

# ISSUES OF MERIT

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## Drawing Distinctions in Performance and Rewards

*The under-utilization of General Schedule authorities demonstrates lessons to be learned as we move toward pay for performance.*

While many Federal agencies are clamoring for the flexibility of performance-based pay plans, authorities currently available within the traditional General Schedule (GS) appear to be under-utilized. Since pay for performance places more responsibility on supervisors for using cash to differentiate between different levels of performance, agencies should explore why these existing tools have not been used more frequently. Determining what hurdles need to be overcome and how to address them should help supervisors become more comfortable making performance distinctions and appropriately rewarding performance – regardless of the pay system within which they operate.

Patterns of performance appraisal ratings show supervisors typically rate less than 1% of Federal employees as below the “fully successful” level. Is the Federal workforce truly this good? Or have supervisors devalued the term “fully successful” through reluctance to document performance deficiencies

and discuss them with under-performing employees?

Likewise, within-grade increases (WGIs), which are contingent upon satisfactory performance, are very rarely denied. In fact, in FY 2003, supervisors denied WGIs to only 0.09% of employees (that's 9 out of every 10,000). Interestingly, this appears to represent a growing trend as WGI denial has gradually and consistently decreased government-wide in the past 6 years.

At the opposite end of the rating spectrum, the quality step increase (QSI) serves as another tool at supervisors' disposal to recognize sustained high performance. However, its use is relatively limited. Less than 5% of employees received one last year. Given that over 40% of employees in a five level performance appraisal system were rated “outstanding” according to recent data (Central Personnel Data File, March 2003), perhaps more employees should have received QSIs. Many of these employees may have received cash

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

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## DIRECTOR'S PERSPECTIVE

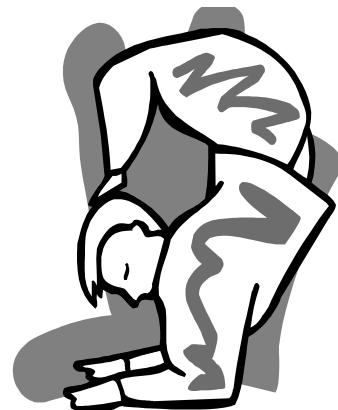
# Hiring Flexibilities in Perspective

*Agencies should make the most of their hiring process before looking to human resource (HR) flexibilities for the answers.*

Agencies frequently emphasize their critical need for hiring flexibilities. Agency leaders feel an understandable – and commendable – sense of urgency about accomplishing their organizational missions. And they cannot do this without hiring the right people, as quickly as is feasible. There is a broad selection of hiring flexibilities from which to choose, and these flexibilities have great promise. But before agencies use these flexibilities – or request additional authorities from Congress – they should ask themselves some questions about their current hiring processes.

**Have we streamlined our overall hiring process?** Hiring flexibilities can speed the hiring process, but they cannot fully compensate for a badly-designed process. For example, Federal Career Interns can be hired without the usual public notice, which can save time. However, overall hiring times will not improve greatly if there are greater opportunities for improvement elsewhere in the process. Eliminating public notice will not eliminate delays upstream, such as extensive review of requests to fill a vacancy, or downstream, such as untimely interviewing and decision making.

**Is timely hiring a priority of management, HR, and other stakeholders?** Hiring flexibilities alone cannot create the sense of urgency essential to timely hiring. If jobs remain unfilled for weeks or months because the organization



seeks to save money by “lapsing” positions, flexibilities are not the answer. If managers let referral lists gather dust in a desk drawer (or languish unopened in an electronic inbox) – that is not the fault of the HR office, OPM, or Title 5. Flexibilities and alternative personnel systems can only create opportunities for faster and better hiring; they cannot change organizational priorities.

**Is our hiring process tightly managed?** It's said that no two snowflakes are completely alike. But should the same be said of how each vacancy is filled? Perhaps not. Manufacturing companies generally do not shorten cycle times, reduce waste, and improve quality by increasing the complexity and variability of the production process. They achieve these outcomes by eliminating unnecessary complexity and variability. This approach can also be applied to the hiring process. The process should be tightly managed so that each step, assessment tool, and hiring flexibility serves a purpose – which leads to the next question.

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# Are You Making the Most of Your Hiring System?

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**Are we using flexibilities selectively?** When it comes to hiring flexibilities, less can be more. To illustrate this point, consider the common practice of “recruiting from all sources” – which is really just using several hiring flexibilities simultaneously. “Recruiting from all sources” looks good on the surface. After all, it’s an easy way to appear “fair and open” and to give the hiring manager a broad pool of candidates. But it can also have unintended consequences: it can confuse applicants, complicate applicant screening and referral, and create an unnecessarily large pool of disappointed applicants.

