

ISSUES OF MERIT

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Incorporating Choice into Performance Reward Systems

Improve the impact and timeliness of awards by involving employees in designing the reward and recognition program.

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People like choice. Whether it's selecting friends, picking out a new car, or selecting a type of cereal at the grocery store, individuals appreciate the opportunity to *choose* among alternatives. This preference for choice occurs in the workplace as well. Individuals self-select into certain jobs or careers and typically want autonomy in how they do their work tasks. Despite this desire to make tailored decisions, individuals often have little say in how they are rewarded for their performance. This is especially true in the Federal Government which has historically relied on monetary rewards of a modest nature, delivered once a year at performance appraisal time. There are several challenges with this approach.

First, while monetary incentives may be desirable for some individuals, others may not find them very motivating. Second, to the extent that such rewards are given only once a year, individuals may not see the connection between their efforts and such outcomes. Third, given budget constraints and shortages across many Federal agencies, the availability of funds to serve as worthwhile rewards has been and may become increasingly limited. Therefore, it is not surprising that the 2010

Merit Principles Survey results indicate that only 51 percent of Federal employees agreed with the statement, "I am satisfied with the recognition and rewards I receive for my work."¹

In light of these challenges, agencies may want to consider alternative approaches to rewarding employee performance. One way is to design a reward system that appeals to individuals' demonstrated desire for choice. This could include widening the range of available rewards and offering non-monetary options to supplement traditional monetary rewards. These rewards could include items such as time-off, public recognition, lunch with a leader, or gift certificates to local businesses.

Having a wider range of rewards and allowing employees to make personalized decisions about the rewards they would like to receive for their performance will help ensure such rewards are actually meaningful. Further, the availability of non-monetary rewards not tied to year-long performance could help supervisors

¹In addition to the 51 percent who agreed, 27 percent of respondents disagreed with the statement and 22 percent neither agreed nor disagreed.

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The MSPB Office of Policy and Evaluation conducts studies to assess the health of Federal merit systems and to ensure they are free from prohibited personnel practices.

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We offer insights and analyses on topics related to Federal human capital management, particularly findings and recommendations from our independent research.

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DIRECTOR'S PERSPECTIVE

Lessons Learned: Making Strategic Hiring Decisions

In a downsizing environment, there are steps you can take to ensure your organization is positioned well to carry out its responsibilities.

In the 1990s, the Federal Government downsized a considerable portion of its workforce using such strategies as attrition, buy-outs, early-out retirements, and some reductions-in-force. It then went through a period of limited hiring during which agencies were not able to develop much bench strength in their key mission-critical and support occupations. As the Government likely faces another period of downsizing, we need to take a look at the lessons we can learn from the 1990s experience.

First, organizations have to make more strategic decisions about what positions they will fill and at what levels. In the 1990s, a popular reduction strategy was “last in, first out” in which agencies focused on retaining their most experienced employees and de-emphasized the need to fill lower-graded training positions. This strategy contributed to an aging workforce with a limited pipeline of talent and predictions of a “retirement tsunami” in which critical Government functions would not have been able to keep up with mission requirements.

In addition, many critical support occupations were ultimately pretty well decimated and had to be rebuilt in the early 2000s. For instance, the number of Federal Human Resource (HR) professionals was reduced by 20 percent between 1991 and 1998. Both HR and line managers complained that the expertise of HR Specialists had eroded. Therefore, when agencies did start to increase hiring in the early- to mid-

2000s, there was a steep learning curve for some HR staffs.

For this reason, careful thought needs to go into what positions are critical to the agency’s performance. While retaining expertise is important, so too is building bench strength for the future. While cutting support positions often seems to be the easiest cuts to make in a resource-deprived environment, agencies need to plan for how they will fill the voids left by those reductions.

A second important lesson is that selection processes matter. When hiring officials are approved to fill a vacancy during a period of downsizing, it is critical to fill it with someone who will be highly successful. If a bad selection is made, hiring officials may not get a second chance to rectify the situation. There are several steps agencies can take to improve the effectiveness of their recruitment and selection processes.

A good recruitment and selection process starts with having a good understanding of the job. Prior to advertising the vacancy, hiring officials should identify what they expect from the person filling the position and ensure that the job description accurately reflects the expectation and requirements of the job. This information will convey a clear description of the job duties and talent requirements for successful performance.

