



SIX STEPS





Everyone involved with the management or operation of a park, conservation, recreation or special recreation agency has a stake in the employee evaluation process. Administrators want to make sure that their employees are outstanding in their job performance. On the employee side, data confirm what workers have long suspected: according to researchers Robert L. Mathis and John H. Jackson, pay decisions account for 80 percent of appraisal uses.

for Improving Your Agency's Performance Appraisal System

In addition to providing guidance for the fair allocation of pay increases, a well crafted performance appraisal system can be a means of gathering information that can inform such decisions as training needs or employee selection and promotion.

Conversely, a poorly crafted performance appraisal system de-motivates employees and sometimes drives down performance. Ineffective performance appraisal instruments – those that are not job related, that have unclear rating levels or that are perceived by employees and managers as unfair – are often seen as a waste of time, or, sometimes, as illegal.

Based on a review of existing research, interviews and consultation with agency administrators, we've developed six steps for developing a pay-for-performance appraisal instrument and a merit salary distribution system that equitably rewards employees based on how well they accomplish job-specific duties.

Step #1: Analyze the Jobs

First, perform job analyses for every job in the agency. For each position, conduct a meeting between the job incumbent (or all incumbents sharing the same job title or similar job titles) and the supervisor to review the existing job description. Reviewing other agencies' descriptions for similar jobs might also be useful.

Once the job descriptions have been reviewed, the incumbent and supervisor brainstorm a list of job domains. Job domains are broad headings that represent major areas of responsibility, such as financial management, personnel management, programming, maintenance or risk management. Usually there are six to 10 job domains for each job. Within each of the job domains, the incumbent and supervisor discuss and identify a list of specific tasks that fully capture the job responsibilities within the particular job domain. Based on previous research and consultations with other recreation agencies, eight to 12 task statements are generally developed for each job domain. These tasks must: 1.) begin with an action verb; 2.) include only one specific task, and; 3.) describe what the employee does. For example, part of a community center manager's job description might include this:

Finance

(one of this employee's domains)

1. Prepare the center's annual operating budget.
(the first of the employee's tasks in this domain)

Step #2: Rate the Job Tasks

Step two is to attach weights for each job task to capture the significance of each task to the overall job.

To accomplish this step, the incumbent and supervisor separately review and rate each task statement on two, seven-point scales. First, the job task's "importance" to overall job performance is rated (1 = low importance up to 7 = highest importance). Next, the job task's "time/frequency" required in the job is rated (1 = performed very rarely up to 7 = performed very often). The values obtained from the importance and time/frequency scale are then multiplied resulting in a total "weight" for each job task.

The incumbent and supervisor meet to review the weights each has independently assigned to the tasks. That meeting becomes a catalyst for conversation, especially when there is discrepancy in the ratings. By the end of the meeting, the supervisor and employee will have arrived at an agreed-upon final weight assigned to each task. Arriving at that final weight invites insightful discussions about job expectations and the significance of each task to the job. Supervisors and employees will walk away with a clear understanding of their job tasks and the importance supervisors' place on these tasks. Researchers William McKinney and J.R. Collins concluded that employees who know their job tasks and the relative importance their supervisors place on them are more likely to accomplish those tasks successfully.

Step #3: Create the Appraisal Instrument

Use the information collected during the job analysis and rating of each job task as the content for the appraisal instrument. Each task statement developed during the job analysis phase serves as an evaluation criterion for the job specific performance appraisal.

Once the content has been identified, an agency must decide the format of the appraisal instrument – ranking vs. rating. Ranking involves rating each employee in comparison to other employees on each performance area. Rating formats, on the other hand, require the evaluator to measure employees on predetermined standards (e.g., below standard, meets standard, exceeds standard) for each task.

Because the job task statements developed in the job analysis phase include descriptions of what the employee does, research suggests it is prudent to use a rating format (see George Milkovich and Jerry Newman's book, *Compensation*, for further details.) Researchers Richard Arvey and K.R. Murphy encourage using a 3-point Likert scale because it has been found to be the most reliable, the easiest for supervisors to complete and the easiest for employees to understand.