**Do we have a “game plan”?** Ineffective use of flexibilities may be symptoms of an underlying problem: a poorly-conceived or nonexistent overall hiring strategy. Do we know where our best sources of talent are? Do we know how to market our jobs and our agency to good prospects? Do we know how to identify and select the best applicants? If not, it’s probably too soon to decide which flexibilities to use – let alone ask OPM or Congress for additional flexibility. Flexibilities are not a substitute for planning. In fact, many hiring flexibilities cannot be used without advance planning. For example, the Federal Career Intern Program requires an agency plan and a development plan for new career interns; the Student Career Experience Program requires formal agreements with the schools that will provide students.

**Do we have good “fundamentals”?** Being flexible should not mean relaxing or lowering our standards. Simplifying and accelerating the hiring process should not mean “dumbing it down.” Thorough, rigorous

assessment remains fundamental to recruiting and retaining a high-performing workforce, with or without “flexibilities.” It’s true that a faster, simpler hiring process that utilizes carefully-chosen flexibilities can help us recruit excellent candidates and make a job offer before those candidates are claimed by competing employers. But speed and simplicity are not a substitute for job analysis and valid, effective assessment methods. Flexibilities will be of little use if we have not properly identified the attributes that distinguish excellent candidates from adequate candidates, or we lack the will or the means to measure those attributes fairly and accurately.

These are important questions for us to answer—and not just to demonstrate that we have “gotten to green” by following the most recent set of human capital guidelines. Hiring flexibilities that are part of a thoughtful and well-designed hiring process will still save time in the short term by filling jobs quickly. A quality-first hiring process will save time in the long term as well, by filling jobs with well-qualified employees that will contribute to agency missions throughout long careers. It is worth the additional effort, sometimes even the additional time, to hire new employees that are the best possible match for the unique opportunities presented by each job and each agency.

*Steve Nelson*

Director, Policy and Evaluation

## F CUS ON THE FACTS

### The Forgotten Force: Statistics on Federal Employees with Disabilities

*...In FY 1994, the Federal Government employed 31,860 employees with targeted disabilities.*

*...In FY 2003, the Federal Government employed 25,551 employees with targeted disabilities.*

*...This is a net 19.8 percent drop in the number of employees with targeted disabilities since FY 1994, while the total workforce (including the U.S. Postal Service) decreased by 7.7 percent.*

*Source: Equal Employment Opportunity Commission, “Annual Report on the Federal Workforce, Fiscal Year 2003”*

# What's New at the Board: MSPB E-Appeal and E-Filing Application

From time to time, our newsletter highlights significant Board initiatives. In this issue, we provide information about the Board's continuing efforts to simplify and speed the appeals process through our new electronic appeals program.

In late October 2003, MSPB launched E-Appeal Phase I, an online system for filing initial appeals. Since that time, 960 online appeals (about 1/7 of MSPB's annual initial appeal receipts) have been completed or are in process. Initial feedback indicates that users are very satisfied with E-Appeal.

E-Appeal covers all appeal types including adverse action, whistleblowing, and retirement appeals and can be accessed from MSPB's website – [www.mspb.gov](http://www.mspb.gov). A step-by-step interview process helps appellants walk through the often complex appeal process.

By October 2004, E-Appeal Phase II will allow appellants and representatives for both parties to submit and receive pleadings of all types. E-filers will be able to submit documents in any common electronic format, including word-processing formats. Complete pleadings will be assembled into a single PDF document with sequential page numbers for easy citation.

Electronic filing over the Internet will have several advantages for e-filers compared to filing by e-mail: disclosure of e-mail address only to MSPB; access to context-specific Help text and links; and the option of

entering pleadings online or uploading electronic files. Web-based electronic filing also enables the Board to automate the processing and management of cases, thus improving operational efficiency.

The Board will continue to allow e-filers to submit "hybrid" pleadings, submitted in a combination of electronic and paper forms. The Board will serve copies of electronic pleadings on other e-filers, and e-filers will receive documents issued by MSPB in the form of PDF documents at the e-mail addresses they provide the Board.

For more details about E-Appeal, visit MSPB's virtual library and review the Federal Register notice ([www.mspb.gov/fr\\_log.html](http://www.mspb.gov/fr_log.html)). ♦



## General Schedule Pay Flexibilities

*(continued from page 1)*

awards, but with current awards budgets hovering around 1-2%, it appears unlikely that the monetary value of these awards would provide substantial motivation. This is especially true when rating a substantial percentage of the workforce in the top level means that the money will have to be spread very thinly.

