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COMMITTEE ON POST OFFICE AND CIVIL SERVICE  
HOUSE OF REPRESENTATIVES

STUDY OF  
EFFICIENCY RATING SYSTEMS  
IN THE FEDERAL SERVICE

(Pursuant to Section 903, Title IX of the Classification Act  
of 1949, P. L. 429, 81st Congress)



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**LETTER OF TRANSMITTAL**

UNITED STATES CIVIL SERVICE COMMISSION,  
*Washington 25, D. C., January 31, 1950.*

HON. SAM RAYBURN,  
*Speaker of the House of Representatives.*

DEAR MR. SPEAKER: Section 903 of title IX of the Classification Act of 1949 (Public Law 429, 81st Cong.) provides as follows:

The Commission shall make a study of efficiency rating systems in the Federal service and submit a report to Congress on or before February 1, 1950, setting forth its findings as to the operation and administration of such systems and such recommendations (including specific recommendations for legislation) as it may deem advisable.

This study has been made and the required report is submitted herewith. This report contains a discussion of the problems, descriptions of the various efficiency rating systems in the Federal service, information concerning the operation and administration of these systems, and recommendations.

Specific recommendations for legislation are also included.

By direction of the Commission.

Sincerely yours,

HARRY B. MITCHELL, *Chairman.*

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CHAPTER I. DESCRIPTIONS OF EFFICIENCY RATING SYSTEMS USED IN  
THE FEDERAL SERVICE

There are three general situations regarding efficiency rating systems for civilian employees in the Federal service. The uniform efficiency rating system developed by the Civil Service Commission applies to all employees in positions covered by the Classification Act and to other employees by administrative action of departments and agencies. A number of departments and agencies have developed their own systems for employees whose positions are not under the Classification Act. Some of these agency systems have to be approved by the Civil Service Commission under the provisions of the act of July 31, 1946 (60 Stat. 751). Others are not under this act and are not submitted to the Civil Service Commission for approval.

The systems of the first four agencies, described below, are not under the jurisdiction of the Civil Service Commission. These systems are used in the Foreign Service (Department of State), the Department of Medicine and Surgery (Veterans' Administration), the Post Office Department, and the Tennessee Valley Authority. Following these are descriptions of systems approved by the Civil Service Commission for employees whose positions are not under the Classification Act and who are not rated under the uniform system. Finally there is presented a description of the uniform system and a summary of the variations in the uniform system which have been approved by the Civil Service Commission upon the request of the specific agencies listed.

SYSTEMS NOT UNDER THE JURISDICTION OF THE UNITED STATES CIVIL  
SERVICE COMMISSION

*The Foreign Service (Department of State)*

Annual efficiency reports for Foreign Service officers have been prepared for many years. These reports formerly consisted of narrative statements or impressions of reporting officers setting forth past performance and apparent possibilities of development in various types or phases of Foreign Service work. The reports were based on a broad outline or guide of matters to be considered. A formal rating system was first established after the approval of the Foreign Service Act of 1946. In 1947 a group of consultants was employed by the State Department to make a study for the purpose of developing a performance-merit-rating system for use with Foreign Service officers. As a result of this study, a performance report was put into use in 1948.

The performance-report system is used to rate approximately 1,300 employees in embassies, consulates, and related offices over the entire world. In past years ambassadors or other officers in charge rated the members of their staff whether or not they were personally familiar with the employees or their detailed performance. However, under the new system, the immediate supervisor is the rater and the officer

in charge is the reviewer. One copy of the report is forwarded to the central office in Washington, and a duplicate copy is placed in the confidential file at the local office. The system provides that, while formal notice is not required, reports of unsatisfactory performance or of deficiencies, weaknesses, or shortcomings should be discussed by the rater with the employee at the time of preparation of the report. Upon request by any employee, he is furnished a summary of his performance report and his adjective summary. Five adjective summaries are provided which are identical to the adjective ratings used under the uniform efficiency rating system. Performance reports are prepared annually on August 1, but special reports are prepared 6 months after officers have been on new assignments or at different posts of duty. This results in a great number of 6 months' ratings in view of frequent changes in personnel at diplomatic posts.

Performance reports are considered important by agency officials because they tend to promote more effective supervisory practices. They are believed to improve day-to-day accomplishment by causing supervisors to be more conscious of their responsibilities and better acquainted with the services of their employees, and by encouraging discussions of performance by supervisors with employees. They are also considered important for consideration in the making of transfers, reassignments, and other administrative actions. They are used by selection boards in making promotions. Because of the uses made of performance reports, extensive information concerning the officer reported on is included in the report and is believed to be desirable.

The performance report form consists of four parts. Part I contains numerous blocks of items, each block having four or five unrelated statements, words, or phrases which are intended to be descriptive of the performance of Foreign Service officers. In each block of items the rater underlines the item which is most characteristic of the officer being rated, and he crosses (X) the identifying letter of the item which is least characteristic of his performance. The items in each block are unrelated purposely, the idea being that judgment in selecting the characteristic items will not be affected by other related considerations. The rating method is known as the forced choice method. Part II of the form lists 13 factors which affect or are related to job performance. The rater evaluates the competence of the officer being rated by placing a check mark in one of three columns opposite each factor: A equals superior, B equals satisfactory or up to required standard, and C equals below standard. The rater marks only those factors which are pertinent, and space is provided for adding factors which the rater feels affect the officer's performance. Space is further provided for any comments on the performance factors. Part III provides for a five-level evaluation of an officer's proficiency in foreign languages. Part IV consists of a list of major types of work to which an officer may be assigned in the Foreign Service. The rater indicates his evaluation of the competence of the officer in the various types of work by checking one of three columns as follows: A equals excellent qualifications, will work well without supervision; B equals well qualified, can be trusted to do competent work, needs no supervision on routine matters; C equals needs improvement, competence below standard required. Space is provided for comments and recommendations on placement. On the back of the last page of the report form, as sections of part II,

space is provided for a summary description of the officer and his work and for recommendations. At the bottom of the page the adjective summary is entered with a definition of performance for each level of rating provided.

Foreign Service inspectors visit a certain number of diplomatic posts each year covering the entire Service in about 3 years. These visits usually last about 2 or 3 weeks and cover all of the functions of the particular office. Detailed reports are made on all phases of the work and the personnel involved.

While the prescribed performance report form is normally used, some offices prefer to continue using the narrative report form and the agency permits unlimited variation in the prescribed method. Management officials have not been entirely satisfied with the results of the system now in use. It is felt that improvement is necessary and desirable, and a new form probably will be designed after further study of the problem.

*Department of Medicine and Surgery (Veterans' Administration)*

The proficiency rating system for the analysis of the general effectiveness of doctors of medicine, dentistry, and osteopathy, and of registered professional nurses in the Veterans' Administration was established under authority of the act of January 3, 1946 (Public Law 293, 79th Cong.). The system was first established in August 1947, and was revised, effective July 1, 1949.

Under this system, employees receive a rating annually on the anniversary date of appointment. Approximately 18,750 professional employees are rated under the system, two-thirds of which are nurses and the remaining number are divided on a ratio of about 4 doctors to 1 dentist. The rating is prepared by the immediate supervisor and reviewed by the next supervisor in line of responsibility, who prepares a narrative summary regarding the performance of the employee, which serves for worth-while purposes of administrative reassignment, transfer, promotion, demotion, or separation. Consideration first was given to utilizing the uniform efficiency rating system prescribed by the Civil Service Commission, but it was determined that such system did not serve the purpose of recording necessary information and analyses of employees' work. However, many of the rating elements used under that system are defined in terms very similar to the rating elements used under the uniform efficiency rating system. Management officials feel that the report form, as used, is adapted to the assignments of the persons rated.

The proficiency report form contains 20 rating elements numbered from 11 to 30, in the nature of "personality," "professional," and "administrative" elements, most of which are rated in any assignment. An "over-all" evaluation element is provided also. Other entries are provided for on the form, such as capacity for advancement and the degree of contact between the rater and the employee rated. Provision is made on the report form also for narrative statements by reviewing officials. Specific element patterns have been prescribed for each type of assignment and are required to be adhered to strictly. Eight numbered evaluation levels or "rating scales" are provided for each of the 20 rating elements and 8 numerical evaluation levels are used for the "over-all evaluation" even though 12 levels are provided for the latter element on the form. The rater places an "X" in the

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appropriate level of each element rated and, by the use of a table of weights for the particular assignment pattern, adds and records the numerical score rating. By conversion, an adjective rating is determined. Employees are formally notified of their ratings.

Originally, six adjective rating levels were used, as follows: Poor, fair, good, very good, excellent, and superior. Many employees desired an "excellent" or "superior" rating and appealed their assigned ratings. This dissatisfaction was believed by agency officials to be caused by the weight that was given to efficiency ratings in the previous promotion program and to the lack of clear distinction between the rating levels. Another cause of appeals was the difference in viewpoint of supervisors as to performance that would justify assignment of a particular adjective rating. In view of these problems the system was changed, effective July 15, 1949, to provide for only two ratings, namely, satisfactory and unsatisfactory. A third higher level of "outstanding" was considered but was omitted from the system because the agency officials felt that no useful purpose could be anticipated. Management officials of the Department of Medicine and Surgery take the view that while ratings are important, undue stress is placed on rating systems which provide for multiple adjective rating levels. There are no approved variations from the rating system as prescribed.

Agency officials indicate that the rating process now in use has been received favorably by both employees and supervisors. The ratings are used informally for administrative purposes, the primary value being derived from an analysis of individual element evaluations and of the narrative statements appearing on the report. It is felt by the Department that improvement in the rating elements and patterns could be made but no changes are contemplated until more experience has been gained with the present rating system. These officials believe that the system as now designed will adequately serve the purpose of rating performance of professional people in their organization.

*Post Office Department*

The Post Office Department has five efficiency rating systems, three of which are similar, which are used in its field services. The history of efficiency ratings in the Post Office Department is best reflected in the history of the individual systems now in use. The philosophy of management with respect to the systems is reflected in the reaction of the employees, supervisors, and chiefs of the specific field services under discussion.

The efficiency rating systems for motor vehicle service and pneumatic tube service and for the custodial service are almost identical with the efficiency rating system for the postal service. The only real difference is in the demerits, which are considerably less in number than for the postal service. These two systems are not discussed in detail as the postal service system is fully covered under the discussion of that system.

