STATUS REPORT

ON

PERFORMANCE APPRAISAL AND MERIT PAY AMONG MID-LEVEL EMPLOYEES

June 1981

A REPORT OF THE U.S. MERIT SYSTEMS PROTECTION BOARD
OFFICE OF MERIT SYSTEMS REVIEW AND STUDIES

INTRODUCTION

This is the first in a series of reports drawing from the results of the U.S. Merit Systems Protection Board's first survey of a random sample of mid-level Federal employees in General Schedule grades 13 to 15 throughout the executive branch.

Mid-level employees work in a variety of professional, technical, and administrative positions, with annual salaries currently ranging from $32,048 up to the statutory pay limit of $50,112. Numbering about 190,000 individuals, they represent about nine percent of the Federal civilian work force of 2.2 million (excluding the U.S. Postal Service).

This nine percent of the employee population represents the crucial linchpin between top agency management, which articulates policy and program directives, and the remaining 91% of the Federal workforce which is supposed to implement those directives. It also represents the pool from which the majority of future senior executives will be drawn.

The survey was conducted by the Board's Office of Merit Systems Review and Studies as part of its program of special studies to assess whether the civil service is operating according to merit principles, and is free from prohibited personnel practices. Conducting these special studies is a function assigned to the Board by the Civil Service Reform Act of 1978.

Purpose of the survey. The purpose of the survey was to discover the collective experiences and viewpoints of mid-level Federal employees concerning the functioning of the merit system in their organizations. The survey covered a wide range of issues including employees' observations of prohibited personnel practices and the extent to which employees see merit principles being applied in such areas as employee selection and placement, organizational climate, quality of supervision, performance appraisal, and Merit Pay.

Scope of this report. This report focuses on the status of, performance appraisal and Merit Pay among mid-level employees. Subsequent reports in the series will deal with what the Board has learned from the survey about the incidence of prohibited personnel practices; mid-level employee views about the adequacy of whistleblower protections; the perceived likelihood of employees being removed for continued unsatisfactory performance; the fairness and effectiveness of Federal employee selection and placement actions; and other topics.

PERFORMANCE APPRAISAL AND MERIT PAY

Background. One of the major platforms of the Civil Service Reform Act was the belief that the performance appraisal system and pay distribution system applicable to most civilian employees in the executive branch needed fundamental overhaul to ensure improved productivity and responsiveness.

For example, it was pointed out that the three performance ratings applicable to most executive branch employees--outstanding, satisfactory, or unsatisfactory --had become "essentially a single rating system of satisfactory,"[1/] and that rating system tended to limit rather than support discipline and reward. Either an outstanding or unsatisfactory rating had to be extensively documented and justified; and if an employee appealed an unsatisfactory rating and consequent denial of within-grade increase, the burden of proof on the supervisor and agency management was inordinately high.

[1/] U.S.General Accounting Office, Report to the Congress on Federal Employee Performance Rating Systems (GAO Report FPCD-77-80, March 1978), page i.

Furthermore, the rating system was often seen as "a useless or even counterproductive exercise by both employees and management,"[2/] since employees were not being adequately informed about the quality of their performance in specific terms, and management was not receiving sufficient information on which to base personnel decisions.

In a similar vein, the Federal Government's within-grade salary step system --with its more-or-less automatic payouts for longevity --was criticized for its failure to provide a broader range of payouts, tied to specific performance outcomes. While that system had the virtue of being relatively easy to administer and had a low irritant effect on affected employees, its incentive effect was also clearly low.

In sum, the former performance appraisal system and pay distribution system provided neither differential punishment nor differential reward.

To address these problems, the Civil Service Reform Act required new performance appraisal systems for nearly all civilian employees, as well as a Merit Pay system for all GS 13-15 managers and supervisors.

It is noteworthy that in implementing performance appraisal and Merit Pay systems in executive branch agencies by 1981, the following tactical decisions were implicit:

- Performance appraisal and Merit Pay systems would be implemented in all agencies in such short space of time that there would be effectively no opportunity to learn from the successes and failures of previous efforts. (It should be noted, however, that OPM and some agencies are now making an effort to communicate to all agencies the results of the Merit Pay process in several of the first eight agencies to implement Merit Pay.)

- Each agency would be allowed to develop its own performance appraisal and Merit Pay system, with only general guidance from the Office of Personnel Management, although specific approval from OPM was required for all performance appraisal and Merit Pay plans.

In addition, there were many other implicit tactical, operating, and philosophical assumptions. Some of these assumptions were dictated by the Civil Service Reform Act itself, others reflected guidance from the Office of Personnel Management, and still others reflected the agency's own preferences and perspectives. Some of these assumptions are captured in Appendix II, reflecting the Office of Merit Systems Review and Studies' view of the implementation effort as it has been carried out in practice and the resultant agency systems as they presently exist.

The Act required that all SES members (approximately 8,000) be operating under a new Government-wide, performance-based appraisal system as of July 1, 1979, and that nearly all other executive branch employees (about 2.2 million employees excluding the U.S. Postal Service) should be operating under revised, agency-developed performance appraisal systems no later than October 1, 1981.

These performance appraisal systems, while differing in structural or procedural detail, all require the identification of performance standards based on the work the employee is required to do, and communication of these standards to the employee at the start of the appraisal period. In addition, all performance appraisal systems must provide for the use of their results as a basis for training, reassigning, promoting, reducing in grade,

[2/]The President's Reorganization Project: Personnel Management Project. Volume 1, Final Staff Report, December 1977, page 141.

retaining, and removing employees, as well as compensating them.

The Reform Act also established a Merit Pay system for "supervisors" and "management officials" in General Schedule grades 13 through 15 to recognize and reward quality performance by varying Merit Pay adjustments. The definition of "supervisor" was quite clear in the Act. However, the definition of "management official" ("...an individual employed by an agency in a position the duties and responsibilities of which require or authorize the individual to formulate, determine, or influence the policies of the agency") was not so clear, and led to litigation which continues at this printing. As a result, various interpretations of "management officials" for purposes of Merit Pay have led to a wide range of Merit Pay coverage among GS-13/15 employees in different agencies.

By October 1981, more than two-thirds of the 190,000 employees in these grades will be covered under this "pay for performance" plan for supervisors and management officials. Merit Pay represents a dramatic change from the previous system which based pay increases primarily on length of service. Merit Pay allows pay increases to reward quality of performance rather than length of service by distributing salary increases from special merit pay funds according to variations in an employee's overall performance rating.

The money which is distributed to Merit Pay employees comes from three sources:

1) One-half[3/] of the annual pay adjustment ("comparability increase") which would have otherwise been payable to General Schedule employees becomes part of each agency's Merit Pay funds. (The remaining half of the annual pay adjustment is automatically added to Merit Pay employees' salaries and is not tied to performance.)

2) Within-grade step (longevity) increases which would have otherwise beenpayable to General Schedule employees according to the specified schedule become part of the agency's Merit Pay funds, too.

3) Quality-step-increases (salary increases for superior performance) which, at the initiation of the supervisor or agency, could have been awarded to some General Schedule employees also become part of the agency's Merit Pay funds.

October 1980 implementation of Merit Pay. The Reform Act provided agencies with the option of implementing their Merit Pay systems in October 1980, but required agencies to pay all supervisors and management officials under Merit Pay in October 1981. Eight agencies chose to partially or fully implement Merit Pay in October 1980. The remaining agencies will implement the system in October 1981.

The eight agencies which implemented Merit Pay in October 1980, before the rest of Government, were:

Civil Aeronautics Board
Commission on Civil Rights
Environmental Protection Agency
Farm Credit Administration
Selective Service System
Small Business Administration
U.S. Office of Personnel Management
U.S. Metric Board

There were three exceptions to full implementation of Merit Pay in these eight agencies in October 1980:

3/ The U.S. Office of Personnel Management (OPM) has authority under the Civil Service Reform Act to increase the automatic salary adjustment that goes to all Merit Pay employees regardless of performance to more than 50% of the amount they would have otherwise received. If OPM took this action, it would have the effect of reducing the amount available in the Merit Pay pool to distribute to Merit Pay employees.

1) The Environmental Protection Agency limited its October 1980 coverage to supervisors and management officials in three regions (Seattle, Philadelphia, and New York) and one major organization in its Washington headquarters.

2) The Farm Credit Administration included Merit Pay eligibles in all but one organizational group which delayed implementation until October 1981.

3) For the October 1980 implementation of Merit Pay, the Office of Personnel Management limited Merit Pay coverage to those GS-13/15's designated as supervisors. OPM's Merit Pay coverage in October 1981 will expand to include "management officials."

With these three exceptions, the early-implementation agencies included all of their Merit Pay eligibles in their October 1980 implementation of Merit Pay.

The October 1980 distribution of Merit Pay to Merit Pay eligibles in eight agencies illustrates how Merit Pay redistributes salary increase funds (the 50%-of-comparability-adjustment, within-grade-step increases, and quality step increases) which would have otherwise been available to the GS-13/15 employees covered by Merit Pay.

The graph on the next page illustrates how Merit Pay expands the potential minimum and maximum salary increases for Merit Pay employees, as compared with the minimum and maximum salary increases for other General Schedule employees. Not only does Merit Pay expand the range of minimum and maximum salary increases, it also distributes those increases along a more continuous set of values, rather than bunching them at a few discrete levels.