Step #4: Train the Evaluators

A crucial, yet often overlooked, procedure is appraiser rater training. Studies have consistently shown that appraiser rater training reduces errors in the performance appraisal process while educating raters on the potential pitfalls, such as leniency, halo, central tendency, and recency errors, that can occur (see, for example, the studies by C.O. Longenecker and L.S. Fink and by I. Schweiger and G.E. Sumners listed at the end of this article). Conduct training sessions to address how to avoid errors and to facilitate a collective discussion among the supervisors on the definitions of the performance scales (e.g., below standard, meets standard, exceeds standard).

Step #5: Conduct the Performance Appraisal Interview

According to human resources expert Dr. Gary Roberts, a large body of research over the last four decades indicates that employee participation in the interview is associated with a variety of desirable appraisal-related outcomes, including appraisal system fairness, appraisal satisfaction, satisfaction with supervisors, appraisal system acceptance and greater acceptance of feedback. To ensure employee participation, provide employees with the opportunity to evaluate their own performance using the performance appraisal instrument. Their evaluation can then be discussed and compared with the supervisor's ratings of the employee. The final outcome of this meeting will be an agreed-upon rating for each task statement, understanding that the supervisor, ultimately, will determine the rating for each task.

Once an agreed-upon rating has been determined for each task statement, the previously established weights for each task statement can be applied to determine a final percentile score for each employee. Integrating the weights requires:

1. Multiplying the score of the task (e.g., "1"=below standard, "2"=meets standard, "3"=exceeds standard) by the weight of each task;
2. Determining the total points possible (the sum of each task's weight multiplied by the highest score on the scale used), and;
3. Dividing the total possible points by the total points earned by the employee to obtain a final percentile score.

The result of this process is a final percentile score for each employee in the agency although each employee has been rated on a job-specific performance appraisal instrument. To assist with the calculations, it is recommended that the agency consider developing the appraisal instruments with spreadsheet software, such as Microsoft Excel.

Step #6: Administer the Pay Increases

With the percentile scores for every employee in hand, the agency must administer pay increases in a manner that encourages and effectively recognizes meritorious job performance. To successfully administer pay increases, writers George Milkovich and Jerry Newman contend that an agency must consider the following elements:

- Pay differentials,
- The use of forced distribution, and
- Pay adjustment matrices.

Pay Differentials

Pay differentials refer to the pay increase, often a percentage, corresponding to each level of employee job performance. When determining pay differentials, agencies should ask themselves two questions:

1. How much do we pay the employees who are below standard, meet standard, and exceed standard?
2. Is the pay increase difference between performance levels meaningful to employees?

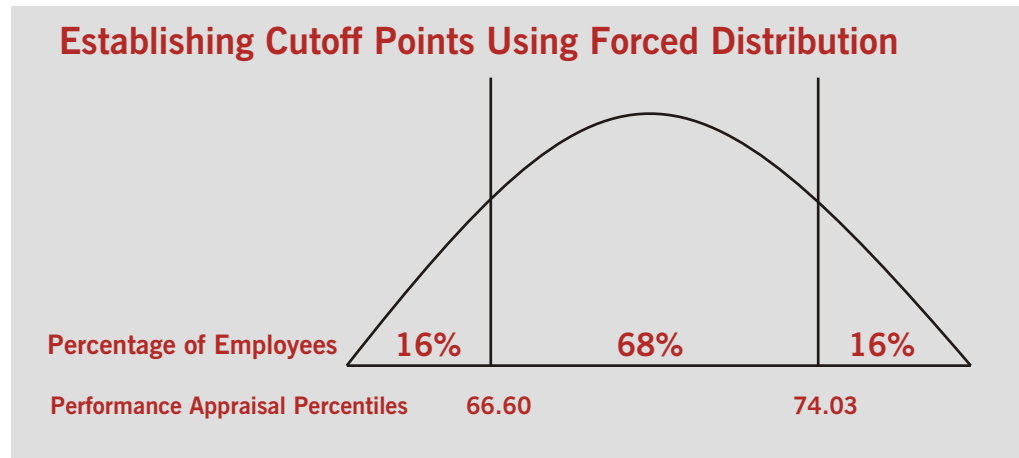
In answering these questions, organizational and psychological studies by Richard Arvey and K.R. Murphy and by David Katkowski, Gina Medsker and Robert Pritchard have identified that approximately a six to eight percent annual pay increase is recommended for the highest performers and three percent pay increases are needed between each of the levels of performance to be perceived by employees as meaningfully different.

