: evaluations for promotion, reduction-in-force, training needs, salary increases, and incentive awards. The act, itself, also contained a major impediment: "adjective summary ratings."

Another problem is the lack of requirement for valid, or modestly valid, performance standards or evaluation techniques. For the original purpose of the act, valid performance standards or evaluation techniques were not essential, but the additional use of performance appraisals for major administrative decisionmaking purposes requires that performance standards have a high degree of reliability. The adjective-summary ratings, lack of valid performance standards and techniques, and the additional administrative uses made of performance appraisals--produced stress conditions that the program was not capable of withstanding.

It must also be noted that the basic concept of performance evaluation or appraisal has a major impediment itself: a person's dislike of being placed in a position requiring judging and reporting on the worth of a fellow human being. Studies in the public and private sector have shown that this impediment can be greatly diminished if performance appraisals are not used or given minimal weight in major personnel decisions.

Under the current Federal performance appraisal program, approximately 98 percent of all employees receive satisfactory appraisals almost automatically; many who deserve higher appraisals go unrecognized; and those who perform marginally or warrant job removal are not identified. Approximately 1.5 percent of all employees receive outstanding ratings, and 0.5% unsatisfactory. This situation has occurred primarily because of the restrictive feature of the adjective-summary ratings. An outstanding rating requires that all aspects of an employee's performance be outstanding and an unsatisfactory rating requires removal of employee from the service under adverse action procedures. For these reasons, almost all employees are rated equally in the satisfactory category.

Another problem of the program is that the highly productive Federal worker is aware that the relationship of his or her performance to salary step increases is no different from that of the barely acceptable or marginal employee. Approximately 98% of all general schedule employees receive salary step increases. The right of appeal of satisfactory ratings by employees seeking outstanding ratings is viewed by most management officials as an issue which should not be the subject of appeal and outside determinations.

A review of performance appraisal programs in selected private firms indicates that the private sector has experienced many of the same problems. It appears that those organizations having the greatest degree of success have limited their performance appraisal program to

employee counseling and strengthening supervisor-employee relationships, while establishing other programs to provide data for such areas as promotions, training, and pay administration. The belief expressed by some firms in private industry is that there are too many subjective and contextual factors influencing the performance criterion to obtain a high degree of validity from performance appraisals. There are also organizations in private industry, however, which have purportedly developed valid performance standards and assessment techniques, and are thus using appraisals for a number of major personnel decisions, including pay determinations.

Listed below are options for dealing with the issue of providing an appropriate and effective performance appraisal program for the Federal Government.

OPTIONS:

- a. Establish a performance appraisal program that has as its only purpose to maintain and improve employee performance on the present job and strengthen supervisor-employee relationships.

Each agency shall be required to establish a program which only:

- Communicates job requirements to each employee.
- Keeps employees currently informed of their performance.
- Provides employees an annual assessment of their overall job performance.
- Provides that no administrative personnel decisions will be based on performance appraisals.

Discussion:

This alternative provides management with a tool for assisting the employee in maintaining satisfactory performance on his or her present job, while strengthening supervisor-employee relationships. By eliminating the adjective-summary ratings, and relying upon other programs for pay administration, training needs, promotion-potential appraisals, and service retention standing, the basic objective of improving and maintaining a high standard of individual productivity is much more likely to be achieved.

- b. Establish a performance evaluation system that acknowledges and rewards satisfactory performance and identifies marginal performance, and responds to these employees in an efficient, expeditious, and equitable manner.

Each agency must establish a service retention program based upon performance evaluation systems, with the primary purpose of promoting job efficiency, thus improving the overall operational effectiveness of the Government. Each system shall provide for:

- Biannually written service retention certification for all employees based upon satisfactory performance determinations.
- The establishment of job-related performance standards or requirements developed by the supervisor.
- The communication of performance standards or requirements to employees by the supervisor.
- The assurance that employees are kept currently informed of their performance and that marginal performance be identified immediately.



