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STATEMENT OF

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BEFORE THE

SUBCOMMITTEE ON CIVIL SERVICE,

COMMITTEE ON POST OFFICE AND CIVIL SERVICE

UNITED STATES HOUSE OF REPRESENTATIVES

ON

IMPLEMENTATION OF THE PERFORMANCE APPRAISAL PROVISIONS

OF THE CIVIL SERVICE REFORM ACT OF 1978

Madam Chairwoman and Members of the Subcommittee:

We are here today at your request to discuss implementation
of the performance appraisal provisions of the Civil Service
Reform Act of 1978 (CSRA). In this connection, I will discuss
performance measurement and performance appraisal, our current
and planned work on performance appraisal systems, and our
early observations on implementation progress.

There is no question that the Reform Act addresses some

issues which for far too long have been ignored. One of these --and we think it is at the very heart of reform--is employee accountability for performance. I want to stress, however, that as with any piece of new legislation, improvement provided by civil service reform will depend on the commitment of managers and executives who must implement it. It would be impossible for me to overemphasize how crucial it is that reform be viewed as an opportunity for improved organizational performance--a tool for better management rather than as a task that must be gotten out of the way as expeditiously as possible. CSRA creates a need for better accountability, but agencies and managers must provide the motive to do it well. This requires, of course, the dedication of a great amount of _time_ and _resources_. Above all, it requires recognition of the importance of the link between employee performance, rewards, and program results. The key to this link, and therefore, to the opportunity for better Government, is a sound performance appraisal system supported by valid performance measures.

It is too early to tell how well agency performance appraisal processes are working or how well they will contribute to making personnel decisions. It is not too early, however, to surface problems and assure they are being addressed before systems become ingrained. We believe your

oversight activities are invaluable in this process and we welcome the opportunity to play a part.

PERFORMANCE MEASUREMENTS AND
PERFORMANCE APPRAISAL

One of the first GAO products on performance appraisal-related topics is a guide for performance measurement systems. Your own concern regarding the validity of measurement systems was reflected in your request that GAO develop these guidelines. One member of the team who helped prepare this product is here with me today and will be happy to answer any questions you may have.

Holding employees accountable for improving efficiency and effectiveness requires that there be criteria for assessing performance. These criteria are partly established through performance measurement systems. Performance measurement, as used in the Federal government, generally refers to the performance of groups--that is, performance of units, branches, divisions, or even agencies. Performance appraisal is now well established as referring mainly to an individual's performance. The Civil Service Reform Act provides for the linking of performance measurement systems to performance appraisal systems. Specifically, the act requires that performance appraisals for senior executives, managers, and supervisors take into account individual performance and

organizational accomplishments based on factors such as:

    --improvements in efficiency, productivity, quality

      of work or service;

    --cost efficiency; and

    --timeliness of performance.

One of the benefits of using performance measurement
as one of the sources of performance appraisal information
is that such measures are usually quantitative, and
hopefully, objective. As such, performance measurement can
simplify the task of reaching agreement on what was expected
and what was achieved, and avoids implications, of favoritism.
However, the simplicity of the quantitative aspects of per-
formance measurement systems may cause appraisers to give
more weight to job elements that can be counted than equally
critical elements that require more judgement. Also, the use
of performance measures can be counter-productive if they are
not relevant to job outcomes.

The guidelines, which we recently provided you, reflect
not only the viewpoints of others who use similar guides, but
also our own knowledge based on past GAO reviews of agencies'
measurement systems. One point is consistently made--regard-
less of how diligently an agency strives to establish an
accurate, valid performance measurement system, that system
will fall into disrepair if it is not used for basic manage-
ment practices such as planning, budgeting, performance

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appraisal, and position management. In short, performance measurement systems must be institutionalized if they are to be of real value. Our guidelines reflect this by asking questions related to management's use of the systems. This, we believe, makes our evaluation guide a useful tool for not only identifying the essential parts of a comprehensive measurement system, but also its relationship to other management activities.