For non-Merit Pay employees in October 1980, the range of increases extended from 9.1% (the comparability adjustment) to 15.5% (the maximum amount an individual would have received had he or she received the comparability adjustment, within-grade-stepincrease, and a quality-step-increase simultaneously.)

For the approximately 2200 employees covered by Merit Pay in October 1980, the range of salary increases extended from 4.5% to 25%, and averaged about 11.6%.

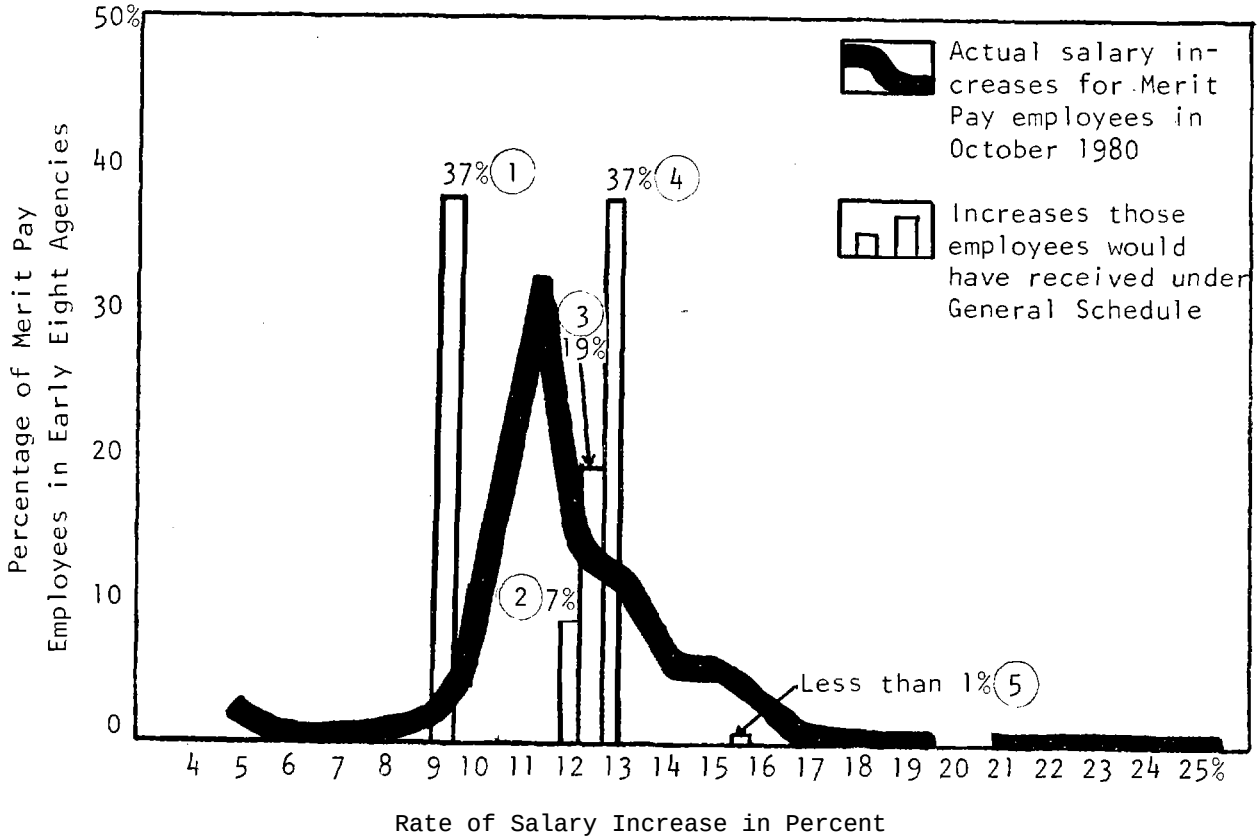
Merit Pay Coverage in October 1981. Based on survey results extrapolated to the entire GS-13/15 population, the Board estimates that between 127,000 (about 68%) and 152,000 (about 81%) of the approximately 188,000 GS-13/15 employees will be covered by Merit Pay in October 1981. The range of uncertainty is due to the number of people --13%, representing 25,000 employees--who reported they had not yet been informed of their coverage, or were not sure of whether they were covered. (This actual number may also change because of some shifts in agencies' interpretations of Merit Pay coverage after the survey was conducted, particularly in regard to coverage for "management officials.")

Assuming 130,000 GS-13/15 employees are covered by Merit Pay in October 1981, and also assuming a 4.8% comparability increase, the aggregate total of all Merit Pay pools for Merit Pay employees in 1981 will be about $187 million.

Procedure for the survey. After extensive consultation with oversight agencies and interest groups and extensive pre-testing of the questionnaire instrument with affected employees, the Board's Office of Merit Systems Review and Studies mailed a 16-page questionnaire in December 1980 to approximately 4,900 mid-level employees drawn from all executive branch departments and agencies.

Approximately 10% of the questionnaires were returned as non-deliverable. About 3000, or 70% of all who received the questionnaire, responded to the survey. One in four survey respondents wrote in general comments, and nearly 1 out of 3 wrote in brief comments keyed specific questions in the survey. (Selected '$_7$ omments on Merit Pay are included in the Appendix.)

DISTRIBUTION OF SALARY INCREASES FOR MERIT PAY EMPLOYEES, OCTOBER 1980 THROUGH SEPTEMBER 1981, IN FIRST EIGHT AGENCIES TO IMPLEMENT MERIT PAY IN OCTOBER 1980 (Source: U.S. Office of Personnel Management)



1 9.1%: The salary increase which would have been paid to General Schedule employees in the tenth step of the General Schedule, and also to employees who were not eligible for biannual or triennial within-grade step increases during the October 1980 through September 1981 period.

11.8%: The salary increase which would have been paid to one-third of the General Schedule employees in the seventh through ninth within-grade steps, consisting of the full comparability increase (9.1%) plus a within-grade step increaseof approximately 2.7%. Because within-grade step increases are awarded at three year intervals to those in steps seven through nine, the other two-thirds of General Schedule employees in the seventh through ninth within-grade steps would not have received the 11.8% increase during the October 1980 through September 1981 period.

3 12.1%: The salary increase which would have been paid to one-half of the General Schedule employees in the fourth through sixth within-grade steps, consisting of the full comparability increase (9.1%) plus a within-grade step increase of approximately 3%. Because within-grade step increases are awarded at two year intervals to those in steps four through six, the other one-half of General Schedule employees in the fourth through sixth within-grade steps would not have received the 12.1% increase during the October 1980 through September 1981 period.

4 12.3%: The salary increase which would have been paid to General Schedule employees in the first three within-grade steps, consisting of the full comparability increase (9.1%) plus a within-grade step increase of approximately 3.2%

5 15.5%: The salary increase which would have been paid to General Schedule employees who received the full comparability increase (9.1%) plus a within-grade step increase (approximately 3.2%) plus a quality step increase for superior performance (approximately 3.2%).

Questionnaire results were tabulated and each questionnaire was checked to ensure that entries were not made on questions that should have been skipped, and also to ensure that certain responses were logically consistent with one another.

A major focus of the questionnaire was on the experiences of employees in the eight agencies which implemented Merit Pay in October 1980, before the rest of Government. At the time the survey was conducted, most mid-level employees in these eight agencies had experienced the full cycle of performance-standard-setting, performance appraisals, and Merit Pay distribution (for those who were covered by Merit Pay). Because of this, a major part of the findings reported here focus on what occurred among these pilot groups.

CRITICAL ISSUES

The following items represent a sampling of issues which were incorporated in the survey instrument and are addressed in this status report:

Performance Standards

Are performance andards in place for mid-level employees generally? Does there appear to have been a greater emphasis on having standards in place for non-Merit-Pay employees than for Merit-Pay-covered employees?

Were performance standards set collaboratively between the supervisor and the mid-level employee? Does this collaborative effort have a favorable impact on the employee's attitude toward the appraisal process and the apparent outcome of the process?

Performance Appraisal

Do performance appraisal systems being developed to meet Civil Service Reform Act requirements provide an adequate basis for fair and accurate performance appraisals? Do mid-level employees regard the appraisal experience as helpful?

Merit Pay

According to their own understanding of their agency's guidelines for Merit Pay coverage, do mid-level employees feel they are appropriately included in or excluded from Merit Pay?

What impact have performance appraisal and Merit Pay systems had on the productivity and motivation of affected employees?

How do mid-level employees regard the soundness of their agencies' Merit Pay plans, and how competently do they feel the plans will be administered?

Given a choice, would mid-level employees freely choose Merit Pay coverage? What appear to be the most important factors influencing their decision?

What lessons are there from the experiences of the first eight agencies to implement Merit Pay that could be applied in all other agencies implementing Merit Pay in October 1981?

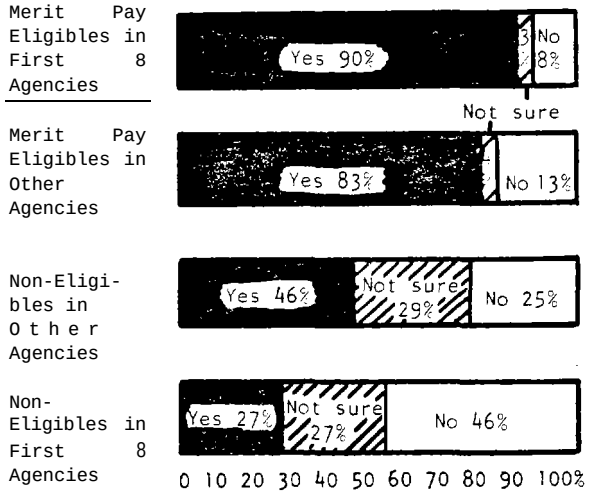
How do employees in the first eight agencies to implement Merit Pay regard the fairness of the Merit Pay distribution? Was the distribution characterized by larger distributions to "management favorites" or high visibility workers without sufficient basis in actual performance?

