

PERFORMANCE APPRAISALS APPLIED TO THE
LOCAL GOVERNMENTAL SETTING

by

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ABSTRACT

This analysis is concerned with the topic of performance appraisals in the public sector.

Specifically, the use of performance appraisals by large units of local government (50,000-250,000) is compared with the use illustrated by small units of local government (1,000-10,000). Variables for purposes of comparison are developed from a comprehensive literature review. A primary survey instrument is also utilized.

Results of the research indicate that there may not be as great a difference between the two classes of government (large and small) with respect to use of performance appraisal systems as is suggested by the traditional data available on this topic.

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INTRODUCTION

The ability of a public organization to survive and be a productive unit depends on many different variables. "Although many factors affect this outcome (organizational success or failure), few seem to be as important as the performance of the organization's workforce."¹ All too often this aspect of organizational development is ignored or administered on a low priority basis. In doing this, the organization is not allowing itself to maximize its productivity by fully utilizing the resources of the available workforce.

Therefore, it is obvious that organizations need to place a greater emphasis on designing and implementing systems to evaluate the individual worker's performance so as to improve organizational performance as a whole. This concern with the use of formal performance appraisal systems is the focus of the following analysis.

CURRENT INFLUENCES

Recent developments in local government have made the effective use of performance appraisals even more important than was the case in the past. Local government is finding itself in the unenviable position of being asked to perform an increasing number of services with decreasing levels of resources (or revenues).

The decline in revenues being experienced by many local governments can be attributed to many different factors. One example of this is the reduction and eventual abolishment of Federal Revenue Sharing. This leaves the local levels without a substantial amount of revenue that had come to be heavily relied upon in the past. Another problem is that there has been a trend over the past few years for people to move out of the urban areas, which of course means a loss in tax base for local governments if these tax payers aren't replaced. Also, it can be seen that when these tax payers are replaced, it is by a population of residents who are in a lower income bracket and can't afford to pay the same taxes that the former residents were paying. Additionally, these lower income residents generally require more services.

Still another problem area for local governments in regard to declining revenues is the fact that interest rates have fallen sharply in the last two fiscal years. This is an extremely important fact because many municipalities have grown reliant upon the interest income generated from their investments. This tremendous decline in the interest rate translates into a substantial loss in revenue for certain local governments.

At the same time that local jurisdictions are experiencing losses in revenue, they also are being exposed to certain factors which have caused expenditures to increase dramatically. Examples of this would be things such as increases in general operating expenses, and increases in liability insurance coverage. This last problem, that of

the rising cost of insurance, can be seen as one of the single greatest problems faced by local government today.

The end result is, as stated previously, local governmental units have to learn to become more effective and efficient to meet the demand of supplying more goods and services with less resources, while at the same time achieving organizational goals. This will require a complete review of all aspects of each local unit so the appropriate actions can be taken to "streamline" the various processes associated with the delivery of public goods and services.

Since performance appraisals are or at least should be directed toward increasing the individual worker's performance and thus, the efficiency of the organization as a whole, the numerous aspects that performance appraisals are concerned with are sure to be addressed within this overall review of local government. Hence, a clear understanding of the elements of "performance appraisal" will become increasingly important for local governmental units.

The following analysis attempts to examine the many issues involved with performance appraisal systems. In doing so, it should be possible to identify potential solutions to the various problems which plague these systems. This knowledge can then be used to improve the performance appraisal process as a whole.

LITERATURE REVIEW

TRADITIONAL APPRAISALS

The evaluation of a worker's performance is not by any means a new concept in managerial functions. Appraisal of performance is inherent to organizational life. Before the 1900's, evaluation of a worker's performance was merely an informal opinion of perceived performance based on a supervisor's observations of work habits.

