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BY THE COMPTROLLER GENERAL

# Report To The Congress

OF THE UNITED STATES

## Postal Service Merit Program Should Provide More Incentive For Improving Performance

The Postal Service pioneered merit pay in the Federal Government. However, weaknesses in its administration have affected the program's credibility with employees and thus its effectiveness as a motivator of improved performance.

Developing a sound merit program requires time and resources. In the Postal Service's program, GAO found that

- performance evaluations have not always been accurate and fair assessments of employee performance, and
- it has not been as effective as possible in motivating improved performance.

The Postal Service's experiences should be helpful to Federal agencies as they develop and administer their own merit programs under civil service reform.



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

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

This report discusses improvements needed in the Postal Service's Merit Performance Evaluation Program. The Postal Service pioneered merit pay in the Federal Government, and its experiences should be helpful to Federal agencies as they develop and administer their own merit programs under civil service reform.

We are sending copies of this report to the Director, Office of Personnel Management; the Director, Office of Management and Budget; and the Postmaster General, United States Postal Service.

  
Comptroller General  
of the United States



D I G E S T

The Postal Service has worked toward developing a sound merit program but weaknesses in its administration have affected the program's credibility with employees and its effectiveness as a motivator of improved performance.

The Postal Service was a pioneer in implementing merit pay in the Federal Government. In 1972, it initiated its program to stimulate improved productivity by replacing the old, almost guaranteed, salary step increase system with one which evaluated employees and made raises contingent on performance. The Service's size and the legislative mandates it must follow have made the transition difficult.

The Service has made many changes over the years to improve the program's soundness, and it has added several elements that are characteristic of an effective merit program. GAO's review of the fiscal year 1978 and 1979 programs, however, indicated that more could be done in improving the program's administration because

- appraisals and ratings have not always been accurate and fair assessments of employee performance (ch. 3), and
- the merit program has not been as effective as possible in rewarding and improving performance (ch. 4).

## IMPROVEMENTS NEEDED IN THE EVALUATION PROCESS

The success of a performance evaluation program depends largely on proper design and administration. Although the Service's program has some of the characteristics desirable for providing fair and accurate assessments of performance, the process can be further improved.

Appraisals do not specifically or accurately describe performance results, because they are not adequately tied to duties and responsibilities or developed by using specific assessment criteria. (See pp. 13 to 21.) Overall ratings are influenced by nonperformance factors, inadequately documented, and changed by managers above the employee's supervisor without adequate explanation. (See pp. 21 to 26.) Employee self-appraisals are not improving the evaluation process as intended (see pp. 26 to 28), and supervisor-subordinate dialogue concerning the evaluation process has not been effectively carried out. (See pp. 28 and 29.)

Many of the weaknesses in the Service's program stem from inadequate guidance and training on how to carry out the evaluation process. (See pp. 29 to 34.) Better program monitoring and evaluation are needed to ensure procedures are appropriate and properly administered. (See pp. 34 and 35.) Recently, the Service has taken steps to improve the training and guidance provided to managers and has implemented some program evaluation methods. (See pp. 31, 32, and 34.)

A sound, well-administered program with effective supervisor-subordinate dialogue is critical to employee perceptions of accuracy, fairness, and equity. The considerable variances in the quality and content of the Service's performance appraisals and ratings raise questions as to their accuracy and appropriateness. This situation, combined with the inadequacies in employee self-appraisals and supervisor-subordinate communications, has adversely affected the credibility of the evaluation process with employees.

MERIT PROGRAM COULD BE MORE  
EFFECTIVELY USED TO REWARD  
AND IMPROVE PERFORMANCE

The Postal Service's administration of the merit program has detracted from its primary objective--rewarding performance in order to improve it. In addition, although program instructions provide for using the evaluation process to identify and correct poor performance, this has not been effectively done.

To control rising salaries, the Service began restricting merit pay increases in fiscal year 1975. These restrictions have been removed in recent years, and merit pay increases are now viewed by employees as a means for making up for previous salary restrictions. (See pp. 36 to 38.)

The Service's practice of awarding merit increases to low as well as high performers and providing general salary increases to all employees detracts from the recognition given to high performers. This situation lessens the incentive for continued good or improved performance. (See pp. 38 to 40.)

The Service has provided little guidance or training on how to decide on merit increase percentages and effective dates. As a result, merit pay decisions are not made on a uniform basis, confusing employees as to the basis of merit decisions and raising suspicions that factors other than performance are the major determinants of merit pay. (See pp. 40 to 42.) Supervisor-subordinate discussions concerning the basis of merit increases are not conducted in an effective manner. (See pp. 44 and 45.)

For many employees there is a long time between merit increases and the performance for which they were awarded. In addition, employees at the maximum or above the maximum of their grade levels are ineligible for merit increases regardless of their performance. As a result, these employees would not have the

same financial incentive as employees below the maximum of their grade levels to improve or continue their high level of performance. (See pp. 42 to 44.)

#### RECOMMENDATIONS

GAO makes several recommendations to the Postmaster General designed to

- improve the accuracy and fairness of appraisals and ratings, and
- make better use of the merit program in rewarding and improving performance (see pp. 50 to 52).

#### AGENCY COMMENTS

The Postal Service informed GAO that implementation of the merit program has been difficult because

- tens of thousands of participants are spread over thousands of locations, and
- many employees favored the old system of automatic salary increases.

The Service pointed out that it operates under constraints which can influence how it can change the program. These stem from legislative mandates, pay consultation requirements, collective bargaining agreements, fiscal limitations, and judicial decisions.

The Service informed GAO that it was not surprised by the finding that some employees may view the program negatively and that it recognizes that there is still room for improvement in the program's operations. The Service also informed GAO that many of the specific changes called for by our recommendations are already underway and that others will be considered as the Service gains further experience. The Service's comments on GAO's recommendations are in appendix V.



The Service objected to two of GAO's recommendations--the development of assessment criteria and the one dealing with merit increases given only to high performers. (See pp. 53 and 54.)

GAO continues to believe that the effectiveness of the program will be impaired without the actions called for by these recommendations.

#### EMPLOYEE ORGANIZATION COMMENTS

The three organizations representing merit program participants were asked to review and comment on this report. The two organizations which provided written comments generally agreed with GAO's conclusions and recommendations. (See appendixes VI and VII).



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ABBREVIATIONS

COLA	Cost-of-living adjustment
EAS	Executive and administrative schedule
EEO	Equal employment opportunity
FLSA	Fair Labor Standards Act
GAO	General Accounting Office
MSC	Management sectional center
PCES	Postal career executive service
USPS	United States Postal Service



## CHAPTER 1

### INTRODUCTION

The Postal Service was a pioneer in implementing merit pay in the Federal Government when it initiated its Merit Performance Evaluation Program in fiscal year 1972. The program's stated purpose was to (1) give each person proper salary recognition for accomplishment in his/her job, (2) provide a record of individual achievement and results, and (3) highlight areas for improvement. In essence, the program was intended to stimulate improved productivity by replacing the old, almost guaranteed, salary step increase system with one which evaluated employees and made raises contingent on performance. This report addresses how the Service's program has changed over the years, how the evaluation (ch. 3) and merit pay (ch. 4) processes have been administered in recent years, and how employees perceive the program in accurately assessing and fairly rewarding performance (ch. 2).

In 1978 the Congress passed the Civil Service Reform Act (Public Law 95-454), which was designed to improve Government efficiency and to balance management authority with employee protections. Among the major features of the act were requirements for new performance appraisal systems and merit pay for managers and supervisors. The Postal Service's experience under merit performance evaluation and pay should be helpful to other Federal agencies as they develop and implement new performance appraisal and merit pay systems.

#### POSTAL SERVICE MERIT PROGRAM-- A HISTORY OF CHANGE

Since initiating its merit program in fiscal year 1972, the Service has revised it yearly and expanded its coverage. From fiscal years 1972 through 1977, changes were minor but problems experienced in administering the program brought about major revisions in fiscal year 1978. In fiscal year 1980, the Service expanded the program to include virtually all nonbargaining employees.

#### Early program simple but poorly administered

The Service's merit program from fiscal years 1972 to 1977 was rather simple in design. Only minor changes were made from year to year. However, a Postal Service

Compensation Task Force concluded in 1977 that a "new system" was needed to overcome negative employee perceptions of the merit program.

The fiscal year 1972 program covered about 6,000 managers. A checklist with a narrative was used to evaluate these employees in three major areas:

- Responsibility and contribution to the Postal Service.
- Responsibility to the public.
- Responsibility to employees.

Merit increases ranging from 5 to 10 percent of base salary were based on an overall numerical rating of performance and took effect around an employee's anniversary date. Supervisors were to discuss employees' performance with them frequently and, during the annual evaluation, inform employees why they were or were not receiving a merit increase. The Service controlled its merit costs by setting a budget and requiring that the fiscal year cost not exceed one-half of the merit budget.

Since 1972 some postmasters, supervisors, and professionals were added to the program, increasing its coverage to over 23,000 employees in fiscal year 1977. During this period, minor changes were made in the program's administration, including changing the effective dates for merit increases, modifying the evaluation forms, increasing the emphasis placed on supervisor-employee discussions, and changing the size of the merit budget.

In 1977 a Postal Service Compensation Task Force found that the merit program had been weakened through poor administration. The task force concluded that the merit program had not been fully effective and expressed " \* \* \* serious doubts as to whether it can be effective unless management at all levels administers the program fairly, consistently, and equitably." The task force recommended a new program with significant changes to " \* \* \* offset the negative perceptions of the existing merit program."

A "new" merit program was  
instituted in fiscal year 1978

In response to the views that a new merit program was needed, the fiscal year 1978 program was significantly different from prior years' programs. Many aspects of the 1978



program are similar to what is found in private industry and have been carried forward into the fiscal years 1979 and 1980 programs. Changes in these later years have come about largely because of the increased number of and different types of positions covered by the merit program.

Major changes in the fiscal year 1978 program, which covered over 22,000 managers, postmasters, supervisors (other than first line) and some professionals, included:

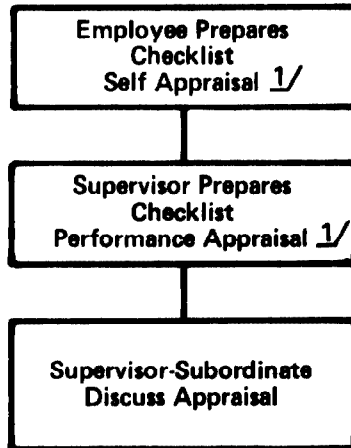
- Individual objective setting and self-appraisals in which employees describe their goals and accomplishments for specific time periods.
- Five adjective ratings used to summarize an employee's overall performance for a year.
- A salary matrix used to determine a percentage merit increase based on the assigned rating and an employee's relative standing in the salary range.
- Two annual supervisor-employee discussions, one covering the performance appraisal, and one covering the rating, amount of merit increase, and timing.
- A normal distribution curve to be used as a guide for monitoring the distribution of ratings.

This new approach in the 1978 program was designed to decentralize management control and get greater employee participation, both of which would result in better understanding between employees and supervisors, increased acceptance of the program, and improved accuracy of evaluations.

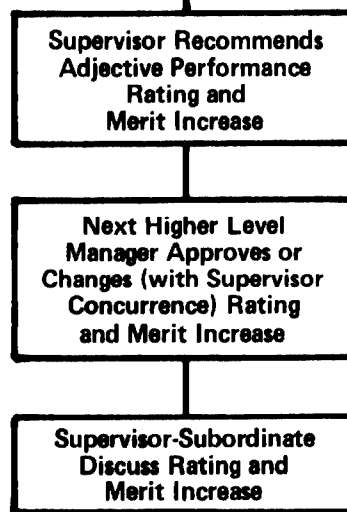
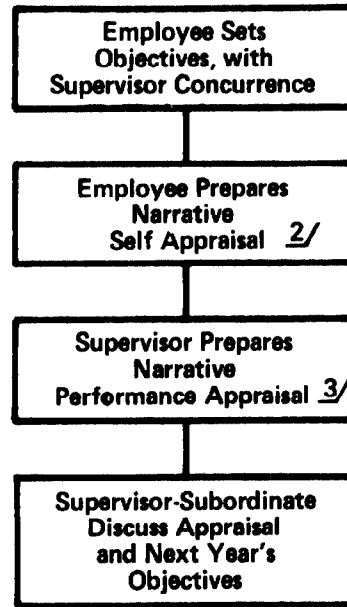
The fiscal year 1979 program was expanded to cover professional, technical, administrative, and clerical positions. The program was similar to the 1978 program, except that lower graded positions were not required to prepare individual objectives but were required to prepare self-appraisals and be evaluated using a checklist format instead of a narrative format. The Service made these changes because it felt the duties of the lower graded positions were repetitive in nature. The Service also eliminated the salary matrix because of misunderstanding and confusion but kept ranges for merit increases which are based on adjective ratings. The 1979 program is outlined in the chart on page 4, and the forms used are shown in appendix IV. (See pp. 58 to 63.)

**1979 MERIT PERFORMANCE EVALUATION PROGRAM: TWO APPRAISAL SYSTEMS**

**EXECUTIVE AND ADMINISTRATIVE  
GRADES 1-19**



**EXECUTIVE AND ADMINISTRATIVE  
GRADES 20-30**



1/ May be based on job performance standards, which are goals and objectives of a continuing nature.

2/ Based on achievement of objectives.

3/ Should consider achievement of objectives and employee's self appraisal.

In fiscal year 1980, the Service expanded the merit program to cover nearly all nonbargaining employees--over 70,000 employees. Certain aspects of the 1979 program were continued; however, in response to recommendations of a special task force, some changes were made to (1) limit the amount of work the program required with the large number of employees in diversified positions that came under the program and (2) respond to concerns of the supervisor and postmaster associations. Most of the changes affected employees in the lower grades of the Executive and Administrative Schedule (EAS). The most significant changes were that employees in grades 1 through 16 and grades 17 through 19 in step 5 and below were placed in a "step merit" process. Under this process they receive a 2-step, 1-step, or no increase depending on whether their performance is rated outstanding, good or marginal. Other changes include the type of forms used to evaluate the lower graded employees and whether they prepare objectives and self-appraisals or receive a supervisor's discussion of their appraisal.

#### OBJECTIVES, SCOPE, AND METHODOLOGY

We undertook this review to evaluate how the Postal Service has developed and administered its Merit Performance Evaluation Program in order to:

1. Determine if there were problems in the Service's development and administration of the program that may be impairing its successfulness as a method of improving performance and rewarding good performance.
2. Develop an example of the development and administration of a merit program in the Federal Government that may be helpful to other Federal agencies as they develop and administer merit programs under civil service reform.