Based on this input, hiring officials can work with their HR specialist to develop a recruitment strategy that targets qualified applicants. This strategy will likely differ depending on the type of

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job. For general skills, a more broad-based recruitment approach might work, or alternatively you may need to target your recruitment sources for more specialized occupations. Providing potential job applicants with a realistic job preview of what will be required in the job and the conditions under which they will work (e.g., position telework eligible, amount of travel required, night work only) may help narrow the applicant pool to those who are a good match for the organization.

The most critical step is choosing assessments that will best identify high potential employees. Our research has demonstrated that agencies have historically often used ineffective assessment tools, such as low level training and experience measures. The Office of Personnel Management (OPM) has been working with agencies to improve these assessments. Ultimately, hiring officials and HR specialists need to have a better grasp of what assessments are better predictors of future performance and use those instruments to assess candidates. For instance, structured interviews are much more predictive than unstructured interviews and provide more in-depth detail about the applicant's competencies for the job.

We have also found that, when performed correctly, reference checks can be a valid and useful component

of the assessment process (see our report *Reference Checking in Federal Hiring: Making the Call*, 2005). Since many assessment tools rely on information reported by applicants (e.g., resumes, occupational questionnaires, interviews), reference checks may be needed to verify the information provided, as well as to assess job-related competencies not adequately assessed through other means.

Although a well-planned recruitment strategy and careful use of multiple assessment tools can go a long way in providing hiring officials with valuable information about candidates, they do not guarantee a good selection. For this reason, it is important for hiring officials to monitor the performance of a new employee during the probationary period to assess how well the employee performs the job. If there are any concerns about performance, the probationary period is the time to address and resolve them.

While staff reductions are generally a painful experience, this focus on strategic workforce decisions and good assessment strategies will help minimize the shrinking pains. ❖



Director, Policy and Evaluation

Merit System Principles Education and Awareness

Are you familiar with the merit system principles? The Merit Systems Protection Board (MSPB) thinks you should be. The merit system principles are nine basic standards that govern the management of the Executive Branch workforce and form the basis of Federal merit systems. The principles were codified in the Civil Service Reform Act of 1978 and can be found at 5 U.S.C. § 2301(b). In addition to conducting merit systems studies, MSPB's proposed 2012-2016 Strategic Plan emphasizes our responsibility to educate the public and Federal employees about the fundamental characteristics of a merit system. We have already taken some steps in support of this initiative.

In January of 2011, MSPB launched a new series, "The Merit System Principle of the Month," which can be found at www.mspb.gov/mspm.htm. You will find a page devoted to information about each principle and their purpose in a "Frequently Asked Questions" format, along with other relevant information. We will follow this series with another monthly series on the prohibited personnel practices. So be sure to visit our website at www.mspb.gov.

The MSPB is also offering a free educational session to EEO practitioners on October 19, 2011 at MSPB's headquarters in Washington, DC. This session will provide an overview of agency jurisdiction, mixed cases, prohibited personnel practices, and recently issued studies. Participants will also learn about MSPB's appeals and hearing process and have an opportunity to speak directly to an MSPB Administrative Judge. We have already received positive feedback on previous educational sessions held. Any Federal Sector EEO practitioner interested in attending the October session should contact Jerry Beat, MSPB's EEO Director on (202) 254-4405 or at Jerry.Beat@mspb.gov.

Want Successful Telework? Choose Good Teleworkers

There are certain factors that supervisors and telework-eligible employees should consider when making decisions about who should and should not telework.

Successful telework requires organizations to identify and implement the approach that is most appropriate for their situation. Therefore, organizations and their leaders need to make judicious decisions that take into account anticipated telework benefits, concerns, and implementation considerations. One such decision is determining criteria for teleworker eligibility. While criteria must be consistent with the law, the specific details fall under the purview of each organization.

Although an organization may determine that telework is appropriate for a specific work unit, that does not mean it is appropriate for every employee in that work unit. Supervisors are probably in the best position to make good decisions about who should and should not be allowed to telework, and they should base those decisions on job-related information obtained through good performance management practices.

Dovetailed with good supervisor decisions about telework eligibility criteria is the *personal readiness* of an employee to be an effective teleworker. Participation in a telework arrangement is voluntary, and not everyone is right for or interested in teleworking. Therefore, it is important for employees to conduct an honest self-assessment to determine whether or not they are personally prepared to telework.

Interestingly, the kinds of questions supervisors need to ask about their employees' preparedness for telework are the same types of questions that telework-eligible employees should ask themselves, as shown in the accompanying box. Supervisors' use of sound telework eligibility criteria can work in concert with employees' honest self-assessments to ensure that those who are teleworking can—and should be—teleworking. Good eligibility criteria and good self assessments should result in good teleworkers who will support the organization's ability to accomplish its mission.