But, as large-scale organizations began to mature and apply the concepts developed by Frederick Taylor, demands began to emerge for a more systematic way of evaluating the performance of individual workers. During the 1920's and 1930's, these demands led to the emergence of systems and techniques for the appraisal of employees.²

Also, this concern with performance appraisals can be seen as a direct result of the early 1900's reform movement that took place on all local governmental levels. "The establishment of civil service commissions, electoral initiatives and recall protections, and the council/manager form of government were key results of the reform movement."³ These developments were in direct response to the corruption that was so prevalent in local government at the time. The basic intent of these first performance appraisal instruments was to remove the political element from the personnel decision making process. This type of development was typical for this period as it

was believed that this would provide certain protections for the individual worker.

Traditionally, the early performance appraisals were geared toward linking performance levels to a corresponding compensation level. However, certain developments have changed this role of the appraisal process to a great degree. The growth of unions is one of the major influences in this area. "Instead of using pay-for-performance concepts, union contracts increasingly called for uniform negotiated wage rates and compensation linked to seniority."⁴ This led to the expanded use of performance appraisals for other personnel practices, as will be shown subsequently in this analysis. Also, the increase in the size of organizations as well as the changing and developing structure of industry itself can be seen as a major influence in the evolution of performance appraisals.

Presently, there seems to be a new emphasis being placed on performance appraisals. "Authors and academicians urge managers to be less concerned with measuring employee performance and more concerned with affecting employee performance."⁵ This gives rise to the questions of what are performance appraisals actually used for and what are the various issues associated with this use?

ELEMENTS ASSOCIATED WITH PERFORMANCE APPRAISALS

First of all, it is obvious that the types of decisions made as a result of a performance rating can have a dramatic effect on the future of an employee's career. These would include most aspects

associated with personnel decisions such as who to hire, promote or transfer. Also, training and pay increases can be based on performance appraisal data as well as disciplinary action and even the decision whether or not to terminate an employee. "In short, appraisal serves as a key input for administering a formal organizational reward and punishment system."⁶

Performance appraisal data can also serve as a basis for job related behavior change. Employee development through the appraisal process can be very successful if handled in the correct manner. Also, the data gathered from an appraisal process can be used to provide constructive feedback to the employee. The obvious benefit here is that an employee can't improve himself/herself unless they know where their strengths and weaknesses are. However, it should be pointed out that this aspect of performance appraisal data gathering procedures is often overlooked due to the threatening manner in which an appraisal can be and often is conducted. But still, it has been illustrated that: "Receiving meaningful feedback and acting upon it is a motivational experience for the subordinate. Thus, appraisals can serve as vehicles for personnel development and as a basis for realistic career path planning."⁷

Another use of the performance appraisal process, though not as commonly used as the above-mentioned processes, would be for strategic planning. Gary P. Latham states that one of the problems of using performance appraisals for this procedure is that, first of all, the appraisal has a negative connotation associated with it that elicits

such thoughts as mountains of paperwork and "drudgery." Second, he states that the use of performance appraisal for shaping the future of an organization is further burdened by the view that the process is geared to what has happened in the past. In his words: "Performance appraisals are often viewed as retrospective in nature because the emphasis is placed on what has occurred in the past."⁸ Despite these problems that must be overcome, Latham still feels it is worthwhile due to the great potential for a positive impact that appraisal data has in this area of organizational development. Continuing with Latham's line of reasoning, we can clearly see the persuasive argument he makes for his belief that performance appraisals should be used in the strategic planning process. "Yet the success or failure of a strategic plan rests, in large part, with top management's ability to properly identify the key actions that must be performed to formulate and execute the necessary steps leading to the attainment of the organization's long-range goals."⁹ It is through the appraisal process, Latham argues, that the necessary information to plan to meet the organization's goals must be gathered. "Thus performance appraisal should be the process through which the critical job behaviors of the management are identified, the specific objectives of each individual manager are set, and the step or resources needed to attain each of them are agreed upon."¹⁰ (The distinction should be made here that the above-mentioned use of performance appraisal is directed toward mid to upper management levels and not the average employee as were most of the previously mentioned uses.)

While many of the uses of the data gained from a performance appraisal process have been reviewed, as of yet the different types of performance appraisal systems have not been analyzed. However, before this is done, it would be useful to analyze the basic requirements of any performance appraisal system, regardless of the methods involved with the use of that particular system.

