

- Use change management techniques to overcome any resistance and encourage investment in new procedures.
- Ensure accountability for managers who provide feedback.

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## Efficiency Ratings and Performance Appraisals in the United States Federal Government

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As industrial–organizational (I-O) psychologists and longtime employees, we have developed and implemented appraisal systems and have been subjected to and have subjected others to appraisals. We have thus viewed performance appraisals from all angles, seeing the good, the bad, and the downright ugly. We believe that all of the points discussed by Adler et al. (2016) about retaining or eliminating performance ratings have merit and address the realities of the current state of affairs in performance appraisal

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practice and research. However, as Wiese and Buckley (1998) point out, organizations survived quite well for centuries without formal appraisal systems, which raises the question, “Why do formal performance appraisal systems exist?” One inescapable yet surprisingly undiscussed reason is that it is a legal and/or regulatory mandate for 4,185,000 U.S. federal government employees (Office of Personnel Management, 2015a). Eliminating performance ratings for these workers would literally require an act of Congress.

Chapter 43 in Title 5 of the United States Code (U.S.C.) concerns performance appraisals, and §4302 states the following:

- (a) Each agency shall develop one or more performance appraisal systems which—
  - (1) provide for periodic appraisals of job performance of employees;
  - (2) encourage employee participation in establishing performance standards; and
  - (3) use the results of performance appraisals as a basis for training, rewarding, reassigning, promoting, reducing in grade, retaining, and removing employees.

What is currently in 5 U.S.C. is based on over 130 years of legislation dating back to the passage of the Pendleton or Civil Service Act in 1883. This act was meant to get rid of politics and favoritism in federal government employment and increase efficiency. While it did not mandate performance appraisals, it did set the stage for a 1912 act that tasked the Civil Service Commission with establishing a system of “efficiency ratings” for all departments within the District of Columbia (Graves, 1947). The term “efficiency ratings” reflected the managerial interests and concerns of the time, which centered on scientific management (Taylor, 1911), productivity, and efficiency. There were many problems with efficiency ratings, and then, as now, there was widespread dissatisfaction with the efficiency rating system (DaCruz, 1970). There were various laws, regulations, and efforts to increase the validity and utility of the ratings over the years. However, the dissatisfaction culminated in the late 1940s with congressional studies and reports on efficiency ratings (e.g., Graves, 1947). The Graves (1947) report clearly indicated widespread frustration with ratings and showed that the early systems dealt with many of the same problems we still deal with today. Congress reacted accordingly and, in 1950, passed the Performance Rating Act, which changed the “efficiency ratings” to “performance evaluations.” Unfortunately, this act did little to improve the situation, being described as the least acceptable major piece of personnel legislation in years (DaCruz, 1970).

Since the 1950s, the federal government has continued to enact legislation in an attempt to improve performance appraisals in the federal workforce. In addition, federal regulations associated with the legislation

have continuously been developed. In fact, the U.S. Office of Personnel Management lists 42 “major milestones in the evolution of employee performance management in the Federal Government” since 1883 (Office of Personnel Management, 2015b, Historical Chronology section). Thus, the U.S. federal government has a long history of mandating by law performance appraisals and a vast regulatory system.

Although there is a legal requirement for performance appraisals for federal employees, laws (and corresponding regulations) can be changed. However, given the present state of politics and given what is often presented in the media about federal employees, this is unlikely to happen. Rarely are there news stories about successfully performing government employees. Instead, the daily news that guides the public’s perception of federal employees is most likely about law enforcement employees behaving badly, security screeners underperforming, how it is impossible to fire poor performers in the federal government (Merit System Protection Board, 2015), and how federal employees are astoundingly overpaid (Edwards, 2015). Thus, the elimination of performance appraisals for federal employees is unfathomable.

Adler et al. may be attention getting and provocative, but performance appraisal will be around for a long time for over four million workers. Furthermore, this does not even include local and state government workers and workers under union contracts, who most likely have similar appraisal requirements. As I-O psychologists, there is no way that we can, or should, abandon over four million workers. For better or worse, we are stuck with appraisals. As performance experts, I-O psychology needs to lead the effort on implementing improved appraisal systems within the legislative and regulatory framework that we are presented with. Or even better, I-O psychology should take a leadership role in shaping the legislation and regulations that guide federal appraisals. Fortunately, the federal government employs a large number of government and contract I-O psychologists to meet this challenge. Given the current setting, there are ample opportunities for I-O psychologists to contribute. Below, we outline a few trends or areas where we, as a professional society, could provide the most help.