For more information on how to make effective decisions about telework for your organization, see MSPB's upcoming report, *Telework: Weighing the Information, Determining an Appropriate Approach*. In addition, two valuable resources to help you make the most of telework in your organization are:

Questions supervisors and employees should consider when making telework eligibility determinations

Is my employee able to... | Am I able to...

- Independently plan and organize the necessary work to fill telework days?
- Reliably meet performance expectations from a non-duty station location?
- Maintain discipline, focus, and self-motivation in the absence of direct supervision?
- Work effectively without the structure of the daily office routine?
- Use technology to effectively maintain communication, teamwork, and work relationships while teleworking?
- Be available and responsive for timely contact and other work unit needs such as remote participation in meetings and contribution to unexpected assignments?
- Be flexible in the scheduling of telework days and willing to come to the office to meet work unit or office coverage needs or supervisor requests?
- Abide by standards for information and data integrity, privacy, and security?
- Resist temptation to engage in non-work or personal tasks while teleworking at home?
- Ignore or prevent distractions that could stem from the home environment or family members?

- The Telework Enhancement Act of 2010 available at www.gpo.gov/fdsys/pkg/PLAW-111publ292/pdf/PLAW-111publ292.pdf
- The U.S. Office of Personnel Management's April 2010 *Guide to Telework in the Federal Government* available at www.telework.gov/guidance_and_legislation/telework_guide/telework_guide.pdf. ❖

New from OPM: *Training Evaluation Field Guide*

OPM provides a new resource to help agencies evaluate the effectiveness of their training programs.

Federal agencies are required to evaluate their training programs each year to show that these programs meet the agency's goals and contribute to its long-term mission.¹ Training officers, HR specialists, and others tasked with this reporting responsibility now have an additional resource. This year, the U.S. Office of Personnel Management (OPM) released the *Training Evaluation Field Guide* that describes best practices from 15 Federal agencies.²

OPM's guidance is consistent with a widely-used training evaluation model that distinguishes between four levels of information: satisfaction with training, learning from training, transfer of learning to job performance, and positive impact of that performance on the organization.³ It also draws upon evaluation guidance from the training profession.⁴

The guide presents case studies and example materials from several agencies. Information for the guide was gathered from participants in a cross-agency working group hosted by OPM in 2010. These participants contributed important materials and perspective. This

¹ 5 CFR 410.202

² Available at www.opm.gov/hrd/lead/trnginfo/trnginfo.asp

³ Kirkpatrick, J.D., & Kirkpatrick, W.K. (2010). *Training on Trial*. New York, NY: AMACOM.

⁴ American Society for Training and Development. (2009). *The Value of Evaluation: Making Training Evaluations More Effective*. Alexandria, VA: ASTD.

Rewarding Employees

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make more timely and continuous decisions regarding recognition. Together, these features could engender more employee satisfaction with the reward system.

There are various approaches to customizing a reward system. As an example, managers could ask their employees to work together to develop a list of cost-sensitive, non-monetary rewards that would be desirable. These items—once approved by the manager—could then be organized into “reward tiers” that would designate different levels of performance to be recognized. As appropriate, employees could then be rewarded throughout the year in a more personalized and “on-the-spot” fashion by choosing from the reward list. This could help supervisors better link rewards to performance as it

emphasis on best practices in Federal agencies makes the guide's advice accessible to Federal employees, even if they are new to training evaluation. It allows them to focus on establishing the “return on expectation” of training in their public sector setting rather than try to adapt “return on investment” strategies designed for business environments.

The guide's value to Federal training professionals is its focus on evaluating training specifically in Federal agencies. For example, it describes how to document a chain of evidence about training effectiveness that communicates training impact to agency leaders. There are also suggestions about how to divide responsibility for training effectiveness among agency personnel and how to create a “dashboard” of measures that monitors training effectiveness over time.

MSPB's 2010 report, *Making the Right Connections: Targeting the Best Competencies for Training*, highlights the role of effective training evaluation in developing a high-performing Federal workforce. In this report, and in previous *Issues of Merit* articles⁵, MSPB has encouraged agencies to evaluate training and to use this information to improve the training options available to Federal employees. The *Training Evaluation Field Guide* is an informative resource that may help agencies improve their practice of training evaluation. ❖

⁵ “10-Minute Training Evaluation for Busy Supervisors,” (April, 2009). *Issues of Merit*, 14(2).

occurs, albeit in a non-monetary manner.