Detailed description of the efficiency rating systems for the postal service, the postal transportation system, and the post office inspection service follows.



*Postal service*

The efficiency-rating systems for the postal service include all those employees who serve as supervisors, post-office clerks and rural carriers at first- and second-class offices, city and village delivery carriers, special-delivery messengers at first-class offices, and mail handlers.

A system of efficiency ratings for this particular service was established after the act of March 2, 1907, which first established automatic grade-salary increases for clerks and carriers in first- and second-class post offices. This act provided that certain employees of the post office would be promoted to the next highest salary grade after completion of 1 year of satisfactory service. Following this act, the Postmaster General observed that there was a lack of uniformity on what various postmasters considered satisfactory service and considerable variation in the certifications made in compliance with the law. He, therefore, appointed a commission of inspectors to devise an efficiency-rating system which would produce a uniform basis for ratings in the post-office service throughout the country. Such a system was devised and placed in effect on January 1, 1909. In his annual report to Congress in 1909, the Postmaster General states with respect to this new system that the ratings were based on the quantity of work employees perform, their accuracy in doing it, their compliance with the postal regulations and office rules as to conduct, their punctuality and regularity in attendance, and their familiarity with the regulations and instructions regarding their duties as shown by examinations.

Several years ago efficiency ratings were extended to third-class post-office employees, supervisory employees, and rural carriers out of first-class offices. Here again the regulations provide for evaluation of work performance plus conduct evaluation based on a merit and demerit system. The merits and demerits are spelled out in detail in the agency regulations, which are attached to this study. There is provision, also, for an evaluation of the results of examinations which are given which determine the proficiency of the employee in distributing mail.

The postal service emphasizes that the efficiency-rating evaluation is based on the work performance of the individual while the merit-demerit system is devised to reflect his conduct in a position which is constantly under public scrutiny. Rating form 3990A provides for an adjective rating only, there being four possible adjective ratings, i. e., outstanding, good, fair, and unsatisfactory. An employee who has a "fair" efficiency rating is not eligible for automatic promotion or promotion to a supervisory position. It is the Department's view that an employee who has an unsatisfactory rating is not suited for retention in the service. Separations are made on letters of charges, however.

Approximately 300,000 employees are rated under this system, which is uniform for all post offices. It is used extensively in selection of employees for preferred assignments, for filling supervisory positions, as well as for its essential purpose of providing a basis for automatic salary promotion.

While the Department feels that this system has definitely contributed to the morale of the employees and has resulted in substantial justice to all employees—the goal of the Postmaster General who

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decreed its use in 1909—there have been complaints against it by some representatives of employee organizations who feel that undue stress is given to the demerit side of this form of evaluation.

The postal service has some changes to their system under consideration but have not studied these proposed changes to the point where they feel a discussion of them would be of value to their service or the Government as a whole.

*Postal transportation system*

The postal transportation system, formerly known as the railway mail service, has used some system of evaluating employees since its creation in 1865. At first there was a simple record of errors for each employee, then, by 1872, there was kept a record of the scheme examinations so that the office would know how well an employee knew his job and how well he applied that knowledge. By 1880 the system was being formalized with a specific form containing a record of performance as well as the results of scheme examinations. In addition, a separate form was used to evaluate probationers before conversion to permanent status. The railway mail service continued to use this type of evaluation with changes and additions until 1913 when a general conference of division superintendents met for the purpose of revising the efficiency rating system. On February 3, 1913, they adopted what is substantially the present system, making a list of plus and minus points (the forerunner of the present merit and demerit points) which system was tried out by all the division superintendents during the remainder of that year. In January 1914 the system was published as an Efficiency Rating System, a system to determine the efficiency and value of a clerk's service, based only on definite and ascertained facts, after he has had an opportunity to be heard in his defense, by noting a certain number of points, plus or minus, in the individual record. In 1921 the system was revised to some extent and was called a service-rating system, the title which is still used. In 1922 it was revised again and the plus and minus points were changed to merits and demerits. During this revision the items which earned merits and demerits were reduced from a very long list to one which could be contained on one page. No substantial changes have been made in the system since that date but the list of merit and the demerit points has been revised from time to time.

The postal transportation system uses a form on which employees are rated on personal qualifications, quality of performance, amount of work produced, and the qualifications shown on the job. There is an additional space on the form for rating supervisory qualifications which ratings are not combined with the evaluation of performance as a clerk. There is also a space on the rating form for results of performance examinations, which are mandatory during probationary periods. In conjunction with the rating form there is a conduct evaluation based on a merit-demerit system. The postal transportation system emphasizes that the efficiency rating form is designed to evaluate the work performance of an individual while the merit-demerit list reflects his conduct in a position which is constantly under public scrutiny. The merits and demerits are given in detail in the regulations covering this system.

Ratings are given quarterly during the probationary year of service and are used to determine the general qualifications of the individual

for permanent appointment. Thereafter, ratings are made annually on May 31. Consideration is given to efficiency ratings as well as to seniority in the selection of clerks for supervisory positions. Generally, efficiency ratings are used for the postal transportation system as they are used in the uniform system. Ratings indicating satisfactory service are necessary for successive promotions and faithful and meritorious service is necessary for meritorious promotions to the three additional grades provided by the act of July 8, 1945, effective July 1, 1945. There are approximately 27,000 permanent employees and 7,000 substitute or hourly wage employees covered by these ratings. The system is uniform and final approval of ratings is given by the Washington office of the service in question. The present rating form was adopted over 15 years ago but has been modified from time to time, the latest change being made in August 1949.

Officials of the postal transportation system believe that the efficiency-rating system has been generally satisfactory to both the men and the Department. Unions have approved it and the Department officials point out that the simplicity of the form removes the need for a heavy training program. They feel that the basic qualifications necessary to properly rate an individual are an understanding of the five gradations of performance under each element and an unbiased personal knowledge of the work of individual to be rated. This system, which employs five gradations for each element factor, is a numerical system with the rater checking the gradation which he believes applicable to the employee. Should he desire to do so, he can translate the rating factors into an adjective rating. However, it is not necessary for the rating official to do so. He may transmit the rating report with his check marks to the district superintendent for review and approval and that official translates the markings into an adjective rating and notifies the employee. The adjective ratings are "excellent," "very good," "good," "fair," and "poor." Appeals of these ratings are made in the same manner as for other offices in the Department, the individual appealing through channels to the head of the Department, if he so desires.

The postal transportation system encourages personal interviews with employees at the time ratings are assigned. It recognizes, however, that the nature of the work, requiring absence from headquarters, does not always permit these interviews and ratings are, therefore, given on occasion without personal discussion with the employee. A discussion is mandatory if an employee expresses dissatisfaction with the rating.

The postal transportation system feels that its rating form is an inventory of the worth of an employee to the service; that it is a notice to the employee of the value placed on his services by his agency, and that it results in a continuing effort on the part of the employee to earn "good" or better ratings. While the conduct record (merit-demerit system) is a month-to-month notice to the employee of his over-all conduct and gives him an idea of just what adjective rating he will earn, the agency requires that the employee be given an advance warning when it is apparent that his performance and conduct will result in a rating below "fair."

The agency has recently revised its rating system and does not contemplate any further changes at this time except the addition of a

few items to the supervisory qualifications on the form. The agency points out the act of May 26, 1936, effective August 16, 1936, put field officials of the post office under the Classification Act of 1923 and that they remained thereunder until removed by the act of July 6, 1945, effective July 1, 1945. As a consequence, the postal transportation system had an excellent opportunity to observe their own ungraded efficiency-rating system and the uniform system and feel that their present system has effectively combined the advantages of both systems.

*Post office inspection service*

Post office inspectors were authorized by an act of Congress, effective July 1, 1880, and the files of that service indicate that there has been some form of employee evaluation used in the inspection service since its creation. For the most part these evaluation or efficiency ratings have been made in specific terms with respect to the service rendered. From 1941 until 1945, the inspection service used the uniform system. On July 1, 1945, inspectors were removed from the provisions of the act of August 1, 1941 (Public Law 200, 77th Cong.), and immediately reverted to their own efficiency-rating form.

The efficiency-rating system in use by the post office inspection service provides for a rating on seven major varieties of work and for three major characteristics of each of these seven varieties. A copy of the rating is furnished to the employee in order that he may be advised of his standing in his agency. The rating system provides for automatic salary increases and administrative promotions based on efficiency ratings of "good" or better, and is intended to disclose the type of work for which the employee is best qualified. Ratings generally are made by the local official in charge on April 30 of each year and go through channels to the Chief Inspector for final approval. This system, which covers post office inspectors, post office inspectors in charge of field divisions, assistant post office inspectors in charge, and clerks in the office of inspectors and in the offices of inspectors in charge, has three separate forms for rating. Inspectors are rated on Form 516 by the assignment of a numerical value to the elements on which they are rated. The adjective ratings are determined by the numerical values assigned to the various elements. A rating of "unsatisfactory" results from a numerical value of 1; "passable," 2 and 3; "satisfactory," 4 and 5; while "superior" is determined by values of 6 and 7. There is a question requiring the rater to list the assignment for which he considers the inspector best qualified and also a question as to whether the inspector has passed a promotion examination. Inspectors in charge and assistant inspectors in charge are rated on Form 516-A, the rating being concerned almost wholly with those qualities which indicate leadership and administrative ability. The same numerical values as used in Form 516 are used in marking these elements and the final rating is determined in the same manner as for inspectors.

The third class of employees under this rating system are the clerks and supervisor-clerks attached to the various offices under the supervision of inspectors and inspectors in charge. This rating is concerned both with skill in the position and the attitude and conduct of the employee. The form contains several questions with respect

to promotion possibilities and qualifications for promotion. The same numerical values are used in determining the rating as are used for the inspectors and supervisory inspectors. A total of 1,168 employees are rated under this system.

Appeals may be made, through proper channels, all the way to the Postmaster General.

Administrative officials in charge of the inspection service of the post office feel that their efficiency-rating system fully meets the needs of that service. They feel it is clear, concise, gives a good picture of a man's ability, performance on the job, and future value in a higher position. All of these things, they feel, are necessary to meet the needs of the chief inspector. The regulations pertaining to the service are brief and are contained in the headquarters operation bulletins issued by the chief post office inspector. (See appendix.)