BASIC REQUIREMENTS

First of all, an appraisal system should be relevant to the job it is measuring.¹¹ In other words, the system should only measure those behaviors that are associated with the actual job performance it is supposed to be measuring. Behaviors and activities not directly related to job performance should be excluded from the process.

Another basic requirement of any performance appraisal procedure is that it should be accepted by the users of the system. If it is not perceived as a fair, accurate system then, as stated by Wayne F. Cascio, "Unless those affected regard the appraisal system as valid and fair they will beat the system."¹² Thus we see the importance of having the users of a system view it as fair and accurate because if they don't, the system could be subverted by the ratees and thus, would be completely ineffective. This is a common problem that can be seen in many areas of the appraisal system. An example of this is illustrated by Jone L. Pearce while measuring the effects of federal merit pay. She states that studies have found that "as perceived by affected employees, the new performance appraisal system (established

under the Civil Service Reform Act of 1978), does not effectively measure performance and therefore does not serve the purpose of the merit pay program to link pay to performance."¹³ Perceptions such as the one found by Pearce are sure to reduce the effectiveness of any appraisal system.

The next basic requirement of any appraisal system that will be dealt with in this analysis is called "practicality."¹⁴ This is simply the idea that the people who are doing the appraisals should be informed of the importance of the data gathered from them. If the supervisor sees the system as only a mundane, useless task, then the effectiveness of the system is sure to suffer. Also, the system should not become a burden that interferes with day to day operations.

Still another requirement would be called sensitivity.¹⁵ An appraisal system must be able to discriminate between good and poor employees. If it is not able to do this, then the whole reason for conducting an appraisal will be defeated.

And finally, a performance appraisal system must be reliable.¹⁶ If two different raters rate an employee the same, using the same measurement instrument, then there would be a good chance that the instrument has a high level of reliability. The problem occurs when the ratings of an individual become inconsistent from one rater to another. When this happens, the organization doesn't know which rating is most accurate and the data collected are all but useless. The system must be reliable in order to be of any benefit to the users of the appraisal tool.

Now that some of the basic requirements of any performance appraisal system have been reviewed, an array of the specific kinds of performance appraisal systems used can now be analyzed so as to try to come to a better understanding of what exactly is "performance appraisal," and which types of systems best meet the basic requirements that have been mentioned previously.

TYPES OF PERFORMANCE APPRAISAL INSTRUMENTS

One of the most common types of appraisal systems used is called the essay system. In this system, the employee is given a numerical score for his/her perceived performance level. Then, the evaluator has to complete some structured sentences that lead or direct him/her to a specific rating level. The numerical system is much like the essay type except that with the numerical system, there are no pre-fabricated questions to be completed. Here, the employee's performance rating is based solely on a numerical score.

The "objective" method of performance appraisal is extremely popular in the private sector where output is the most important factor in most cases. The employee is simply scored on the amount of output produced in a certain, specified amount of time. Again, this system is most commonly associated with the private sector, but is slowly coming to be used in the public sector where the output of certain types of jobs could be measured in this purely "production level" fashion.

Another commonly used type of performance appraisal instrument involves the examination of critical incidents. In this type of a system, the rater observes the actual performance of an employee and compiles a log of critical incidents of job performance that occur, both good and bad. The job description is often used as a way of identifying exactly what the major components or "incidents" of the job are. By keeping a log of these behaviors, with times and dates included, the evaluator is supposedly making a strong case for justifying any particular rating. Also, this method is good for counseling because it focuses on the actual performance of a job instead of traits that are supposedly indicators of job performance.

Still another kind of performance appraisal system used is called the paired comparison system.¹⁷ In this system, it is simply noted how many times one employee is chosen over another. Then, corresponding numerical scores are given to the respective employees (i.e., a high score for the one being chosen over the other employee). However, in this system, few dimensions are used which makes the accuracy of the system highly suspect. Validity of the system is also hard to establish.