Naturally, managers would need to exercise discretion in determining who gets rewards and when. Fair treatment of employees is paramount for the success of any reward system. Although attractive, it is important to note that such a reward system may not be appropriate in every situation. However, it underscores that employees can be involved in determining the rewards that would be meaningful and motivating to them. Further, it highlights that a reward system can complement employees' desire to make personalized decisions. Finally, it acknowledges that achievement-oriented rewards may enable managers to be more timely and continuous in recognizing and reinforcing good performance when it occurs. ❖

Conduct-Based Actions: Why Performance Matters

In 2009, MSPB surveyed proposing and deciding officials who were involved in enacting suspensions of 14 days or less and removal actions to get a better sense of the factors impacting management's decision to discipline an employee for misconduct. The result? The employee's performance may not matter in the decision to take a conduct-based action, but even in cases where performance was not one of the charges, performance does matter when it comes to determining the penalty.

Survey results show that of those employees who had a conduct-based action taken against them, poor performers were no more likely to be disciplined than average or above average performers. Twenty-two percent of respondents indicated that the performance level of the employee they disciplined was above average, 23 percent reported a level of less than average, and the rest reported a performance level of average.

While employees of all performance levels were disciplined for misconduct, respondents' estimation of the employee's performance level had an apparent impact on the penalty implemented. For those employees who received short suspensions, there was little difference in performance level—24 percent were categorized as better than average performers and 22 percent as less than average. But, there was a large difference in the performance level among those employees who were removed—only 14 percent were considered better than average and 31 percent were worse than average.

One possible reason why there are fewer above average performers in the removal category than in the short suspension category is that agencies do not want to do without the employees' services. Their removal would be the permanent loss of good performance, even if retention increases the risk of more misconduct.

Considering an employee's performance when determining the penalty for a conduct-based action is encouraged under the Douglas Factors. The Douglas Factors are a list of 12 items that agencies are expected to consider when determining what penalty is most appropriate for a particular situation. Specifically, officials must consider whether "the employee's past work record, including... performance on the job" is relevant to the penalty, and to what extent it is an aggravating or mitigating factor.¹

Our data also show that good performance is more likely to matter to the proposing and deciding officials than bad performance. Forty percent of respondents

whose employees were in the above average performance category reported that the quality of the employee's performance was very important when deciding the penalty. However, only 28 percent of respondents for the less than average performance category reported that the quality of the employee's performance was important. Thus, performance is more likely to be a mitigating factor than an aggravating factor in the selection of a penalty.

Not surprisingly, an employee's performance level also played a role in the predicted quality of the employee in the future. We asked respondents if they thought that the employee in question would be a "good Federal employee in the future." Respondents predicted that 77 percent of employees who were considered better than average performers would be good Federal employees in the future, compared with only 6 percent of below average performers.²

For removal actions, respondents were even less likely to predict the individual would be a good Federal employee if given another chance elsewhere. Of those respondents who removed a below average performer, not one indicated that the individual was likely to be a good Federal employee if given another chance.³ Of those whose performance was average, 54 percent were considered unlikely to be a good Federal employee elsewhere. However, only 27 percent of better than average performers were considered unlikely to be a good Federal employee elsewhere. These results indicate that respondents consider their employees' performance to be a critical factor in whether someone is a good employee, even when there is an act of misconduct so severe that it results in removal. This may be because they think poor conduct is easier to rectify than poor performance.

Management officials should continue to consider the extent to which an employee's performance is an aggravating or a mitigating factor and to inform employees that this will be taken into consideration when considering the appropriate penalty.⁴ In the end, if an employee engages in misconduct, a history of good performance may be the best defense available. ❖

¹*Douglas v. Veterans Administration*, 5 M.S.P.R. 280, 305 (1981).

²For employees with average performance, 42 percent were predicted to be good and 30 percent to not be good.

³83 percent of respondents disagreed that the below average performer would be a good employee if given another chance elsewhere.

⁴*Ward v. U.S. Postal Service*, 634 F.3d 1274, 1279 (Fed. Cir. 2011).

Avoiding Prohibited Personnel Practices Is Good Business

Perceptions of the prohibited personnel practices have declined dramatically in the last 18 years, and avoiding these practices can be important to ensuring good business practices.

The prohibited personnel practices (PPPs) are codified in 5 U.S.C. § 2302 and are a list of prohibited motives for taking a personnel action. As a part of our statutory responsibility to assess the health of Federal merit systems, MSPB regularly conducts Government-wide surveys in which we ask about employee perceptions regarding whether PPPs are—or are not—occurring in the workplace.