FINDINGS

1. Agencies' efforts to develop performance standards for their Merit Pay employees--in time for the October 1981 Merit Pay distribution--are largely on target. Among the approximately 2,200 employees in the Early Eight agencies who came under Merit Pay effective October 1980, 9 out of 10 reported that their standards were in place at the time of the survey[4/]. Among the plus-or-minus 130,000 employees scheduled to come under Merit Pay effective October 1981, 83% had standards in place, with several months yet to go before implementation.

2. On the other hand, the push to develop standards for Merit Pay employees may have caused agencies to fall behind in the development of standards for the remainder of their employees--approximately 94% of the Federal workforce, even though CSRA requires that all employees have standards in place by October 1981. At the time of the survey, only 27% of the Early Eight agency mid-level non-Merit Pay employees had standards in place. At the same time, only 46% of other agencies' mid-level non-Merit Pay employees had standards in place. While the present survey covered only GS 13-15 employees, it is reasonable to suppose that the development of performance standards for employees in lower grade levels may he similarly delayed.

36. Have job elements and performance standards based on Civil Service Reform Act requirements been written and established for your current job?



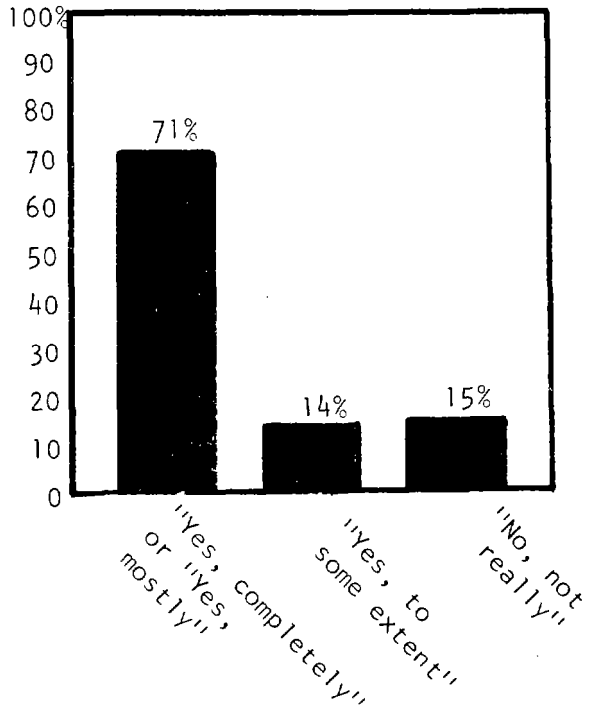
3. Among all mid-level employees who had CSRA-type standards in place at the time of the survey--both Merit Pay and non-Merit Pay employees, a majority indicated that their standards appeared sound. Nearly all (97%) mid-level employees with standards were familiar with their content--they "knew almost exactly" what they were or had "a rather good idea"; 81% believed that the standards pose about the right level of difficulty; 77% believed their standards are rational; and 70% believed their standards cover the most important aspects of the jobs.

4. Mid-level employees who have had appraisals under CSRA-type appraisal systems generally give those appraisal systems good marks for "fairness" and "accuracy," but much lower marks for "helpfulness." Of those mid-level employees who had received a performance appraisal at the time of the survey (both Merit Pay employees and non-Merit Pay employees), nearly three-fourths (71%) indicated that their performance had been fairly and accurately rated. On the other hand, only 29% indicated that their appraisal had been helpful to them. Fully 32% said their appraisal was "not very helpful", and 8% said their appraisal actually "did more harm than good."

[4/]Those reporting they were not covered at the time of the survey may have been working in a new position for which standards were not yet set, or were reporting that standards were not yet in place for the performance appraisal period which followed the first Merit Pay appraisal period.

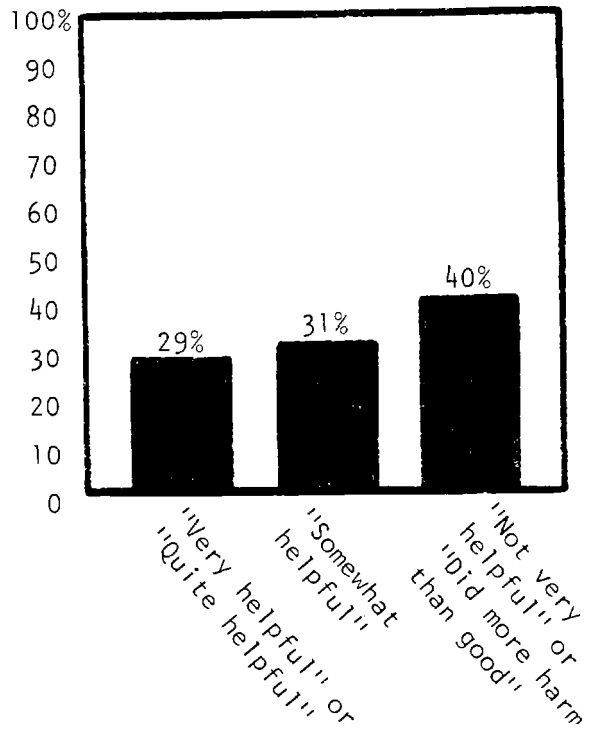
ALL GS-13/15 EMPLOYEES WHO HAD RECEIVED APPRAISALS

45. In your opinion, was your performance fairly and accurately rated?



ALL GS-13/15 EMPLOYEES WHO HAD RECEIVED APPRAISALS

47. How would you rate this appraisal experience?



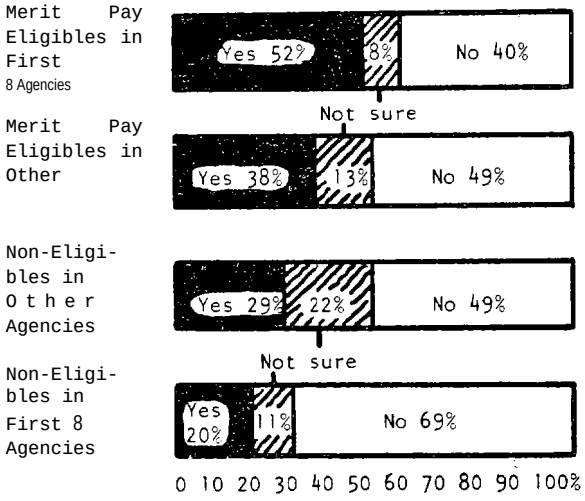
5. The survey shows that about 15% of employees about to come under Merit Pay in October 1981 are already at the statutory pay cap of $50,112. Unless the pay cap is lifted by fall 1981, an even greater percentage of Merit Pay employees will be effectively excluded from Merit Pay.

6. For the most part, both Merit Pay eligibles and non-eligibles in all agencies felt that their assignment into, or exclusion from, Merit Pay was compatible with their understanding of agency Merit Pay guidelines. Nearly 9 out of 10 (87%) Merit Pay employees in the Early Eight agencies felt that their assignment was consistent with guidelines. Nearly 8 out of 10 Merit Pay employees in other agencies felt their assignment matched agency guidelines. The most surprising group was the non-eligibles in the Early Eight agencies, where nearly one in three regarded their **exclusion** from Merit Pay as improper, in view of agency guidelines.

7. There is a major undercurrent of skepticism among those employees scheduled to come under Merit Pay in October 1981. Nearly half (49%) of all employees about to come under Merit Pay in October 1981 would "probably" or "definitely" opt out if they had a choice, while an additional 13% are "not sure" one way or another. Only 38% would go in voluntarily.

8. Even among those employees in the Early Eight agencies who are now working under Merit Pay, opposition remains high, although somewhat lower than among the Merit Pay eligibles in other agencies who have not yet tried it. Fully 40% of the employees in the Early Eight agencies now working under Merit Pay would opt out if they had a choice, while 8% are not sure one way or another. On a hopeful note, however,

54. *If you had a choice*, would you choose to be



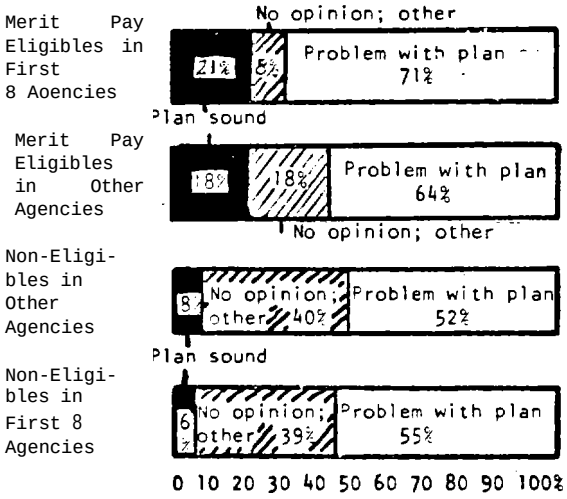
"Yes" includes responses:
- –Definitely yes, and
- -Probably yes.