While the Department has no specific changes in mind, it has made an administrative decision to study the efficiency-rating system in the near future with a view to determining whether there should be any changes in it to take care of the changes in management concept which have resulted from a recent reorganization of the Department.

#### *The Tennessee Valley Authority*

The present service-review plan for employees on annual salaries in the Tennessee Valley Authority has been in effect since August 1, 1945. It was developed through a joint study of the problem by the agency and employee organizations within the agency. The previous service-review plan was adopted in 1936 and provided for semiannual evaluations which were used mainly for within-grade salary increases. Detailed reports were made only on employees whose services were either exceptionally good or unsatisfactory. The present plan is considered a continuous supervisory activity supplemented by formal reviews covering specific periods of service. The major purpose of the review plan is to improve both individual and group performance. The services of over 5,000 employees on annual salaries are reviewed under this plan.

Under the present plan, service reports are required after the first 6 months an employee occupies a new position and annually thereafter. These reports take into account the employee's performance of his specific job duties and also his effect upon other employees and upon the working group as a whole. The service of an employee is reviewed and reported by his immediate supervisor who delegates or assigns work to the employee, reviews work to maintain proper standards and who is directly responsible for work results. It is discretionary with operating divisions of the agency as to the extent of further review and approval of service reports by higher-level supervisors. It is required that the immediate supervisor furnish a copy of the service report to the employee and arrange an interview with him for full discussion of the report.

The service-review form contains the usual heading information identifying the report, and provides space for entering statements of all job functions performed by the employee during the period covered by the report. For each job function the supervisor evaluates separately how well the employee met requirements by entering an (X) mark in one of four columns indicating four evaluation levels. The columns are headed by the following phrases: (1) "Better than

fully adequate performance"; (2) "Fully adequate performance"; (3) "Acceptable performance but some improvement needed"; and (4) "Unacceptable performance." Below the statements of functions, provision is made for rating "Other elements of service" which in one rating takes into account cooperation in achieving group objectives, informal relations with others in the working group, and adherence to policies and regulations. The rater answers a question "Were other elements of the employee's service adequate?" by marking "Yes," "Yes, with some exceptions," or "No." On the back of the service-review form, space is provided for the rater to explain and summarize his conclusions regarding work performance and other elements of service. Total service is evaluated by marking (X) one of two statements, namely: "Total service was adequate or better" or "Total service was not adequate." In case the latter statement is checked the rater is expected to choose one of three possible recommendations listed on the form: "Change of duties in position," "Conditional retention in position," or "Removal from position."

The agency feels that service reviews, in addition to improving the supervisor-employee relationship and performances of both supervisors and employees, should be used in making judgments concerning transfer, demotion, promotion, within-grade salary advancement, reductions in force, and terminations.

The Division of Chemical Engineering of the TVA uses a combined service report and personnel action form for annual trades and labor positions. The performance reporting part of this form is basically similar to the employee service report form used for other employees in TVA. Another deviation from regular procedures permits a report to be issued before discussion with the employee if he has resigned without notice or if, for other reasons, he is not available.

The agency feels that the present service review plan is well suited to TVA because it was developed after many years' experimental experience with various types of performance review plans, it is a product of joint thinking and planning by TVA management and employee organizations, it has been modified as necessary since adoption to meet current needs and to improve its effectiveness, it is the result of a long period of development and adaptation, and it is closely integrated with the general pattern of personnel administration in the TVA. The agency through survey methods has found that its service review plan has been accepted very favorably by both supervisors and employees.

Few changes in review procedure have been suggested by operating people in the agency and these suggestions related mostly to the application of the plan rather than to the report form. No changes in the plan are contemplated at the present time.

SYSTEMS APPROVED BY THE UNITED STATES CIVIL SERVICE COMMISSION

*Bonneville Power Administration (Department of the Interior)*

The Bonneville Power Administration adopted an efficiency-rating system in March 1947 with an annual rating date of March 31 of each year. The agency states that the efficiency-rating system was installed in response to many requests from the hourly workers in the Administration. The agency points out that the type of work performed in the Administration differs so greatly from the average

Government agency that the hourly employees felt that they should be evaluated under a system which gave attention to their crafts. It was the decision of management that the uniform system did not do this. There are 824 employees paid by hourly rates at the Administration in various types of positions from truck driver to rigger.

The rating form adopted by the Bonneville Power Administration is very similar to the forms used by the Departments of the Army and of the Air Force. The 15 rating elements are with 1 exception very similar to the 15 rating elements used by the 2 Departments mentioned above. In fact, in giving the history of the rating system, the Administration points out that their system is patterned after the Army system with minor changes. The only change of any importance in the rating form is in element 3. The question in the Administration's form deals with the ability of the employee to perform all of the different jobs assigned to his craft. The question in the Army rating form is concerned with how rapidly the individual performs his work. Under each of the 15 rating elements there are 3 statements, identified as "A," "B," and "C," describing levels of work performance related to the element. Each one of these three levels describes performance and tells whether it is weak, adequate, or outstanding. The 15 elements are so devised that 9 elements will be used for each of the occupational levels rated. Those general occupational levels conform to the levels in the other systems, elements 1 through 9 being used for unskilled and semiskilled labor, elements 3 through 11 for skilled labor, and elements 7 through 15 for foremen and supervisors. The final adjective rating is based on a conversion table which is given in the instructions from which, depending on the number of A's, B's, or C's, the adjective rating may be obtained. The five possible adjective ratings conform to the five ratings used in the uniform system. The use of nine rating elements in the order provided by the regulations is mandatory.

There are three types of official ratings used by the Administration. A regular rating is made on March 31 of each calendar year. Probationary or trial-period ratings are made at the end of the first 10 months of service on all probationary employees. A special rating is made when there is no appropriate current official rating and a rating is necessary for administrative action.

The ratings are made by the immediate supervisor, reviewed by a person higher in the line of supervision who is familiar with the employee's work, and approved by an efficiency-rating committee, after which the employee receives an official notice of his rating. Employees have the right to appeal within 60 days to a review board composed of the Director of Personnel, the assistant general counsel, and the executive secretary, or their alternates. No member of the board may sit in a case which involves an employee of his division. The regulations are silent on what administrative action may be taken in the case of an employee who receives an "unsatisfactory" rating. On the rating form and on the "Notice of hourly employees official efficiency rating" form—the form used to notify the employee—the employee is told that an "unsatisfactory (rating) means that your general performance and worthiness are unsatisfactory; you are sufficiently deficient in important respects to justify possible transfer to other work, demotion, or dismissal unless marked improvement

occurs." There being no range of hourly rates for a job, a rating of "fair" involves no wage decrease.

The agency believes that the efficiency-rating system which it has adopted for hourly employees meets the needs of the agency and the employees in a satisfactory manner. They are not contemplating any major changes in the system at this time.

#### *Department of Defense*

The Department of Defense has not, as of this writing, established a single efficiency rating system for the ungraded service. A careful study of the systems in use in the three components of the Department—the Army, the Air Force, and the Navy—was undertaken in June of 1949, at the request of the Bureau of the Budget. This study, which extended over a 6-week period, resulted in the Department reaching a decision that for the time being there would be no major changes made in the efficiency rating systems now in use. A careful analysis was made of these systems which showed that they were well designed for the purposes they serve.

The study showed, however, certain differences in the treatment of employees which the Department regarded as undesirable. A committee, composed of representatives of the three services, was appointed to study these differences and to arrive at a standard criterion for the ungraded efficiency rating systems now in use. To date, the committee has not reached any decision. In the meantime, the individual systems now in use in the Department of Defense will be described under the three services.

#### *Department of the Air Force*

Prior to 1944 the Air Force had no compulsory efficiency rating system for employees who were not subject to the Classification Act and the uniform efficiency rating system. Commanding officers could use the uniform system, and some of them did, or they could use whatever system filled their needs. In 1944 the Air Force began work on an efficiency rating system especially designed for their ungraded employees. As a starting point, they studied systems in use in industry and Government—systems which were utilized for both administrative and industrial personnel. As a result of their work, the Air Force devised an experimental system along the lines of the present system, using informal language and a different scoring method. The initial system did not provide for any appeal to higher authority in the same installation, nor was it so worded as to clearly indicate levels of performance under the element questions, and was, therefore, regarded as not wholly desirable.

In view of the clear language in sections 12 and 14 of the Veterans' Preference Act, the Air Force reached a decision that the experimental system would have to be formalized and simplified so that the scoring method was quickly and easily understood and so that it would be necessary for supervisors and employees to discuss the ratings and generally familiarize themselves with the basis for efficiency ratings. At about this time, higher management in the War Department reached a decision that an efficiency rating system for ungraded employees was essential to meet the needs of the Veterans' Preference Act. A committee was appointed, composed of representatives of the Army Service Forces and the Air Forces, the two component parts



of the then War Department which had many ungraded employees, and on January 20, 1946, the present ungraded efficiency-rating system was adopted.

The committee made every effort to keep the system simple, easily understood by the type of people which for the most part would be using it, and yet obtain for management a real appraisal of the employees of any given installation. It was the decision of the agency that some form of rating of employees that was uniform in its application and which did a reasonable job of appraisal was an essential tool of management. Rapidly decreasing personnel quotas, changes in management objectives, other problems that faced the Department after the war, had all contributed to the feeling of top management that some form of appraisal of the employees was an absolute necessity.

The committee devised a form which they felt would be fair to management and the employees, quickly and readily understood by the employees and their supervisors. As finally approved, the rating form contained 15 ratings elements, each stated in question form. Under each of these 15 elements there are 3 statements describing levels of work performance related to the element. Each one of these three describes the employee's performance and tells whether it is "weak," "adequate," or "outstanding." The 15 elements are so devised that 9 elements will be used for each of the 3 general occupational levels rated. For instance, the first 9 elements on the form are used to rate unskilled or semiskilled workers; elements 3 through 11 are used to rate skilled workers, while the last 9 elements, 7 through 15, are used for rating foremen, supervisors, and others in administrative capacities. Use of the elements is mandatory, there being no choice of elements on the part of the rater. Ratings are given by the immediate supervisor, reviewed by the next-in-line supervisor, and approved by the civilian personnel officer of the installation. A change in the regulations has been prepared which will delegate authority for final approval of ratings to an efficiency rating committee.

