

Few employees denied step increases for poor performance

By STEPHEN LOSEY | Last Updated: March 22, 2011

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Does job performance play a factor in employee raises and step increases?

Unions defending the General Schedule say yes.

But the latest numbers say clearly no.

Only 737 out of more than 1.2 million GS employees — or one in every 1,698 — were denied a regularly scheduled step increase and accompanying raise in 2009 because of poor performance, according to data provided by the Office of Personnel Management at Federal Times' request.

That equates to a 0.06 percent denial rate, which is far lower than any estimates given of how many poor performers exist in the work force. OPM estimated in 1999 that poor performers make up approximately 3.7 percent of the federal work force. A 2000 survey by the Merit Systems Protection Board found that 14.3 percent of federal employees were judged by co-workers to be performing below reasonably expected levels.

In a 2010 governmentwide employee satisfaction survey, only 36 percent said they thought differences in performance among employees are recognized in a meaningful way. Only 35 percent said they thought promotions in their work unit were based on merit.

As low as it is, the 0.06 percent rate of denied step increases in 2009 is the highest rate in recent years. OPM statistics show that between fiscal 2004 and 2008, the number of employees denied step increases each year varied between 556 and 696 — or between 0.04 percent and 0.05 percent.

Each grade under the GS system has 10 steps, and every one, two or three years, employees are eligible for a step increase and accompanying pay raise until they reach their grade's top level. Raises vary between 2.6 percent and 3.3 percent.

These figures are likely to embolden critics of the current federal pay system who argue that federal pay and promotions have no link to employee job performance.

Defenders of the GS system say that step increases are not automatic, and that managers have authority to deny them to poor performers. They oppose new pay-for-performance systems intended to make it easier to withhold pay raises to unsatisfactory employees.

"These step increases are tied to performance," Colleen Kelley, president of the National Treasury Employees Union, said at a March 9 hearing on federal pay. "The General Schedule is a structured system. It has both merit and market-based components. Within-grade and career-ladder promotions are subject to merit standards. Non-performers can be denied merit pay increases."

Responding to these figures, NTEU said managers are responsible for evaluating employees and deciding whether to withhold step increases, and if the process is failing, managers should be better trained.

"Any mismanagement of that process should be corrected through increasing supervisor training," Kelley said in a statement. "If managers currently have trouble with the GS system, it does not make sense to go to a more subjective system. That would only exacerbate the problem."

John Palguta, vice president for policy at the Partnership for Public Service, said the problem goes far deeper and probably can't be fixed by beefing up supervisor training.

"There's nothing in history that suggests anything will turn this around," Palguta said. "We're talking decades' worth of experience where we see these types of numbers. If after decades of experience, it's still way below 1 percent, that tells you the within-grade increase system ... isn't seen as a useful tool" for performance management.

Palguta said federal managers are too often tied up in bureaucratic knots and roped into lengthy challenges and appeals — which could take half a year or more to resolve — when they try to deny pay raises.

"For a lot of managers, it just isn't worth the hassle," Palguta said.

He noted that even employees who were denied step increases in past years still got pay raises when Congress passed increases to the GS pay scales. Those pay scale increases are frozen in 2011 and 2012.

Chris Edwards, an analyst at the libertarian Cato Institute and a vocal critic of the government's pay structure, said the statistics show managers don't want to "rock the boat" and cause strife.

"The easiest thing in the bureaucracy is to give a step increase each year and not worry too much about poor performance," Edwards said. "Managers and agencies will often play 'hot potato' with poor performers and ship them around."

Surveys of federal workers consistently show sizable dissatisfaction with how poor performers are held accountable. In the government's 2010 work-force survey, less than 31 percent of respondents felt their work unit took steps to deal with a poor performer who cannot or will not improve. Almost 42 percent said the opposite was true.

OPM Director John Berry last week said he wants to overhaul the government's performance review and rating processes, which he said are seriously flawed and "suspect."

The federal government fired 11,275 employees for misconduct or poor performance in fiscal 2009.

The government's largest experiment with a pay-for-performance system — the Defense Department's National Security Personnel System, which covered more than 200,000 employees at one point — showed a bigger rate of employees not getting raises. In 2008, 0.2 percent of employees were denied raises, a rate that is roughly three to four times higher than under the GS system.