To achieve these objectives, our audit work was designed to

- identify changes in the Service's program from its initiation in fiscal year 1972 through fiscal year 1980 and the reasons for the changes,
- assess how the fiscal year 1978 and 1979 programs were administered,
- solicit employee views on how the program has been administered and its value, and

--compare the Service's program to private sector programs.

Our work was performed at the Postal Service Headquarters, 3 of 5 regional offices, 6 district offices, 12 management sectional centers, and 23 associate post offices in the 3 regions. We reviewed in detail 428 appraisals and 165 objective statements and scanned an additional 624 appraisals. We also reviewed program instructions and other records and interviewed 135 managers and supervisors in different organizational units at the locations visited (see apps. I and II for details).

We also mailed questionnaires to a nationwide statistical sample of 1,197 postal employees. One version of the questionnaire was sent to 598 employees in EAS levels 20 to 30, and another was sent to 599 employees in EAS levels 1 to 19. The basic difference between the two versions was that the one sent to EAS levels 1 to 19 included questions concerning job standards. The response rate we received on our questionnaires is shown in the following table.

Response Rate To GAO Questionnaires On Postal Service Merit Performance Evaluation Program

	<u>EAS levels 20 to 30</u>	<u>EAS levels 1 to 19</u>
Employees as of March 1979 (universe size)	10,753	15,605
Questionnaire data		
-sample size	598 (100%)	599 (100%)
-respondents	538 (90%)	499 (83%)
-nonrespondents	54 (9%)	95 (16%)
-nondeliverables	6 (1%)	5 (1%)

As in any data collection effort which does not obtain responses from the entire population, the questionnaire results are subject to a certain amount of sampling error. This sampling error depends on the level of confidence sought, the number of responses, and the observed percentage responding to specific questions. For all questionnaire data used in this report, however, the error is quite small because we attempted to survey the entire population and achieved relatively high response rates. At the 95-percent level of

confidence, the sampling error is within plus or minus 4 percent for most questions. The remaining questions are only slightly less precise, with a sampling error within plus or minus 6 percent.

To analyze questionnaire results, we sometimes combined the answers of the two respondent groups to the same questions. To compute the combined percentages, the answers of the respondent groups were weighted according to their representation in the total universe. The method chosen to combine the questionnaire answers involves reducing the universe size on the basis of nondeliverable questionnaires and assumes nonrespondents' answers would be similar to those of the respondents.

In addition to evaluating the Service's program, we did extensive literature research in the areas of performance appraisals and merit pay; reviewed instructions of private company, State and local government appraisal and merit programs; and met with representatives from nine companies and one State government to discuss their programs. (See app. III for details.)

## CHAPTER 2

### NEGATIVE EMPLOYEE PERCEPTIONS MAY BE LIMITING THE EFFECTIVENESS OF THE POSTAL SERVICE'S MERIT PROGRAM

Many program participants are troubled by the Service's merit performance evaluation program, because they do not perceive it as accurately assessing or fairly rewarding performance. Such perceptions adversely affect employee motivation, which is critical to a merit program's effectiveness in stimulating improved performance.

Our questionnaire survey of and discussions with program participants indicated that some employees felt the program, although conceptually sound, has been weakly administered. Others felt the program was useless. Many employees shared a view that the program is riddled with subjectivity, favoritism, personal philosophies, inequities, inconsistencies, and a lack of trust. Ninety percent of the employees in EAS grades 20 to 30 and 83 percent of the employees in EAS grades 1 to 19 in our samples responded to our questionnaire. These high response rates in themselves indicated significant concern and interest in the program. Responses to many of the questions, such as those in the following table, indicated disturbing problems in the Service's program.

Employee Responses To Selected  
Questions On The Postal Service's  
Merit Performance Evaluation Program

	<u>Very great/ great</u>	<u>Some</u>	<u>Little/ very little</u>
	----- (percent) -----		
Overall, to what extent do you feel the merit pay program establishes a performance evaluation system which has the following characteristics?			
--Accurately reflects the individual's performance.	18	46	36
--Distinguishes between various levels of performance.	18	43	39
--Is simple to administer.	15	29	56
--Can be fairly and uniformly administered.	15	29	56
--Has credibility with employees.	8	26	66
To what extent are the following statements true in your work unit?			
--Equal merit pay increases are given for equal performance under the merit pay system.	22	34	44
--Merit pay increases are given to employees with poor job performance.	16	37	47

These responses indicate that a fairly large percentage of employees have negative perceptions of the Service's merit program and its administration.

Forty-four percent of the employees in EAS grades 20 to 30, those levels under merit the longest, also provided narrative comments. Although some of the comments indicated partial or complete satisfaction with performance evaluations and merit pay, many were negative and identified problems. The following examples are typical of the comments we received on the questionnaires and during our discussions with 135 program participants.

#### Example 1

"The Merit Evaluation system is an effective management tool but has been troubled by the following circumstances: \* \* \*

There is a continued distortion of the traditional differences in pay received by the various levels of supervisory employees and craft employees brought on by the existence of COLA (Cost-of-living adjustments) in the PS (Postal Service) pay schedule and no COLA in the EAS schedule. Postal management has endeavored to fill this gap with management increases but they are seemingly reluctant, and perhaps rightly so, to institute management increases that keep pace with the uncapped COLA of the craft employee.

Postal employees have become accustomed to receiving good to grandiose evaluations, cheap letters of commendation, friendly special achievement awards, quality step increases for nominal performance, et al. Thus, the bell curve comes as an extreme shock. No one is satisfactory. No one is marginal. Everyone is good, very good, and outstanding. This pattern can only be broken by continued insistence on measurable objectives and measurable performance, evaluated honestly and straight forwardly, and communicated to the employee."

#### Example 2

"The Merit Performance Evaluation Program is a good program.

In my opinion, the problems are a result of improper administration and implementation.



Some items that need attention are:

1. Managers fail to discuss and establish proper objectives with their employees.
2. Many managers do not want to sit down and have a face to face honest evaluation with their employees.
3. Managers are not objective in their employee performance appraisals.
4. Employees expect and receive salary increases that fail to perform the responsibilities of their position.
5. Craft employees receive cost of living allowances which equal or exceed many merit increases. These craft employees also receive overtime and regular step increases. Cost of living allowances should be eliminated or reduced to a percent of a minimal base \* \* \*

### Example 3

"I believe the Merit Performance Program could be more effective if (1) the goals outlined in the self-appraisal were actually reviewed with the employee and (2) the goals were defined, realistic and in most cases attainable.

Presently, performance is not truly evaluated, rather, merit increases are given based on funds available, amount of increase received the prior year, and meeting the criteria of the\* \* \*curve.

The aggressive, productive, and innovative manager is soon reduced to mediocrity under these conditions."

Although comments such as these show some support for the program, they underscore the concern that employees have for its accuracy and fairness. Organizations representing supervisors and postmasters, while recognizing the soundness of higher rewards for better performers, have also complained about abuse of the system through favoritism and subjectivity.

When addressing negative employee perceptions of an earlier version of the Service's program, a former Postmaster General stated "such resentments--real or perceived--lead

to an indictment of the whole performance evaluation system." One authority has described this type of situation as follows:

"If you interview subordinates in an organization that 'has a merit pay system' but has poor performance appraisal, you will find a wide range of opinion about whether the system works or not, and what it means to get a merit increase. Often perceptions are very cynical, they are counterproductive, and indeed they are really not motivating anything except what we would properly call superstitious behavior."1/

Developing a sound merit program requires considerable time and resources. Although the Service has made many changes in its program over the years in working toward developing a sound program, apparently it could do more, because

--appraisals and ratings have not always been accurate and fair assessments of employee performance (see ch. 3), and

--merit pay has not been as effective as possible in rewarding and improving performance (see ch. 4).

These weaknesses have affected the program's credibility with employees and thus its effectiveness as a motivator of improved performance; 38 percent of the respondents to our questionnaire stated that the merit program provides little or very little motivation to perform well.

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1/Lawler, Edward E., "Performance Appraisals and Merit Pay," Civil Service Journal, Apr/june 1979, p. 16.

### CHAPTER 3

#### IMPROVEMENTS IN THE EVALUATION PROCESS

#### ARE NEEDED TO MAKE APPRAISALS AND

#### RATINGS MORE ACCURATE AND FAIR

Although it has some of the characteristics that are desirable for providing fair and accurate performance appraisals and ratings, the Postal Service's merit evaluation program has not been effectively carried out. Appraisals and ratings do not adequately describe performance results. Employee self-appraisals, which were designed to improve the evaluation process through greater employee participation, are not achieving their intended purpose. In addition, supervisor-subordinate dialogue concerning performance appraisals and ratings has not been adequate.

The Service can improve its evaluation process by providing better guidance and training to supervisors and subordinates. In addition, the Service needs to monitor and evaluate the program to ensure that procedures are appropriate and properly administered.

#### APPRAISALS NEED TO DESCRIBE PERFORMANCE RESULTS MORE SPECIFICALLY

The Service's appraisals do not specifically or accurately describe employee performance, because they are not adequately tied to duties and responsibilities or developed by using specific and reliable assessment criteria. Employees in higher grades are supposed to be evaluated on the basis of their individual objectives, but the objectives they set are not always used, and some were not usable. Lower graded employees are evaluated in general performance categories which are not related to duties or responsibilities. Although position descriptions could be used as a starting point for identifying duties and responsibilities, they have been seldom used in the past. In the absence of specific and reliable assessment criteria, appraisals contain general or vague statements or opinions of performance results, or contain inconsistent or unreliable indicators of performance. Peer comparisons, which are sometimes the primary method used for evaluating employee performance, may not be realistic since specific and consistent performance evaluation data and assessment criteria are not available to use in making comparisons.

Employee objectives need to be improved  
to aid in the evaluation process

Individual objectives, which are supposed to provide the basis for evaluating some postal employees, vary considerably in quality and content. Objectives set by employees often are vague and nonmeasurable, not related to overall organizational objectives, and not mutually developed by supervisors and subordinates. In addition, appraisals do not always address performance in areas where objectives were set. Thirty percent of the questionnaire respondents in EAS levels 20 to 30 said they were not satisfied with the objective setting process. Thus, the objective setting process may not be as valuable as it could be in evaluating employee performance.

The Service introduced individual objective setting in fiscal year 1978 to provide for greater employee involvement in the evaluation process and to recognize local conditions. Employees in EAS levels 20 to 30 are required to identify what they consider the most important aspects of their job. Once identified, these aspects are to be discussed with and mutually agreed upon by the employee's supervisor, and they constitute a common understanding by both of what is expected in terms of performance (see app. IV, p. 58).

Although the Service's instructions state that objectives should be specific and relate to organizational goals, these characteristics did not normally appear in the 165 objective statements we reviewed. Many objective statements were neither specific nor measurable. Those which were more specific frequently did not address the methods or time frames for accomplishment. The following are examples of vague and nonmeasurable objectives we noted.

"To perform the duties of postmaster  
to the best of my ability."

"Improve supervision."

"Expand participation in all areas  
of safety and EEO."

"Continue to administer my area in the most  
expeditious, economical, and service standard  
wise methodology."

Employee objectives also did not always address areas which appeared to be critical to the position and which related to important organizational goals. For example, one of the Service's primary goals is to control the budget. However, this area, which would appear to be a critical responsibility for associate post office postmasters, was not always addressed in their objectives.

There also appears to be some uncertainty as to what objectives should be set in areas that are important to the organization. When appropriate, employees are supposed to set objectives in the areas of equal employment opportunity (EEO), safety, revenue protection, and Fair Labor Standards Act (FLSA) requirements. However, the lack of organizational goals in these areas at the different organizational levels has resulted in inconsistencies in how the areas are addressed in employee objectives. For example, in the safety area some objectives discussed lost-time injuries while others discussed overall accident rates, number of vehicle or industrial accidents, or injury compensation costs.

The Service's requirement that objectives be discussed and mutually agreed upon by the employee and his/her supervisor is not always fulfilled. Some employees told us they prepare their objectives without input from their supervisors and receive no feedback from their supervisor after submitting their objectives. Twenty-eight percent of the questionnaire respondents in EAS levels 20 to 30 said their supervisors had not discussed their objectives with them.

Employees' comments also indicated that objectives may not be realistic in terms of what work can be accomplished. Supervisors told us subordinates set objectives in areas they have no control over, they cannot achieve, or to make themselves look good. Subordinates told us that their objectives are predetermined by higher management levels. Some said they are forced to set objectives to comply with their supervisor's objectives, even though they do not concur with the objectives. Others said they set objectives on the basis of what they think their supervisor wants, not necessarily what is realistic.

Employee objectives are to be "the work plan against which the employee will be evaluated for a predetermined period of time." However, we found that appraisals often did not discuss performance in areas where objectives were set and/or discussed performance in areas which were not included in an employee's objectives. For example, one associate post office postmaster established individual objectives in the areas of upward mobility,

labor relations, industrial accidents, and public contact but was not evaluated on any of these objectives. Another postmaster had not set objectives in the areas of general revenue, mail delivery standards, and injury compensation but was evaluated in these areas.

Evaluation process for lower grades needs to relate more to job duties or responsibilities

The Service's evaluation process for lower graded employees is different from the one used for higher graded employees. It is not designed to adequately tie evaluations to specific duties or responsibilities, and it results in some employees with similar responsibilities being evaluated on different bases. The differences in the evaluation processes and the failure of the process for lower graded employees to address specific duties and responsibilities raises questions about fairness, accuracy, and credibility among employees.

When the Service expanded the merit program in fiscal year 1979 to cover additional employees, it changed the evaluation process for EAS levels 19 and below to one which did not require employees in these levels to set individual objectives as a basis for appraisals. Instead, employees were to be evaluated in general performance categories as they related to assigned duties. (See app. IV, pp. 60 and 61.) The program design and procedures were changed for lower graded employees, because the Service felt the lower graded jobs were repetitive in nature and therefore objective setting was not applicable.

The need for different evaluation processes within an organization is generally recognized; however, the key is to develop evaluation processes and procedures based on duties and responsibilities of positions. The Service's use of grade levels to determine which evaluation process will be used for different positions has resulted in some employees with similar duties and responsibilities being evaluated under different processes. For example, associate post office postmasters in EAS levels 20 and above are required to establish individual objectives, appraise themselves against the objectives, and receive a narrative performance appraisal based on their objectives from their supervisors. Postmasters in EAS levels 19 and below, on the other hand, do not set individual objectives and appraise themselves and are evaluated on pre-established factors. Thus, managers having similar duties and responsibilities are not evaluated on the same basis. Although some

managers told us that the different processes did not cause them any problems, others said that using different processes is unfair, particularly for employees in the same positions. The following views received from managers illustrate this concern.