Five possible adjective ratings or over-all evaluations are given which conform to the five ratings used in the uniform system. The markings on the elements are similar to the uniform system, an A indicating plus or outstanding, B, check or adequate, and C denotes minus or weak. The method of arriving at the adjective rating, however, is different from that of the uniform system. A conversion table is given in the instructions from which, depending on the number of A's, B's, or C's, the adjective rating may be obtained. Air Force has an administrative unofficial rating given 30 days after appointment or transfer to another position. There are now approximately 72,000 ungraded employees evaluated under this system.

It is significant to note that there are some differences in the systems under the Air Force and the Army, even though they are now substantially the same and were exactly the same on the date of adoption. The major differences are those: the Air Force rates twice a year while Army rates once a year; also, Air Force provides for special ratings when necessary in lieu of entrance ratings; the Air Force does not now require a written warning in advance of a "fair" or "unsatisfactory" rating, while the Department of the Army makes such warning mandatory. Amendments to the regulations have been prepared which will require an entrance rating, ratings semiannually on anni-

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versary dates, and mandatory warnings to employees at least 30 days in advance of a "fair" or "unsatisfactory" rating.

The Air Force feels that efficiency ratings are a necessary tool of management for the evaluation of employees and a formalized way of making sure that supervision is doing its job. It also provides a formal method for employee and supervisor to discuss and review performance. They regard this discussion of performance as necessary for supervision as well as for the employee. Efficiency ratings in the ungraded service are used for within-wage step promotions. Wage increases may be made to the middle of a wage grade on the basis of a "good" efficiency rating. For increases above the middle of a wage grade it is necessary that an employee have a "very good" or better rating. One salary step demotion is prescribed for a rating of "fair" if the employee is above the middle step of his grade. Dismissal or reduction to a lower grade is prescribed for an "unsatisfactory" rating.

The Air Force has been studying the results of its efficiency rating system and has found that on the whole both employees and supervisors have reacted very favorably to the present system. They feel that it is a system which they can understand and evaluate. The agency feels that some credit—perhaps much of the credit—for the favorable reception accorded the present efficiency rating system is due to the time and effort put in by the agency in indoctrinating employees and supervisors in the theory, regulations, and practical purposes of the efficiency rating system adopted by the agency. No substantial change is contemplated in the regulations as they are now in use other than given above.

*Department of the Army*

Prior to the enactment of the Veterans' Preference Act of 1944, section 12 of which specified that efficiency ratings would be one of four factors used in determining retention preference order, the War Department (as it then existed) had not adopted an efficiency rating system for ungraded employees. Ungraded employees could receive efficiency ratings, and a variety of rating systems were used, including the system prescribed by the Civil Service Commission for employees rated under the Classification Act, commonly known as the uniform system. It was not mandatory that ratings be given. Some installations did not give ratings at all, while others rated as needed. The use of ratings as well as the system to be used was left to the administrative discretion of operating officials.

After the approval of the Veterans' Preference Act, it was clearly indicated to the Department that some form of evaluation of employees not subject to the uniform system was needed if management was to retain its best-qualified people in the coming reductions in force. The Secretary of War instructed the Army Service Forces and the Air Forces (both in the War Department at that time) to devise and develop an efficiency rating system for ungraded employees. Considerable study was given to this matter. The first system, devised by the Air Forces in the fall of 1944, was not wholly acceptable, it being felt that the system as then devised did not meet the needs of all services in the agency. A three-man committee then devoted their efforts to establishing a system for the ungraded employees which would meet with the approval of the Civil Service

Commission and serve the needs of the War Department components. On January 20, 1946, the present ungraded efficiency-rating system was adopted.

The committee made every effort to keep the system simple, easily understood by the type of people which for the most part would be using it, and yet obtain for management a real appraisal of the employees of any given installation. It was the decision of the agency that some form of rating of employees that was uniform in its application and which did a reasonable job of appraisal was an essential tool of management. Rapidly decreasing personnel quotas, changes in management objectives, other problems that faced the Department after the war, had all contributed to the feeling of top management that some form of appraisal of the employees was an absolute necessity.

The committee devised a form which it felt would be fair to management and the employees, quickly and readily understood by the employees and their supervisors. As finally approved, the rating form contained 15 rating elements, each stated in question form. Under each of these 15 elements there are three statements describing weak, adequate, and outstanding levels of work performance related to the element. One of these three is chosen to describe the employee's performance. The 15 elements are so devised that 9 elements will be used for each of the three general occupational levels rated. For instance, the first 9 elements on the form are used to rate unskilled or semiskilled workers; elements 3 through 11 are used to rate skilled workers, while the last 9 elements, 7 through 15, are used for rating foremen, supervisors, and others in administrative capacities. Use of the elements is mandatory, there being no choice of elements on the part of the rater. The new regulations which will go into effect about January 1, 1950, provide for a deviation in the adjective rating where one or more elements do not apply. Ratings are given by the immediate supervisor, reviewed by the next-in-line supervisor, and approved by an efficiency-rating committee. The committee, which is approved by the head of the installation, must be composed of from three to five members with at least one member from the employees rated under the uniform system and one member from employees rated under the ungraded system. The committee reviews and approves all ratings given at the installation.

Five possible adjective ratings or over-all evaluations are given which conform to the five ratings used in the uniform system. The markings on the elements are similar to the uniform system, an A indicating plus or outstanding, B, check or adequate, and C denotes minus or weak. The method of arriving at the adjective rating, however, is different from that of the uniform system. A conversion table is given in the instructions from which, depending on the number of A's, B's, or C's, the adjective rating may be obtained. One salary step decrease is prescribed for a rating of "fair" if the employee is above the middle step of his grade. Dismissal or reduction to a lower grade is prescribed for an "unsatisfactory" rating. There are now approximately 155,000 ungraded employees evaluated under this system.

The only variations from the system of any consequence are the exceptions granted to the Sixth Army and to the Adjutant General's Office, including the Records Center at St. Louis, Mo., to use task statements with written standards. A task statement and standard

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of performance is a description of the duties of a specific position and contains a list of the specific tasks with a statement as to the level of performance which is required for satisfactory performance of each task. In addition, most task statements contain a rating element or task which evaluates the individual in his presence on the job, ability to work with others, etc. Instead of using the element evaluations generally used under the uniform system or the 15 elements provided by the Army system for ungraded employees, the employee is rated on the relatively few task statements appropriate to his job. The Sixth Army has applied this deviation to all of the employees under the Sixth Army, irrespective of whether they are rated under the uniform system or the Department system for ungraded employees.

Since the system was devised, the War Department has become the Department of the Army under the Department of Defense.

The Army feels that this efficiency rating system meets the needs of its administrative officials who have charge of the ungraded employees; that it is simple to use, easy to understand, and that by and large it is serving its intended purpose. On the whole, inspections and follow-ups have shown that the reaction of operating people to the system has been very good. Ratings are given on a yearly basis. The system, as devised, requires an entrance rating, a rating 6 months after date of entrance, and an anniversary rating thereafter. One deviation has been made in the anniversary rating in the case of one large bureau which preferred to retain the annual rating date of March 31.

Under this system, employees have the right of appeal, the regulations regarding appeals being the same for both the uniform and ungraded systems. There is also a mandatory provision in the regulations with respect to a written warning of not less than 30 days or more than 6 months to an employee whose performance indicates that his rating will probably be "fair" or less.

Efficiency ratings are widely used in the Department as a means of discussion between supervisors and employees with respect to work performance, it being mandatory to discuss the rating when given, as a means of evaluation of employees considered for promotion and for the normal uses of efficiency ratings as specified in the uniform system. They also form a basis for step increases within the wage range.

*Department of the Navy*

A system of efficiency ratings for ungraded employees in the Navy Department was originally established in 1925 and continued in use without notable change until June 30, 1945, when the shop efficiency rating system was established. This system provided for numerical efficiency rating but was modified later to provide for adjective ratings similar to those used under the uniform efficiency rating system. The shop system was approved by the Civil Service Commission in accordance with the provisions of the act of July 31, 1946 (60 Stat. 751).

The shop efficiency rating system was designed specifically for rating performance of employees in trades positions where supervisors ordinarily are not concerned with paper work to much extent and usually dislike responsibilities requiring paper work. The agency feels that the rating form is designed in such a way that a

minimum amount of instruction and of rating time is needed for its effective use. Under the system, ungraded employees receive an official rating each 6 months, the rating dates being left to the discretion of the different activities. Approximately 225,000 ungraded employees are presently rated under the system.

Under the shop system the immediate supervisor who controls and is responsible for the employee's work is the rater. The rating passes through several levels of supervision for review and is signed by a higher-level supervisor as a reviewer. The rating may be questioned at any level of the reviewing process. Final approval of ratings rests with a central review board. An optional rating method is provided and is utilized at certain activities whereby a committee of supervisors having knowledge of the employee's work act jointly as the reviewing authority before the rating reaches the central review board. The rating forms used under this system list rating factors which are explained on the forms. The form for nonsupervisory employees has, as rating factors, "knowledge of work," "quantity of work," "quality of work," and "adaptability." The form for supervisors has "use of supervisory and occupational knowledge," "effectiveness in getting work done," "effectiveness in obtaining high-quality work," and "personal characteristics shown on the job."

There are four evaluation levels for each rating factor, each level containing statements indicating degrees of performance. The performance evaluation is made by the rater indicating, through the use of a check mark, the selected level which most nearly describes the performance of the employee. By the use of a special conversion table, an adjective rating is determined on the basis of the number of rating factors marked in the different performance evaluation levels. Five adjective ratings are provided; namely, "excellent," "very good," "good," "reasonably satisfactory," and "unsatisfactory." The system provides that the efficiency rating should be discussed with the employee by his supervisor before he is formally notified of the rating. Agency regulations prohibit the making of a rating less than "good" unless the employee has been advised, either orally or in writing, wherein his performance fails to meet requirements for a "good" rating, has been told how he may improve his performance to attain such a rating, and has been given the opportunity and supervisory assistance needed to make the improvement.

An employee receiving an official rating of "unsatisfactory" is required to be reassigned, demoted, or separated for inefficiency. No adverse action is required for a rating of "reasonably satisfactory"; however, administrative measures are encouraged to bring the employee's performance to a full satisfactory level. Ratings are used formally for reduction-in-force purposes and within-grade pay increases. Other administrative uses, such as promotion and transfer, are left to the discretion of the several activities, but full use of the ratings is advocated by the Department. Other than the optional rating method, the system is uniform for all naval activities.