There is also a vast category of appraisal systems that fit under the heading of rating scales. An example here would be called BARS or Behaviorally Anchored Rating Scales. Two others are the forced distribution technique and the forced choice technique. These last two will be dealt with more in greater detail.

First of all, the forced distribution technique assumes that there are always a certain number of "good" employees as well as "bad" employees. So, in this case, the evaluator is instructed to allocate a definite percentage of the employees to each different point on the rating scale. This belief in a normal distribution of good and bad employees requires the evaluator to use a bell-shaped curve to accurately disperse the employees along the scale. The forced choice technique is like the forced distribution technique in the sense that it doesn't give the evaluator that much freedom in how the ratings are dispersed. With this method, the evaluator is given a set of four descriptive adjectives about job performance and then is required to pick the one that is most like the employee being rated and also, the one that is least like the employee. Again, this binds the evaluator to act within certain boundaries.

Narrative evaluations are typically used to evaluate managerial and professional level employees. The evaluator simply responds to open ended questions about the employee's job performance. Since the evaluation isn't tied to any specific categories or traits, these evaluations then can be very useful in counseling and developing the employee.

Management by Objectives has become increasingly popular as a performance appraisal tool in the past few years. "Studies of MBO success generally focus on three aspects of the process: Implementation and support, goals and goal setting and feedback."¹⁸ With this process, a supervisor and an employee identify together

exactly what the person's job entails. This must be agreed upon by both parties. Then, goals are set to be attained in the coming year which include performance standards that are reviewed at the end of the year by both the subordinate and his supervisor. A follow-up feedback period is used for purposes of re-evaluation. This type of an appraisal system is generally more complicated and time consuming than the other systems that have been reviewed in this analysis. While this method is good for upper level employees, one of the main constraints on the system can be seen as the following: "Also, many failures (of MBO systems) seem to be due to the expectations of immediate short-run results, accompanied by unwillingness to make the long-run commitment necessary for development of an effective MBO program."¹⁹

Coaching "type" performance appraisal systems can be seen as adaptations from the MBO systems. These coaching methods involve the supervisor/manager working with the employee to set goals and objectives that include performance targets. Checkpoints to evaluate progress are made and again, there is consultation or feedback between the two parties at the end of the period. Like MBO, this system has become popular in the recent years due to the interaction between the worker and his/her supervisor. It is this interaction which is supposed to reduce the fear of the employee to the whole performance evaluation process.

The evolution of these last two approaches, that of MBO and Coaching, can be attributed to the influence of a particular

organizational theory that has become quite popular in recent years. This theory is referred to as Organizational Humanism, or more commonly, New Public Administration. By analyzing this theory in greater depth, we should be able to show how the emergence of such a theory could influence and spawn the development of personnel tools that take into consideration the wants, concerns and desires of the individual as does the coaching and MBO approaches to performance appraisal.

NEW PUBLIC ADMINISTRATION

The New Public Administration Theory is based on the premise that the individual can and does make a difference within an organization. Since individual feelings and beliefs are taken into consideration, within the context of organizational goals, it can be seen that there is a normative bias in this body of theory that can be stated as "individuals count."

New Public Administration also sees organizations as de-humanizing and alienating for most people. There are two reasons for this. First of all, the philosophy of our society is to let everyone participate in the decision making process. This belief in democratic decision making can be destroyed as soon as an individual arrives at work and finds himself/herself under a hierarchical form of control. This is not consistent with our beliefs and thus, alienates us. Second, the basic normative belief that democracy is good, no matter what the consequences, serves to further alienate us from any form of

hierarchical organization. Here, democracy is seen as an end itself, regardless of the consequences of the democratic process.