These low rates for denying within-grade increases and granting quality step increases, combined with the notable positive skew in performance ratings, suggests supervisors find the performance evaluation and awards process to be challenging. However, failure to differentiate between individuals (or teams or organ-

izations, depending upon the reward system) seriously undermines many of the goals of a pay system. Since history shows that failure to distinguish between levels of performance and reward employees accordingly has caused dissatisfaction with both the General Schedule and past pay for performance initiatives, it appears that the transition to performance-based pay systems won't be easy or quick. Agencies must understand these issues and correct them before attempting to implement pay for performance within the Federal Government. Otherwise, agencies risk exchanging one pay system for another without correcting the root of the problem. ♦

# Performance Evaluation - From Both Sides of the Table



*Performance appraisal discussions are often met with apprehension on both sides of the table. Now that it's performance appraisal time for much of the workforce, we offer some suggestions on how to make it work better for both supervisors and employees.*

Here are some steps that supervisors and employees can take to make performance evaluations more productive and less stressful. As the table illustrates, performance evaluation is most effective when it is conducted as a joint venture. Supervisors and employees are in this together, even if they sit on opposite sides of the table. And we note that there's no law that says that supervisors and employees can't sit on the *same* side of the table to discuss performance. In fact, sitting side-by-side can lead to better, less adversarial communication.

	Supervisors	Employees
Prepare	<ul style="list-style-type: none"> <li>Keep track of the employee's roles, performance, and accomplishments.</li> <li>Make sure that performance standards and goals are current and relevant, and apply them.</li> <li>Ask the employee for input.</li> </ul>	<ul style="list-style-type: none"> <li>Keep track of your accomplishments – and obstacles you've overcome – throughout the year.</li> <li>Review and understand your performance standards.</li> <li>Provide input.</li> </ul>
Communicate	<ul style="list-style-type: none"> <li>Talk to the employee throughout the year.</li> <li>Give timely feedback. When possible, provide coaching during the game, not after the fact.</li> </ul>	<ul style="list-style-type: none"> <li>Inform your supervisor of your accomplishments throughout the year.</li> <li>Find out how you're doing while you can still "raise your game" or change it.</li> </ul>
Discuss the Big Picture	<ul style="list-style-type: none"> <li>Review strategic goals and objectives and how the employee contributed.</li> <li>Let the employee know how he or she fits in.</li> <li>Make the organization's priorities clear. Talk about the goals, projects, and tasks that <i>really</i> matter.</li> </ul>	<ul style="list-style-type: none"> <li>Let your supervisor know what's happening "on the ground."</li> <li>Discuss how you fit into the organization.</li> <li>Understand which roles, projects, and tasks "add value" – and learn which ones don't.</li> </ul>
Listen	<ul style="list-style-type: none"> <li>Allow the employee to provide his or her perspective.</li> <li>Look for insights into the employee's work and the work environment.</li> </ul>	<ul style="list-style-type: none"> <li>Seek to understand your agency's and your supervisor's priorities.</li> <li>Look at how your work impacts the overall organization.</li> </ul>
Look to the Future	<ul style="list-style-type: none"> <li>Provide balanced feedback.</li> <li>Discuss what the employee <i>can</i> do – not just what the employee could have done.</li> <li>Look ahead to future assignments, challenges, and skill needs.</li> <li>Plan for development – not just "getting the work done."</li> </ul>	<ul style="list-style-type: none"> <li>Discuss what you should keep on doing and what you can do differently.</li> <li>Look for assignments that use your skills to good advantage – or help you build new ones.</li> <li>Seek training and development so that you remain valuable (and marketable).</li> </ul>

# Forty Years of Civil Rights Protections in the Workplace

This year we celebrate the 40<sup>th</sup> anniversary of the Civil Rights Act of 1964. We should pause to remember the origins of this legislation and consider the changes it has brought to pass.

President John F. Kennedy sent the initial legislation to Congress during the civil rights demonstrations and civic unrest of the early sixties. Initially intended only to address racial discrimination, the draft legislation was expanded by Congress to prohibit discrimination based on race, color, national origin, religion and gender. This modification expanded civil rights protections to the majority of American citizens.

President Lyndon B. Johnson signed the Civil Rights Act into law on July 2, 1964. While other provisions address voting, public accommodations, and education, Title VII of the Civil Rights Act specifically prohibits discrimination in employment. Before passage of the Act, executive orders from successive administrations had prohibited discriminatory employment practices by Federal contractors. The Act extended these protections to private sector employers with at least 15 employees. In 1965, employees encountering illegal discriminatory practices began to file charges

with the U.S. Equal Employment Opportunity Commission (EEOC), newly created by the Act, and to seek redress through private lawsuits. The Act also allowed EEOC decisions to be appealed to the U.S. Court of Appeals for the Federal Circuit, which enabled the courts to directly address workplace discrimination.

The Civil Rights Act of 1964 paved the way for other employment legislation in the following decades. Law-makers have expanded protections to older workers and employees with disabilities. More specific legislation has been created to address pay inequities, hiring procedures, and other employment practices. The Civil Rights Act itself was amended in 1991 to include compensatory and punitive damages to the set of remedies available to victims of discrimination.