- Different evaluation methods do not promote equality.
- The same process should be used and administered in the same way for all managers.
- Everyone in similar positions should be assessed against the same criteria.
- Managers have difficulty meeting their individual objectives if their subordinate managers are not required to set objectives.
- The checklist procedures do not address performance factors; performance evaluations should not be based on personality traits.

Some managers have attempted to overcome these inconsistencies in the processes by requiring all employees in the same positions, such as associate postmasters, to prepare objectives regardless of their grade level. Another manager identified performance areas he used to evaluate all employees in the same type of position regardless of their grade level.

The Service's evaluation process for EAS levels 19 and below may also be suffering from a lack of clear job definition. Authorities point out that a lack of clear job definition is a major problem of many performance evaluation systems and that it results in an inability to effectively carry out the evaluation process. One authority, in addressing the importance of job definition in civil service reform, commented that

"Without adequately defined and designed jobs, it is impossible to do performance appraisals effectively. This means simply that if there are no results that the person is responsible for, no turf or work area that is assigned to the individual, talking about performance appraisals is a waste of time."<sup>1/</sup>

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<sup>1/</sup>Lawler, Edward E., "Performance Appraisal and Merit Pay," Civil Service Journal, Apr./June 1979, p. 16.

Although the Service's 1979 program instructions stated that an employee's accomplishments and contributions to his/her organizational unit were to be evaluated, they gave no specific guidance on how to make this evaluation for employees in EAS grades 19 and below. Although instructions suggest that "job performance standards of a continuing nature" be used to evaluate performance, 58 percent of the questionnaire respondents stated no such standards existed for their positions.

Factors used on the appraisal form, such as work habits, job knowledge, flexibility, leadership, and perceptivity, to evaluate how well employees in EAS levels 19 and below performed assigned job duties

- do not constitute good measures of specific duties and responsibilities,
- are extremely subjective, and
- are open to challenge and litigation.

Authorities note that appraisals of duties and responsibilities must be behavior related and stated as well as possible in measurable and observable dimensions. Very few of the more than 220 checklist appraisals we reviewed contained specific data to support the assessments. As a result, employees are uncertain as to what their appraisals are based on.

Position descriptions could aid in identifying duties and responsibilities

Position descriptions which could be used as a starting point for identifying duties and responsibilities have not been used because they have not been kept up to date. Although the Service has a mechanism for updating position descriptions, it has not done so.

Authorities believe that position descriptions are a logical starting point for identifying duties and responsibilities. In its training session for the 1980 program, the Service also said the evaluation should begin with a review of position descriptions.



Officials told us, however, that position descriptions have not been used in the evaluation process because they are not current and may contain duties different from those actually performed. Updating position descriptions is important; one authority has said

"A merit pay program cannot cover up an out-of-date job evaluation system or salary structure. Consequently, position descriptions, the cornerstone of these structures, must be kept current."1/

The Service's Employee and Labor Relations Manual provides instructions for updating position descriptions to document new or changed duties and responsibilities. However, officials said that position descriptions have not been updated, and considerable time would be required to update them before they could be used.

Specific and reliable assessment criteria are needed to depict performance results more accurately

Because specific performance criteria are not used, are inconsistent for similar responsibilities, or are not accurate or reliable, performance appraisals do not always adequately depict the quality of performance.

Although evaluations of performance results should be specific, many of the 203 narrative appraisals we reviewed contained general and vague narratives of actions or results and often included opinions of performance results rather than specific and objective indicators. (See app. IV, pp. 62 and 63.) The following examples are typical of statements on many of the appraisals we reviewed.

"Managed the ongoing field support functions and supervised assigned personnel in performance of their duties. Established an operating plan and demonstrated excellent abilities to get things done."

"He maintains good control of all projects with timely and effective follow-up. Because we have coordinated many HQs' field projects this has

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1/Farmer, C. Richard, "Merit Pay: Viable?" Personnel, Sept./Oct. 1978, p. 59.

been a major benefit. He has excellent analytical ability, easily identifies problems, can accurately assess most all situations, develops and quantifies alternatives and outlines reasonable courses of action."

When performance criteria are used, they are not always consistent. For example, sectional center manager appraisals contained different indicators to address their performance in meeting mail delivery standards. While some appraisals addressed the manager's success in meeting delivery standards for all types of mail, others addressed selected types of mail and/or standards. Similar situations occurred in the areas of EEO, safety, revenue protection, and FLSA, which are supposed to be addressed in all employee appraisals as appropriate. One sectional center manager used boilerplate language for these areas in appraisals because he felt obligated to address them but was uncertain as to how it should be done.

Criteria that are used for assessing performance in such areas as safety, budget, EEO, and delivery service are not always reliable. For example, managers are sometimes held accountable for the total number of vehicle accidents, even though some accidents are nonpreventable. The total number of vehicle accidents is also not reliable as a performance indicator because the number of vehicles used or vehicle miles driven may fluctuate. In addition, more accidents are required to be reported now than in prior years, because the cost of minor repairs has escalated while the dollar cost for reporting accidents has remained at \$100.

The inadequate use of performance criteria largely exists because the Service has not developed specific and uniform performance criteria for many job responsibilities. It appears, however, that specific and reliable criteria can be developed to better depict the quality of performance. One region we visited was using its industrial engineering staff to develop comprehensive and specific criteria and indicators for the mail processing department. Regional officials expect to use these criteria in the performance evaluation process and to expand the development of such criteria and indicators to other areas.

Performance evaluations  
based on peer comparisons  
create undesirable subjectivity

Some managers told us they use peer comparisons when evaluating employee performance. Such practices, however, can create undesirable subjectivity in the evaluation

process. For example, one manager who based his evaluations of subordinates on peer group performance could not provide performance indicators to support the peer ranking.

The use of peer comparisons is somewhat encouraged by program instructions which require the supervisor to evaluate an employee's performance and, with the next higher level manager, to compare the employee's performance with others in the same unit and in similar organizations, jobs, and grade levels to arrive at a rating. Using peer comparisons as the primary means to evaluate performance, however, may not be realistic in the Service because, as discussed earlier, job requirements are not always identified and objective performance indicators are lacking. In addition, the need to recognize individual circumstances when evaluating performance is indicated by the initiation of the individual objective setting process.

OVERALL PERFORMANCE RATINGS  
NEED TO BE BASED ON PERFORMANCE AND BETTER DOCUMENTED

Performance ratings, which are supposed to constitute an overall assessment of an employee's performance, are influenced by nonperformance factors and managerial biases, inadequately documented, and are changed by managers above the supervisor. Thus, it is difficult to determine the appropriateness of ratings.

Some nonperformance factors  
are influencing performance ratings

Theoretically, the performance rating is an overall summary of the quality of an individual's performance. However, because merit pay increases are directly tied to performance ratings, some managers are influenced by the amount of pay increases they want to give employees when deciding on an individual's performance rating. In addition, the use of a distribution curve as a guide for determining the number of individuals that could be expected to receive the different performance ratings has also influenced the ratings assigned to individuals. The influence of these factors results in some individuals receiving higher or lower ratings than they would otherwise receive.

The 1980 program instructions define the performance ratings as

"The supervisor's formal evaluation of the employee in terms of individual objectives, day-to-day performance, and overall contribution to the effectiveness of the Postal Service."

Although prior years' instructions did not specifically define the rating, Service officials told us that an employee's overall performance, including the performance of major responsibilities discussed in the appraisal and the performance of normal day-to-day responsibilities not discussed in the appraisal, was considered in arriving at the rating. The five adjectives supervisors can use to summarize performance are outstanding, very good, good, satisfactory, and marginal. To guide managers in preparing budget projections and final ratings, the Service established a normal distribution curve in fiscal year 1978, which states the percentage of employees that normally could be expected to receive each adjective rating.

Since each adjective rating is related to a range of merit salary increases, managers are sometimes influenced by the amount of pay increases they want to give individuals when assigning ratings. For example, some managers told us that they gave employees higher ratings than their performance justified because they felt employees had been short-changed by not receiving cost of living allowances in the prior years. Twenty-six percent of the supervisors in EAS levels 20 to 30 who responded to our questionnaire said the amount of money available for salary increases had some influence on the rating they assigned employees.

Use of the normal distribution curve has also resulted in employees getting lower ratings than they appeared to have deserved. Although program instructions and Service officials have emphasized that there is no requirement to "force fit" ratings to the curve and that the curve is not supposed to be used to deny an employee a deserved rating, we found it was used in these ways. One postmaster told us he rated a subordinate as marginal even though he evaluated the subordinate as good in 9 of 11 performance categories in order to adhere to the curve. Another postmaster changed a subordinate's rating from very good to marginal when he learned the subordinate was approved for disability retirement. The rating was lowered to help meet the curve. In another instance, the ratings of three employees in a sectional center were lowered because of the manager's emphasis on meeting the curve. Thirty-four percent of the supervisors

in EAS levels 20 to 30 responding to our questionnaire said the curve had some influence on the ratings they gave employees.

Postal managers told us that although the curve's influence was less in 1979 than in prior years, the situations we identified do occur. They also said that employees who are at or near the top salaries for their grade level and are therefore limited in the amount of merit pay they can receive are sometimes given low ratings so that other employees can be given high ratings and the curve complied with.

Employees also perceive that the ratings they receive are influenced by the amount of money available for pay increases and the distribution curve. Sixty-six percent of the respondents to our questionnaire stated they felt their ratings were influenced by the money available for merit increases. Over 60 percent of the employees felt the distribution curve had some influence on their ratings.

#### Management biases influence ratings

Although evaluator biases should be minimized in order to have fair, objective, and accurate performance assessments, evaluator biases have affected postal employees' ratings.

Many employees, both ratees and raters, told us the "easy rater-hard rater" syndrome influences the rating process. Our review of ratings confirmed this problem. For example, at one sectional center the manager's philosophy was that outstanding ratings would not be given unless an individual "walked on water." None of 113 employees evaluated in this facility received outstanding ratings in 1978, and only 1 of 135 employees received an outstanding rating in 1979. Employees in this sectional center area complained that this situation was unfair, particularly when contrasted to a nearby sectional center where high ratings were easy to obtain. At this second facility, 17 of 178 employees received outstanding ratings in 1978, and 19 of 200 employees received outstanding ratings in 1979. Sixty-five percent of the employees in the second facility received above average ratings in 1979.

Our review of Postal Service ratings showed that there is a tendency for employees in higher positions and grade levels to get higher ratings. We noted that higher level managers in the headquarters, regions, districts, and sectional centers generally received high ratings, while lower ratings were generally given to specialists, technical,

and clerical personnel in lower grade levels. In 2 districts where we analyzed 934 ratings, 43 percent of the employees in EAS levels 20 and above received very good and outstanding ratings, while only 24 percent of the employees in EAS levels 19 and below received these ratings. Some managers told us that few low ratings are given at higher grade levels because employees have to be better than average to get there in the first place. Conversely, few high ratings are given to lower graded employees because the work they do is routine, repetitive, and not as dynamic as higher graded employees.

Some manager justifications for awarding more high ratings than the distribution curve suggested also seemed to stress the importance of position levels, years of experience, or job knowledge--not necessarily performance--in rating employees above average.

#### Ratings need to be better documented

Overall performance ratings are not adequately supported, which makes it difficult to determine their basis. Program instructions do not specifically state that evaluators must explain the basis of ratings they give employees, but the forms do have space for evaluators to provide examples or comments to support ratings. Although some forms we reviewed contained comments that indicated how the evaluator interpreted performance results and translated this into the overall rating, many contained no explanation or contained general comments such as the following:

--All the above.

--Personal observation and review of reports.

--The fact that he has far surpassed what a normal employee would accomplish. He has spent long hours working in a frustrating situation and has been successful while maintaining his humor.

--Excellent performance under difficult and demanding conditions.

Such comments do not support overall ratings or only reflect opinions that, in the absence of documentation, cannot be related to performance results.

Although the rating process for individuals in EAS levels 19 and below provides the evaluator with a means to establish the basis for overall ratings, it is seldom used. Since adjectives are checked for each performance category and space is provided for the evaluator to provide examples or comments which support the overall rating, the evaluator can establish the link between performance in individual categories and the overall ratings assigned. However, we found few instances in which comments were provided to link the overall rating to the composite of the adjectives selected for the individual performance categories. In those cases where overall ratings were different from the composite of the individual adjectives, few comments were provided to support the overall rating.

Changes in ratings by higher management levels should be discussed and documented

Although the Service allows the next level of management above the evaluator to change overall performance ratings, we found that the evaluator's concurrence for changes is not always obtained and that reasons for changes are not always given or are inadequate. In addition, changes to ratings are made by managers above the reviewer level. At the four sectional centers we visited in one region, over 14 percent of the ratings had been changed. Practices such as these raise questions as to the appropriateness of the ratings given to employees.

The next level of management above the evaluator, which is required to review and approve appraisals and ratings, does not always get the evaluators' concurrence to changes they make. Some evaluators told us that they did not agree with changes but felt pressured to accept them since the reviewer was their superior or because the program instructions appeared to give the reviewer the right to make changes. Other evaluators were not aware that changes, which we identified during our review, had been made. We also noted instances in which reviewers covered over the ratings assigned by evaluators and put in the ratings they felt were appropriate. This practice gives the appearance of the reviewer and evaluator concurring on the ratings when in effect the rating is assigned by the reviewer.

Although evaluation forms provide space in which reviewers can give reasons for the changes they make, reasons for changes were not always given. When reasons were given, they either provided no rationale for the change

or simply provided a different opinion of the quality of an employee's performance without explaining the basis of the opinion. The following examples are typical of the reasons given.

"Rating changed to good."

"Change rating to very good.  
Comparability to peers."

"I consider . . . an above average,  
very good manager. I cannot rate him  
outstanding."

Program instructions do not provide for rating changes above the reviewer. However, we noted instances in which managers who were one or more levels above the reviewer made changes to ratings without providing rationale for the changes or obtaining the evaluator's concurrence.

Service officials told us they felt management levels above the evaluator and the reviewer should have the authority to change ratings in order to overcome such problems as the "easy rater-hard rater syndrome" and the "buddy system." On the other hand, immediate supervisors are in the best position to evaluate employees. Changes in ratings by higher management levels should only take place after sufficient data on performance results has been developed so that the basis for the change can be discussed with and understood by the evaluator and the ratee. And, to ensure the appropriateness of such changes, they should be documented.

#### EMPLOYEE SELF-APPRAISALS ARE OF QUESTIONABLE VALUE

Employee self-appraisals, although intended to be a major factor in evaluating employee performance, are of questionable value, because they are not always based on objectives or standards and do not always accurately depict performance. Many supervisors informed us they do not use self-appraisals when evaluating the performance of subordinates, and many supervisors and subordinates do not consider self-appraisals as worthwhile.