The Department feels that the shop system is especially adaptable to its uses because it is easily understood by supervisors and does not require much time for them to make accurate ratings. It was indicated that the system had been accepted very favorably by operating people, and about the only objections of any consequence concern one of the rating factors, namely, "knowledge of work,"

which in some quarters had been interpreted to relate to personal qualifications rather than to demonstrated knowledge of assigned work. However, as a whole, the system has been found to work very effectively, and no changes are anticipated at this time.

*United States Maritime Commission*

The Maritime Commission adopted an efficiency rating system for its ungraded employees for the first time in February 1948. In adopting this system for its employees, it gave credit for the development of the system to the Department of the Air Force. Its system is an adaptation of the system in use by the Departments of the Army and the Air Force, there being only slight variations from these systems.

The Maritime Commission's efficiency rating form is self-explanatory. The face of the form gives all information necessary to identify the employee, to explain to him and to his supervisor the five adjective ratings possible under the system, and contains a conversion table which shows what weight is given to the element evaluations. On the reverse side of the form are the 15 rating elements, each with its 3 levels of performance, which is the same as that used both by the Army and the Air Force.

In adapting this form to its use, the Maritime Commission elaborated on two rating elements to point out the adverse effect absenteeism may have on dependability and work schedules, questions 2 and 10. Question 9 on the Army's form pertains to the care, conservation, and maintenance of material, supplies, equipment, and tools. This, and the three levels of performance pertaining thereto, have been shortened by the Maritime Commission to reflect the employee's record for care and maintenance of equipment. The form itself, in addition to containing the conversion table, has been designed so as to readily reflect visually the ratings as given.

The form omits reference to the employee's rights to appeal to a statutory board of review, there being no such rights at the time the form was devised. However, the agency assumes that the personnel office to whom the employee is referred will advise an employee fully as to his appeal rights. There are other differences in the maritime system as compared to the one used by the Department of the Army. The maritime system refers to the 3 groups rated under the 15 elements as groups I, II, and III, instead of groups A, B, and C. Perhaps the most important difference is that it provides for some discretion in the selection of the elements, an administrative officer being able to substitute one element for another if necessary to properly reflect an employee's services. It is mandatory, because of the conversion table, to rate nine elements but some flexibility in the selection of the elements to be rated is permitted by the Maritime Commission. The regulations provide for an adequate and effective training program.

Ratings are given semiannually, on April 30 and October 31, with fixed dates for completion of each step of the rating process to the point that the employees receive their ratings within approximately 6 weeks after the closing date of the rating period.

Provisions have been made for two types of ratings: a semiannual rating, which is a regular rating, and a special rating, should such a rating become necessary. Special ratings may be given to employees

who do not have a rating within the grade or position in which they are serving should it be necessary to have a rating for reduction-in-force purposes or for some other reason where an appropriate efficiency rating is essential. A third rating is permitted when, in the administrative judgment, such a rating is desirable. This rating, called an administrative-unofficial rating, may be made only with the advance approval of the field personnel officer and may not be used for purposes for which official ratings are required.

The Maritime Commission has not laid down any policy with respect to warnings to employees when it is apparent that the employee's service will be less than "good." The regulations are completely silent in this respect.

A survey has recently been made by the Maritime Commission to determine the efficacy of the efficiency-rating system as well as of the reaction of both employees and management to a system. The official who made the survey found that not only were the employees pleased with their efficiency-rating system but that management had likewise found it desirable. The mandatory provisions for interviews with each employee during the course of the rating and the requirements that supervisors discuss performance with employees in specific rather than over-all terms, have been found to be very useful aids to management. The agency believes that the adoption of the present system has filled a need by improving employee and supervisory relationships as well as expediting the work. No changes are contemplated at this time, it being generally felt that the present form, while not perfect, reflects performance of employees very satisfactorily.

#### *The Panama Canal*

The Panama Canal has adopted a craft efficiency rating system designed for rating the performance of employees in craft positions and for supervisors of such employees. Employees are rated 6 months after probationary appointment, 6 months after each change to a position of different service, class, or grade, and otherwise annually on December 31.

Under the craft system the immediate supervisor who controls and is responsible for the employee's work is the rating official. The reviewing official is the supervisor highest in line of authority above the rating official who has personal knowledge of the general performance of the employee to be rated and of the standards of performance of the unit to which the employee is assigned. Ratings are approved by an efficiency rating committee.

The rating form for craft employees provides for four rating factors: "Knowledge of work or trade," "Quantity of work," "Quality of work," and "adaptability," while the rating form for craft supervisors provides for four rating factors: "Use of supervisory and occupational knowledge," "effectiveness in getting work done," "effectiveness in obtaining high quality work," and "personal characteristics shown on the job." Each of these rating factors has five degrees of performance on one of which the employee must be rated. The space for each of these five degrees of performance contains a statement describing the performance necessary for that particular level. A conversion table is used to convert the rating into the adjective ratings "excellent," "very good," "good," "fair," and "unsatisfactory"; the same adjective ratings as are used in the uniform system. Agency regulations pro-

vide that no "fair" or "unsatisfactory" regular efficiency rating shall be made or recognized as an official rating unless advance warning was given to the employee, such warning to be in compliance with the civil service procedures for the uniform system. Efficiency ratings in the Panama Canal craft efficiency rating system are used for reduction in force purposes as well as other uses generally prescribed for the uniform system. Since pay is set on an hourly basis, there are no within-grade pay increases.

*Department of the Treasury*

The efficiency-rating system for ungraded employees of the Treasury Department was approved by the Civil Service Commission in accordance with the provisions of the act of July 31, 1946 (60 Stat 751).

The Treasury Department as such did not have an efficiency-rating system for ungraded employees until after the passage of the above-named act. There were four bureaus in the Treasury Department at that time which had a number of ungraded employees and each bureau head was at liberty to adopt an efficiency-rating system of his own selection, use the uniform-efficiency-rating system, or refrain from rating the employees in any way. Historically, the different bureaus chose different methods of ratings. Specifically, the Mint used the uniform system for all employees, the Coast Guard used a combination of the uniform system and the ungraded system of the Navy, the largest shipyard using the ungraded system of the Navy, while all other yards, field installations, and depots used the uniform system for all employees. The Bureau of Federal Supply (now transferred out of the Treasury) used the uniform system for all of its employees, both graded and ungraded. The Bureau of Printing and Engraving did not use an efficiency-rating system of any kind for its ungraded employees.

After the approval of the Veterans' Preference Act of 1944, the Treasury Department gave consideration to some form of evaluation of employees in order to comply with provisions of section 12 of that act, which provides that veterans with efficiency ratings of "good" or better shall be retained in preference to competing nonveterans. Since all but one of its bureaus, however, were using efficiency ratings the Treasury devoted considerable time to their study and on May 13, 1947, published circular 14, which contained instructions for a uniform ungraded system for the Treasury Department. This supplanted the other ungraded systems in use in the bureaus.

Their first system was patterned after the system used in one of the bureaus, the Coast Guard, for its largest installation. Further study of the matter convinced the Department that it would be well, if possible, to synchronize the ungraded system with the uniform system, using, wherever possible, the same standards, terminology, and concept. Accordingly, considerable study was again devoted to the rating system with the result that the Treasury adopted a very much simplified report of efficiency rating for nonsupervisory ungraded employees, and a similar form for supervisory ungraded employees. In arriving at the new system, a committee composed of representatives from the bureaus affected met and formulated a rating system and pattern. In considering the new system, the Bureau of Engraving submitted the draft of the revised forms and regulations to union committees, division superintendents, and fore-



men in the bureau. Before final acceptance of the system the Department had the bureaus concerned use this system on a trial basis and made such changes as seemed desirable as the result of this trial run. After adoption of the revised forms and regulations, the same union committees, division superintendents, and foremen of the Bureau of Engraving were called in and sat with officials of the bureau in selecting the rating pattern for the positions evaluated, which patterns were approved by them. The definitions for degrees of performance are similar to those of the uniform system, as are the element markings, and over-all appraisals. With this simplification of their efficiency-rating system they provided that the efficiency-rating committees for the uniform system would act on and approve all types of ratings, and any appeals from the ratings which are not adjusted in the agency would be heard by the statutory board of review.

The regulations pertaining to both the uniform and ungraded systems are the same. Entrance ratings and regular ratings are the only two types of ratings which find a permanent place in the employee's file. Unofficial administrative ratings may be made for either system only where essential for advisory needs of rating and reviewing officials, such as when there is a change of supervision during the rating period. January 31 is the rating date for all ungraded employees.

Appeals procedures are the same for the ungraded as for the uniform system and comply with the general regulations pertaining to that system. Warnings prior to "fair" or "unsatisfactory" ratings are mandatory under both systems. Adverse actions based on ratings are the same as they are for the uniform system and require demotion of one step for employees receiving a "fair" rating and a salary above the middle step of the wage range, while an "unsatisfactory" rating requires that the employee be reassigned, demoted, or dismissed.

Generally speaking, the agency makes the same use of the ungraded ratings as it does of the uniform system ratings. Both are used as a means of discussing, at least annually, work performance with employees. Ungraded ratings are used for purposes of step increases within the wage range.

The Department feels that the mechanics of its system are as satisfactory as can be devised to fit the circumstances. It gives a basis for rating performance similar to the basis of the uniform system, appears to be understood by most supervisors, and because of its similarity to the uniform system, requires no additional administrative activity. No serious complaint against the system has been received from employees or management. Only two employees appealed their ratings during the current year. However, there have been some objections to the rating system from a few supervisory employees. Basically, these objections are the same as those made against any rating system. Some supervisors felt that they could evaluate employees in general terms without specifically studying the element factors which are concerned with the job and objected on occasion to evaluating employees in the terms of the elements which are concerned with their positions. The Treasury Department plans to continue its ungraded system on the basis of similarity to the uniform system, and will consider revision of the ungraded system if the uniform system is changed.

Approximately 4,500 employees are now under the ungraded system. In addition, the new Classification Act of 1949 will place approximately 4,000 clerical-mechanical employees under the ungraded system, making a total of about 8,500 employees of the Department who are evaluated under this system. The Department estimates that the clerical-mechanical employees will be rated under the ungraded system for the first time on January 31, 1950.