"No" includes responses:
- –Probably not, and
- –Definitely not.

a majority (52%) of those now working under Merit Pay would stay in voluntarily. In contrast, only 38% of those mid-level employees scheduled to come under Merit Pay in October 1981--who have not yet had direct experience with Merit Pay--would opt into Merit Pay voluntarily.

9. Employees° opposition to Merit Pay seems to stem in large part from problems they see in their agencies' Merit Pay plans. Among those employees about to come under Merit Pay in October 1981, less than one in five (18%) believe that "the plan itself is sound and the administration of it

4. **From your** point of view, which of the following statements best describes your agency's Merit Pa[y] plan?



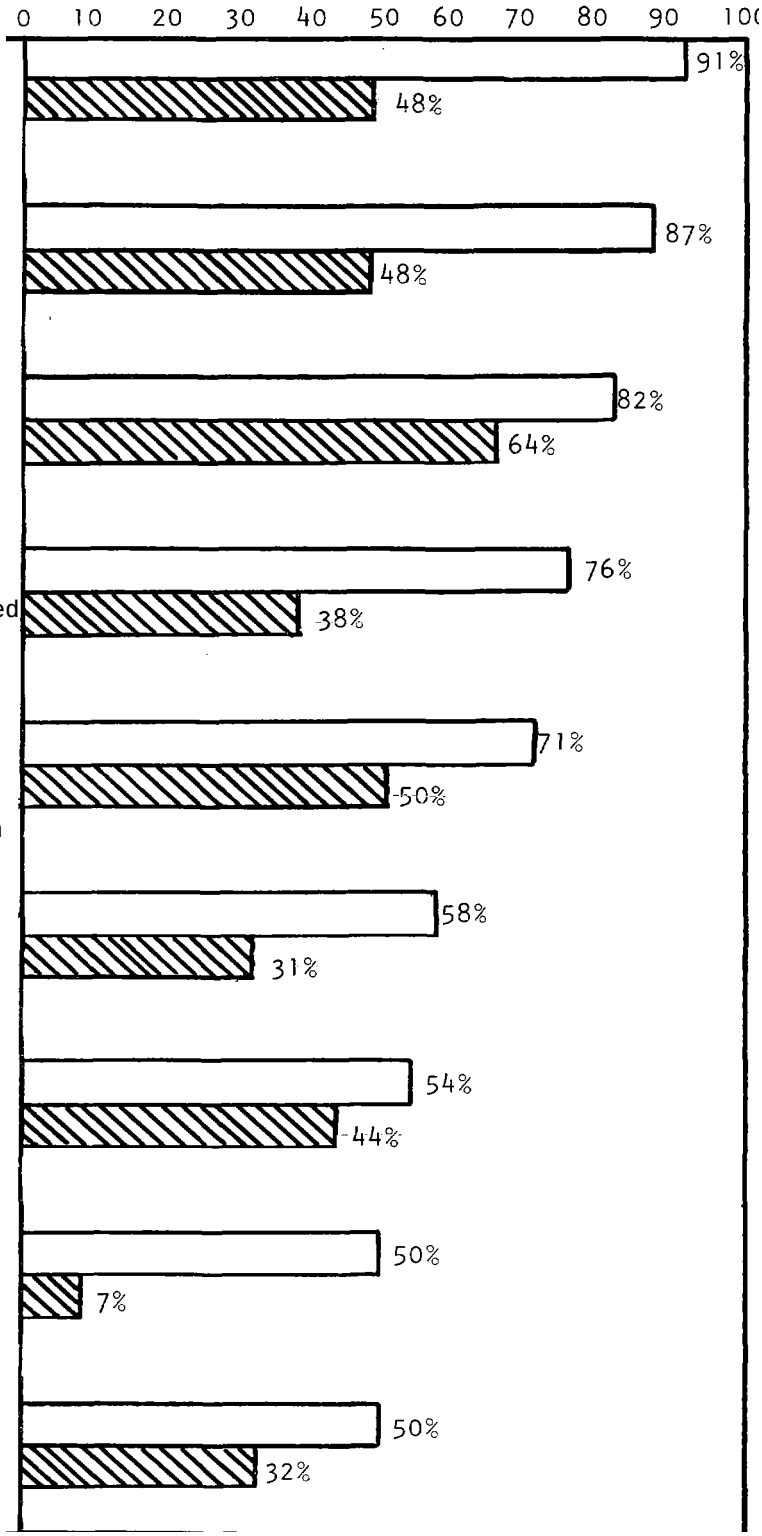
"Plan sound" includes response:
- -The plan itself appears basically sound and the administration of it will likely be competent.

"Problem with plan" includes responses:
- -The plan itself appears basically sound but the administration of it will likely be less-than-competent,
- -The plan itself appears basically flawed although the administration of it will likely be as competent as possible, -
- The plan itself appears basically flawed and the administration of it will likely be less-than-competent.

will likely be competent." On the other hand, 64% foresee problems with some aspect of the plan or its administration, while 12% reserve judgment and have not yet formed an opinion.

10. Among those employees in the best position to judge--employees in the Early Eight agencies now working under Merit Pay--

MERIT PAY EMPLOYEES IN THE EARLY EIGHT AGENCIES REPORTED THAT....



- They knew almost exactly what the standards were
- The standards were rational or very rational
- The standards cover the most important elements of the job to a very great or considerable extent
- Performance was fairly and accurately rated mostly or completely
- They are confident or very confident that the supervisor will take into account influences beyond the employee's control when appraising performance
- They would probably or definitely choose Merit Pay if they had the choice
- They thought Merit Pay would strongly or moderately encourage improved performance
- They saw the appraisal experience as very or quite helpful
- They regarded the Merit Pay distribution as generally or very fair

Merit Pay employees whose standards were set jointly between supervisor and employee (includes responses: "I /set standards/ primarily, *with* some contribution from my supervisor," and "They were jointly developed, involving me and my supervisor").

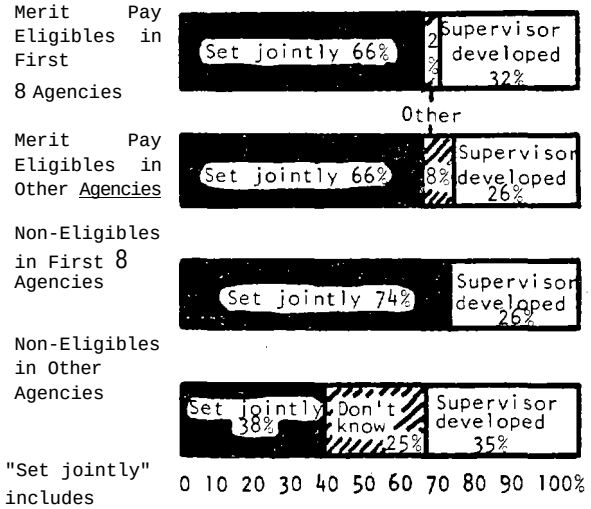
Merit Pay employees whose standards were set by supervisor with or without employee comment (includes responses: "My immediate or higher level supervisor determined them and then asked for my comment," and "My immediate or higher level supervisor determined them unilaterally").

skepticism has apparently given way to an even more widespread criticism of agencies' pay plans. Among these employees, slightly more than one in five (21%) believe "the plan itself is sound and the administration of it will likely be competent." On the other hand, an overwhelming majority (71%) see problems with some aspect of the plan or its administration, and only 3% hold no opinion. In view of this finding, it is all the more remarkable that 52% of all Merit Pay employees in the Early Eight agencies would choose to remain under Merit Pay, as reported above.

11. Another major cause of employee leeriness toward Merit Pay--aside from structural problems with the plans themselves--seems to center about employee mistrust of their supervisors and the increased vulnerability that Merit Pay will entail. Surprisingly, more than one-third of mid-level employees about to come under Merit Pay (36%) expressed only "some" to little or no trust and confidence in their supervisor. It is not surprising, then, that more than one-quarter (28%) of mid-level employees about to come under Merit Pay are not confident that their supervisors will take mitigating circumstances into account in appraising their performance. Moreover, this last finding should be understood in light of the fact that more than one-third (36%) of these mid-level employees feel they exercise only limited control over the factors that will ultimately determine their rating.

12. A major key to the Government's effort to implement effective Performance Appraisal systems may lie in the amount of input employees are allowed in the development of their own performance standards--an input "encouraged" but not required by CSRA. While approximately one-third of all mid-level employees had little or no role in developing their own performance standards, the data indicate dramatically successful results for the remaining two-thirds who did. Among Merit Pay employees in the Early Eight agencies,

37. Who determined your current performance standards?



"Set jointly" includes responses:

I did, primarily, with some contribution from my supervisor, and

They were jointly developed, involving me and my supervisor.

"Supervisor developed" includes responses:

My immediate or higher level supervisor determined them and then asked for my comments, and

My immediate or higher level supervisor determined them unilaterally.

where standards were set collaboratively between supervisor and employee (see graph on the previous page):

- 91% reported they knew almost exactly what the standards were;
- 87% reported their standards were rational or very rational;
- 82% reported their standards cover the most important aspects of the job;
- 76% reported performance was fairly and accurately rated;
- 71% reported their supervisor understands the problems involved in the job and will take into account influences beyond the employees control when appraising performance; and

- 58% reported they would probably or definitely choose Merit Pay if they had the choice.
- 54% reported Merit Pay would help motivate improved performance; and
- 50% reported their appraisal experience was helpful.
- 50% reported they regarded the Merit Pay distribution as generally fair.