The first is the workforce’s perceptions of pay for performance, and the second is how the performance appraisal process is implemented. Although these two issues are not unique to the federal government, these are two places that need to be revisited if the process is going to be psychometrically meaningful (Adler et al.). It should be noted that, when discussing credibility in the appraisal process for public-sector employees, the notion of public service motivation and its effect on pay and performance has been identified as a potential mediating factor (see Perry, 1996). However, whereas some have argued those who choose public-sector jobs have a high public service motivation and, therefore, perform better on the job regardless of

monetary incentives (see Perry & Wise, 1990), the evidence for this hypothesis has been mixed at best (Lewis, 2001). Therefore, we limit the discussion of performance appraisals to just that, the measurement of performance.

The first issue around workforce perceptions can be summed up by the idea that credibility is a prerequisite for both acceptance and effectiveness of a performance appraisal system. Credibility, in this case, can be defined by reliability and validity (i.e., content, criteria, and face). As the focal article clearly addresses, past studies show little evidence of reliability in the appraisal process. This is not lost on the employees. In terms of validity, we argue that the face validity of the appraisal process is equally important to the psychometrics. Although, this does not preclude the notion that having a sound psychometric system would naturally lead to face validity. Nevertheless, if employees feel the system is arbitrary and inconsistent, the system will have little value in changing behavior. Unfortunately, there is ample evidence that federal employees see the current system in such a manner. A recent report by the Partnership for Public Service (2015) examined data from the 2015 Federal Employee Viewpoint Survey (FEVS), which contained over 421,000 responses. They found that only 59% of federal employees say they receive constructive performance feedback (compared with 74% of private sector employees), 44% of federal employees believe that management recognizes great performance (compared with 73% for private sector employees), 37% of federal employees believe that awards depend on how well employees do their job (compared with 52% for private sector employees), and 44% of federal employees say employees are rewarded for providing high quality work (compared with 67% for private sector employees). In addition, the report found that satisfaction with “performance-based rewards and advancement” lagged far behind federal employee satisfaction with the nine other satisfaction categories examined.

The second issue involves the performance appraisal process itself. Despite the FEVS results presented above, many federal government agencies that have the flexibility are moving to pay-for-performance systems. However, given budgetary and regulatory requirements, this often means that the performance appraisal system and the compensation system are one and the same. Unfortunately, with the exception of commission systems, performance appraisal and compensation are two different processes, albeit they are many times linked together (Mercer, 2015). In addition, these same budget and regulatory requirements lead agencies to develop bad practices, such as forced distribution/quota rating systems, even though over 50 years of research cite problems with these types of systems (e.g., Klores, 1966). Our experience suggests that managers make their ratings, either explicitly or implicitly, based solely on comparisons of their employees, many times working backward from overall scores that were generated to fit into a desired

distribution in order to generate scores on individual metrics. As scientists and practitioners, we need to do a better job of understanding the real world process by which managers actually operated and then work to develop rating systems that take this into consideration. As Milkovich and Wigdor (1991) point out, it is important to view performance appraisal and merit pay as embedded within broader pay, personnel, management, and organizational contexts as opposed to being all one and the same.

Although we agree with much of Adler et al.'s discussion about retaining or eliminating performance ratings, the fact of the matter is that performance ratings are not going away any time soon for public-sector employees. Because of this, it is incumbent that we, as I-O psychologists, lead the charge to providing *credible* and *effective* methods for measuring performance. An effective jumping off point may be in communicating to the broader public the existing literature on what works and, more important, what does not work. We hope that by taking a proactive role in the discussion of performance appraisal, we can encourage leaders across government to be receptive to the benefits of looking at performance management through the lens of the scientific method.

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## Why Performance Appraisal Does Not Lead to Performance Improvement: Excellent Performance as a Function of Uniqueness Instead of Uniformity

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Dissatisfaction with performance appraisal is at an all-time high (Adler et al., 2016). In this commentary we argue that one of the reasons why performance appraisal is unable to get the most out of employees is the way in which employees are evaluated against a uniform set of criteria, leading to a focus on deficits and little attention for unique individual qualities and strengths. By comparing the performance of an employee with a set of predetermined criteria, and by expecting the employee to perform well across all these criteria, the performance appraisal tends to focus on those areas where employees perform below the norm, irrespective of how excellently they may perform in other areas. For many employees, this leads to the frustrating experience that there is more attention for their weaknesses than for the areas in which they excel. By focusing on employee strengths and on how to make optimal use of those strengths, and by allowing for diversity in the way that employees execute their jobs, the performance review can be replaced by

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