*Veterans' Canteen Service (Veterans' Administration)*

The efficiency rating system for the Veterans' Canteen Service was established pursuant to the act of August 7, 1946 (Public Law No. 636, 79th Cong.), as amended. The system became partially effective in August 1947, and was fully in effect for the February 1948 efficiency ratings. Under the system approximately 1,400 full-time and 300 part-time excepted employees are rated. The Canteen Service operates 135 canteens with the number of employees in each varying from 3 to 60 people. The employees occupy many various types of positions, such as sales clerk, stock clerk, barber, dishwasher, and cook. Administrative employees directing the Veterans' Canteen Service are rated under the uniform efficiency rating system. The canteen officer and his assistant are rated on standard form 51 by administrative choice. All other employees in the canteens themselves are rated under the Canteen Service system. One of the primary reasons for the establishment of the efficiency-rating system was the need for ratings in case of reduction in force in view of the provisions of the Veterans' Preference Act.

Before the rating system was established, a number of systems used in private industry for rating employees in similar types of positions were studied. However, in view of requirements in this particular service, a new form was designed which would comply with the principles of efficiency rating systems used in other parts of the Federal service. The rating form, titled "Analysis of Service," consists of six rating items, all of which are rated for each job except the last item, titled "Attitude Toward Patients and Other Customers," which is not pertinent to certain positions. Provision is made for three evaluation levels for the rating items; namely, "unsatisfactory," "satisfactory," and "outstanding." Numerical values are assigned to each evaluation level. The values are different for each rating item. All of the numbers in the unsatisfactory column are of a negative value and serve to reduce the total score of the rating. By a conversion table the appropriate adjective rating is determined. There are four final adjective rating levels; namely, "unsatisfactory," "satisfactory," "outstanding," and "superior."

The canteen officer or his assistant serves as the rater, and the rating is reviewed by a committee at a field office which handles the administrative affairs of the canteen. One member of the committee is the auditor or field supervisor who has jurisdiction over the particular canteen and who is familiar with the operation of that canteen. It is required that the proposed rating be discussed with the employee by the canteen officer at the time of its preparation. Efficiency ratings are used for information purposes only; therefore, an "unsatisfactory" rating would not necessarily result in removal of the employee, and a "superior" rating would not necessarily result in a promotion of an employee. The agency believes that the primary value of an

efficiency rating is the fact that it compels supervisors to inform employees as to what the supervisors think of them. It is felt that the discussion, which is informal in nature, will reveal factors which affect an employee's performance, such as faulty equipment, improper working space, inadequate instructions, or misunderstanding of duties. Efficiency ratings are utilized also in analyzing the effectiveness of canteen officers in running their organizations, particularly the effectiveness of training programs. There are no established variations from the rating process as outlined in the operating manual.

The efficiency rating system was designed to eliminate as much paper work as possible from the duties of the canteen officer. The headings of the rating forms are filled in at the field offices. Only six rating items, those believed to be the simplest and most readily understood, are used.

Consideration is being given to revising the system because the canteen people do not like numerical ratings. They have under consideration a plan whereby adjective ratings would be determined on the basis of over-all definitions of performance and not directly on the basis of elements that would be evaluated. The agency feels that the rating items should be improved and the number of items increased so as to fully reflect all of the performance factors that should be evaluated. It is desired to design a form which will not need further explanation or amplification for its effective use by raters. The rating process has stimulated an interest on the part of supervisory employees so that they desire to participate in the design of a new rating form. Because ratings are used for information purposes only, employees have indicated no special interest in the ratings, and only one rating has been appealed since the system went into effect. Under the system written appeals may be filed with the field director, who considers appeals with a committee in his office.

*Uniform efficiency rating system prescribed by the Civil Service Commission*

There are records of efficiency-rating systems in Government departments as early as 1887, when they were required to be used in promotion examinations. Presidents Cleveland and Benjamin Harrison both made efforts to have efficiency ratings made so that advancements to higher-paying positions would be based on efficiency. A committee, appointed by President Theodore Roosevelt in 1905, recommended the preparation of semiannual efficiency ratings. It was not until 1912, however, that any serious attempt was made to provide for uniform systems of efficiency ratings.

By the act of August 23, 1912 (37 Stat. 413, 414), the Civil Service Commission was directed to establish uniform systems of efficiency ratings for all departmental services in the District of Columbia, and heads of departments were ordered to rate employees in keeping with such systems.

Under this authority, the Division of Efficiency of the Commission assisted in planning and installing a rating system in the Division of Dead Letters in the Post Office Department. Shortly thereafter, in 1914, the system was modified and extended to all departmental activities of the Post Office Department.

The Division of Efficiency of the Commission became an independent Bureau of Efficiency by the act of February 28, 1916 (39 Stat. 15),

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and continued cooperative efforts with different departments in the establishment of rating systems.

On October 24, 1921, the President directed the Bureau of Efficiency to "prescribe a system of rating of employees of the classified services of the Federal Government in the District of Columbia." Heads of departments and independent establishments were directed to apply this system to all employees (Executive Order No. 3567).

Section 9 of the Classification Act of 1923 (42 Stat. 1488), authorized the Personnel Classification Board to review and revise uniform systems of efficiency ratings, and established standards for such rating systems. The law required a rating level which must be attained to receive salary advancement within a grade, a rating level to permit retention in the grade without advancement or reduction in pay, a rating level to require reduction in pay within the grade, and a rating level which would require dismissal or demotion in grade. Dismissals, demotions, and pay reductions required by ratings were to be made by heads of departments, subject to the approval of the Board.

By the act of June 20, 1932 (47 Stat. 416), the functions, powers, and duties of the Personnel Classification Board were transferred to the Civil Service Commission, effective October 1, 1932. The following year the Bureau of Efficiency was abolished by the act of March 3, 1933 (47 Stat. 1519), and its property and records were transferred to the Bureau of the Budget.

Section 7 of the Ramspeck Act of November 26, 1940 (54 Stat. 1215), authorized the establishment of independent boards of review to hear and decide efficiency-rating appeals.

Efficiency ratings for employees in the field services were first required by the act of August 1, 1941 (55 Stat. 614), which directed the Commission and heads of departments and independent establishments to apply the efficiency-rating provisions of the Classification and Ramspeck Acts, "as nearly as practicable," to all employees paid under the compensation schedules of the Classification Act.

Efficiency ratings as a factor in reductions in force had been previously authorized by Executive orders, but their use was required by law under the terms of section 12 of the Veterans' Preference Act of June 27, 1944 (58 Stat. 387).

The act of July 31, 1946 (60 Stat. 751), requires Civil Service Commission approval for any efficiency-rating system used for rating employees in the executive branch of the Government, except the Tennessee Valley Authority and the field service of the Post Office Department.

The first efficiency-rating system established under the authority of the Classification Act was developed around a "graphic rating scale." Supervisors made check marks in black ink indicating their opinion of services rendered under different elements or factors on graduated scales. These check marks were reviewed by higher-level supervisors who concurred in the initial marks or indicated differences of opinion by check marks in red ink. The rating forms were then routed to central offices, known as boards of review, where codes were applied to produce a final rating on a percentage basis, specific to two decimal points. These boards of review were also authorized, in their judgment, to adjust ratings to conform to a predetermined pattern of distribution.

This rating system was devised to eliminate the personal element from the ratings. The supervisor did not make the rating—he merely

reported his opinion of performance under a group of factors which applied to the employee's position. The reviewing supervisor did not make or approve a rating—he merely reviewed the initial supervisor's judgment as to performance under the various factors. The board of review did not use personal opinion but merely applied a code of weights to the opinions of the supervisors.

During the 10 years of its use, the graphic scale system of rating was very unpopular. No employee was able to obtain an explanation of his rating from any of his supervisors. Supervisors had difficulty in advising employees how to improve performance in order to receive a better rating. Everyone was suspicious of the results at every rating period.

After a series of conferences with representatives of all departments and independent establishments, the Commission revised the efficiency-rating system in 1935. In every possible way, the revised system was the direct opposite of the graphic rating scale system. Factors were grouped under three headings: "Quality of performance," "Productiveness," and "Qualifications shown on job." Each factor was marked with a "plus" for strong, "minus" for weak, or a check mark if "neither strong nor weak." Numerical ratings were assigned under each heading; 1 or 2 if "excellent," 3 or 4 if "very good," 5 or 6 if "good," 7 or 8 if "fair," and 9 or 10 if "unsatisfactory." The numerical ratings were independent of the factor marks. The final rating was the sum of the three numerical ratings. Adjective ratings were as follows: 3 to 7 "excellent," 8 to 13 "very good," 14 to 19 "good," 20 to 24 "fair," and 25 to 30 "unsatisfactory." There were no definitions. No adjustments were permitted to reach a desired pattern of distribution.

This system also became unpopular because of the absence of any guide lines to indicate what kind of performance was excellent, very good, good, fair, or unsatisfactory. There was almost no basis upon which reviewers of ratings could discover differences of rating standards. Employees soon learned that what was considered as "Good" performance in one department was rated as "Excellent" in a different department.

Numerous changes have been made since 1940 in the rating system for employees in Classification Act positions. Rating elements have been made more specific. Supervisory judgments are reported on the rating elements by the use of symbols designating three evaluation levels. Plus marks now indicate outstanding performance and not merely a show of strength. A check mark signifies adequate performance and not "Neither strong nor weak." Numerical ratings were modified and then eliminated. Final adjective ratings are keyed to the element marks by a definite standard.

The uniform efficiency rating system has been devised by the Civil Service Commission (with the cooperation of the Federal agencies through the Federal Personnel Council), and applies to all Federal employees occupying positions paid under the compensation schedules of the Classification Act.

Ratings are prepared initially by the immediate supervisor, reviewed by higher supervisors, and reviewed and approved by an efficiency rating committee which exercises the authority of the head of the agency. Regular efficiency ratings are made on a standard form which contains 20 factors that are applicable to nonsupervisory positions and 11 factors that are available for administrative, planning, and

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supervisory positions. Only those factors which pertain to the position of the employee are used for the appraisal of that employee's work performance. In a few experiments now being conducted with the approval of the Commission, the work operations or the duties of the position are used instead of the factors listed on the rating form.