Where employees had only "some" to little or no trust and confidence in their supervisor, all of the above results were significantly more negative.

13. The three most important factors that seem to influence employees' willingness to be included in Merit Pay are:

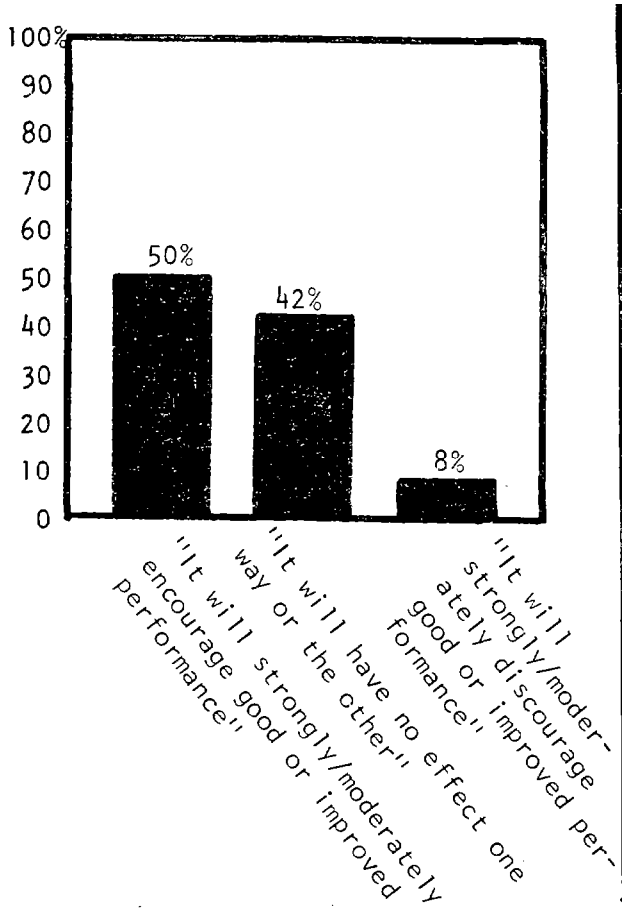
- a employees' assessment of the soundness of their agency's Merit Pay plan;
- employees' trust and confidence that their supervisor will be fair in appraising performance; and
- a the amount of input employees are allowed in the development of standards by which their performance will be judged.

Where employees felt that their agencies' Merit Pay plan was sound and would be competently administered, and also expressed substantial trust and confidence in their immediate supervisor, an overwhelming majority (97%) of Merit Pay employees in the Early Eight agencies (and more than two-thirds of Merit Pay employees overall) said they would choose to be in Merit Pay if they were free to choose one way or the other . Likewise, where employees developed standards collaboratively with their supervisor, 58% of those Merit Pay employees in the Early Eight agencies said they would choose to be in Merit Pay if they had the choice.

14. According to their own report, employees in the Early Eight agencies who have actually undergone Merit Pay distribution see a surprisingly weak impact on their individual performance. Only half

MERIT PAY ELIGIBLES IN FIRST 8 AGENCIES

60. What impact do you feel your Merit **Pay payout** will have on your performance?



(50%) believe their Merit Payout will "strongly" or "moderately" encourage improved performance on their part. On the other hand, an almost equal percentage (42%) believe it will have no effect one way or another, and the remaining 8% say it will actually discourage improved performance on their part.

15. The data suggest that the surprisingly weak impact of Merit Payouts

on Early Eight employees may be due in large part to deficiencies in the agencies' plans themselves. Among those Early Eight employees who felt that their Merit Pay plan was sound and would be competently administered (only 21% of the Merit Pay employees in the Early Eight agencies, as noted earlier), 83% said that the Merit Payout would "strongly" or "moderately" encourage improved performance. In contrast, among those who felt there was a problem with the plan itself or some aspect of its administration, only 36% said that Merit Pay would encourage improved performance.

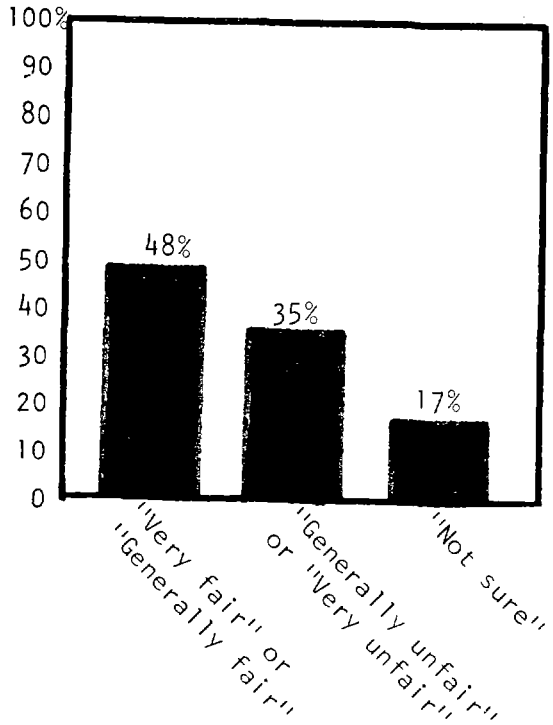
16. Many Merit Pay employees in the Early Eight agencies claim they saw inequities in the way Merit Pay was distributed. Nearly half (48%) of Merit Pay employees in the Early Eight agencies claimed they saw one or more instances of larger payouts being given to "management favorites" without sufficient basis in actual performance. More than one-third (37%) claimed they saw one or more instances of smaller payouts being given to those with low visibility or low interest work. Only 4% claimed they saw one or more instances of payouts being awarded on account of partisan political affiliation. In sum, only about half (48 %) of Merit Pay employees in the Early Eight agencies regarded the Merit Pay distribution as fair, while 35% regarded the distribution as unfair, and the remaining 17% held no opinion one way or another.

17. Employees who have had actual experience under Merit Pay generally feel that Merit Pay does not encourage harmful competition within the workplace, although there is still much uncertainty and division of opinion on this question. Nearly half (45%) of the respondents who had worked under Merit Pay said that Merit Pay had not encouraged harmful competition, while 26% believed it had, and 29% were not sure one way or another.

18. The data suggest that a "helpful" Performance Appraisal system may have as much--or more--beneficial effect on an employee's performance as the Merit Payout itself. Among those Merit Pay employees within the Early Eight agencies who judged their appraisal experience to be "very" or "quite" helpful, nearly nine in ten (88 %) also said that Merit Pay would "strongly" or "moderately" encourage improved performance.

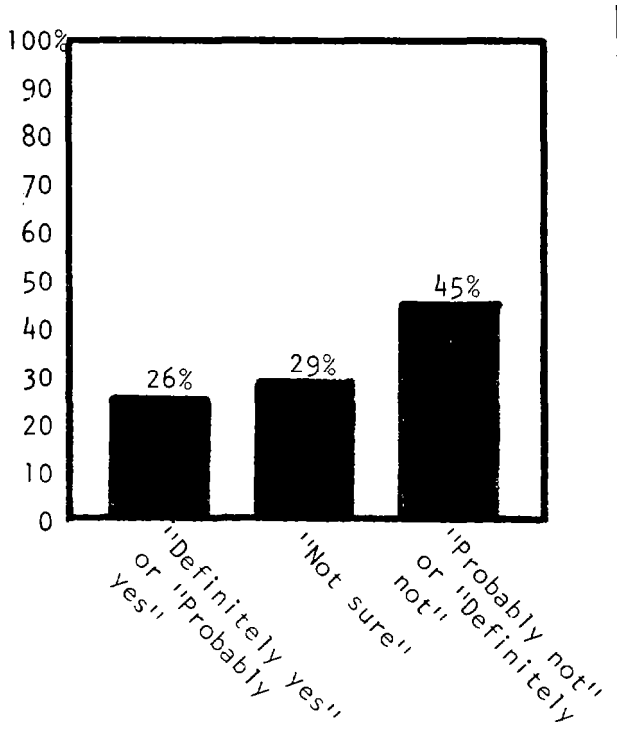
MERIT PAY ELIGIBLES IN FIRST 8 AGENCIES

59. To the best of your knowledge, how fair was the distribution of Merit Pay among those with horn you shared the Merit Pay pool?



MERIT PAY ELIGIBLES IN FIRST 8 AGENCIES

61. In your opinion, has Merit Pay encouraged harmful competition among merit pay employees in your immediate work group?



CONCLUSIONS

Impact of pay cap on Merit Pay. The present survey shows that about 15% of employees about to come under Merit Pay in October 1981 are already at the statutory pay cap of $50,112. Unless the pay cap is lifted by fall 1981, an estimated 20% of all Merit Pay employees will be effectively excluded from Merit Pay.

Development of performance standards. The present survey indicates that agencies' efforts to develop performance standards for their Merit Pay employees--in time for the October 1981 Merit Pay distribution--are largely on target. However, the survey also suggests that the push to develop standards for Merit Pay employees may have caused agencies to fall behind in the development of standards for the remaining 94% of the employees for whom standards are required in October, 1981.