In our upcoming report, *Prohibited Personnel Practices: Employee Perceptions*, we provide an explanation of what each PPP means and the frequency with which the PPPs have been observed from 1992 to the present.

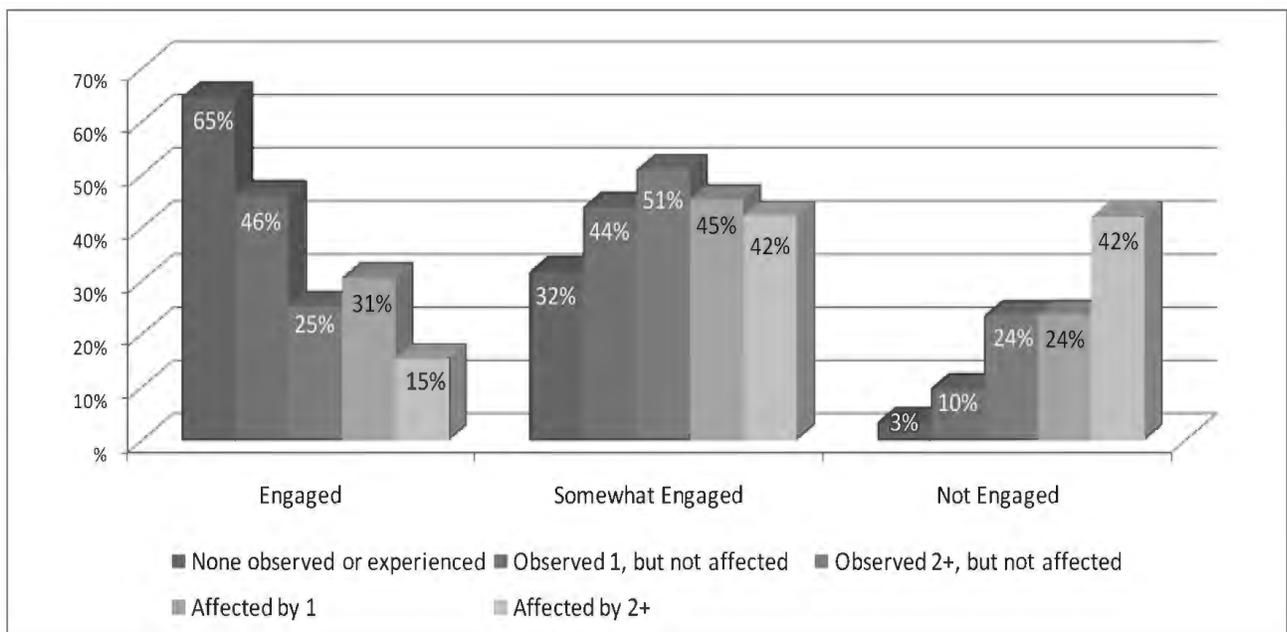
Our survey results show that perceptions of occurrences of PPPs have declined dramatically since 1992. For instance, the percentage of employees reporting that they were discriminated against based on race/national origin decreased from 13.4 percent in 1992 to 5 percent in 2010; sex-based discrimination perceptions went from 12.2 to 3.9 percent; perceptions of interference with the right to compete have steadily dropped since 1996, from 17.6 to 4.8 percent; and perceptions that

a management official has granted an unauthorized advantage to an individual in a recruitment action also dropped dramatically from 25.3 percent in 1996 to 7 percent in 2010. PPPs in the Federal Government are serious, but they also appear to be increasingly uncommon.

However, our 2010 survey data also show that there may be a business case for continued efforts to reduce the frequency with which employees perceive occurrences of PPPs. As can be seen in the chart below, employees who perceived a PPP, whether observed or personally experienced, were less likely to be engaged at work, as measured by MSPB's engagement index.¹ In addition, the more PPPs an employee reported observing, the less likely the employee was to be engaged. In fact, as shown in the chart below, those employees who observed two PPPs had a lower level of engagement than those who personally experienced one. Thus, while avoiding PPPs is a legal requirement, it can also be argued that it is a good business practice. ❖

¹For more on the engagement index, see MSPB's report *The Power of Federal Employee Engagement*, available at www.mpsb.gov/studies.

Employee Perceptions of PPPs and Levels of Engagement





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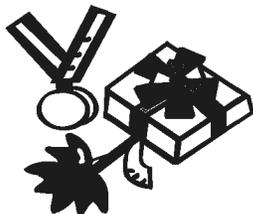
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