The use of the guidelines by congressional committees, as we see it, would be to identify certain areas of discussion to provide understanding of an agency's support and commitment to performance measurement. We have identified those areas by bold print in our guidelines. On the other hand, we see agencies' examinations of performance measures being more comprehensive. Our guidelines provide a good tool for guiding such examinations.

CURRENT AND PLANNED GAO REVIEW
OF PERFORMANCE APPRAISAL SYSTEMS

We have a number of efforts underway and planned to review performance appraisal systems. These efforts are part of a comprehensive strategy that includes examining

--the soundness of the processes that are used in
  arriving at appraisals of employees' performance;

--the suitability of performance appraisals to help
  supervisors make equitable and consistent pay and
  other personnel decisions; and, finally,

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--the role of performance appraisal in the overall

management of human resources.

We have tied our review efforts into the implementation activities of affected agencies. Since the time available for implementation of the various performance appraisal systems and their use is largely set by the Act, the efforts of all principals have of necessity been aimed at meeting implementation deadlines. The chronology of significant events, at the end of my statement, shows the sequence which has mainly driven agency implementation activities.

In planning our work, we also considered the Office of Personnel Management's (OPM) timetable and plans for carrying out their responsibilities. This has included coordination with OPM on their technical assistance and evaluation efforts related to performance appraisal systems.

Since implementation of reform for senior executives is required first, our initial efforts address Senior Executive Service (SES) systems. Our first effort on SES involved a review of conversion--the process by which positions were designated as SES and executives filling these positions were given the opportunity to join the new Service. Our report on SES conversion will be issued this summer.

Early this year, when sufficient progress had been made to permit examination of established system components, we initiated a review to examine the processes that will be used

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QUESTIONS TO BE ADDRESSED IN GAO TESTIMONY

1. Has the establishment of performance appraisal
    systems been effectively communicated to employees
    at the operating levels?

Not in all cases. Agency or Department headquarters

staffs are designing systems to meet CSRA and OPM requirements

in a variety of ways. Personnel office staffs, task forces or

study groups, and/or contractors are working on system design

and specific plans and milestones for implementation. These

plans and milestones are not always being communicated to

lower management levels in the organization. Some agency and

field organizations at operating levels have expressed concern

because they do not know what their role is, or when they

should train their staff. Also, some lower level organizations

have initiated development and implementation efforts which

may not fit into overall agency plans.

Some agencies are doing a better job than others informing

their employees about performance appraisal. They do this in

a variety of ways--newsletters, informal meetings, training

programs, etc.

Attitudinal data from our current work should show

whether this has been a problem and the effect any communica-

tions problems have had·on acceptance of the performance

appraisal systems being implemented.

and after study in the 10 agencies previously reviewed. a/

In another review we are looking at the interaction of performance appraisal with other components of the human resource management system. Our objective is to define what factors are likely to limit agency ability to completely fulfill reform expectations. We observed agencies that had a reputation of successful "self-reform" to identify key elements in their reputed success. We also used the results of research in managerial quality and public administration to identify difficulties agencies are likely to encounter in achieving expected reform outcomes. One such difficulty will be achieving the integration which CSRA envisioned between performance appraisal, training and development, rewards, and assignments. Our report is due out in September, however, one of the team members is here and will be happy to answer any questions.

EARLY OBSERVATIONS AND PROBLEMS
IDENTIFIED IN GAO WORK

As I have previously stated, it is too early to tell how agency performance appraisal processes are working or how well they contribute to making personnel decisions. We can share with you, however, our early observations on some of the pro-blems agencies are facing. It should be recognized that as

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a/ "Federal Employee Performance Rating Systems Need Fundamental Changes," FPCD-77-80, March 3, 1978.

agencies progress with implementing their systems, they are constantly learning from their experience and that of other agencies. Many are making refinements, and therefore, the situation is continually changing and should be considerably different when we issue our report(s). The work we are now doing and plan to do will assess the agencies' ability to address these problems and, we believe, will contribute to solutions.