After the appropriate factors are selected for a particular position, the especially important ones are shown by underlining. Then a symbol is placed in front of each pertinent factor indicating whether the employee's performance has (/) met, (+) exceeded, or (-) failed to measure up to job requirements. On the basis of these evaluations, a final adjective rating is assigned.

Five adjective ratings are provided: Excellent, very good, good, fair, and unsatisfactory. Each employee is notified of the particular adjective rating assigned by means of a standard form which tells the significance and meaning of the rating and what initial step he may take if he is not satisfied that the rating is correct. Under the uniform plan, the employee has the right to see his own rating form, to know the ratings of other employees of his agency, and to appeal his rating to a board of review.

Up to January 15, 1948, three types of ratings were provided: Regular, probational, and special. Regular ratings were to be made as of March 31 of each year, probational ratings at the end of the tenth month of the probational period, and special ratings when there was no current appropriate rating on record and one was needed for within-grade salary advancement or reduction in force. After the cessation of hostilities, when the size of the Government service was being reduced rapidly, a great many special ratings were made which were based on short periods of service. Consideration of this problem resulted in a change in the uniform efficiency-rating system which eliminated special ratings. Effective January 15, 1948, the system provides for two types of ratings: Entrance and regular. An entrance rating is given when an employee is appointed or changes his position. A regular rating is assigned when the employee has been in his position for 6 months, and annually thereafter on March 31 or in accordance with an agency plan approved by the Commission which might provide a different date or anniversary ratings for individual employees.

Another of the recent revisions of the uniform system incorporates the principle that ratings of "Fair" or "Unsatisfactory" should not be assigned unless the employee was given a warning 3 to 6 months prior to the rating, specifically informing him (a) how his performance fails to meet requirements, (b) how he may improve his performance, (c) that he has the opportunity to bring about such improvement, and (d) that he will receive a "Fair" or "Unsatisfactory" rating if his performance does not improve to meet required standards.

Prior to 1941, an employee who was dissatisfied with his efficiency rating could appeal only to his supervisors who had approved the rating. If any hearing was held, it was before an official, or a board of officials, in his own agency. However, the act of November 26, 1940, authorized the establishment of boards of review to consider efficiency-rating appeals.

This act provided for boards having three members—the chairman to be designated by the Civil Service Commission, one member to be designated by the head of the department, and the third member to be designated by the employees of the department in the manner

determined by the Commission. Employees are entitled, as a matter of right, to a hearing and review of their efficiency ratings. They have the right to be represented, to submit information, and to hear, examine, and reply to information presented by other persons at the hearing.

Boards of review were established and began operating in 1941. At that time, only departmental-service employees whose positions were under the Classification Act could appeal to boards of review. This right was extended, insofar as practicable, to Classification Act employees in the field service by the act of August 1, 1941. Regulations were issued in 1942, whereby field service employees whose positions were under the Classification Act were permitted to appeal in writing even though no boards were established in the field service. The departmental service boards took care of these appeals. The right of appeal was extended to other employees by the act of July 31, 1946, even though their positions were not subject to the Classification Act. This law, however, specifically exempted employees in the field service of the Post Office Department and all employees of the Tennessee Valley Authority. The right of a hearing and review for field-service employees whose positions were not under the Classification Act was postponed until field boards of review were established. In 1948, the Commission appointed chairmen of boards in its regional offices and field boards began to be established. A number of them are now in operation.

Efficiency ratings are used as a basis for within-grade pay increases. Title VII of the Classification Act of 1949 provides for successive salary advancements based on several factors, one of which is efficiency ratings. Ratings of "Good" or better permit periodic salary advancement by successive steps up to and including the maximum rate for the grade. Periodic within-grade salary advancements under the law and regulations are made by departments and agencies without review by the Commission.

Efficiency ratings are likewise a factor in calculating the retention credits which are used in determining the order in which employees are affected by reduction in force.

Reductions in compensation, demotions, and dismissals are actions that flow from efficiency ratings of below "Good" and are subject to approval by the Commission in the cases of all graded and ungraded employees in the departmental and field services, except employees of the Tennessee Valley Authority and the field service of the Post Office Department. Accordingly, specific procedures have been issued, governing salary reductions, demotions, and dismissals by heads of departments based on efficiency ratings. These procedures do not apply to employees serving probational periods.

Under these procedures, the employee is given a written notice, at least 30 calendar days in advance of the proposed effective date of the proposed action, stating (1) specifically what the performance requirements of his position are and how he failed to meet these performance requirements; (2) the nature and date of the proposed action, and, in any case of reduction in pay, the grade and title of the position and the new salary rate; and (3) that he may make a written reply to the agency within a specified period which shall be not less than one calendar week from the date of receipt of the notice, stating why the action should not be taken. The agency is required to

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consider the employee's answer and make such changes and adjustments in the efficiency rating and in the action resulting therefrom as are deemed appropriate. If these procedures are followed, the department's action is approved. In the case of a veteran, the approval is subject to any appeal by the employee under section 14 of the Veterans' Preference Act of 1944. If the employee has appealed his efficiency rating to a board of review, approval is subject to the board's decision on the merits of the rating.

*Approved variations within the uniform efficiency rating system authorized by the United States Civil Service Commission*

The following departments and agencies have been granted authority by the Civil Service Commission to use the uniform efficiency rating system in rating their employees who are not subject to the Classification Act and not, therefore, required to be rated under the uniform system, except under administrative decision of the department or agency concerned:

- Department of Agriculture.
  - Department of the Army—Office, Chief of Transportation, for marine personnel serving on Army vessels.
  - Department of Commerce.
  - Bureau of Mines and Bureau of Indian Affairs of the Department of the Interior.
  - Central Intelligence Agency.
  - Federal Deposit Insurance Corporation.
  - General Accounting Office.
  - Housing and Home Finance Agency for certain of its constituent agencies.
  - International Boundary and Water Commission, United States and Mexico.
  - National Advisory Committee for Aeronautics.
  - Office of Housing Expediter.
  - Office of Selective Service Records.
  - The Panama Canal and the Panama Railroad Company on the Isthmus except craft journeymen and craft supervisory employees.
  - Reconstruction Finance Agency.
  - Securities and Exchange Commission.
  - General Services Administration for all employees except for ungraded employees in the Federal Bureau of Supply.
- Authority was granted by the Civil Service Commission to the following departments and agencies, upon their request, to use lists of tasks or work operations in place of the list of elements on SF 51, "Report of Efficiency Rating."
- Department of Agriculture (now in use in Farmers Home Administration and Forest Service).
  - Department of the Army (for Sixth Army and Office of The Adjutant General, both of whom are rating all employees (graded and ungraded) on task statements, using uniform system in other respects).
  - Department of the Navy—experimental use for scientific and technical personnel in selected naval research activities under Office of Naval Research.
  - Department of Justice—Bureau of Prisons.



Civil Service Commission.  
Economic Cooperation Administration.  
Federal Security Agency.  
Bureau of Old-Age and Survivors Insurance.  
General Accounting Office.

Authority was granted by the Civil Service Commission to the following departments and agencies to rate on the anniversary of the date of entrance in position rather than on March 31 of each year:

Department of Agriculture.  
Department of the Air Force.  
Department of the Army, except Office, Chief of Ordnance.  
Department of Commerce—Bureau of the Census.  
Department of Labor.  
State Department.  
Treasury Department, except Bureau of Accounts and Internal Revenue.

Civil Service Commission.  
Economic Cooperation Administration.  
Federal Power Commission.  
Federal Security Agency.  
Federal Works Agency—Bureau of Community Facilities.  
Housing and Home Finance Agency.  
Commission on Organization of Executive Branch of the Government.  
New York and Chicago regions of the Railroad Retirement Board.  
Veterans' Administration.

Authority to rate on a specific date other than March 31 was granted by the Civil Service Commission to the Bureau of Accounts and the Bureau of Internal Revenue, Treasury Department, both of which will rate on September 30 of each year; the Office of Housing Expediter will rate on June 30 of each year.

Authority was granted by the Civil Service Commission to the Veterans' Administration to rate field station managers on the basis of their contributions to the operation of various programs under their jurisdiction rather than rating on the elements listed on SF 51, "Report of Efficiency Rating."

The real complexities of the uniform efficiency rating system under the various laws are not fully revealed by a narrative description of the system itself. Not only have a number of laws been passed at different times requiring the use of efficiency ratings in connection with a variety of personnel actions, but the Commission has been required to attempt to secure actual uniformity of ratings throughout the Federal service. Under these circumstances the system has inevitably reached a condition of great complexity.

It is believed that the present elaborate procedure for handling appeals of efficiency ratings is not warranted by the small volume of justifiable cases handled. During the year 1949 approximately 1,200 cases were received; of the total number of cases decided by the boards of review, 58 percent of the ratings were sustained and 41 percent were raised. Each year several hundred cases which are received are disposed of without decision by the boards. These include cases which are canceled or abandoned, and many cases which are adjusted or explained by the agencies to the satisfaction of the appellants.

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Many protests have reached the Commission on efficiency ratings. They are one of the greatest causes of confusion and dissatisfaction in the Government service. We are of the opinion, therefore, that the uniform efficiency rating system does not provide an effective means of improving work performance and the competency of the Federal service.

CHAPTER II. RECOMMENDATIONS FOR PERFORMANCE EVALUATION PLANS

NATURE OF THE PROBLEM OF APPRAISING WORK PERFORMANCE

The primary purpose of plans for evaluating the work performance of Federal employees should be to increase the competence of the service. All other considerations should be subordinated to this primary objective.

Evaluation of work performance in relation to job requirements is an integral part of administration and supervision. Those who are responsible for getting work done must make judgments about how well work is being done. Those who are employed to perform work should know how performance compares with the performance expected of them.

Experience has shown that different supervisors are inclined to appraise work performance on various bases. However, the best basis for appraising work performance is the job that the employee fills and the requirements of that job.

How to secure correct appraisals of work performance is an important problem. Attempts to solve this problem have taken several different turns. The method that has worked out best, and which has received most acceptance, is the one that recognizes administrative authority in its practical sense. It relies on the first line supervisor to make the initial and most complete appraisal because he is in the best position to observe an employee's whole performance on a considerable period of time basis. It relies on higher supervisors to review the immediate supervisor's appraisals because they are responsible for reviewing all of their subordinate supervisors' judgments. The appraisals are approved as an agency decision by delegated authority of the agency head, recognizing normal processes of administrative responsibility.