Unless a massive catch-up effort has occurred since the administration of this survey in December 1980, it appears that many non-Merit Pay employees will be working without performance standards on October 1, 1981, contrary to the mandate of the Civil Service Reform Act. Even if agencies are able to catch up in the development of standards for non-Merit Pay employees by the October 1981 deadline, there is some risk that the quality of the standards for non-Merit Pay employees may be compromised by time pressures.

Employee assessment of standards. On the positive side of the ledger, the Board is pleased to note that a large majority of employees about to be covered by Merit Pay judged their performance standards to be reasonable and sound at the present time. However, it should be noted that this preliminary assessment could fall off considerably as employees (and supervisors also) acquire more working experience with those standards and discover their actual reasonableness and impact on Merit Pay distribution. Since the entire Merit Pay system is predicated on individual performance standards, the Office of Merit

Systems Review and Studies intends to continue monitoring employees' and supervisors' assessment of the reasonableness and soundness of those standards.

Employee reservations about Merit Pay. On the negative side of the ledger, the Board is disturbed that such a large number of employees express reluctance to be covered by Merit Pay. The strong undercurrent of skepticism which the survey reveals among mid-level employees scheduled to come under Merit Pay on October 1, 1981, appears to be_ rooted in three major factors:

- structural or administrative problems which employees see in their agencies' Merit Pay plans;
- a lack of trust and confidence expressed by approximately one-third of Merit Pay employees toward their supervisors;
- the lack of input some employees were allowed in the development of standards by which their performance will be judged.

This initial indication of employee skepticism is significant, because unless skepticism is converted into support within a year or two, it is highly likely that the following will occur:

- Employees and supervisors presently involved in Merit Pay will withdraw their active support of the system; and without active support, the system will become an empty paperwork exercise, like its predecessor.
- Employees presently working outside the Merit Pay system (GS 12 and below, and GS 13-15 non-supervisors and non-managers) will often decline promotions or transfers into Merit Pay jobs; another barrier will be created which can only complicate the task of management.

In order for Merit Pay to succeed, it must receive substantial support from employees and supervisors. For this reason, the Office of Merit Systems Review and Studies intends to monitor the level of employee and supervisor support as Merit Pay systems are implemented.

Structural Problems Although the scope and timing of this survey did not allow for in-depth examination of structural and administrative defects in individual agency pay plans, the Office of Merit Systems Review and Studies has noted some general patterns among some agency performance appraisal and Merit Pay plans which give some cause for concern. In particular, the Office is concerned by an apparent tendency of many Merit Pay plans toward "hyper-rationalization." This includes:

1. A tendency for some plans to be so complex, convoluted, and poorly communicated that employees are neither able to understand nor explain them.

2. A tendency for some plans to embody an unrealistic view of performance standards and the extent to which such standards can be rigidly applied and maintained in all organizational settings.

3. A tendency for some plans to maintain over-centralized Merit Pay pools, rather than allocating them down to the smallest possible organizational units (to prevent supervisors from having to compete with one another via inflated ratings for their "fair" share of centralized funds).

4. A tendency for some plans to display a "scientific" complexity which allows neither the supervisor nor the employee to know beforehand what specific salary increase will result from a given rating until long after all ratings are submitted and various computations are performed.

5. A tendency for some plans to base their Merit Pay distributions on mathematical contingency tables which, for a variety of

technical reasons, often produce anomalous results.

6. A tendency for some plans to be so concerned with deriving "defensible" performance ratings for each employee that they appear to lose sight of the fact that the ultimate objective is to set salaries which provide incentive and make sense in the context of the total work group.

7. A tendency for some plans to entail such cumbersome paperwork that employees and supervisors question whether the burden is worth the results.

8. A tendency for some plans to be so concerned with "equity" and "defensibility" (and the cumbersome paperwork that these values entail) that effectiveness has been lost.

It should be emphasized that the foregoing observations exceed the explicit indications of the present survey data, and are based more on general observation and discussions with affected employees and staff. At this point, they should be regarded as tentative concerns rather than definitive findings-- issues that should be carefully watched as agency systems are implemented this fall.

Lack of trust and confidence The survey indicates that about one third of midlevel employees lack trust and confidence in their supervisor. While this condition may be entirely normal in any large and complex organization, it nevertheless complicates the implementation of Merit Pay systems which are clearly predicated on a certain level of trust between supervisors and employees.

Implementing a Merit Pay system in a setting where one in three employees have little or no trust in their supervisor may have any of these outcomes:

- It could aggravate the situation, creating even greater levels of mistrust and alienation.
- It could have no real effect one way or the other on relationships which presently exist between supervisors and employees.
- If sufficient attention is given to the process of mutual goal setting and assessment, it could work in favor of improved supervisor-employee relations.

There is no simple, overnight solution to the problem of lack of trust and confidence. However, performance appraisal systems being developed by agencies afford at least the opportunity for supervisors and employees to discuss goals, assess progress, and in the course of these discussions, to develop an improved mutual understanding. This aspect of the performance appraisal process, given sufficient emphasis and attention, should foster greater trust and confidence between supervisors and employees. The Office of Merit Systems Review and Studies will monitor this situation as Merit Pay implementation proceeds.

Impact of employee participation in developing standards The early indications provided by this study point to dramatic success in the impact of new performance appraisal systems where employees are allowed to participate in the development of their own performance standards. The survey shows that employees who develop standards collaboratively have a clearer understanding of the content of their standards, a higher regard for the quality of their standards and the fairness of their rating, and more trust that their supervisor will take extenuating circumstances into account in appraising their performance.

Effect of Merit Pay on harmful competition. While only one-quarter of Merit Pay employees in the Early Eight agencies felt that Merit Pay led to harmful competition in their immediate work group, it is possible that this condition may he influenced by the structure of agencies' Merit Pay plans. Further

investigation of this issue is in order as various Merit Pay systems are implemented.

Effect of Merit Pay on perceptions of unfairness. Nearly one-half of all Merit Pay employees in the Early Eight agencies claimed to see one or more instance of favoritism, and more than one-third claimed to see one or more instance of smaller payouts going to persons with lower visibility, lower interest projects. This level of perceived unfairness may be a natural consequence of any Merit Pay system which dispenses differential rewards and grants greater discretion to supervisory judgement. Whether those perceptions are justified or not, however, it is reasonable to ask if the side effects of those perceptions might at some point outweigh the incentive effect provided by the system. Further investigation of this issue is in order as most agencies implement their systems in October, 1981.

Effect of Merit Pay on individual performance. One of the major surprises of the survey was the finding that employees who have experienced Merit Pay distributions report a surprisingly weak impact on their individual performance. This finding may be explained on one *or* more of the following bases:

- A significant percentage of Merit Pay employees are at the pay cap and are therefore excluded from the financial incentives afforded by Merit Pay.
- Employees may be generally reluctant to admit that the "carrot and stick" approach has any effect on them.
- The relatively few employees who reported positive impact may be generally those who got above-average increases; the majority of employees who reported zero or negative impact may be generally those who got average or below-average increases.
- Structural or administrative deficiencies in the Merit Pay plans developed by the agencies may have undermined the incentive effect those plans would otherwise have had.
- Employees may be indicating that, even with a relatively effective Merit Pay system, the impact of the Merit payout itself may be considerably less than the impact of "helpful" feedback from the appraisal process.

While any of these explanations may be true to some extent, the latter explanation in particular should not be lightly dismissed, since the present survey suggests that performance appraisal systems in their present state tilt more in the direction of fairness and defensibility and less in the direction of fostering of helpful feedback and mutual understanding between employee and supervisor. Further investigation is necessary to determine which of the foregoing explanations are more valid.

A **look ahead.** Based on the experience of the Early Eight agencies, the following scenario is likely for the remaining agencies implementing Merit Pay in October 1981:

- Merit Pay employees are likely to become increasingly critical as they become more aware of pragmatic problems with their agencies' Merit Pay systems.
- Paradoxically, however, the percentage of employees willing to live with Merit Pay will go up--at least temporarily. There is a certain reservoir of good will agencies can count on to carry them through the turbulent period ahead.

After Merit Pay systems are implemented in Fall 1981, however, it is vitally important that agency heads receive early and accurate diagnoses of the effectiveness of their systems. And it is equally important that agency heads have the foresight and flexibility to act on the

problems which will emerge. Unless agencies act rapidly and responsibly, employee and supervisor support will dissipate, and a promising concept may be aborted.

RECOMMENDATIONS

Based on the findings and discussion presented above, the following recommendations are offered:

1. Congress should consider lifting the current pay cap for the sake of Merit Pay employees, as well as Senior Executive Service members. Unless the pay cap is lifted, an estimated 20% of all Merit Pay employees will bump up against it next fall, and the Merit Pay system will be effectively negated for those employees.

2. The Office of Personnel Management should conduct an updated canvass of agencies to ensure that performance standards will be in place for employees at all levels on October, 1981.

3. Employee participation in the development (and updating) of performance standards should be **highly** encouraged within agencies in order to ensure both the quality and acceptance of those standards.

4. The Office of Personnel Management should continue and expand its leadership role in providing a clearinghouse where agencies can exchange information about their Merit Pay experiences and thus maximize the learning value of their successes and failures.

5. Future efforts to assess the effectiveness of Merit Pay should give particular attention to the following questions:

a. Do employees and supervisors believe that performance standards provide an adequate basis for rating performance and determining pay?

b.