Briefly, the problems we have noted in some agencies are:

--Implementation deadlines may not give the agencies enough time to adequately test the systems before they are implemented.

--There should be more emphasis on training managers and executives in interpersonal skills and in setting performance standards. Most training has been concentrated on teaching system procedures.

--Specific evalation goals and processes, a perequisite to good system design, are being deferred.

--Executives' performance contracts do not always include accountability for their conduct of performance appraisals of subordinates.

--Objective setting approaches used by most agencies do not sufficiently emphasize interpersonal and human resources management activities as part of their performance criteria.

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--Greater emphasis can be placed on quality and efficiency in setting performance measures.

--More specific distinctions can be made in what constitutes different levels of performance (e.g., outstanding, fully satisfactory, minimally satisfactory).

--Participation of employees affected and communication on system design to lower level supervisors can be improved.

--Agencies' implementation plans are not taking into account the complex links CSRA envisioned between processes like planning, budgeting, and performance appraisal.

CONCLUSION

In conclusion, I would like to emphasize that the design and implementation of effective performance appraisal systems is a very difficult and complex task. The timeframe for implementing them is very tight. Our research has disclosed that where good systems exist, in the Government and in the private sector, many years of hard work and considerable resources were required to develop them. We believe that the problems agencies generally have and may continue to have in the immediate future are not insurmountable and should be expected by the Congress, OPM and us. A great deal of time, resources and expertise must be committed to designing, evaluating and refining performance appraisal systems to

insure that they are valid tools for assisting agencies and managers to meet the high expectations of reform. A great deal of patience will be required. Moreover, we ought not expect that performance appraisal systems will be optimally designed and implemented the first go-round. Early condemnation of agency systems without giving them the chance to be improved could undermine the whole process. Our early work clearly indicates that agencies are making serious attempts at implementing workable systems.

This concludes my prepared statement. We have some attachments to the statement and would appreciate their being made part of the record. I would be happy to respond to any questions.

CHRONOLOGY OF SIGNIFICANT EVENTS - CSRA

Date	Event
October 13, 1978	- Civil Service Reform Act enacted. - Office of Personnel Management and Merit Systems Protection Board created from Civil Service Commission.
November 13, 1978	- Written comments from agencies due at OPM on OPM guidelines for SES position coverage.
January 1, 1979	- Deadline for agencies to request numbers of initial SES positions.
January 11, 1979	- OPM interim performance appraisal regulations became effective. Provisions of Chapter 43, Subchapter I, Title 5, U.S. Code, became effective.
February 5, 1979	- OPM issued FPM Bulletin 920-6, specifying timetables for implementing SES performance appraisal systems.
March 8, 1979	- OPM issued guidance on setting pay rates for SES conversion.
March 15, 1979	- OPM issued guidance on SES Performance Review Boards and Executive Resources Boards. - Target date for agencies to provide policy statements and other descriptions of their proposed performance appraisal systems and awards programs to SES incumbents.
March 22, 1979	- OPM issued draft interim regulations on SES conversion, establishing conversion date of July 13, 1979 (also established by CSRA).
April 2, 1979	- OPM provided agencies with SES position allocations.
May 1, 1979	- Deadline for agencies to submit SES performance appraisal plans to OPM for review.

Date		Event
May 7, 1979	-	OPM established data and reporting requirements on SES.
July 1, 1979	-	Deadline for OPM approval of proposed SES performance appraisal systems.
July 13, 1979	-	SES conversion date.
August 8, 1979	-	OPM issued instructions for submission of agency executive development program plans.
October 1979	-	Deadline for agencies to establish organizational goals and personal goals, performance standards and critical elements for each SES position and formally communicate them to incumbents.
	-	Agencies could begin merit-pay phase-in.
October 16, 1979	-	OPM issued guidelines on SES performance incentive pay and awards (bonuses and ranks).
February, 1980	-	Earliest date first SES performance ratings could be given.
	-	Earliest date SES performance awards could be given if performance appraisal system was providing performance ratings at that time.
April 15, 1980	-	Deadline for submitting first SES distinguished and meritorious rank nominations to OPM.
October 1980	-	Deadline for first performance ratings. (Must occur no later)
July 31, 1981	-	Deadline for agencies to submit performance appraisal systems to OPM for review.