In keeping with New Public Administration's emphasis on the individual, it would be appropriate to discuss what these theorists believe actually motivates people and thus, increases their productivity and efficiency. Maslow's hierarchy of psychological needs is often used to explain what motivates people. There are five levels to this needs hierarchy which are as follows:

1. Physiological – food and shelter
2. Safety – freedom from harm and deprivation
3. Love – social needs
4. Esteem – recognition by others
5. Self-actualization/self-realization

The basic idea is that these needs or levels must be satisfied in the order of one to five, starting at one. Once this level is met, then it is the next level which will motivate a person. Important here is the fact that the upper two levels, four and five, are desirous of participation in decision making. So, the New Public Administration theorists would argue that once a person satisfies the lower three levels, these wants and needs won't be motivators any more. In order to motivate a person beyond a certain point or stage of development, you must allow them participation in decision making which will facilitate their efforts to reach the ultimate need of self-actualization, keeping within the context of organizational goals.

This topic of motivation is also related to Barnard's informal organization which is viewed by the New Public Administration theorists as being extremely important. It is felt that this organization is an effective motivator of people. They realize that informal, "personal" relationships can be very efficient, effective means by which to obtain organizational goals.

The Hawthorne Studies can be used to further explain the New Public Administration approach. These studies found that it was not the environment which motivated people, and increased productivity, but rather it was the attention that the workers received from the researchers.²⁰ So, the fact that the experiments were contaminated by the researchers actually gave rise to the finding that people like to have input and feel involved in the work process.

The difference between Theory X and Theory Y is yet another excellent way of illustrating more clearly exactly what supporters of New Public Administration believe to be true about organizational behavior and human nature. Theory Y, in this example is representative of New Public Administration and Theory X is used to represent conventional management styles.

Theory X followers believe that workers feel or view work as being distasteful and that workers prefer to be led. Also, they believe that most people are not ambitious and lack creativity in problem solving. And finally, they see motivation occurring only at the safety and physiological levels which means the worker must be

closely controlled and often coerced to achieve organizational goals (much like Taylor argued).

Theory Y proponents see the workers as viewing work as a natural part of life and therefore, motivation occurs at all levels of Maslow's need hierarchy. The capacity for problem solving is widely distributed within the workplace, which illustrates the need for self control and trust within the organization.

The positive view of human nature held by the New Public Administration theorists is very important when we look at it in the context of Merton's "Self-Fulfilling Prophecy." The New Public Administration theorists argue that the view a manager has about his employees will eventually affect their performance. Thus, if a manager subscribes to Theory X and treats his/her workers like children who must be closely monitored and forced to work, this will eventually lead to them acting like children which will hurt productivity and efficiency. Conversely, if you respect and treat people as capable, thinking beings and give them a chance to have input into the decision making process, as a Theory Y supporter would argue, then this will lead to increased productivity and efficiency in the long run. Thus, we must be careful of the beliefs held by management personnel because these beliefs can directly affect worker performance. This is the danger of the Theory X approach according to the supporters of New Public Administration theory.

Thus, we have seen by examining the various aspects associated with New Public Administration Theory the great importance that is

placed on working with individuals within the organization and allowing them input so as to motivate them. This motivation will increase their satisfaction levels which in turn will increase performance. Personnel practices such as MBO and Coaching methods of performance appraisal do just that and therefore can be seen as direct offshoots of this type of theory.

PROBLEMS ASSOCIATED WITH THE USE OF PERFORMANCE APPRAISALS

This analysis has reviewed many, but certainly not all of the various performance appraisal systems. Also, particular suitable uses have been mentioned for the output of some of these systems. From this discussion, it is quite obvious that all of the performance appraisal systems suffer from certain problems which serve to reduce the effectiveness of the various methods. No single technique can be seen as being representative of all of the basic requirements set forth at the beginning of this examination, due to certain obstacles. While some of these issues have been briefly mentioned, still, a more thorough and complete analysis of the various problems which plague performance appraisal systems must be dealt with before a meaningful understanding of performance appraisal systems in our society can be realized. These problems are not only associated with the appraisal systems themselves, but also evolve from the raters and the employees being rated as well.