Do employees have a clearer idea of what is expected of them as a result of performance appraisal systems now being implemented?

c. Are performance appraisal systems providing helpful feedback and mutual understanding as well as fair and accurate ratings?

d. Do employees view the distribution of Merit payouts as essentially rational and fair?

e. Are Merit payouts themselves having a widespread and positive impact on employees' performance?

f. Does the incentive effect of Merit Pay outweigh any side effects (such as perceptions of unfairness, pressures for harmful competition, or worsening of supervisor-employee relations)?

g. Do employees and supervisors believe that the benefits of Merit Pay are worth the investment of their time and effort?

h. Do employees and supervisors have sufficient confidence in their agencies' Merit Pay systems to enable those systems to work effectively?

The present survey has attempted to provide some tentative answers to these questions, based on very limited experience of employees in the Early Eight agencies. Until these questions can be answered more definitively--based on the experience of thousands of employees working under dozens of agency systems over the next several months--one must consider that the "jury is out" on any final verdict concerning Merit Pay.

APPENDIX I

SOME CRITICAL ASSUMPTIONS IMPLICIT IN THE FEDERAL GOVERNMENT'S CURRENT APPROACH TO IMPLEMENTING PERFORMANCE APPRAISAL AND MERIT PAY SYSTEMS

The following list represents an attempt to capture and summarize some of the critical assumptions which appear to underlie the Federal Government's current approach to implementing performance appraisal and Merit Pay systems for mid-level employees.

Some of these assumptions are derived more-or-less directly from the Civil Service Reform Act, legislative history, discussion documents and related regulations and advisories issued by the Office of Personnel Management (OPM). Most, however, are logical inferences based on observations of the implementation effort as it has been carried out in practice and the resultant agency systems as they presently exist.

No attempt is made here to indicate whether a given assumption is true or false, sound or dubious. Volumes have been written, pro and con, on many of the related issues. The assumptions have been collected and presented here with the intent that they might provide a useful blueprint of the underpinnings of the present implementation effort, and possibly a useful diagnostic checklist as those systems are tested in the months ahead.

1. Money is an effective motivator of Federal employees.

2. Merit Pay systems installed by other profit and non-profit employers have generally proved successful: their incentive effects have greatly outweighed any side effects, and productivity and organizational effectiveness have been significantly improved.

3. The performance of a Federal employee can be measured against specific, pre-determined standards while also taking into account influences beyond the employee's control.

4. The performance of most GS 13-15 employees can be assessed primarily on dimensions which are measurable or "objective" (quantity, meeting deadlines, etc.) rather than on dimensions which are non-measurable or "subjective" (clarity, credibility, practicality, persuasiveness, etc.)

5. Most agencies now have in place--or will shortly develop--an adequate infrastructure of productivity-related information systems by which individual and organizational performance can be assessed on a relatively factual or statistical basis.

6. Specific and written performance standards can be developed for virtually any job which will provide an adequate basis for determining the incumbent's pay.

7. Performance standards, in most cases, will not shift from month to month and will not require frequent re-negotiations in response to changing needs and unforeseen circumstances.

8. Employee participation in the development of their own performance standards is desirable, but not necessary, to ensure the quality and acceptance of those standards.

9. Most supervisors have adequate knowledge of their subordinates' overall job situation to develop reasonable standards and render fair and accurate appraisals.

10. Most supervisors have adequate time, skill, inclination, and incentive to discharge their obligations properly under a Merit Pay system.

11. Most supervisors have the freedom from personal or political bias necessary to preserve the integrity and credibility of a Merit Pay system.

12. Employees' motivation to work towards the attainment of established goals will be supported by adequate trust in the judgement of their supervisors and adequate confidence in the rationality of their agency's pay plan.

13. Agencies have the in-house expertise to develop Performance Appraisal and Merit Pay systems which will avoid the mistakes of other private and public sector employers.

14. Agencies, left to their own devices, will develop Performance Appraisal and Merit Pay systems which are simple enough, and adequately communicated, so that employees and supervisors will understand and support them.

15. Agencies have adequate in-house expertise (and/or outside consulting resources) to implement effective training programs for supervisors and employees.

16. Agencies have adequate in-house expertise (and/or outside consulting resources) to assist managers in developing "good" performance standards and to assure a continuing level of quality control.

17. Performance standards will be taken seriously by both employee and supervisor, and interim progress will be periodically assessed and discussed on a formal or informal basis.

18. Performance standards will not elicit a counter-productive concentration on those aspects of the job which happen to be easily measurable.

19. Merit Pay, in general, will not have a repressive effect on Federal employees which would be contrary to the public interest (e.g., failure to exercise independent critical judgement, or failure to report fraud, waste, or mismanagement).

20. There are higher-level "referees" within each agency who have the oversight to discern--and authority to reconcile--any variability arising from different raters or different organizational units.

21. The performance of various organizational units within an agency can be evaluated on some comparable basis.

22. The Merit Pay pools will be sufficiently large--this year and in years to come--so that outstanding performers can be rewarded without causing supervisors to inflict severe "penalty" on "average" performers.

23. The pay cap will not remain in place so long that a significant percentage of GS 13 - 15 Merit Pay eligibles will bump up against it and thus negate the potential of Merit Pay.

24. It is desirable and/or expedient that Merit Pay should be applied to one class of GS 13 - 15's (supervisors and "management officials") but not to the remainder.

25. It is necessary that the Performance Appraisal process should be closely (in most cases, mechanistically) linked with the Merit Pay distribution process. The benefits of this approach (more "defensible" merit payouts) will outweigh the drawbacks (inflating or "leveling" of employee ratings and less openness in employee-supervisor appraisal discussions).

26. Each agency should be required to develop its own Performance Appraisal and Merit Pay system, with only general guidance and oversight from OPM. The benefits of this decentralized approach (better tailoring to agency needs, greater acceptance by agency personnel, greater variety of experimental systems) will outweigh the risks (lack of in-house expertise, ill-conceived systems, uneven quality, uneven treatment, replication of historical mistakes, post facto "guidance" by OPM).

27. Performance Appraisal and Merit Pay systems should be implemented almost simultaneously across all agencies, rather than sequentially by blocs of agencies. The benefits of this Great Leap approach (Government-wide implementation of these systems in the face of uncertain public and Congressional support) will outweigh the risks (inability to capitalize on the learning experience of phased-in implementation efforts).

28. The same Performance Appraisal system which produces a performance rating for purposes of establishing an employee's pay can also serve as a reliable guide for management decisions concerning the employee's promotability, reassignment, career development, and training needs.

29. It is both necessary and desirable that each covered employee should be assigned a summary performance rating for purposes of determining his or her pay (e.g., "fully successful," "highly successful," etc.), and the assignment of that rating will not have significant side-effects on the motivation or productivity of the employee.

30. It is possible to develop a mathematical formula (e.g., a contingency table or matrix) which builds in "proper" wage-and-salary principles and specifies Merit payouts based on an employee's summary performance rating, position in the grade range, etc. This "matrix" approach will produce rational salary arrays with few, if any, anomalies, and is preferable to allowing supervisors to set salaries directly, within a given merit allocation and general guidelines.

31. It is desirable but **not** necessary that each rater or rated employee know beforehand what specific salary increase (or array of subordinates' salaries) will result from a given performance rating. (The salary outcome, in many instances, will depend on complex, aggregated computations performed weeks or months after all ratings are submitted.)

32. It is desirable but **not** necessary that each rater be furnished a listing of current salaries for all employees within his or her span of control, to help ensure that the recommended salary array is rational for the overall unit.

33. It is desirable but **not** necessary that Merit Pay pools be decentralized down to the smallest possible organizational units (to prevent supervisors from having to compete with one another via inflated ratings for their "fair" share of centralized funds).

34. It is reasonable to expect that--even with a centralized Merit Pay pool and a rating-driven payout mechanism--the ratings obtained for any larger group of rated employees will generally follow the "bell curve" theory and it will not be necessary for agencies to impose "quotas" to prevent rating inflation and consequent dilution of merit payouts.

35. It is not inconsistent for OPM on the one hand to allow agencies to develop highly centralized Merit Pay pools and rating-driven payout mechanisms, and for OPM on the other hand to prohibit agencies from imposing "bell curve" quotas on their summary performance ratings.

36. The Federal Government, as a public sector employer, is able to implement Performance Appraisal and Merit Pay systems which will provide an effective incentive for performance, while also satisfying unique pressures for "equity," "defensibility," "economy," and public scrutiny.U.S.

APPENDIX II

REASONS GIVEN BY MID-LEVEL EMPLOYEES FOR NOT CHOOSING MERIT PAY F THEY HAD A CHOICE

One of the survey items (Question 54) asked respondents, "If you had a choice, would you choose to be covered by merit pay?" Respondents who indicated they would not choose Merit Pay, or were not sure, were then asked to state their reasons. The following is a sampling of reasons given.

It should be noted that these comments represent only the viewpoints of employees who have reservations about Merit Pay. They should not be construed as being representative of the full range of employee opinion on the subject of Merit Pay.

Also, it should be noted that some of these corneas may be based on inaccurate or incomplete understanding of facts. The comments are presented here in order to provide some insight on the viewpoints of a significant and critical segment of the GS 13-15 population.