The Service initiated the self-appraisal process in 1978 to provide greater employee participation in the evaluation process. Self-appraisals were expected to result in a better understanding between employees and supervisors, increase acceptance of the system, and improve the accuracy of



their principal accomplishments in narrative form, and supervisors were to review the self-appraisals prior to evaluating employee performance. The 1979 program required employees in EAS grades 20 to 30 to identify their principal accomplishments in narrative form and employees in EAS grades 19 and below to evaluate themselves by checking adjectives in 8 to 11 performance categories. In addition, all employees were supposed to rate themselves using the same adjectives the supervisors use. (See app. IV, pp. 59 and 61).

Employees did not always address individual objectives that were established for the performance period in the narrative self-appraisals that we reviewed. Conversely, employees often appraised themselves in areas in which they had not set objectives. Although some self-appraisal statements were fairly specific, many were vague and nonspecific and did not address performance results, such as the following:

"We were successful in accomplishing the basic mission of the organization which is the timely delivery of mails. There were no significant problems either at Christmas or during the primary election when large amounts of political mail threatened to clog the system. I attribute this to a team effort which is nurtured in an atmosphere of acceptance, understanding and positive direction. My subordinate managers take pride in their work. They are confident and self assured as you will find reflected in their self evaluations."

The information and time periods presented in narrative self-appraisals was also sometimes selective. For example, one associate post office postmaster stated in his self-appraisal for the first half of a performance period that only one on-the-job injury occurred in his office. He did not mention safety in the self-appraisal for the second half of the period. The sectional center manager's appraisal of this postmaster, however, stated that safety was not satisfactory since the postmaster's office had experienced three lost workday injuries during the entire period. Whether intentional or not, such situations give the appearance that employees are trying to make themselves look better than their performance may actually be.

The overstatement of performance seems to be particularly predominant when employees select adjectives to characterize their overall performance. Adjectives selected by employees were usually one level and sometimes two levels higher than those selected by supervisors. Although self-appraisal forms provide space for employees to state the

higher than those selected by supervisors. Although self-appraisal forms provide space for employees to state the basis of ratings, the forms we reviewed seldom contained specific comments to justify the ratings.

Employees had mixed views of the value of self-appraisals. Some supervisors and subordinates felt self-appraisals were beneficial because

- they encourage employees to review their own performance,
- they alert supervisors to information that may be helpful in preparing evaluations, and
- they provide a basis for supervisor-subordinate performance discussions.

On the other hand, other supervisors felt self-appraisals are not valuable because they do not accurately or sufficiently assess performance. Some said they do not use self-appraisals when evaluating their subordinates. Some subordinates felt self-appraisals are not worthwhile because they receive little or no feedback from their supervisors on the appraisals. Other subordinates admitted that they present what they think their supervisors want to hear in self-appraisals, rather than actually assessing their performance. Thirty-eight percent of the respondents to our questionnaire said they received little or no benefit from the self-appraisal process.

We found that employee self-appraisals are not always used in the private sector. Only three of the nine companies we visited had a self-appraisal process, and each of these was a narrative-type appraisal as opposed to adjective assignment to performance categories. Authorities discourage the use of self-appraisals because of the potentially adverse effects they could have on employees. They feel employees tend to appraise themselves higher than their supervisors and thus may be disappointed or disagree with the appraisal they receive from their supervisors. In addition, when supervisors see employee self-appraisals they may be reluctant to appraise the employee lower because of a potential confrontation.

IMPROVEMENTS ARE NEEDED IN  
SUPERVISOR-SUBORDINATE DIALOGUE  
CONCERNING EVALUATIONS

Although supervisor-subordinate dialogue is considered a critical part of the evaluation process, it is not being

not always conducted as required, and when discussions do take place they are sometimes done in an inconsistent fashion. As a result, employees do not have an opportunity to provide input to the evaluation process and do not always know the basis of their appraisals or ratings.

Although the Service has emphasized the need for supervisors and subordinates to talk about performance, we found varying practices existed with respect to supervisor-subordinate dialogue during the evaluation process. Supervisors were not always holding the two formal discussions--one covering employee objectives and self-appraisals and supervisor appraisals, and the second covering the overall performance ratings--called for in program instructions. In some instances supervisors only held one discussion covering one or more aspects of the evaluation process, and in other instances no discussions were held at all. Ten percent of the respondents to our questionnaire said their supervisors had not discussed their performance appraisals, and 13 percent said they had not discussed their rating.

When discussions were held, they were sometimes held in an inconsistent fashion. The greatest differences seemed to be in how sectional center managers, who usually have the largest number of subordinates to evaluate, conducted their discussions. Some sectional center managers we interviewed held the two required discussions with associate office postmasters, others held only one discussion, and one manager did not hold any discussions with two-thirds of the postmasters he evaluated. In addition, one sectional center manager designated a subordinate to discuss appraisals and ratings with postmasters, and another sometimes telephoned postmasters to inform them of their ratings.

The value of discussions also seemed to vary. Although some subordinates told us that discussions lasted 15 to 90 minutes and were useful, others said their discussions were inadequate because they were short, and supervisors often read the appraisal and asked that it be signed without actually discussing it. Forty-six percent of the respondents to our questionnaire said they did not benefit from their supervisor's discussion of their performance appraisal. Inadequate supervisor-subordinate communication concerning performance not only results in a lack of understanding but can also lead to a lack of trust and credibility.

#### IMPROVEMENTS NEEDED IN GUIDANCE, TRAINING, AND PROGRAM STRUCTURE

Although the Service emphasizes the need to accurately assess and adequately communicate evaluations of employee

accomplishments it has provided little guidance and training on how to do so. Program instructions basically state what is required, not how it should be done, and formal training beyond that provided in fiscal year 1980 is still needed. In addition, some managers have too many subordinates to evaluate.

More guidance is needed on how to carry out program requirements

Although the Service's merit program instructions have identified the various requirements of the evaluation process, they have provided little or no guidance on how to carry out the requirements. As discussed previously, instructions have mainly stated what the requirements were, defined terms, identified the responsibilities of the parties, and stated the timeframes for carrying out the requirements. This lack of guidance has contributed to the inconsistencies and inadequacies in the administration of the program requirements as we described in this chapter.

Many of the private company evaluation programs we reviewed provided employees with detailed guidelines on how to perform different aspects of their programs. The Service, to help ensure equitable performance assessments, provided the following guidance to evaluators on how to assess performance in the program instructions for fiscal years 1974 through 1977.

1. Study carefully each employee's performance before attempting assessment.
2. Compare each employee's performance against the requirements of the job.
3. Evaluate each factor separately and independently.
4. Do not be unduly affected by unusual or isolated incidents.
5. Consider the individual's accomplishments over the year and evaluate only the current year performance.
6. Evaluate on the basis of evidence.

7. Realistically try to "see" the individual's performance and evaluate him or her in terms of accomplishments.

Program instructions since then have not contained these guidelines.

Inconsistent distribution of program instructions may also have adversely affected the program's administration. Some employees we interviewed had not received any instructions on the program but were told by their supervisors to carry out given aspects of the evaluation process. Other employees said they only received portions of or local summaries of the program instructions. Providing instructions to employees is not only essential to gaining uniformity in program administration, but also in informing employees of program changes or clarifying existing program elements. The possible detrimental effects of the inadequate distribution of instructions is demonstrated by the following employee comments.

- Changes are confusing.
- Program changed without reason or explanation.
- Not familiar with any changes.
- Program has not changed that much over time.

Thus, although the Service's program has gone through many changes, employees have been required to carry out the program's requirements without an awareness or understanding of the changes.

For the 1980 program, every employee under the program was to be given a copy of the instructions. In addition, supervisors were to be given a guide on the merit program. As with prior years, both of these documents primarily state requirements, define terms, and identify responsibilities and timeframes, but they provide little specific guidance on how to carry out the different aspects of the program.

Additional training is needed in  
all aspects of the appraisal process

The adverse effects of inadequate guidance on how to carry out evaluation requirements appear to have been exacerbated by the lack of training. Although training

is considered essential to the successful administration of an evaluation program, the Service did not provide nationwide training on its program until fiscal year 1980. Although the 1980 training program was a positive step in improving the program's administration, it may not have been sufficient.

Many employees we talked to said they felt training was needed in all aspects of the evaluation process. A survey done by the Western Postal Region in 1978 indicated that training was needed in several aspects of the evaluation process. The little training that was provided prior to the fiscal year 1980 program appears to have been on a local basis and primarily concerned with explaining changes. In those instances where more indepth training was provided, it appears to have been beneficial. For example, at one sectional center we visited, the manager had provided his employees with training and instructions on how to prepare and review objectives, conduct evaluations, and prepare appraisals. The objectives and appraisals we reviewed in this office were generally more specific than those we reviewed in other offices.

The formal training program the Service conducted prior to initiating the fiscal year 1980 merit program appeared good but did not provide participants with reference data. One-day training sessions were held nationwide and were supposed to be given to all supervisors and managers under the merit program. Half of the session was devoted to explaining changes in the merit program and instructions, and half was devoted to providing guidance on how to carry out the evaluation process and providing the participants an opportunity to "role play" performance evaluation situations. Most of the guidance given during the session, however, was in discussion form. Thus participants were left with no written guidance they could refer to when they later had to carry out the different aspects of the evaluation process.

Although the type of training the Service provided appeared good, the amount and manner of presentation may not have been adequate to meet the needs of postal employees who must administer the program. Authorities emphasize that a considerable amount of training is needed to develop individual skills for evaluating and counseling on performance. The Service's 1-day session to individuals that had never been previously trained on these processes and/or never evaluated performance before may not have been sufficient to meet their needs. In addition, the Service conducted the training program by having training representatives give the session to

selected employees who in turn conducted the session for other employees. Thus, the Service had little control over the quality of the training or whether all employees attended the session.

Some managers may have too many subordinates to evaluate

The program structure results in some postal managers having to evaluate many subordinates spread over vast geographical areas. In such situations, it is questionable whether the managers can accurately or fairly evaluate the subordinates. However, the nature of the Service's organization makes resolution of this problem difficult.

The problem of having to evaluate large numbers of subordinates seemed to be especially bad for sectional center managers. Although these managers may have only four or five subordinates to evaluate in the center, they may also have to evaluate several associate post office postmasters. Sectional center managers we talked to had to evaluate as many as 100 subordinates. Some managers told us it was impossible to adequately evaluate such large numbers of subordinates in the short time allowed. Subordinates also raised questions concerning the adequacy of the manager's evaluation. For example, one postmaster told us he did not feel his sectional center manager could fairly appraise him since the manager has visited his post office only once in several years.

We found sectional center managers were attempting to overcome this problem in different ways. One manager had designated a subordinate in the sectional center to prepare postmaster appraisals which the manager would sign. Other managers had a number of subordinate managers in the sectional center provide input which was used in preparing postmaster appraisals. Such practices, however, adversely affect the appraisal's credibility with postmasters. One postmaster provided us with copies of correspondence he had with his sectional center manager concerning the fairness of an appraisal that was prepared by the manager's subordinate. Other postmasters told us of disagreements they had with their managers concerning evaluations.

Service officials we talked to are aware of the problems created by having to evaluate large numbers of subordinates. However, the Service's organizational structure of management sectional centers and post offices makes it difficult to resolve the problem.

PROGRAM ADMINISTRATION  
SHOULD BE MONITORED

Although performance appraisal programs need to be evaluated to determine whether they are meeting the organization's needs, the annual audits the Service conducts are administrative in nature and do not normally identify weaknesses. In addition, the Service does not have a systematic means for soliciting employee views on the program. Some special studies that have been conducted have identified weaknesses and indicate a need for closer monitoring of the program's administration.

The Service's monitoring of its evaluation program has primarily consisted of technical audits of evaluation forms. In the three regions we visited, technical audits basically involved checking whether computations and effective dates were correct, forms were signed, and performance ratings were in line with the distribution curve. The 1978 technical audit in one region, however, was more comprehensive and involved reviewing evaluations to determine whether narratives were consistent with program procedures and whether ratings were supported. The audit identified many weaknesses at the district and sectional center levels, including a need for training in preparing evaluations, a lack of support for employee performance appraisals, a lack of performance discussions, failure to complete appropriate approval and/or revision blocks on evaluation forms, incorrect merit increase effective dates, and insufficient justification for deviations from the rating distribution curve.

Under the Service's fiscal year 1980 program, compliance audits were to be conducted at selected locations to evaluate how well program requirements were being carried out. The responsibility for conducting these audits was given to the regions; however, no written guidance was provided on how the audits were to be conducted. We were told that the nature of the audits varied, with two regions conducting audits of all aspects of compensation at all sectional centers, and three regions reviewing paperwork with spot-checks of complaints.



Although the views of program participants are important in identifying needed changes and improving program credibility, the Service does not have a systematic means for soliciting employee feedback on its program. Changes in the program over the years have been based on a general awareness of private sector practices, verbal or written comments or suggestions received from postal employees, recommendations of senior postal officials, consultations with the postmaster and supervisor associations, and task force studies. A 1977 special national task force study, which did obtain employee views identified weaknesses in the evaluation process and recommended changes for the fiscal year 1978 program. In 1979, a second task force, composed of managers from the field with experience in administering the program, recommended changes in the fiscal year 1980 program.

Many officials we talked to said they do not evaluate the program or provide feedback on the program to higher levels. One region which solicited managers' comments and suggestions on the 1978 merit program did not summarize or transmit the information to postal headquarters, even though the survey highlighted program strong points and weaknesses. The region used the survey primarily to allow employees to "get something off their chests."

The Service's lack of a systematic means of obtaining employee feedback could explain the considerable differences of opinion as to how well the merit program is working. As pointed out in chapter 2, a significant portion of employees had negative perceptions of the program. However, postal officials, particularly those at the higher levels, feel the program is working well. For example, the Senior Assistant Postmaster General of Employee and Labor Relations, although recognizing problems inherent with a merit program, has said the program "is working very well" for the majority of employees, and he believes the problems represent less than 5 percent of the employees.

## CHAPTER 4

### THE MERIT PROGRAM HAS NOT BEEN AS EFFECTIVE AS POSSIBLE IN REWARDING AND IMPROVING PERFORMANCE

The effectiveness of the Service's Merit Performance Evaluation Program in rewarding and improving performance has been adversely affected by

- the inappropriate use and inconsistent administration of merit pay and
- the failure to take action to improve poor performance.

Changes in the program's design and better guidance, training, and monitoring are needed to maximize the program's benefits.

### USE AND ADMINISTRATION OF MERIT PAY HAS DETRACTED FROM THE PROGRAM'S OBJECTIVE

Although a primary objective of the Service's merit program is to reward and thereby motivate higher levels of performance, the reward for performance tie has been weakened by

- the use of merit pay to overcome other salary administration actions,
- the limited differential in salary increases between high and low performers,
- the lack of uniformity in the basis of merit pay decisions,
- delays in rewarding performance, and
- the prohibition against giving merit increases to employees at the maximum pay for their salary level.