This body of legislation has removed many barriers to hiring, promotion, and fair treatment of employees. Forty years later we enjoy work environments where employee opportunities and rewards are determined more by individual performance than by membership in a privileged group. These protections began with the Civil Rights Act of 1964. ♦

## Staffing Flexibilities for Hiring Veterans

*The fourth in our series on Federal human resources flexibilities, this chart outlines ways agencies can expedite veteran hiring.*

Flexibility	Description
Veterans Recruitment Appointment Authority (VRA)	Agencies may appoint eligible veterans up through GS-11 without competition if there is no standing register. Veterans are appointed in the excepted service for 2 years and may be converted to competitive service upon successful completion of the program.
Veterans Employment Opportunity Act (VEOA)	This act allows eligible veterans to apply for positions announced under internal merit promotion procedures when the hiring agency is recruiting outside its own workforce.
30% or more disabled veterans	Agencies may give temporary appointments of more than 60 days to qualified 30% or more disabled veterans. The veteran hired may be converted to career or career-conditional status at any time during the temporary appointment.
Disabled veterans enrolled in vocational rehabilitation program	Agencies may enter an agreement with the Department of Veterans Affairs to provide training or work experience to disabled veterans enrolled in VA's vocational rehabilitation program. The veteran is not a Federal employee while undergoing training, however, agencies may non-competitively appoint the veteran upon completion of training.



# Agency Corner: Department of Labor's MBA Fellows Program

The Merit Systems Protection Board speaks to numerous agency representatives and stakeholders every year to identify governmentwide human resource trends in relation to our research agenda. For various reasons, we cannot always include information in our reports about all of the interesting practices we hear about at individual agencies. Therefore, we'd like to introduce a new feature to our newsletter: Agency Corner. Through this periodic column, we hope to share examples of agency practices that can be used to stimulate discussion and further investigation into HR approaches available to meet particular organizational needs.

The Department of Labor's (DOL) "MBA Fellows Program" is an excellent example of a comprehensive agency approach to recruitment. First, DOL conducted a workforce analysis that identified a shortage of employees with business skills. To address this need, Secretary Elaine Chao launched the MBA Fellows Program in June 2002 to attract candidates with business expertise and leadership potential. As part of the program, DOL:

- Conducts outreach to 350 accredited business schools, consortiums, and alumni, professional, and special-emphasis organizations;
- Advertises the positions at a grade higher than entry-level to attract an advanced level of talent;

- Offers candidates financial incentives to make competitive job offers;
- Uses a streamlined vacancy announcement that aptly describes the type of skills DOL is seeking, what the program entails, and how to apply;
- Is automating the hiring process to make it more streamlined and efficient;
- Uses category rating and structured interviews to assess applicants efficiently and effectively; and
- Hires through the Federal Career Intern Program because this appointing authority allows for targeted recruitment and requires developmental opportunities that align with DOL's hiring goals.

Through this far-reaching approach, DOL was able to hire three classes totaling 45 highly qualified, competent, and diverse Fellows, all of whom DOL anticipates converting to permanent positions at the end of their rotations. The MBA Fellows Program is an excellent example of how to use recruitment planning and HR flexibilities to meet agency-specific recruitment challenges.

For more information on DOL's MBA Fellows program, visit its website at [www.dol.gov/oasam/doljobs](http://www.dol.gov/oasam/doljobs). ♦



**...ANNOUNCING...**

MSPB is about to release two studies that will help agencies address their recruitment and hiring needs. First, as the cool, crisp fall air heralds the start of a new school year, it means the beginning of a busy recruitment season for many Federal agencies. Our soon-to-be released report on Federal recruitment practices will provide agencies with tips and recommendations on how to improve their recruitment practices. Furthermore, many agencies are looking to automated staffing tools to help managers recruit, evaluate, and select the best candidates. Our upcoming study on automated hiring will discuss the strengths and weaknesses of automated hiring systems and discuss the types of issues agencies need to consider as they contemplate how to use automation in the hiring process.



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**Director's Perspective.** *Before asking Congress and OPM for additional HR flexibilities, agencies should ask themselves a few questions. (Page 2)*

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**MSPB E-Appeal and E-Filing.** *Look what's new at the Board when it comes to filing appeals. (Page 4)*

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**Flexibilities for Hiring Veterans Quickly.** *Veterans often have the "right stuff" for your job. We describe the many ways you can hire them quickly. (Page 6)*

**40th Anniversary of the Civil Rights Act.** *Celebrate with us 40 years of Civil Rights Protections in the Workplace. (Page 6)*

**Agency Corner.** *As we swing into fall, it's important for agencies to start thinking about their recruitment needs and strategies. Learn how the Department of Labor has used recruitment flexibilities to meet its specific recruitment challenges. (Page 7)*