In performance appraisal there are two main forms. Either appraisal of quality and character or performance with respect to which performance is evaluated, or appraisal of qualities of the employee himself with respect to which he is evaluated.

Rating elements have been used in many appraisal plans for measuring both the amount and quality of performance and also for appraising the quality and characteristics of the individual. In the first type the supervisor makes only an observation of the performance in comparison with job requirements. The second type may aim at an analysis of such performance to determine the personal characteristics or nature of the employee.

Of the two kinds of evaluation, those based on performance are usually more acceptable to rating officials and to employees. Employees see a closer relationship between the reported performance and the actual performance, and feel that the area for arbitrary judgment has been narrowed.

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Appraisal of the qualities and characteristics of the employee are not expressed in work terms but in terms of personal attributes.

A system for the periodic appraisal of work performance should keep constantly in perspective its eventual value in use. These values may be broken down as follows: (1) Values to an agency; (2) values to supervisors; and (3) values to employees.

From the standpoint of the agency, periodic appraisals of work performance should reveal how effectively employees do their work and fit into their assignments. An analysis of the appraisals often can reveal the causes of incompetency. The tendency of periodic appraisals is to improve supervisory practices, and to check on the effectiveness of supervisory practices. The appraisals should also provide information useful in determining personnel policies of promotion, assignment, selection for training, and reporting within the agency.

Periodic appraisals of work performance could assist a supervisor in maintaining a smooth running force if they are used as an inventory of his personnel. Subordinates can make suggestions which are valuable for increasing the effectiveness of a supervisor's organization and program.

Employees may be able to estimate how well their work meets the requirements of their positions, and be encouraged to greater accomplishment if the appraisal reveals that their work has been outstanding. They may discover the particular phases of their work in which they are considered weak and the direction in which improvement is advisable.

EMPHASIS ON PURPOSE OF PERFORMANCE EVALUATION PLANS RATHER THAN METHODS OF RATING

Considerable emphasis has been placed on the need of uniformity in performance ratings throughout the Federal service. Experience has shown, however, that uniformity as to form, methods, and procedures does not necessarily bring about desirable results. It is a fallacy to assume that any arbitrary or mechanical system of appraisal of work performance is necessarily correct. Morale is often adversely affected by mechanical rating because no advance understanding of work or standards of performance ordinarily is established. What is needed is the simplest method that will meet the objectives of improving and increasing the effectiveness of the service. The Commission is convinced that the present uniform system of measuring and rating efficiency and reviewing the same is an unnecessarily expensive and time-consuming operation. Accordingly, it is recommending that the present provisions of law requiring such a system be repealed.

Since it is more important to have improved operation than to have uniformity of rating details, it is desirable to stress the purpose to be accomplished by periodic appraisals instead of forms, methods, and procedures. For this reason it is recommended that the statutory authorization for work performance evaluation plans emphasize the purpose of evaluation rather than the method of ratings, and provide considerable latitude for operating agencies to formulate and apply plans that will aid in achieving the desired results. Each agency should then adopt a plan which would be useful in its own administrative program. In formulating its plan the agency should consider what would be practical for its supervisors and employees, and should

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be able to make changes in its plan as conditions and experience warrant.

While there should be considerable latitude for operating agencies to work out the details of performance evaluation plans, there are some fundamental principles which should be observed, such as:

1. Such plans should provide for practical methods of developing, between employees, supervisors, and administrators, a mutual understanding of proper standards of work performance and securing actual performance in relation to such standards.

2. Arbitrary controls of rating judgments are undesirable. Performance requirements and performance results are factual matters and should be expressed and reviewed on a factual basis where possible.

3. Performance evaluations should be made on a periodic basis, at least annually, and should cover past performance and progress. Summary ratings should not be required.

4. Evaluations may permit recognition of outstanding performance, as well as satisfactory performance, and performance that is not satisfactory. A supervisor who evaluates an employee "Unsatisfactory" should be required to state in writing the reasons for the rating, the means he proposes to secure improvement in the performance of the employee, and his grounds for believing that such improvement is likely. The same procedure should be followed when evaluating an employee "Outstanding." The supervisor should be required to make a factual written statement showing in what particular respects the employee's performance has been really outstanding. No written report should be required where the employee meets the standards of performance established for his position.

5. Methods should not be too rigid. Flexibility is desirable in order to arrive at appropriate evaluations under unusual circumstances.

It is suggested that no rigid plan of consultations between supervisors and employees be required, but that the principle of periodic conferences to promote mutual understanding be encouraged where practicable.

In order to secure observance of these principles, and to prevent possible misuse of a particular plan to the detriment of employees, performance evaluation plans proposed by operating agencies should be discussed with, modified when necessary, and put into effect upon approval of the Civil Service Commission. The Commission should also exercise general leadership in promoting the efficiency of the service by encouraging Federal agencies to establish methods of evaluating work performance that may be used by the agencies as a means of improving the effectiveness with which individuals do their work and the effectiveness and economy of the operation of organizational units.

#### RELATIONSHIP OF PERFORMANCE RATINGS TO PERSONNEL ACTIONS

Under existing law agencies are required to use efficiency ratings as the basis for many personnel actions. It is the Commission's observation that this has not increased efficiency nor improved service. Although periodic performance appraisals may provide information useful in determining appropriate personnel policies and later actions, we are of the opinion that summary performance ratings should not be used as the sole basis for any personnel actions.

With particular reference to separation for inefficiency, there is no necessity for a separate procedure to be required for this personnel action on the basis of an unsatisfactory performance rating. If it is determined that an employee's performance is not likely to improve in his present position, and he cannot be satisfactorily placed in another position, the existing procedure for separation on charges should be utilized. It has been our experience that reliance on an unsatisfactory efficiency rating has the effect of slowing down the separation.

Accordingly, it is recommended that all existing statutory provisions requiring the use of efficiency or performance ratings as the sole basis for personnel actions be repealed.

If efficiency or performance ratings are discontinued as the basis for any personnel actions, there will be no need to maintain machinery of the boards of review, but, at the request of any affected employee, one impartial review of any performance evaluation should be provided in each agency. For this reason, the Commission has not recommended appeal procedures in connection with the work performance evaluation plans to be established by agencies for the purpose of promoting the effectiveness and economy of organization units. Good and just administration can accomplish large improvement in this field.

The Commission is recommending no change in the present language of section 12 of the Veterans' Preference Act of 1944 with respect to reductions in force. The whole problem of reduction in force is being given further study and consideration. However, full effect will continue to be given to the preference in retention now provided for veterans.

In addition to requiring the establishment of an efficiency-rating system, section 4 of the act of August 23, 1912 (37 Stat. 413, 5 U. S. C. 648), contained a proviso with respect to retention of veterans in reduction in force. The Commission is of the opinion that this proviso was superseded by section 12 of the Veterans' Preference Act, and this opinion is supported by the legislative history of that act. Accordingly, the proposed repeal of section 4 of the act of August 23, 1912, applies only to the direction that there shall be established a system of efficiency ratings. Section 12 of the Veterans' Preference Act would remain in full force and effect should the recommendations made in this report be approved by Congress.

### CHAPTER III. LEGISLATIVE PROPOSALS

A Bill To authorize the establishment of methods for the evaluation of the performance of work of Federal employees, and for other purposes

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That, for the purpose of promoting the effectiveness with which individuals do their work and the effectiveness and economy of operations of organization units, any agency in the executive branch of the Government is authorized to establish a plan for evaluating the work performance of its officers and employees. Such plan shall provide practical methods (including periodic consultations when practicable) of developing a mutual understanding of proper standards of work performance between employees, supervisors, and administrators, and of securing actual performance in relation to such standards.*

SEC. 2. Plans proposed to be established under section 1 of this Act shall be submitted to the Civil Service Commission for discussion,

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and modification if necessary, and shall become effective only after approval by the Commission. The Commission shall issue general regulations for the establishment, inspection, and modification, if necessary, of work performance evaluation plans.

SEC. 3. Performance evaluations as contemplated by section 2 shall not be the sole basis for any personnel action.

SEC. 4. Upon request of the employee concerned, each agency shall provide one impartial review of his performance evaluation.

SEC. 5. Section 701 of the Classification Act of 1949 (Public Law 429, Eighty-first Congress, approved October 28, 1949) is hereby amended to read as follows:

"SEC. 701. Each officer or employee compensated on a per annum basis, and occupying a permanent position within the scope of the compensation schedules fixed by this Act, who has not attained the maximum scheduled rate of compensation for the grade in which his position is placed, shall, upon the issuance of a certificate of satisfactory service and conduct by the appropriate administrative officer, be advanced in compensation successively to the next higher rate within the grade at the beginning of the next pay period following the completion of (1) each fifty-two calendar weeks of service if his position is in a grade in which the step increases are less than \$200, or (2) each seventy-eight calendar weeks of service if his position is in a grade in which the step increases are \$200 or more, subject to the following conditions:

"(A) That no equivalent increase in compensation from any cause was received during such period, except increase made pursuant to section 702 or 1002;

"(B) That the benefit of successive step increases shall be preserved, under regulations issued by the Commission, for officers and employees whose continuous service is interrupted in the public interest by service with the armed forces or by service in essential non-Government civilian employment during a period of war or national emergency."

SEC. 6. Section 702 (b) (2) of title VII of the Classification Act of 1949 (Public Law 429, Eighty-first Congress, approved October 28, 1949) is hereby amended to read: "(2) No officer or employee shall receive a longevity step increase unless his service and conduct are certified as being satisfactory by the department."

SEC. 7. The following Acts or parts of Acts are hereby repealed:

(1) Section 4 of the Act of August 23, 1912 (37 Stat. 413; 5 U. S. C. 648);

(2) The Act of July 31, 1946 (60 Stat. 751, 5 U. S. C. 669a);

(3) Title IX of the Classification Act of 1949 (Public Law 429, Eighty-first Congress).

SEC. 8. This Act shall not apply to the field branches of the Post Office Department, the Tennessee Valley Authority, the Foreign Service of the State Department, or the Department of Medicine and Surgery of the Veterans' Administration.

SEC. 9. This Act shall take effect sixty days after enactment.

SEC. 10. There are hereby authorized to be appropriated such sums as may be necessary to carry out the provisions of this Act.

SEC. 11. All Acts or parts of Acts in conflict herewith are hereby repealed to the extent of such conflict.