These practices, combined with poor supervisor-subordinate communication concerning merit awards, has resulted in negative employee perceptions of merit pay as a reward for and motivator of higher levels of performance.

Merit pay has been used to offset  
salary administration problems

The Postal Service has used the merit program to offset salary administration problems at the expense of the program's primary purpose--rewarding performance. In the past merit pay was restricted as one means of controlling rapidly rising salaries. In recent years, merit pay has been liberalized to make up for past restrictions. Such actions adversely affect the program's credibility as a means for motivating high performance.

During the fiscal year 1972 through 1977 merit programs, the Service's policy was to use merit salary increases to recognize high levels of performance while still providing employees with other forms of salary increases. Thus, although all employees under the merit program did not receive merit increases, virtually all received general increases and cost-of-living adjustments. In addition to these salary increases, which were fairly substantial in some years, employees also received salary increases as a result of promotions. The combined effect of all these increases caused salaries to escalate rapidly.

To relieve the upward pressure on salaries, the Service took several actions, including restricting merit increases. The first restrictions on merit pay came in 1974, when the Service recognized that salary increases were causing postal salaries to exceed comparability with the private sector for many jobs. It issued interim guidelines to emphasize stricter control over merit pay and required merit increase recommendations for fiscal year 1975 to be reevaluated. In fiscal years 1976 and 1977 additional controls were placed on the merit program to help control the continuing increase in postal salaries. As a result of these controls, the percent of eligible employees receiving merit increases dropped from 66 in fiscal year 1974 to 28 in fiscal year 1977. The Service also eliminated cost-of-living adjustments for non-bargaining employees in fiscal year 1976. General increases were not given in fiscal year 1978 but were reinstated in fiscal year 1979.

In fiscal years 1978 and 1979, many of the controls on the merit program were removed. In liberalizing merit pay procedures, Service officials intended to compensate for the prior years in which merit pay was severely restricted. As a result, the percent of eligible employees receiving merit increases rose to 86 in 1978 and 96 in 1979. In addition, the percentage of employees receiving higher performance ratings, which are the primary bases for determining merit raises, has increased. In fiscal years 1978 and 1979, 79

and 83 percent of the employees eligible received good, very good, or outstanding ratings compared to the 70 percent suggested in Service guidelines. In addition, the average merit increase rose from 4.8 to 5.2 percent, even though the maximum allowable increase remained at 8 percent.

Merit and general increases combined provide little recognition between performance levels

The Service's change in policy of awarding merit increases to low as well as high performers, combined with its practice of giving general increases to all employees under the merit program, results in limited differences in the total salary increases received by the different levels of performers. The limited differential in recognition given to high performers may not be sufficient to motivate the higher level of performance.

When the Service initiated the merit program, employees rated satisfactory or unsatisfactory, both of which appear to be below average performers, did not receive merit increases. In fiscal year 1978, the Service changed its policy by awarding increases to satisfactory performers. In addition, it changed the range for allowable increases from 5-10 percent to 2-8 percent. By spreading the lower merit range over more levels of performance the Service limited the differential in recognition between the levels of performance, as shown in the following table.

<u>Performance rating</u>	<u>Merit Percentage Ranges</u>		
	<u>Fiscal years</u>		
	<u>1978</u>	<u>1979</u>	<u>1980</u>
Outstanding	6-8	6-8	6-8
Very Good	5-7	5-7	4.7-5.9
Good	2-5	3-5	3.5-4.6
Satisfactory	0-3	2-3	2.0-3.4
Marginal	0	0	0

Authorities emphasize that insufficient differentials in rewards for different levels of performance can be a demotivator and lead to mediocrity. Several employees told us during interviews and on the questionnaire that the difference in merit increases provides little incentive for improved performance. Some commented that it was not worth working hard for a 6- or 7-percent increase when you can just do enough to get by and receive a 5-percent increase. Very few employees received 8-percent increases at the offices we visited.

The differences in recognition between high and low performers are decreased when the combined merit and general increases employees receive are considered. Giving the same general increase to all employees tends to lessen the perception of substantive differences in total salary increases employees receive, particularly when the differences in merit increases are limited.

Comparison of Postal Service and selected  
private company total salary adjustments

<u>Performance rating</u> (note a)	<u>Combined merit and economic salary adjustments</u>			
	<u>USPS</u> (FY 1979) (note b)	<u>Company A</u>	<u>Company B</u>	<u>Company C</u>
Outstanding	9-11	8-17	11-13	10-14
Very Good	8-10	7-15	9-11	8-12
Good	6-8	6-13	6-9	5-9
Satisfactory	5-6	5-6	3-6	0-4
Marginal	3	0	0	0

a/The adjectives used by the private companies are different from those used by the Postal Service; however, the rating categories have similar definitions.

b/The Service announced a 6 percent economic adjustment in fiscal year 1979, but 3 percent was not effective until October 6, 1979, which is in fiscal year 1980.

As shown in the table, some of the private company programs we reviewed did not give any salary increases to marginal (unsatisfactory) employees and provided for greater differences in salary increases for the different performance levels than the Postal Service provided. The differences in recognition will become smaller as the Service increases the amount of general increases it gives employees. In fiscal year 1980 virtually all nonbargaining employees received 6.5 percent in general increases through January 1980 and a \$832 cost-of-living adjustment in May 1980.

In fiscal year 1980, the merit program was changed by putting over half of the EAS employees into a "step-merit" process which could further reduce the salary differences

between performance levels. Employees in EAS grades 1 through 16 and 17 through 19 in step 5 and below were placed in a process under which they receive a 2-step, 1-step, or no increase depending on whether their performance is rated outstanding, good, or marginal. Judging from past merit program results, a large majority of employees under the new process will tend to be rated as good. For example, under the 1979 program, 7 percent of employees were rated outstanding, and 2 percent were rated marginal. If the 1980 results are similar, then about 90 percent of employees in grades 19 and below could receive a good rating and a 1-step merit increase, thus providing no differential in recognition of performance for the majority of employees.

Merit pay decisions are not  
made on a uniform basis

The inadequate guidance and training on how to determine specific percentage increases and their effective dates are resulting in merit pay decisions being made on different bases. Some managers did not have any specific basis for making merit pay decisions, while others considered several factors. Such practices contribute to employee uncertainty of the basis of their rewards and negative perceptions of the merit program.

Guidance given to supervisors on how merit increase amounts should be determined has been inadequate. Although program instructions and statements by postal officials have implied that midpoint salary control should be used in deciding on merit increases, this theory apparently has not been understood by the employees. Under this theory, an employee at or above the midpoint 1/ would have to perform at a very high level in order to receive a merit increase, while an employee below the midpoint would only have to perform at an average (expected) level to receive an increase. The Service attempted to strengthen the use of this theory in fiscal year 1978 when it established a matrix which identified the percentage increase employees could receive on the basis of their performance rating and their position in the salary range. This matrix was eliminated in fiscal year 1979, because employees did not understand the theory behind it and objected to the lack of flexibility in deciding on merit increases.

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1/The midpoint of a salary range is the "going rate" for a position, that is, the salary an individual performing the job in the expected manner would receive.

Under the 1979 merit program, managers were to use their judgement when assigning merit increase percentages from a matrix which only identified percentage ranges for each performance rating. However, program instructions were silent on the factors managers could use to determine the appropriate salary increase within a given range. Forty-eight percent of the questionnaire respondents in EAS grades 20 to 30 said that they received little or no verbal or written information on the supervisor's role in determining the amount of merit pay increases. This lack of direction resulted in inconsistencies in merit pay decisions.

Some supervisors said they generally considered the individual's performance when deciding on merit percentage increases for subordinates. Others considered such factors as the office's budget, the individual's salary level, the distribution curve, and peer performance comparability in conjunction with an individual's performance. One sectional center manager gave all subordinates the maximum percent within each range because of the high cost-of-living and other increases received by craft employees. Another manager characterized the process as a "seat of the pants" determination.

Inconsistencies also exist in determining the timing of merit pay increases. Although merit program guidelines establish a range of 12 to 18 months for merit increase effective dates, allowing managers to use judgement in assigning effective dates, the guidelines do not describe the conditions for setting individual effective dates. Fifty-one percent of the questionnaire respondents in EAS grades 20 to 30 said that they received little or no verbal or written information on the supervisor's role in determining the timing of merit pay increases. As a result, effective dates of merit increases are being determined on different bases. Some managers told us that the decision on timing within the 12 to 18 month range is subjective after they consider the factors used to determine the amount of the merit increases. Others gave merit increases as soon as possible because craft employees are closing the salary gap, or to reinforce the pay for performance concept. Others used the timing of increases to distinguish between individuals receiving the same adjective rating. Supervisors were also apparently confused by the timing guidelines that are provided, and as a result, sometimes used dates exceeding the 18-month limitation.

In addition to the inadequate guidance given on how to determine merit percentages and effective dates, training has been minimal. Although the Service instituted its merit

evaluation program in fiscal year 1972, no nationwide training was provided until the fiscal year 1980 program. The 1980 training program concentrated on performance evaluation and provided participants with little information on how to make merit pay decisions. The General Manager of Compensation Services, however, informed us that those individuals who made merit pay decisions under the 1980 program were given additional training on salary administration.

Merit increases do not closely  
follow the performance to be awarded

The Service's practice of not giving some employees their merit increases shortly after they are informed of the increases detracts from the "reward for performance" concept of the program. When the merit increase is delayed beyond the performance period to be rewarded, the employee is not sure what performance is being rewarded, and much of the motivational effect of the salary increase is lost.

At the beginning of the fiscal year, supervisors rate employees under the merit program on their performance the previous fiscal year and recommend the appropriate merit increases and effective dates. When performance ratings, merit increases, and effective dates are approved by the supervisor's manager, the supervisor is required to discuss the ratings and merit increases with subordinates.

Since procedures allowed supervisors to set the effective dates of merit increases 12 to 18 months from the date of the last merit increase or promotion, employees could receive their merit increases at some later date in the fiscal year. For example, an employee was told in November 1978 that he would receive an increase effective September 22, 1979, for his performance during the period ending October 6, 1978. Authorities state that to maximize motivation, employees should be rewarded for their meritorious performance on a timely basis. Postal employees, both supervisors and subordinates, told us they felt delayed merit increases, as illustrated in the example above, lose their motivational value.

The General Manager of the Compensation Services Division told us that he recognized the reinforcement value associated with giving the award immediately after the evaluation period. However, he believes that the potential benefit would be offset by the additional administrative problems created by making such a change. He said that the evaluation period is on a fiscal year basis, and already 60 percent of the awards are effective on the first pay



period of the fiscal year. The remaining 40 percent are normally 12 months from the date of the last merit or promotional increase. To award all merit increases immediately after the evaluation period closes would mean that 100 percent would be effective at the beginning of the fiscal year, and this would have a serious impact on the Service's budget.

In the private sector, companies avoid having to make all increases around the same time by considering employee salary actions on anniversary dates spread throughout the year. The General Manager of the Compensation Services Division told us that using individual anniversary dates, however, would create problems. Many major objectives are based on fiscal year goals and measurement against them becomes more difficult. But changing merit pay effective dates does not necessarily mean that the evaluation period would change. Some private companies prepare annual evaluations for all employees at one time while merit pay decisions are made throughout the year.

Some high performers cannot receive merit increases

Employees at the maximum or above the maximum of their grade levels are ineligible for merit increases regardless of their performance. As a result, these employees would not have the same financial incentive as employees below the maximum of their grade levels to improve or continue their high level of performance.

Because of the salary administration problems discussed earlier, salaries advanced rapidly, with many employees reaching the maximum of their job grade. In May 1976, 5,326 out of 23,540 employees in the merit program, or 22 percent, were at or above their salary grade maximum and were ineligible for merit increases. The number of employees at their maximum salary level decreased significantly in June 1976, when the maximum rates of the postal executive salary schedule were increased. Through subsequent salary schedule adjustments, the Postal Service has continued to avoid a recurrence of the May 1976 problem.

Although the number of employees ineligible for merit increases is much lower now, the problem of May 1976 could recur. The Postal Service abides by the maximum salary set for Federal employees under the General Schedule, even though it is not legally required to do so. If the Federal pay cap remains unchanged and postal salaries continue to

advance as a result of merit increases and economic adjustments, then employees will gradually reach their salary maximums again. For example, 7 percent of the EAS 20 to 30 employees were within 5 percent of the maximum salary for their grade as of March 1980.

Authorities point out that one method of rewarding employees at their maximum salary is through some type of cash award instead of a base salary increase. The Service's task force which proposed changes for the fiscal year 1980 merit program favored cash awards for employees at their maximum salary. The task force recommended that:

"An employee at the maximum of his/her EAS level should be rewarded by a cash payment for performance rated above "Good". This payment would provide incentive for an employee who continues to contribute substantially to the organization."

The Service did not adopt this recommendation, because adjustments in the EAS salary ranges reduced the number of employees at the top of the grades, so no cash system was necessary.

The Postal Service has a system of cash payments for its highest managers as part of the Postal Career Executive Service (PCES)--a new personnel system for the Postal Service's senior executives. Under PCES, managers are eligible for annual performance awards of 4 percent to 15 percent of salary, payable as a salary increase, a lump-sum payment, or a combination of both. The General Manager of Compensation Services stated that cash payments are being made under PCES and will be reconsidered for inclusion in the merit program at a later date if the acceptance value proves worthwhile, and if there is a definite need for such payments.

Supervisor-subordinate discussions  
of merit increases are not conducted  
in an effective manner

Although the 1979 program instructions require that supervisor-subordinate discussions be held to discuss merit increases, we found that discussions are not as effective as they could be and sometimes do not take place at all. Poor discussions do not reinforce the motivational tie between performance and merit pay because employees are uncertain of the basis of the reward.

Merit program instructions require managers to hold face-to-face discussions with subordinates to inform them

of merit increases and effective dates. Such dialogue is an important part of the merit program, because it strengthens the motivational tie between pay and performance by ensuring that employees are informed of the basis of their merit rewards. If employees are poorly informed about the basis of merit increases and effective dates, their subsequent negative perceptions will adversely affect the motivational value of merit rewards. We found inconsistent implementation of the required supervisor-subordinate salary discussions. In some instances supervisors held salary discussions that employees felt were useful, while in other instances supervisors notified subordinates of their merit awards by telephone. In still other instances no salary discussions were held. For example, one employee did not know about his merit raise until the increase appeared in his paycheck. Thirteen percent of the respondents to our questionnaire said their supervisors had not discussed their last merit pay increase.