"Merit Pay requires pleasing my supervisor, his supervisor, and others above him. It is a kiss--*** system. Merit Pay can work only as well as the rater and reviewer are just and fair human beings; there are VERY few such people in positions of authority (in and out of Federal Service). While Merit Pay worked well for me the first time around, and gave me added incentive to do well, I also experienced serious anxiety, sensed a new competitive atmosphere, and worried about the overall fairness. I still feel these things."

***

"Ratings are subject to arbitrary bell curve applications and post-supervisor review Board members who (allegedly) change ratings (mostly downward) to suit individual purposes."

***

"Although contributing materially to the overall mission of the organization, the higher ratings and bonuses are going to the people at higher levels. For example, during evaluations, my coworker and myself who contributed approximately 95% of the success of our office objectives were downgraded from a "1" ("ahead of schedule") to a "3" ("on target") because the office was limited to only one-outstanding. Our supervisor received a rating of "1" based upon our performance and consequently received a substantial bonus. This writer has received nothing but exceptional and outstanding ratings for over 30 years. To be downgraded to average because of the number game is a definite blow to my ego.

"Another drawback in merit pay at this agency is the feeling that no matter how well some employees perform, they will never be eligible for bonuses because their job does not call for dealing with high officials of some of the regulatory agencies, such as the Office of Management and Budget, Treasury, or the General Accounting Office. It is my feeling that bonuses under merit pay should be based strictly on **Performance."**

***

"I have no confidence that excellent work will be adequately rewarded. Furthermore, there is little chance that I will get enough bonus to make up for the cost-of-living adjustments plus the step increases which were part of the previous civil service system. Thus, I am not going to be getting as much of a regular salary increase as I would have been under the previous system."

***

"I lack trust in the administration of the system. As I understand our agency's implementation, those in the lower steps will move to the midpoint rapidly; the higher steps will tend to get less than comparability increase, unless **rated** highly outstanding (I say "rated", without any necessity for relationship to real performance), and the favorites will get the bonuses."

***

"System was badly abused in first payout. Employee evaluations had been approved by the regional director before the first computer printout was received. After it was received, he forced supervisors to substantially raise or lower the evaluations of their employees to fit the payout he wanted them to receive.

"Employees' pay was based far more on favoritism than on accomplishment.

"At least one supervisor has already started trying to subvert another supervisor's program in contacts with client agencies, so that he will do better comparatively on merit pay. Cooperations between divisions is declining."

***

"In the application of the Merit Pay System, the managers at the lower level have provided what the person at the top of the local structure indicated they wanted in the way of accomplishments. Since the person at the top apparently misread what was expected, their appraisal was not very good. A mid-level manager made the statement, 'Appraisals for lower level managers cannot be any higher than that received by the person at the top,' therefore, all managers were penalized for the failure of the person at the top to know what was expected or not engendering favor of the upper echelons.

In my opinion, the Merit Pay System will operate on the 'buddy' system and personally I would prefer to have no part of it."

***

"Many of the critical elements are too general and the level of performance required for excellence in light of current lack of funds and personnel cutbacks, made them impossible to attain."

***

"Though the Merit Pay System sounds very nice in principle, it will be shambles to administer. At my agency, everyone could justifiably qualify for a bonus under Merit Pay, yet because of the system only a few can qualify - **at the expense of the other members of Merit Pay.**

"Also - there is really nothing wrong with the old system - it has adequate flexibility to reward and punish employees just as the MP system has. The basic difficulty with either system is the reluctance of managers to apply them correctly."

***

APPENDIX III

RELEVANT QUESTIONS

The following items have been excerpted from the GS-13/15 survey to present the full text of those questions included in the present report.

17. How much trust and confidence do you have in your immediate supervisor?

- ❑ A great deal
- ❑ Quite a bit
- ❑ Some
- ❑ Little
- ❑ Very little or none
- ❑ No basis to judge

19. To what extent does your supervisor show that he or she understands the problems involved in your job?

- ❑ To a very great extent
- ❑ To a considerable extent
- ❑ To some extent
- ❑ To a little extent
- ❑ To no extent

36. Have job elements and performance standards based on Civil Service Reform Act requirements been written and established for your current job?

- ❑ No
- ❑ Not sure
- ❑ Skip to Question 49. 2
- ❑ 30 Yes Continue.

37. **Who determined your current performance standards?**

- ❑ I did, alone.
- ❑ I did, primarily, with some contribution from my supervisor.
- ❑ They were jointly developed, involving me and my supervisor.
- ❑ My immediate or higher level supervisor determined them and then asked for my comments.
- ❑ My immediate or higher level supervisor determined them unilaterally.
- ❑ Don't know.

38. How familiar are you with your current performance standards?

- ❑ I have no idea what the standards are 14... Skip to Question 49.
- ❑ I know almost exactly what the standards are
- ❑ I have a rather good idea
- ❑ I have only a vague impression

39. How would you rate your current performance standards with respect to the degree of difficulty you think they will pose for you?

- ❑ Much too difficult
- ❑ Too difficult
- ❑ About right
- ❑ Too easy
- ❑ Much too easy

40. In your opinion, how rational are the standards that your supervisor uses to evaluate your performance?1

- ❑ Very rational
- ❑ Rational
- ❑ Irrational
- ❑ Very irrational
- ❑ Not sure

41. To what extent do your performance standards cover the elements of your job which, in your opinion, are most important?

- ❑ To a very great extent
- ❑ To a considerable extent
- ❑ To some extent
- ❑ To a little extent
- ❑ To no extent

42. From your point of view, to what extent is it within your control to satisfy your performance standards?

- ❑ To a very great extent
- ❑ To a considerable extent
- ❑ To some extent
- ❑ To a little extent
- ❑ To no extent

43. How confident are you that your supervisor—in evaluating your performance—will take into account influences beyond your control?

- ❑ Very confident
- ❑ Confident
- ❑ Less than confident
- ❑ Not at all confident
- ❑ Not sure

44. Within the past 12 months, have you received a performance appraisal in your current position that was based on Civil Service Reform Act requirements (appraisal based on critical elements and performance standards)?

- ❑ No
- ❑ Not sure}... Skip to Question 49.
- ❑ Yes, but the appraisal was used for a "dry run" or "test" of the new appraisal system.
- ❑ Yes, I received an actual appraisal (not a "dry run" or "test").

45. In your opinion, was your performance fairly and accurately rated?

- ❑ Yes, completely
- ❑ Yes, mostly
- ❑ Yes, to some extent
- ❑ No, not really

47. How would you rate this appraisal experience?

- ❑ Very helpful
- ❑ Quite helpful
- ❑ Somewhat helpful
- ❑ Not very helpful
- ❑ Did more harm than good

51. Are you covered by Merit Pay? Please check the box next to the *one* most appropriate statement.

- ❑ My agency has informed me that I am covered by Merit Pay.
- ❑ My agency has informed me that I am not covered by Merit Pay.
- ❑ My agency has not informed me whether or not I am covered by Merit Pay.
- ❑ I am not sure.

53. According to your understanding of who should or should not be included under Merit Pay, please check the box next to the most appropriate statement:

Under applicable guidelines:1

- ❑ I should be covered by Merit Pay.
- ❑ I should not be covered by Merit Pay.
- ❑ I am not sure, one way or another.

54. *If you had a choice,* would you choose to be covered by merit pay?

- ❑ Definitely yes go to Question 55.
- ❑ Probably yes
- ❑ Not sure
- ❑ Probably not
- ❑ Definitely not

54a. Why? ***(Please write your comments on page 14.)***

56. Is your current salary at the "pay cap" of $50,112?

- ❑ Yes
- ❑ No

59. **To the best of your knowledge, how fair was the distribution of Merit Pay among those with whom you shared the Merit Pay pool?**

- ❑ Very fair
- ❑ Generally fair
- ❑ Generally unfair
- ❑ Very unfair
- ❑ Not sure

60. What impact do you feel your Merit Pay payout will have on your performance?

- ❑ It will strongly encourage good or improved performance.
- ❑ It will moderately encourage good or improved performance in my agency.
- ❑ It will have no effect one way or the other.
- ❑ It will moderately discourage good or improved performance.
- ❑ It will strongly discourage good or improved performance.

61. In your opinion, has Merit Pay encouraged harmful competition among merit pay employees in your immediate work group?

- ❑ Definitely yes
- ❑ Probably yes
- ❑ Not sure
- ❑ Probably not
- ❑ Definitely not

62. Have you personally observed merit pay pay-outs being distributed in a way that suggests any of the following activities in your immediate work group?

Giving a larger payout on account of partisan political affiliation

- ❑ Yes, more than one instance
- ❑ Yes, one instance
- ❑ No

Giving a smaller payout to employees primarily because their work is of low visibility or low interest to immediate or higher level supervisors

- ❑ Yes, more than one instance
- ❑ Yes, one instance
- ❑ No

Giving a larger payout to "management favorites" without sufficient basis in actual performance

- ❑ Yes, more than one instance
- ❑ Yes, one instance
- ❑ No

64. From your point of view, which of the following statement best describes your agency's Merit Pay Plan?

- ❑ A Merit Pay plan has not been established
- ❑ The plan itself appears basically sound and the administration of it will likely be competent.
- ❑ The plan itself appears basically sound but the administration of it will likely be less-than competent.
- ❑ The plan itself appears basically flawed although the administration of it will likely be as competent as possible.
- ❑ The plan itself appears basically flawed and the administration of it will likely be less-than-competent.
- ❑ No opinion.

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