As seen with the coaching model, one of the main goals in performance appraisal reform is to try to reduce the fear an employee

has about being evaluated. Thus, the idea of "coaching" which allows subordinates to become involved in the process to alleviate any skeptical feelings that may be present. However, in reality this is not always the case. A recent study conducted by Brent Steel on participative performance appraisal in Washington found that "employees consider the new system to be more effective and more fair than the less participatory systems used earlier."²¹ But, when this same question was asked some time later, there was less positive attitudinal support for the participative program among the employees! The end result here seems to be that at the start of the program the employees felt more direct participation would be helpful to their own situations. As time progressed, however, it was realized that even though they were allowed to participate, they were still the employee, and the supervisor was the boss. In this case, nothing had really changed except for the employee's initial perceptions.

There are a variety of inadequacies of performance appraisal systems which can be grouped together under the single heading of supervisory fallacies. One example of this would be what is termed "inflation." This is the tendency of a supervisor to magnify the positive aspects of an employee, thus the term "inflation." This stems from a supervisor's natural tendency to want to avoid conflict with employees. Other problems with respect to supervisors' involvement in the rating process can be seen as follows: "Douglas McGregor, an advocate for participatory appraisal processes, has

identified the following problems with traditional appraisal techniques for supervisors:

1. A normal dislike of criticizing a subordinate.
2. Lack of skill needed to handle interviews.
3. Dislike of a new procedure with its accompanying changes in ways of operating.
4. Mistrust of the validity of the appraisal system."²²

Another important issue with respect to supervisory ratings is called the Halo effect. This happens when a supervisor allows one particularly good factor of an employee to influence the whole process or evaluation. This obviously would not allow any negative aspects of the employee's performance to be taken into consideration and would inaccurately skew the rating toward the positive side. The opposite of this is the horns effect which is "the tendency to rate people lower than their performance justifies."²³

Central tendency can be seen as yet another problem or actually "error" under this heading of supervisor fallacies. This happens when a supervisor tends to rate all employees the same, irregardless of performance level. Again, this arises out of supervisors' desires to avoid conflict with their employees. The belief is that if everyone is rated the same, then no one will complain too loudly and won't cause trouble for the manager. This also gives rise to another reason why a manager would be hesitant to rate an employee low. If an employee is released due to poor performance, the manager will see two possible problems associated with this release:

1. It could reflect poorly on the manager if an employee of his/hers does not perform up to an accepted level.
2. If the employee is released, then it is quite possible the position will remain unfilled. In the eyes of the manager, in most instances a poor employee is better than no employee at all.

Perhaps the greatest flaw or problem with performance appraisal systems in our society would be the fact that most or all of them are based on subjective criteria. As stated by John Nalbandian, "Subjective appraisal methods lend themselves to favoritism, inefficiency and conflict in the management of personnel. They permit race, sex, age, friendship and other non job-related factors to subvert the evaluation process."²⁴

This problem of subjectivity entering into the process can be explained another way. According to Fred Thayer, "The logic of performance appraisal requires that superiors know or can know what their subordinates do and should do."²⁵ The author then goes on to say that in his opinion, this isn't possible due to the great specialized pool of knowledge that the subordinates draw upon for their information. Because the amount of information that an evaluator would have to command to be able to accurately evaluate an employee is so great, the evaluator is forced to rely on evaluating his/her subordinates on less objective, job-related factors and more on subjective, personality traits which may not necessarily deal with job performance at all. Thayer sums this thought up as follows:

"Since supervisors cannot possess the requisite 'performance based knowledge,' they have no alternative but to retreat to use of person-based factors."²⁶

Still another reason why subjectivity is so common to most of these performance appraisal systems is the fact that many of the types of jobs that these systems are attempting to measure simply don't readily lend themselves to objective measures. "Moreover, in many jobs (e.g. those of middle managers), there simply are no good objective indexes of performance, and in the case of personnel data, variables in this category are usually present in less than 5 percent of the cases examined."²⁷ Managerial level jobs simply don't have objective "outputs" that are easily quantifiable and thus, the systems measuring job performance in this category have to be subjective in nature for lack of any other available method of measurement.