In the private sector, companies recognize the importance of supervisor-subordinate communication and stress to their managers that successful discussions require planning and skill. The companies provide managers with training and detailed guidance on how to conduct effective discussions. The Service did not provide nationwide training until the fiscal year 1980 program. In addition, Service instructions only state that discussions are required and give little guidance on how to prepare for or conduct discussions.

SUPERVISORS COULD MAKE BETTER USE  
OF APPRAISALS IN TAKING ACTION  
WITH POOR PERFORMERS

One of the purposes of the Service's program has been to identify ways in which an employee's performance can and should be improved. This objective may not be effectively achieved, because specific action is not always identified or taken with employees whose performance is identified as unacceptable or below normal.

Merit program instructions in previous years have addressed the need for supervisors to discuss with employees ways in which their performance could be improved. Fiscal years 1979 and 1980 program instructions further emphasize the need for discussions with poor performers when they specifically stated discussions must be held with employees who are rated marginal. A marginal rating was the lowest

of the five performance ratings an employee could be given under the 1979 and 1980 programs and was defined as

"a performance level which fails to meet goals and objectives and/or requires constant review by the next higher level of supervision because the work results are frequently inadequate, incomplete or unsatisfactory."

The 1979 program instructions stated that employees rated marginal must meet with their immediate supervisor and the next level manager to discuss performance deficiencies and explore the need for training, job rotation, assignments, and other factors that would assist the employee in improving his/her performance. The instructions, however, did not require that the results of the discussion be documented.

The 18 appraisals with marginal ratings that we reviewed seldom described actions taken or planned for the employees. Without this information, it is difficult to determine what, if any, actions were taken to improve performance or if discussions were actually held. As discussed in chapter 3 of this report, supervisor-subordinate discussions of performance evaluations do not always take place or are not always worthwhile. Some managers we talked to also stated that they had not met with their subordinates to discuss marginal ratings.

We also noted that some employees who received marginal ratings in 1979, had received unsatisfactory ratings in fiscal year 1978 (the 1978 unsatisfactory rating by definition appears comparable to the 1979 marginal rating). Although the 1978 program instructions did not have a specific requirement for discussions with poor performers, as the 1979 instructions did, the fact that employees received low ratings for consecutive years raises further doubt as to whether discussions were held or whether they were effective. The instructions are silent as to what action should be taken with employees who receive consecutive low ratings.

There may also be a need to place greater emphasis on discussing ways employees rated satisfactory can improve their performance. The satisfactory rating is defined as

"a performance level which gets assigned work done on a day-to-day basis, but is not comparable to the performance of the majority of employees and help is sometimes needed when questions arise or problems develop."

Although the definition indicates that performance is not at the normal level, the instructions do not specifically require supervisor-subordinate discussions concerning how performance can be improved. Some employees who received satisfactory ratings told us their supervisors had not discussed with them ways in which their performance could be improved. Not holding discussions could result in continued below normal or worse performance. For example, seven employees at the offices we visited who received marginal ratings in 1979 had received satisfactory (actually called acceptable) ratings in fiscal year 1978.

## CHAPTER 5

### CONCLUSIONS, RECOMMENDATIONS, AND AGENCY COMMENTS

The success of a merit program is largely dependent on proper program design and administration. Weaknesses in either of the major aspects of a program--performance evaluation or merit pay--can adversely affect the program's objective. Although the Postal Service's program has some of the characteristics desirable for providing fair and accurate assessments of performance, the process can be further improved. In addition, the Service's administration of merit pay has detracted from the program's primary objective--rewarding good performance in order to improve performance.

A sound, well administered program with effective supervisor-subordinate dialogue is critical to employee perceptions of accuracy, fairness, and equity. Developing a sound merit program requires considerable time and resources. Although the Service has worked toward developing a sound program, weaknesses in its administration have affected the program's credibility with employees and thus its effectiveness as a motivator of improved performance as discussed in chapter 2.

#### IMPROVEMENTS NEEDED IN THE EVALUATION PROCESS

The considerable variances in the quality and content of the Service's performance appraisals and ratings raise questions as to their accuracy and appropriateness. This situation, combined with the inadequacies in employee self-appraisals and supervisor-subordinate communications, has adversely affected the credibility of the evaluation process with employees.

Appraisals do not specifically or accurately describe performance results because they are not adequately tied to duties and responsibilities or developed by using specific assessment criteria. Overall ratings are influenced by nonperformance factors, are inadequately documented, and are changed by managers above the employee's supervisor without adequate discussion and documentation. Employee self-appraisals are not improving the evaluation process as intended, and supervisor-subordinate dialogue concerning the evaluation process has been inadequate.

Many of the weaknesses in the Service's program stem from inadequate guidance, and training on how to carry out the evaluation is also needed to ensure procedures are appropriate and properly administered.

MERIT PROGRAM COULD BE MORE  
EFFECTIVELY USED TO REWARD  
AND IMPROVE PERFORMANCE

Negative employee perceptions of the merit program weaken the program's usefulness as a performance motivator. These perceptions are caused by the Service's practices of

- using merit pay as a salary control mechanism,
- limiting differentials in salary recognition between high and low performers,
- making merit pay decisions on different bases,
- delaying merit awards, and
- denying merit rewards to employees at the top of the salary level.

When the Service initiated the merit program, it adopted a policy of using merit increases to recognize high performers, while providing employees with other forms of salary increases as well. To control rising salaries, however, the Service began restricting merit pay increases in fiscal year 1975. These restrictions have been removed in recent years, and merit pay increases are now viewed as a means for making up for previous salary restrictions. Because of the limited difference between the total salary increases for high and low performers, the Service's practice of awarding merit increases to low as well as high performers and providing general salary increases to all employees detracts from the recognition given to high performers. This situation lessens the incentive for continued good performance or improved performance.

Merit pay is also inconsistently administered. Merit pay decisions are not made on a uniform basis, because the Service has provided little guidance and training on how to decide on merit increase percentages and effective dates. The result has been confusion among employees as to the basis of merit decisions and suspicions that factors other than performance are the major determinants of merit pay. In addition, supervisor-subordinate discussions concerning the basis of merit increases are not always conducted in an effective manner which further contributes to employee confusion and suspicions.

For many employees there is a long time between when merit increases are received and the performance that was awarded. In addition, employees at the maximum or above the maximum of their grade levels are ineligible for merit increases regardless of their performance. As a result, these employees would not have the same financial incentive as employees below the maximum of their grade levels to improve or continue their high level of performance.

Although program instructions provide for using the evaluation process to identify and correct poor performance, this has not always been effectively done. By not adequately monitoring and evaluating the program's administration, the Service has not been in a position to detect or correct problems and negative employee perceptions.

#### RECOMMENDATIONS TO THE POSTMASTER GENERAL

We recommend that the Postmaster General

--Require supervisors to tie performance evaluations more closely to an employee's duties and responsibilities. This can be facilitated by requiring that:

1. Wherever possible, employees and supervisors mutually develop objectives that are specific, measurable, and pertinent to the position and organizational unit, and that supervisors use these objectives when evaluating employees.
2. Position descriptions be kept current and used as a starting point for identifying duties and responsibilities.
3. Job standards be established and used in evaluations for those positions whose duties are of a continuing nature.

--Determine which evaluation process to use for different positions on the basis of the duties and responsibilities of the positions rather than the grade level.



- Develop an appraisal form for those job families with duties and responsibilities of a continuing nature that more closely links evaluations to duties and responsibilities.
- Develop performance assessment criteria that can be used to depict performance results more accurately.
- Discourage the use of peer comparisons as a primary basis of evaluating performance.
- Reevaluate the benefits of the self-appraisal processes as now conducted and revise the process which provides for simply checking performance adjectives to one which requires support for the appraisal.
- Reemphasize to supervisors the need to base overall ratings on performance without the influences of nonperformance factors and require supervisors to document the basis of ratings. In addition, reviewers should be required to discuss the need for changes to ratings with supervisors and document the reasons for revisions.
- Reemphasize to supervisors the need to discuss objectives, self-appraisals, appraisals, ratings, and merit increases with employees.
- Provide more specific guidance and training to supervisors and subordinates on how to carry out the different aspects of the merit program.
- Develop an overall salary increase policy for nonbargaining employees which is consistent with the objective of the Merit Performance Evaluation Program--rewarding on the basis of performance to provide incentive for improved performance--and clearly communicate this policy to all employees. If the policy includes both merit and general increases, the Service should consider following its previous policy of awarding merit increases to outstanding, very good, and good performers only, with general increases going to all employees. Such a policy will allow for adjusting the merit increase percentages to provide for greater differentials in rewards between different levels of performance.

- Change the merit program procedures so that merit increases are received close to the performance that is rewarded.
- Institute some method of rewarding high performers at their maximum salary level. One alternative is to reward these employees with lump-sum cash awards.
- Require the documentation of actions planned to improve poor performance.
- Develop specific guidelines for conducting the compliance audits initially called for in the fiscal year 1980 program as a means for better monitoring and evaluating the merit program's administration. These audits would help ensure that policies and procedures are properly carried out and aid in identifying weaknesses in the program's design or administration that need to be corrected.

#### AGENCY COMMENTS AND OUR EVALUATION

The Service said that implementation of the merit program has been difficult because

- tens of thousands of program participants are spread over thousands of locations, and
- many employees favored the old system of automatic salary increases.

The Service pointed out that it must operate the merit program in a special environment which influences how it can change the program at any given time. The special environment arises out of legislative mandates, pay consultation requirements, collective bargaining agreements, fiscal constraints, and judicial decisions.

The Service informed us that it was not surprised by our finding that some employees may view the program negatively, and it recognizes that there is still room for improvement in the program's operations. The Service also informed us that many of the specific changes called for by our recommendations are already underway, and others will be considered as the Service gains further experience in operating the program. The Service's comments on our recommendations are in appendix V.

The Service objected to two of our recommendations--the one calling for the development of performance assessment criteria (second recommendation on page 51) and the one dealing with the development of an overall salary increase policy which provides merit increases only to high performers (eighth recommendation on page 51).

The Service stated that, while the concept of measuring performance against an established criteria may be sound, the viability of it within an organization as large and diverse as the Postal Service may be open to serious question. The Service pointed out that standards of measurement that are developed in one region may not be suitable in another. Also, the Service said that while some performance areas may readily lend themselves to uniform standards of measurement, others may not. (See p. 67.)

We believe that uniform standards of measurement are essential to having fair and accurate performance evaluations. Recognizing that the development of uniform performance criteria is more difficult for some areas of responsibility than others, the Postal Service could approach this task by starting with areas that more readily lend themselves to uniform criteria, such as mail processing and safety. The experience gained in developing criteria in these areas could then be applied to the more difficult areas. In recommending the development of assessment criteria, we are not suggesting that the same numerical goals be applied in all regions. However, we believe that a standard of measurement found to be suitable in one region should have applicability in other regions. The numerical goal to be applied to the measurement standard could be varied and established during the objective setting process.

Regarding our recommendation on developing an overall salary increase policy which provides merit increases only to high performers, the Service maintains that the merit program is only one factor of the total salary program and must be administered within the overall program. The Service listed several factors it must consider in the overall salary program--external comparability, internal equity, and salary compression. The Service added that any development of salary policy and future merit programs must be in conformity with legal requirements of the pay consultation process. (See p. 69.)

We recognize that the merit program is only one element of the Service's total salary program. However, when the Service provides general increases to all employees and awards merit increases to employees who, by definition, are not performing at the average level, we believe the merit

program's effectiveness as a motivator of improved performance is undermined.

EMPLOYEE ORGANIZATION COMMENTS

The three organizations representing merit program participants were asked to review and comment on this report. The National Association of Postal Supervisors and the National League of Postmasters provided written comments and generally agreed with the facts as presented. The National Association of Postmasters of the United States did not comment on the report. Comments received can be found in appendixes VI and VII.

Postal Units Visited by GAO During ReviewEastern Region

Regional Headquarters,  
Philadelphia, PA  
Delaware Valley District  
Philadelphia, PA MSC  
Glenside Post Office  
Media Post Office  
Southeastern, PA MSC  
Norristown Post Office  
Pottstown Post Office  
Susquehanna District  
Harrisburg, PA MSC  
Lebanon Post Office  
Chambersburg Post Office  
Lancaster, PA MSC  
York Post Office

Western Region

Regional Headquarters,  
San Bruno, CA  
Golden Gate District  
Oakland, CA MSC  
Concord Post Office  
Martinez Post Office  
San Rafael, CA MSC  
Petaluma Post Office  
Novato Post Office  
Sierra District  
Sacramento, CA MSC  
Citrus Heights Post Office  
South Lake Tahoe Post Office  
Reno, NV MSC  
Sparks Post Office  
Carson City Post Office

Northeast Region

Regional Headquarters,  
New York, NY  
Northern New Jersey District  
Newark, NJ MSC  
Elizabeth Post Office  
Fort Lee Post Office  
Paterson, NJ MSC  
Fairlawn Post Office  
Wayne Post Office  
Long Island District  
Hicksville, NY MSC  
Massapequa Post Office  
Wantagh Post Office  
Riverhead, NY MSC  
Mastic Post Office  
East Hampton Post Office

Postal Service

Headquarters  
Washington, D.C.

Postal Managers and Supervisors Interviewed by GAO

<u>Organizational Unit</u>	<u>Unit Heads</u> (note a)	<u>Mail Processing- Operations</u>	<u>Customer Services</u>	<u>Finance</u>	<u>Employee and Labor Relations</u>	<u>Totals</u>
Postal Headquarters		9	7		7	23
<u>Eastern Region</u>						
Regional Headquarters		2		2	2	6
Districts	2				2	4
Management Sectional Centers	4	4	1	3	2	14
Associate Post Offices	7					7
<u>Northeast Region</u>						
Regional Headquarters		3		3	5	11
Districts	2				1	3
Management Sectional Centers	4	4	2	2	3	15
Associate Post Offices	8					8
<u>Western Region</u>						
Regional Headquarters	1	2	2		8	13
Districts	2				2	4
Management Sectional Centers	4	4	3	3	5	19
Associate Post Offices	<u>8</u>	—	—	—	—	<u>8</u>
Totals	<u>42</u>	<u>28</u>	<u>15</u>	<u>13</u>	<u>37</u>	<u>135</u>

a/Includes Regional Postmasters General, District Managers, Sectional Center Managers, and Associate Office Postmasters.