Forced Distribution

The next element in administering pay for performance increases is to consider the use of forced distribution. According to researchers Robert L. Mathis and John H. Jackson, forced distribution, in its simplest form, represents a method for distributing employees' percentile scores along a bell shaped curve. Work by University of Colorado at Denver Management Professor Wayne Cascio shows how forced distribution enables an agency to identify cutoff points for the various pay increase levels while eliminating the problem of employees clustering at the top of the distribution, at the middle or at the bottom. Further, a research team headed by Orna Guralnik concluded that the use of forced distribution is also helpful when pay increase budgets are limited for an agency. This is appealing within the public sector, particularly for park, conservation, recreation and special recreation agencies, as pay increase budgets are often predetermined by boards or councils and are typically limited to a percentage of the overall personnel budget.

To implement forced distribution, the percentile scores obtained from the performance appraisal instruments are standardized and placed into a bell shaped curve. Cutoff points are then established within the curve to create the performance levels. The number of cutoff points established depends on the number of performance levels identified by the agency. The figure that follows uses three performance levels ("below standard," "meets standard" and "exceeds standard") and a standardized bell shaped curve to distribute pay increases. Based on the figure, 16 percent of the employees would likely receive a six to eight percent merit salary increase, while 16 percent would likely receive no merit salary increase. The cutoff

points, established through forced distribution as the difference between the 66 percent and below job performance score (low) and the 74 percent and above job performance score (high), account for the differences in the employees' merit salary increases.



Pay Adjustment Matrices

In addition to improving employee motivation and productivity through the use of pay differentials and forced distribution, the agency must be concerned with operating in a cost efficient manner. Issues such as red lining of employees who have exceeded the salary range for their positions must be addressed. In addressing this issue, as well as other cost control issues, textbook authors Robert L. Mathis and John H. Jackson describe how agencies have adopted pay adjustment matrices. Pay adjustment matrices safeguard employees' movement through the pay range by basing pay increases on an employee's performance rating and an employee's current position in the pay range. Thomas Bergmann and Vida Scarpello, in their text, *Compensation Decision Making*, show how an agency can develop a table that includes the various pay increase percentages that are dependent on the employee's current position in the pay range and his or her performance rating. The result of this pay adjustment matrix would be a pay increase system that safeguards the red lining of employees while controlling costs for the agency.

Despite the utility of a pay adjustment matrix, the issue of fairness should be considered. Although two employees may receive equivalent performance appraisal ratings, an employee at the top of the pay range will receive a smaller percentage pay increase compared to an employee at the bottom of the pay range. In addressing this issue, Bergmann and Scarpello urge agencies to construct the matrix to show how pay increases relate not only to the level of employee performance but also to the position the employee occupies in his or her pay range. An example of a pay adjustment matrix is provided in the figure on the next page. For example, an employee making \$40,000 annually at the bottom of his or her salary range would receive a seven percent pay increase for performance that exceeds standards or a \$2,800 raise, while a similarly performing employee who is higher in the pay range making \$57,000 annually would receive a five percent increase, or a \$2,850 raise. The absolute amount is similar because of the employees' positions within their existing salary range.

Sample Pay Adjustment Matrix

Position in Pay Range	Top Third	0%	2%	5%
	Middle Third	0%	3%	6%
	Bottom Third	1%	4%	7%
		Does Not Meet Standards	Meets Standards	Exceeds Standards
		Performance Appraisal Rating		

Stepping Up Your Performance Appraisal System

Improving employee performance is one of a manager's most important and challenging responsibilities and one that is magnified in the service-oriented field of public parks and recreation as budgets become tighter and personnel play a central role in determining the agency's success. Pay for performance appraisal systems strive to address issues of employee motivation and productivity by accurately recognizing and rewarding employee job performance. Furthermore, well-designed appraisals that evaluate employees on job-related criteria and effectively recognize pay for performance have the potential to diffuse issues of equity and fairness among employees.

If your agency's employees and managers view your current performance appraisal system as unclear, unfair or illegal, perhaps these six steps will lead your agency toward a more useful employee evaluation experience.

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