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Date		Event
October 1, 1981	-	CSRA deadline for establishing performance standards, identifying critical elements, and communicating these to employees.
	-	OPM deadline for having OPM-approved performance appraisal systems.
September 13, 1984	-	Projected deadline for the Congress to disapprove continuation of SES if merited.

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Some agencies are doing a better job than others informing their employees about performance appraisal. They do this in a variety of ways--newsletters, informal meetings, training programs, etc.

Attitudinal data from our current work should show whether this has been a problem and the effect any communications problems have had on acceptance of the performance appraisal systems being implemented.

2. Has or will the new performance appraisal system
    yield any better results than the old rating system?

It is too early to know whether individual performance appraisals will be better than in the old system. The key to the new systems providing better results is top management's commitment to making it work, including seeing that systems are refined so that they do work better. Our before and after study, using past work as a baseline to compare to the existing situation, should provide a more specific answer to this question.

Agency officials have told us that the performance appraisal implementation process has been a valuable management tool to help them identify and focus on important objectives. Managers are getting a much clearer perception of what they are or should be doing and what is expected of them. They contend that this process is also providing a merger of perceptions between the supervisor and subordinate, and perhaps more important, it is integrating perceptions and work objectives throughout the organization. In this sense, there are already better results coming from the change.

3. Are new performance appraisal systems sufficiently
    valid to serve as the basis for bonuses, promotions,
    and dismissals?

Again, it is too early to know how valid the systems being implemented will be in assisting supervisors to make pay and other personnel decisions. The important aspect here is the linkage made between performance appraisal results and the personnel decisions made.

Agencies' system evaluation efforts should answer this question in the future. Many agencies, however, have deferred working on evaluation processes until a later date. This will impact their ability to see how well their systems are operating and what refinements are needed.

This question will also be part of our current and planned work.

4. Have operating supervisors been engaged in the development of performance appraisal systems?

Although our ongoing work should shortly give us more precise information on the degree of employee participation in systems design, our early work indicates that the degree of involvement varies widely from agency to agency. In some cases, operating supervisors have been included as members of the task force developing the new system. In other cases, agencies have solicited the views of their operating supervisors as well as other employees.

Our current and planned work will examine the extent of involvement of those affected by the new systems and its relationship to how the new systems are being used. We strongly believe involvement does increase the chances for the new systems to be accepted.

5. Has the outside use of contractors in the development of the new systems been in the best interest of the government?

Where agencies lacked sufficient in-house expertise on performance appraisal, we believe the prudent use of

contractor assistance was warranted. Of course, we do not
approve of duplicative efforts or purchase of systems design
or components developed and paid for by another agency. Also,
it is difficult to assess the value of assistance obtained
from contractors solely on the basis of what was purchased.
One must also consider the economies realized from reduced
workload and shortened implementation efforts, as well as the
freeing up of key employees to do other vital government work.
These matters are difficult to measure, but we should get
some insights on this question from our questionnaire results.
The use of contracting help is a part of the information we
are gathering on SES systems design.

  6. What is the appropriate level of employee participa-
      tion in the development of performance standards?

There is really no real measure to gauge whether there
has been appropriate or inappropriate levels of participation.
We should get some insights into possible answers from the
attitudinal information OPM and we are gathering. Most
research would support that the higher the degree of employee
participation, the greater the chances of success. This is
particularly true at the manager and executive levels where
less quantifiable and wide variations in activities and respon-
sibility exist. We do recognize that there are practical
limits to involving everyone and that a proper balance must
be determined in each case.