Performance Appraisal And Merit Pay Programs ReviewedCorporations visited

Citibank  
Control Data  
General Electric  
Honeywell  
McCormick & Company  
Philip Morris  
RCA  
Southern Railway  
Union Carbide

Corporation program  
instructions reviewed

Allegheny Ludlum Steel  
Ford Motor Company  
IBM  
Kaiser Aerospace and Electronics  
Polaroid  
R.J. Reynolds Industries

State Government visited

New Jersey

State/City Government program  
instructions reviewed

Minnesota  
New York City

FORMS USED FOR THE 1979 MERIT PERFORMANCE EVALUATION PROGRAM

U.S. POSTAL SERVICE INDIVIDUAL OBJECTIVE SETTING/SELF APPRAISAL															
NAME (Last, First and Middle Initial)		POSITION TITLE													
ORGANIZATIONAL UNIT		PERIOD COVERED (6 months)													
		FROM	TO												
<b>PART I - INDIVIDUAL OBJECTIVE SETTING</b>															
In order of importance, list the principal work which you plan to perform during the six month period covered above. These must cover plans that will demonstrate your commitment to EEO, safety, revenue protection and FLSA COMPLIANCE as appropriate.															
1.															
2.															
3.															
4.															
5.															
EMPLOYEE		SUPERVISOR'S APPROVAL													
DATE SIGNED	SIGNATURE	DATE SIGNED	SIGNATURE												
<b>NOTE:</b> The above should be stated very specifically and discussed with your supervisor to obtain his or her concurrence on your priority listing as well as specific job factors. FOLLOWING ARE TYPICAL EXAMPLES OF PLANS: <table style="width:100%; border: none;"> <tr> <td style="width: 25%;">● Improve MPD</td> <td style="width: 25%;">● Prepare and implement</td> <td style="width: 25%;">● Reduce grievances</td> <td style="width: 25%;">● Improve facility/equipment utilization</td> </tr> <tr> <td>● Reduce LWOP absenteeism</td> <td>affirmative action plan.</td> <td>● Improve safety record</td> <td>● Plan for service improvement and reduction (Any area)</td> </tr> <tr> <td>● Reduce manhours</td> <td>● Improve service performance (Any area)</td> <td>● Sell 20 new major customers.</td> <td></td> </tr> </table>				● Improve MPD	● Prepare and implement	● Reduce grievances	● Improve facility/equipment utilization	● Reduce LWOP absenteeism	affirmative action plan.	● Improve safety record	● Plan for service improvement and reduction (Any area)	● Reduce manhours	● Improve service performance (Any area)	● Sell 20 new major customers.	
● Improve MPD	● Prepare and implement	● Reduce grievances	● Improve facility/equipment utilization												
● Reduce LWOP absenteeism	affirmative action plan.	● Improve safety record	● Plan for service improvement and reduction (Any area)												
● Reduce manhours	● Improve service performance (Any area)	● Sell 20 new major customers.													

PS Form  
Aug. 1978 2456



<b>PART II - SELF APPRAISAL</b>			
<b>WORK ACCOMPLISHMENTS.</b> In order of importance, list the principal work you performed during the six month period covered. These must include actions which demonstrate your commitment to EEO safety, revenue protection and FLSA COMPLIANCE.	<b>PERIOD COVERED (6 months)</b> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%; padding: 2px;">FROM</td> <td style="width: 50%; padding: 2px;">TO</td> </tr> </table>	FROM	TO
FROM	TO		
1.			
2.			
3.			
4.			
5.			
<b>APPRAISE YOUR PERFORMANCE.</b> Reviewing all of the above work accomplishments, what is your overall appraisal of your work during this period? <i>(Check performance below)</i> <input type="checkbox"/> OUTSTANDING <input type="checkbox"/> VERY GOOD <input type="checkbox"/> GOOD <input type="checkbox"/> SATISFACTORY <input type="checkbox"/> MARGINAL			
<b>EMPLOYEE COMMENTS</b> My overall performance appraisal is based on			
DATE SIGNED	SIGNATURE		
The collection of this information is authorized by 39 U.S.C. 1001. It will be used to evaluate your performance under the Merit Performance Evaluation System. As a routine use, this information may be disclosed to a congressional office, to a labor organization as required by the NLRA, to the Civil Service Commission for investigation of an EEO complaint, to the Office of Management and Budget for review of private relief legislation, and where pertinent, in a legal proceeding to which the Postal Service is a party. Completion of this form is voluntary, however, not providing the information may have an effect on the appraisal of your performance.			

U.S. POSTAL SERVICE					1. FY
MERIT PERFORMANCE EVALUATION (Grades 19 and Below)					
<b>INSTRUCTIONS:</b> Supervisors should complete Items 1 through 20 and the next level manager should complete Items 21 through 28. All revisions must be discussed with evaluator. Evaluated employee completes reverse only.					
2. NAME (Last, First, and Middle Initial)			3. SOCIAL SECURITY NO.	4. FINANCE NO.	5. PAY LOCATION
6. POSITION TITLE			7. ORGANIZATIONAL UNIT AND LOCATION		
8. CURRENT		9. SALARY RANGE (\$)			
a. GRADE	b. SALARY	a. MINIMUM	b. MIDPOINT	c. MAXIMUM	
10. SALARY ADJUSTMENTS IN PAST THREE YEARS					
EFFECTIVE DATE	TYPE OF ACTION		DOLLAR AMOUNT	SALARY (Excluding COLA)	
11. OVERALL PERFORMANCE EVALUATION PAST THREE YEARS (Enter FY and Evaluation)					
a. FY AND EVALUATION		b. FY AND EVALUATION		c. FY AND EVALUATION	
RECOMMENDED PERFORMANCE SALARY ADJUSTMENT					
12. EMPLOYEE NOT EVALUATED (Check box and state reasons)					
<input type="checkbox"/>					
13. ADJECTIVE PERFORMANCE RATING		14. RATING PERIOD COVERED		15. PERCENT INCREASE PER MATRIX	
16. TO MAXIMUM OF SALARY GRADE (Check if applicable) <input type="checkbox"/>		17. MERIT INCREASE (Dollar Amount)		18. NEW BASIC SALARY	
19. EFFECTIVE DATE					
20. EVALUATOR (Immediate Supervisor)					
a. DATE SIGNED		b. TITLE		c. SIGNATURE	
HIGHER LEVEL OF APPROVAL (Next Level Manager)					
21. APPROVED AS RECOMMENDED <input type="checkbox"/> YES <input type="checkbox"/> NO		22. REASON FOR ANY REVISION			
23. PERCENT INCREASE		24. DOLLAR INCREASE		25. NEW BASE SALARY	
26. EFFECTIVE DATE					
27. NO INCREASE RECOMMENDED: <input type="checkbox"/> REASON:					
28a. DATE SIGNED		b. TITLE		c. SIGNATURE	

PERFORMANCE EVALUATION							1. EVALUATION PERIOD						
							FROM			TO			
<p><b>INSTRUCTIONS:</b> The following factors are to be used to evaluate how the subordinate/you performed assigned job duties during the evaluation period. For factor which the subordinate/you did not have an opportunity to demonstrate check ND. The employee's commitment to EEO, SAFETY, REVENUE PROTECTION, and FLSA compliance must be considered in all evaluations.</p> <p><b>DEFINITIONS:</b> O=Outstanding, VG=Very Good, G=Good, S=Satisfactory, M=Marginal, and ND=Not Demonstrated.</p>													
FACTORS	O	VG	G	S	M	ND	FACTORS	O	VG	G	S	M	ND
<b>2. ORGANIZING AND PLANNING</b>  Ability to effectively establish an appropriate course of action for self and/or others to accomplish specific objective(s), establish priorities, make appropriate use of resources.	EMPLOYEE						<b>7. WORK HABITS</b>  Dependability; self-starting action; punctuality; interest in and sense of responsibility to the job; willingness to assume responsibility; willingness to accept new tasks.	EMPLOYEE					
	MANAGER							MANAGER					
<b>3. JOB KNOWLEDGE</b>  Know-how and skills required to do the work, adequacy of practical, technical or professional skills and knowledge.	EMPLOYEE						<b>8. COMMUNICATION SKILLS</b>  Effectiveness in oral presentations; clear expression of ideas in writing in good grammatical form.	EMPLOYEE					
	MANAGER							MANAGER					
<b>4. DECISION MAKING</b>  Effectiveness in gathering all pertinent information and determining the source of problem(s); use of judgment and discretion; degree to which all pertinent considerations taken into account.	EMPLOYEE						<b>9. FLEXIBILITY</b>  Application of knowledge and skills to new situations; ability to adjust quickly to changes and to meet varying work load demands.	EMPLOYEE					
	MANAGER							MANAGER					
<b>5. PRODUCTIVITY</b>  Quality and quantity of work produced; thoroughness; quality of work maintained under pressure; promptness in completing assignments.	EMPLOYEE						The following factors should be used to evaluate performance of individuals who have managerial responsibilities:						
	MANAGER												
<b>6. PERCEPTIVITY</b>  Tact and consideration reflected in interaction with subordinates, peers, customers and superiors; degree to which needs of others taken into consideration, awareness of impact of action on others, cooperativeness; ability to work with others.	EMPLOYEE						<b>10. LEADERSHIP</b>  Effectiveness in getting ideas accepted and in guiding a group or an individual toward task(s) accomplishment.	EMPLOYEE					
	MANAGER							MANAGER					
							<b>11. USE OF DELEGATION</b>  Use of subordinates to achieve objectives and accomplish the work; effective delegation of responsibility.	EMPLOYEE					
								MANAGER					
							<b>12. DEVELOPMENT OF SUBORDINATES</b>  Efforts made to maximize career potential of subordinates; encouraging high standards of work performance.	EMPLOYEE					
								MANAGER					
<b>13. THE OVERALL PERFORMANCE OF THIS EMPLOYEE IS EVALUATED AS (Check performance below)</b> <input type="checkbox"/> OUTSTANDING <input type="checkbox"/> VERY GOOD <input type="checkbox"/> GOOD <input type="checkbox"/> SATISFACTORY <input type="checkbox"/> MARGINAL <input type="checkbox"/> NOT DEMONSTRATED													
<b>14. ENTER RATING IN ITEM 13 ON THE FACE OF THIS FORM (Provide examples or comments below to support your evaluation)</b>  _____													
<b>15. PERFORMANCE DISCUSSED WITH EMPLOYEE (Date)</b> _____							<b>16. SALARY DISCUSSED WITH EMPLOYEE (Date)</b> _____						
<b>17. EMPLOYEE (Signature)</b> _____				<b>18. SUPERVISOR (Signature)</b> _____				<b>19. NEXT LEVEL APPROVAL (Signature)</b> _____					
The collection of this information is authorized by 39 U.S.C. 1001. It will be used to evaluate your performance under the Merit Performance Evaluation System. As a routine use, this information may be disclosed to a congressional office, to a labor organization as required by the NLRA, to the Civil Service Commission for investigation of an EEO complaint, to the Office of Management and Budget for review of private relief legislation, and where pertinent, in a legal proceeding to which the Postal Service is a party. Completion of this form is voluntary; however, not providing the information may have an effect on the appraisal of your performance.													

U.S. POSTAL SERVICE				FY
MERIT PERFORMANCE EVALUATION (Grades 20 and Above)				
<b>INSTRUCTIONS:</b> Supervisors should complete Items 1 through 20 and the next level manager should complete Items 21 through 28. All revisions must be discussed with evaluator.				
1. NAME (Last, First, and Middle Initial)		2. SOCIAL SECURITY NO.	3. FINANCE NO.	4. PAY LOCATION
5. POSITION TITLE			6. ORGANIZATIONAL UNIT AND LOCATION	
7. CURRENT		8. SALARY RANGE (\$)		
9. GRADE	10. SALARY	11. MINIMUM	12. MIDPOINT	13. MAXIMUM
14. SALARY ADJUSTMENTS IN PAST THREE YEARS				
15. EFFECTIVE DATE	16. TYPE OF ACTION	17. DOLLAR AMOUNT	18. SALARY Excluding COLA	
19. OVERALL PERFORMANCE EVALUATION PAST THREE YEARS <i>Enter FY and Evaluation</i>				
a. FY AND EVALUATION		b. FY AND EVALUATION		c. FY AND EVALUATION
RECOMMENDED PERFORMANCE SALARY ADJUSTMENT				
20. EMPLOYEE NOT EVALUATED <i>Check box and state reasons</i>				
21. ADJECTIVE PERFORMANCE RATING		22. RATING PERIOD COVERED		23. PERCENT INCREASE PER MATRIX
24. TO MAXIMUM OF SALARY GRADE <input type="checkbox"/> <i>Check if applicable</i>		25. MERIT INCREASE <i>Dollar Amount</i>	26. NEW BASIC SALARY	27. EFFECTIVE DATE
28. EVALUATOR <i>Immediate Supervisor</i>				
a. DATE SIGNED		b. TITLE		c. SIGNATURE
29. HIGHER LEVEL OF APPROVAL <i>Next Level Manager</i>				
30. APPROVED AS RECOMMENDED <input type="checkbox"/> YES <input type="checkbox"/> NO		31. REASON FOR ANY REVISION		
32. PERCENT INCREASE		33. DOLLAR INCREASE	34. NEW BASE SALARY	35. EFFECTIVE DATE
36. NO INCREASE RECOMMENDED. <input type="checkbox"/> REASON:				
37. DATE SIGNED		38. TITLE		39. SIGNATURE

<b>WORK PERFORMANCE</b>	
In order of importance, list the principal work performed during the evaluation period. Including indicators of the evaluated employee's actions with regard to EEO, safety, revenue protection, and FLSA compliance, as appropriate.	
1.	
2.	
3.	
4.	
5.	
<b>MANAGER'S EVALUATION/COMMENTS</b>	
The overall evaluation is based on	
The overall performance of this employee is evaluated as <i>(Check performance below)</i>	
<input type="checkbox"/> OUTSTANDING <input type="checkbox"/> VERY GOOD <input type="checkbox"/> GOOD <input type="checkbox"/> SATISFACTORY <input type="checkbox"/> MARGINAL	
Performance was discussed with employee on <i>(Date)</i>	
SUPERVISOR'S SIGNATURE	NEXT LEVEL OF APPROVAL <i>(Signature)</i>
Salary action was discussed with employee on <i>(Date)</i>	EMPLOYEE'S SIGNATURE

GPO 820-264



THE POSTMASTER GENERAL  
Washington, DC 20260

September 10, 1980

Dear Mr. Anderson:

This refers to your draft report on the Postal Service Merit Program.

As the report notes, the Postal Service has been a pioneer in implementing merit pay in the Federal Government. The task has not been an easy one.

Tens of thousands of postal employees and supervisors at thousands of different locations have been involved in the program to date. Many frankly prefer the old familiar, effortless system of automatic step increases that has prevailed throughout the Federal Government for so many years. This situation has presented formidable training and motivational problems.

The Postal Service's merit program operates in a special environment arising out of legislative mandates, judicial decisions, fiscal constraints, collective bargaining agreements and pay consultation requirements to which other Government agencies and private employers are not subject. This environment conditions to some extent what we can do in regard to program particulars at any given time.

Even the authorities on merit pay and performance appraisal disagree on important aspects of how such a program should operate.