- Written documentation required only when supervisor identifies marginal job performance.
- Acceptance of a "satisfactory" evaluation as equivalent to acceptable level of competence for salary step increase purposes.

Evaluation review committees would be established by each agency with the primary purpose of determining acceptable work performance of previously identified marginal employees.

These committees would consist of at least three members: two designated by the head of the agency; one by the employee or a representative. Each committee's procedures would provide, at least, for:

- The acceptance or rejection of marginal employee appraisals; a rejection results in a satisfactory appraisal of the employee.
- The development of employee improvement plans jointly by committee/supervisor.
- A maximum improvement period of 180 days.
- At least one progress report at an appropriate point.
- A written documentation of the final recommendation.
- In the presence of the supervisor, employee will be informed by the committee of the work improvement plan, progress report, and final recommendations.

The recommendations which the committee is required to make upon initial receipt of a marginal performance appraisal, or not later than 180 days, include:

- Retention in same position.
- Reassignment.
- Position change to lower grade.
- Separation from service.

Only unsatisfactory evaluations may be appealed.

Discussion:

This alternative provides management officials with a tool for assessing job performance and identifying marginal performers and an efficient mechanism for dealing with the problem of barely acceptable performance. It also provides a certain measure of equity for employees by introducing a third-party opinion before final determination of an employee's level of performance. This option also eliminates the adjective-summary ratings in performance appraisals. The review committee aspect of this method could be viewed by some supervisors as an unwarranted intrusion into their supervisory domain.

- c. Establish a performance evaluation system based upon valid job analysis that will provide management and employees with more exact criteria upon which to measure job performance and furnish a valid basis upon which to integrate performance appraisals with salary merit increases. Additionally, it will provide valid data, resulting from the evaluation process, for use in other personnel administrative purposes.

Establish a performance evaluation system with at least four performance levels. They should include categories for:

- Outstanding.
- Satisfactory.
- Marginal.
- Unsatisfactory.

Develop definitions for use as guides in the performance evaluation process.

Develop formulas for merit increases.

Develop valid performance standards for each occupational group based upon job analysis.

Evaluate performance in accordance with professionally developed personnel measurement methods.

Communicate performance standards to employees.

Each supervisor will be required to conduct an annual multipurpose review to incorporate the following items:

- A review of the job description and a determination as to the current accuracy as described and the adequacy of respective performance standards.
- Identification of employee training needs.
- A complete evaluation of past job performance.
- A yearly determination based upon the performance appraisal evaluation of whether or not the employee is eligible to receive a merit monetary increase.
- The granting of the appropriate annual merit monetary increase based upon the performance evaluation appraisal.

All employees will receive a performance evaluation appraisal once each year.

Performance evaluation appraisals should be used as one of the measurement devices for promotion, reassignment, and determination of training needs and potential.

Only unsatisfactory performance evaluations may be appealed.

All performance evaluation appraisals must be documented.

Unsatisfactory appraisal is the basis for removal from a position.

Two successive marginal ratings would be basis for an unsatisfactory rating.

A notice of proposed unsatisfactory performance evaluation appraisal must be given at least 90 days before final determination.

Discussion:

This option is only possible if valid performance standards and evaluation procedures can be developed and used within the Federal Government as a basis for major placement decisions and pay administration.

This alternative for performance evaluation appraisal provides management with a validated assessment tool which can be used as a measurement device for work productivity, promotions, reassignments, training needs, merit salary increases, employee motivation, and separations. The data obtained from implementation of this alternative will provide management with a relevant and valid base upon which to implement a merit salary increase program, and also to make other personnel administrative decisions. However, the cost involved in the development and continuous maintenance of this program in operational situations compared with the returns or benefits is questionable. Yet, there are some professionals who believe that to produce an appraisal system that provides valid data, useful for several purposes, a certain amount of funds expenditure is cost effective.