



# **Strategic Compensation Conference 2000**

**Does Pass/Fail Work?**

**August 28, 2000**



# Health Care Financing Administration

## Pass/Fail Experience

'95 Appraisal Period 1/1/95 - 12/31/95

5-level converted to 2 level 10/1/95

'96 Appraisal Period 1/1/96 - 9/30/96

First 2-level period only 9 Months

'97 Appraisal Period 10/1/96 - 7/5/97

Truncated due to major agency reorganization

'98 Appraisal Period 10/1/97 - 9/30/98

'99 and beyond 10/1 - 9/30



# Backdrop to Pass/Fail

- HCFA Strategic Plan - stakeholder input included Union representatives
- Goal 1 “Build a high-quality customer focused team”



# Labor-Management Relationship

- National Performance Review
- Agency Partnership Council (Formed early '95- Labor/Management Leadership at the Associate Administrator level)
- Interest Based Bargaining with 1994 Agreement
- Agreed to cover Central Office bargaining unit employees
- Later brought in Regional Office employees, supervisors and non-SES managers
- At present, program covers 4,200 employees and 400 supervisors/managers



# Driving Forces Leading to Pass/Fail

## **Surveys show dislike/distrust for the 5-tier system**

- Difficulty distinguishing between performance levels

## **Rating inflation in 5-tier system**

- 40% Outstanding, 50% Excellent, 10% Fully Satisfactory

## **Increased span of control for managers**

- In combination with labor-intensive 5-tier system, raised frustration level of managers
- Managers expressed concerns to Administrator

## **Appraisals generated more grievances than any other issue**

- 5-tier system generated conflict, rather than feedback to employee
- More concerned with rating than meaningful feedback on performance



# Agency Action

## **Agency-level Quality Initiative Team (QIT) recommends “Pass/Fail”**

- QIT was joint Union/Management team
- Recommendations made just prior to the beginning of MLA negotiations in 1994

## **Goal of System**

- Stress communication
- Promote teamwork

## **Stresses Communication - Consistent with changing culture**

### **New Role of Manager as “Coach”**

- Manager as coach, not technical expert

### **Shared Responsibility**

- Employees and managers share responsibilities for communication
- Both can initiate performance discussions



# Performance Plan Linked to Position Description (PD)

## Critical Elements

- More time for informal communication/discussions
- Result of decrease in time needed to write Performance Plan due to:
  - 1) critical elements pulled *verbatim* from the Major Duties of the PD
  - 2) Automated Preparation of Plans
- Minimum of one (1) critical element - no maximum, average number 3-4
- Non-critical elements eliminated



# Performance Plan Linked to Position Description (PD) cont.

## **“Successful” Performance Standard**

- Generic Performance Standard is used for all non-supervisory employees
- Based on premise, most employees are Pass, no need to devise complex standards
- If necessary, supervisor can develop alternative standards



# Performance Assistance Plan (PAP) Performance Enhancement Plan (PEP)

- If supervisor identifies performance problem, informal PAP must be prepared
  - 1) minimum of 30 days in length
  - 2) details assistance to be provided to employee
  - 3) clarifies generic performance standard
- If no improvement by conclusion of PAP, more formal PEP begins (90 day minimum)
- Within grade increases and promotions can be withheld during PEP stage

## **Eliminates Performance Bonuses**

- No performance bonuses based on end-of-year ratings
- Employees remain eligible for incentive awards if “Pass” on current rating
- Awards determined by component awards panel following nomination by supervisors or peers



# Lessons Learned

- Organizational commitment to performance management is critical
- Understand conflicting program objectives
  - individual accountability
  - improve employee and agency performance
- Support of all stakeholders
- Final thought: “On the one hand, performance appraisal systems are intricate, complicated, and troublesome but necessary; on the other, they are inconvenient, subversive, and troublesome but unnecessary.” Dennis M. Daley, *Public Productivity & Management Review*, Fall 1992