-2-

Under the circumstances, it is not surprising that some employees may view the program negatively and that there is still room for improvement in the program's operations. We have never regarded the present program as final, though we do think we have made substantial progress.

Accordingly, we appreciate having your views, and as the attached comments show, many of the specific changes you recommend are already underway. Others will be considered as we gain further experience.

We appreciate your giving us an opportunity to comment on this draft.

Sincerely,



William F. Bolger

Mr. William Anderson  
Director  
General Government Division  
U.S. General Accounting Office  
Washington, D.C. 20548

Enclosures

RECOMMENDATIONS AND COMMENTS

1. Require supervisors to more closely tie performance evaluation to an employee.

Comment

One of the major thrusts in our training programs and merit instructions has been to emphasize the supervisor's responsibility to tie merit performance evaluation to the duties and responsibilities of the employee's position, in general, and to quantifiable goals and objectives (agreed upon by the employee and immediate supervisor), in particular. A continuing objective of our Merit Program is to improve the ability of supervisors to evaluate performance within this framework. Training efforts will continue and be expanded to further emphasize and improve the skills of all managers in the area of performance appraisal.

2. Determine which evaluation process to use for different positions based on the duties and responsibilities of the positions rather than the grade level.

Comment

We have considered this approach in the past, but it, would be extremely difficult to administer within the context of the Postal Service's organizational structure and pay and job evaluation systems. With the number of different non-bargaining positions in the USPS, a change to a position by position determination would add many additional complexities to the administration and operation of the program. Any gains from such a change might be more than offset by the problems it would create. Employees would undoubtedly complain if other employees within a particular grade were evaluated using a different process. Variations of this recommendation might be feasible and will be explored after we are satisfied that sufficient training in the simpler phases of the program has been effective.

3. Develop an appraisal form for those job families with duties and responsibilities of a continuing nature that more closely links evaluations to duties and responsibilities.

Comment

While we do not disagree with the concept of developing separate appraisal forms for different families of jobs of a continuing nature, the practical difficulties of installing such a system at this time are formidable. We have scores of different families of jobs. The standard job description for the different families of jobs are stated in broad terms and appraisal forms based upon these might not reflect the particular concerns and priorities of local management. The proliferation of special forms that would be required would exacerbate complaints about all the paperwork that the system entails. At this stage in the program's development, we believe such a change would present more problems than benefits. However, we will reconsider the idea at a later time.



4. Develop performance assessment criteria that can be used to more accurately depict performance results.

Comment

We are constantly trying through our instructions and training programs to stress to our managers the need to develop and utilize specific performance criteria against which the employee can be evaluated. The first part of this process is the setting of quantifiable goals and objectives for each employee prior to the beginning of the fiscal year. The second part is the evaluation of the employee against these goals and objectives at the end of the fiscal year. This is an on-going process within the current program.

The validity of this approach is not the major problem involved. While the concept may be sound, the viability of it within an organization as large and diverse as the Postal Service may be open to serious question. While the Western Region may develop standards of measurement which are suitable for its area, the Northeast Region may not accept them for its area. Also, while some performance related areas, such as safety, may readily lend themselves to such uniform standards of measurement, others such as the Fair Labor Standards Act (FLSA) may not. Therefore, we cannot visualize the development of one uniform standard of measurement for each individual area being evaluated.

5. Discourage the use of peer comparisons as a primary basis of evaluating performance.

Comment

We have eliminated all references to peer comparisons from the FY 81 instructions. The references mentioned in the adjective ratings in the prior instructions have been eliminated. We believe this will eliminate the problem, wherever it may have existed in the past. Each employee should be evaluated on his own performance and not in comparison to others. However, we believe that in the final analysis, every manager has to consider the performance of the total group as well as individual performance.

6. Re-evaluate the benefit of the self-appraisal processes as now conducted, and revise the process which provides for simply checking performance adjectives to one which requires support for the appraisal.

Comment

The self-appraisal process has always provided for narrative work accomplishments by the employee required to set goals and objectives. It also provided a block where the employee could summarize or restate the basis for his adjective rating of his performance during the period. The checklist evaluations were used for lower grade employees who did not set goals and objectives. This requirement was eliminated in the FY 81 program for all employees in the step program and they no longer have a self-appraisal process.

-3-

7. Re-emphasize to supervisors the need to base overall ratings on performance without the influences of non-performance factors and require supervisors to document the basis of ratings. In addition, reviewers should be required to discuss the need for changes to ratings with supervisors and document the reasons for revisions.

Comment

We have consistently emphasized that supervisors should base their ratings on actual employee performance rather than on non-performance related factors. We have also emphasized the need to document the reasons for a particular rating. We learn through post-evaluation audits if reviewers change ratings without discussion with the evaluator and fail to document the rationale for revised ratings. The FY 80 program did not permit changes of ratings by higher level managers unless they were authorized to do so in the performance evaluation approval process. When such erroneous actions are discovered, they are corrected.

8. Re-emphasize to supervisors the need to discuss objectives, self-appraisals, appraisals, ratings and merit increases with employees.

Comment

The importance of communications is recognized and is emphasized in the formal instructions and in the training program. We will continue such emphasis and intend to increase our efforts to educate managers so they will better appreciate their responsibility to discuss all aspects of performance appraisal with their subordinates.

9. Provide more specific guidance and training to supervisors and subordinates on how to carry out the different aspects of the merit program.

Comment

The Merit Instructions for FY 80 and FY 81, the Supervisors Handbook, and the Merit Training Program adequately cover the methods of carrying out the merit program. On-going training for everyone in the program will be continued. In addition, we will intensify education of our managers through frequent communications on sound merit evaluation concepts and procedures.

-4-

10. Develop an overall salary increase policy for non-bargaining employees which is consistent with the objectives of the Merit Performance Evaluation Program --rewarding on the basis of performance to provide incentive for improved performance--and clearly communicate this policy to all employees. If the policy includes both merit and general increases, the service should consider following its previous policy of awarding merit increases to outstanding, very good, and good performers only, with general increases going to all employees. Such a policy will allow for adjusting the merit increase percentage to provide for greater differentials in rewards between different levels of performance.

Comment

The overall salary program for the Postal Service considers comparability with the private sector, differentials between "rank and file" workers and first-line supervisors, and the ensuing internal alignment between first-line supervisors and higher-level managers, and the effect of compression created by the maximum salary (currently \$50,112) for top executives. The merit program is only one factor of the total salary program and must be administered within the overall program. It must also be realized that the Service's Non-Bargaining Unit compensation program is subject to the consultation process with the management associations representing supervisors and postmasters. Furthermore, the previously existing process has been greatly codified and expanded with the recent enactment into law of the Supervisor's Factfinding Bill. Any development of salary policy must be in conformity with these legal obligations. Current and future merit evaluation programs will be subject to this process and any changes must be made in this legal context.

11. Change the merit program procedures so that merit increases are received close to the performance that is rewarded.

Comment

The question concerning timing of merit increases is not a simple one to address. In order to move the effective date to immediately after the rating period, all increases would have to be effective at the beginning of the fiscal year. We are considering alternatives to the present evaluation period and the final decision on that could result in some changes in the effective dates of merit increases.

-5-

12. Institute some method of rewarding high performers at their maximum salary level. One alternative is to reward those employees with lump-sum cash awards.

Comment

The current policy of not giving merit increases to employees at the maximum of the salary range for their grade is sound pay administration policy. Since we periodically change salary schedules and increase the maximums, employees do have opportunities for merit increases. The compression at the top caused by the current \$50,112 ceiling may conceivably create a problem in the future if no adjustment is made to the ceiling for a long period of time. If this were to occur, we would probably have to reconsider our position on lump-sum payments.

13. Require the documentation of actions planned to improve poor performance.

Comment

When an employee is rated "marginal," our merit instructions call for a meeting between the employee, the evaluating supervisor and the next higher level to discuss the reasons for the rating. Consideration will also be to requiring managers to develop performance improvement plans for "marginal" employees. We believe this should be separate and apart from the formal Merit Performance Evaluation process. Such actions are management decisions that involve the individual employee's career development and training, management needs, and other factors outside the scope of the merit program.

14. Develop specific guidelines for conducting the compliance audits initially called for in the fiscal year 1980 program as a means for better monitoring and evaluating the merit program's administration. These audits would help ensure that policies and procedures are properly carried out and aid in identifying weaknesses in the program's design or administration that need to be converted.

Comment

Presently there is no specific guideline for auditing the Merit Program. In comport with the 1980 Merit Program Instructions, Regional Compensation Offices audit selected units, but this is part of their ongoing responsibility to monitor all compensation related programs. It should be emphasized, however, that an overall Employee Relations Audit Program is being developed and specific guidelines and questions concerning the Merit Program are being formulated for inclusion in this audit process. We believe that this is a step in the direction being suggested by GAO.



## NATIONAL ASSOCIATION OF POSTAL SUPERVISORS

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 (202) 484-6070

Office of Executive Vice President

M. J. "MO" TWOMEY  
 BOX 23456, L'ENFANT PLAZA  
 WASHINGTON, DC 20024

September 17, 1980

Mr. Wm. J. Anderson  
 Director  
 United States General  
 Accounting Office  
 General Government Div.  
 Washington, DC 20548

Dear Mr. Anderson:

We would like to commend the General Accounting Office for one of the finest reports on a particular subject that we have had the opportunity to read for some time. The report is well written, depth and detail outstanding and it's one of the first government reports I've ever read that it's almost impossible to put down once started, because it's so interesting. Generally, most investigative reports such as this are guaranteed to put one to sleep within the first fifteen minutes of reading. This report is just the opposite and very hard to put down once started reading.

I believe that our comments should start off as they did when we had the chance to talk to your group on a first hand basis, and that is that our organization and our membership is completely opposed to the Merit Program. I believe your report in both Chapters 3 and 4 quite adequately support this view on the part of the supervisors and managers across the land. Granted your study was in the form of what's wrong with the Program and how can it work, and of course the reaction of our membership and our organization is that it hasn't worked because of the very things your investigation has pointed out.

Probably the points that you discovered that so urk the membership in the field is the fact that the evaluation is meaningless in the eyes of most of the supervisors and managers. Secondly, there is a great tendency to play the buddy system in the evaluations and the awarding of merits. Another area that affects this attitude is the fact that the instructions as you discovered, are not carried out. That even after the immediate supervisor and the next level of supervision with the authority to award the merit, agree that a higher level comes along and changes the merit rating. Another area that our membership is disturbed with concerning the program, is the lack of definition of needed improvement. Your report was very descriptive in this particular area.

*Representing supervisors in the United States Postal Service*

Mr. Wm. J. Anderson  
September 17, 1980  
Page 2

The point made by your report concerning the failure to keep job descriptions up to date has been a very troublesome point over the years with our organization. Not so much in the fact that they're not kept up to date as that everytime they change a job description, they generalize it too much and the very point you made, the objectives, the duties and responsibilities are not clearly defined in the job description. This is a change that took place with the reorganization of the Postal Service and it used to be that the standard positions and the individual position descriptions that existed under the old Post Office Department were much more descriptive of what was required of each individual position. Such is not the case presently. We certainly hope your report will remedy this particular area.

Our organization has consistently over the years asked for training not only in the areas of evaluating people but also in the areas of counseling, of determining a deficiency of an individual and then explaining how those deficiencies can be corrected for the needed improvement. Our comments have fallen on deaf ears until just a couple of years ago, with the advent of Mr. Bolger moving in as Postmaster General, and being knowledgeable about the Postal Service, that finally the organizations were listened to and an attempt to train how to evaluate was accomplished. We feel it's too little too late with no provisions for ongoing training in this program. If we are to have this program continued, we feel that this is a must and are also disappointed in your recommendations that you didn't emphasize this point stronger.

As stated earlier, we are very pleased with the contents of your report and the fact that it bears out many of the discrepancies and failures in the program that we have objected to since the implementation. We don't disagree with your recommendations, in fact we think that many of them if the program is to remain, would improve the program if teeth were put into these recommendations. However, there are a couple of points that might be brought out from your recommendations, and that is that a great deal more time will have to be spent if your recommendations are followed in carrying out the Merit Program. And right now our supervisors and managers are loaded to the hilt with paper work that deprives them of doing the job they are out there for, and that is supervising and managing the operations of the Postal Service. We also feel that not enough emphasis was made that the Merit Program should be over and above a uniform general increase which would define it strictly for outstanding performance of that individual.

We appreciated the opportunity to review the draft and would certainly hope that as soon as the report can be released that we would have the opportunity to receive a copy of this report. If we can be of any further assistance or answer any questions, don't hesitate to contact us and we'll be more than happy to assist in any way that we can.

Sincerely,

*M. J. Twomey*  
M. J. "MO" Twomey  
Executive Vice President

MT:ltr



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September 22, 1980

Mr. William J. Anderson  
Director  
United States General Account Office  
441 G. Street N.W.  
Washington, D.C. 20548

Dear William:

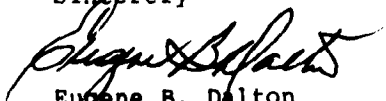
I wish to express my appreciation for the opportunity of receiving the draft of a proposed report on the Postmaster Merit Program. I commend you and your entire staff for the in depth study that has been made in regards to the Merit Program.

The National League of Postmasters has been very dissatisfied with the administration of the Merit Program. The concept to the Merit Program is a very valuable tool for awarding employees who do an outstanding job. The problems experienced by our Membership involves managers who show favoritism and not based on performance of the employee. In addition, the severe Budget cuts, placed upon local managers has adversely affected the amount of Merit given to deserving employees. We found too many cases where Sectional Center Managers were giving small Merit increases or awarding proper increases to those employees who were performing as very good and outstanding. A more in depth study of individual Management Sectional Centers will prove that the majority of very good and outstanding ratings go to the employees within that Sectional Center. This enables the Sectional Center Managers to conform with the bell curve as required and still deprive the Associate Office Postmasters of proper ranking due them.

We have a large number of cases where Postmasters are not given the opportunity to sit down and discuss their goals and objectives with the Sectional Center Manager. The ratings employees do on themselves in many cases are not taken into consideration. In too many cases, we have found Directors within the MSC's are rating Postmasters rather than the requirement of the MSC Manager doing the rating. Local Postmasters no longer have a free hand to provide service to their customers and provide the day to day operation of their local offices. The incentive to perform in an outstanding manner has been deterred, due to the lack of proper administration of the program.

I feel the recommendations made by your Task Force are indeed valid and feel that the program would be much stronger if, recommendations made in your report were enforced. Again, I wish to thank-you for the opportunity of having input to this report and will be happy to discuss with your staff any recommendations made in the future.

Sincerely



Eugene B. Dalton  
President  
National League of Postmasters

EBD:dld

(223130)





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