These problems have not only hurt the effectiveness of the performance appraisal process, but have also led to many court cases in which employees have argued that the method used by their respective companies was not a valid measure of job performance, and thus discriminated against them and prevented them from obtaining what was rightfully theirs. Due to the great importance of and resulting influence of these cases on performance appraisal in our society, this analysis will now focus on a brief review of the major cases involved in this area.

THE COURTS' INFLUENCE ON PERFORMANCE APPRAISALS

One reason why the courts have become so involved in this area is illustrated by looking at a section of the Civil Service Reform Act. In this act it is stated, with regard to public sector employees: "Performance appraisal results be used as a basis for training, rewarding, reassigning, promoting, reducing grade, retaining and removing employees. Since performance appraisals will have to be used for these actions, they will become a determining force in drawing the line between discrimination and non-discrimination."²⁸ The act goes one step further and clearly spells out what non-discrimination in personnel action actually is. "Any employee who has authority to take, direct others to take, recommend, or approve any personnel action shall not, with respect to such authority, discriminate for or against any employee or applicant for employment....

- A. On the basis of race, color, religion, sex or national origin, as prohibited under section 717 of the Civil Rights Act of 1964;
- B. On the basis of age as prohibited under sections 12 and 15 of the Age Discrimination in Employment Act of 1967;
- C. On the basis of sex, as prohibited under section 6(D) of the Fair Labor Standards Act of 1938;
- D. On the basis of handicapping conditions, as prohibited under section 501 of the Rehabilitational Act of 1973; or
- E. On the basis of marital status or political affiliation as prohibited under any law, rule or regulation."²⁹

From the text of the act it can clearly be seen how it has provided numerous protections for public sector employees and as stated, due to the mandated use of performance appraisals, it has attempted to protect the employee even more. But, since the appraisals are used as a basis for making various personnel decisions, their results and methodologies obviously are going to be contested at times through the numerous points of access that the act provides (i.e., points A through E previously listed).

One of the most influential court cases in this area would be Griggs versus Duke Power. This case stated that required skills must actually be used on the job. Here the court decided that: "The company's requirement of a high school diploma for employment was thrown out since that requirement didn't have a 'manifest' relation to the jobs in question."³⁰ The importance here for performance appraisals is that it makes subjective supervisory rating systems hard or even impossible to defend since there is no proof with these systems that there is a clear indicator of performance being measured. As a result of this case, the employer must prove that the standards being used to measure job performance are actually related to the job and are a reflection of job performance. Most subjective appraisal systems simply are not able to do this.

Another case, Wade versus Mississippi Cooperative Service found that the appraisal instrument used in promotions was overly general and also was not related closely enough to the actual job, so was

therefore discriminatory and in violation of Title VII of the Civil Rights Act of 1964.

Albemarle Paper Company versus Moody was also concerned with vague, undefined supervisory ratings and they found there was no validity associated with the company's appraisal method since it based its findings on these subjective ratings.

The Brito versus Zia Company case is also extremely important to this discussion because it was through this case that the courts accepted performance appraisals as tests. Therefore, they had to meet EEOC guidelines pertaining to employee testing. Specifically with this case, the court found that "the evaluations were based on the 'best judgments and opinions' of the evaluators, but not on any identifiable objective criteria which were supported by some kind of a record."³¹ Because of this, the court ruled that the Zia Company's performance appraisal system was not valid, and therefore using the appraisal data as a method of selecting employees for layoff was not acceptable.

These are just a few of the important cases which have had a substantial impact on performance appraisal systems. The cases have dealt with a variety of personnel issues ranging from hiring and training issues to promotion opportunities and even decisions on what employees will be retained or laid off. Thus, the influence of the decisions handed down by our courts have had and will continue to have a significant impact on the formulation of performance appraisal

policies used in our society. As stated by Duane Thompson of the University of Iowa,

The outcomes of these cases can be used to predict the criteria on which the future courts may judge performance appraisals used in making employment decisions:

1. The overall appraisal process should be formal, standard and objective as possible.
2. Administration and scoring of the performance appraisal should be standardized and controlled.
3. Evaluators should have written instructions and training in the use of appraisal techniques and should have substantial daily contact with those evaluated.
4. If the appraisal involves various measures of performance, the proportion which measure carries with respect to the overall assessment should be fixed.
5. Subjective supervisory ratings are acceptable as one component of an overall process.
6. The performance appraisals should be based on formal job analyses.
7. Employees should be informed of inadequate performance ratings as measured by performance appraisals if they are to be used in retention or demotion decisions."³²

By reviewing various course cases, it has been a relatively simple task to determine that performance appraisal systems are far from perfect. There is no one single accepted system that meets all of the basic requirements set forth earlier (i.e., relevance, practicality, acceptability, reliability and sensitivity). Basically, performance evaluation can be seen as a paradox since most managers know the various techniques associated with it, but this doesn't

really divulge every aspect of performance evaluation. The techniques are only partial assessments of actual job performance. So actually, when an evaluator uses a performance appraisal technique he/she is using an imperfect instrument to make extremely significant personnel decisions. So obviously, improvements must be made in the system as a whole. But, where does one start?

IMPROVEMENTS TO PERFORMANCE APPRAISAL PROCESSES

First of all, by dealing with problems mentioned earlier, this analysis has already shed some light on certain possible improvements to performance evaluation systems.

The issue of subjectivity and its effect on fairness and also its lack of credibility in a court of law has been analyzed extensively. While we know certain jobs by nature have to be measured by somewhat subjective means, still, there are improvements that can be made. Certain theorists have argued for the development of completely new appraisal apparatuses that would go a long way in strengthening current performance appraisal procedures. One such system is called Managing of Behaviors and Results System. This system is as follows: "Regardless of the form it takes in a given setting, MBR represents a hybrid of behaviorally oriented performance appraisal and results in oriented management by objectives."³³ This system would add the objective criteria to the performance appraisal system that is needed for purposes of validation while at the same time maintain the subjective, personal based aspects which are necessary in some cases

to allow an evaluator the flexibility needed to "evaluate." The following phrase clearly illustrates the importance of such flexibility: "If the manager adheres to the letter of the performance contract, however, he or she will not be able to reward those who are making 'unrecognized' yet valuable contributions to the work unit."³⁴

So, from the above it can be seen that it is important to have fact-based "defendable" objective methods of appraisal. But this alone has proven to be an impossibility due to factors such as job types and immense levels of specialized knowledge being used by evaluators' subordinates. So equally important is the subjective method or person-based criteria so as to allow the evaluator to make proper use of the performance appraisal instrument. There has to be a mix of the two (objective and subjective) criteria because each are ineffective in most cases when used alone.

Related to this is the idea that since no single technique is entirely reliable and acceptable, then several techniques should be used concurrently to try and obtain a better measurement of an employee's actual job performance level. An organization should not blindly rely on one single performance appraisal technique. Other improvements could be related to training the evaluators so as to avoid some of the earlier mentioned rater errors such as the horns or halo effect. According to Charles Fombrun, this training should take place in two different areas. The first is to train the evaluators in how to be objective and not compare employees to themselves. Secondly, the evaluators should be trained in how to focus on issues

of job performance instead of personality traits.³⁵ Evaluation is a specialized and technical process and therefore, the evaluators must be given the appropriate skills if performance appraisals are to be of any benefit. All too often, the persons doing the evaluations lack the necessary skills and thus, reduce the effectiveness of performance appraisal systems dramatically.

As mentioned earlier in the analysis, one problem is that supervisors don't know or can't possibly know what their subordinates actually do, so how can they rate their performance? This gives rise to the question of who should conduct the evaluations? Most commonly, if the supervisor is aware of the employee's work requirements, then obviously he or she should perform the evaluation. If the supervisor is not immediately aware of the subordinate's work level, then some argue that employees should evaluate each other.³⁶ While this idea seems sound in principle, one must keep in mind that a peer judging another peer certainly is not going to produce an unbiased opinion. It is only human nature to want to get ahead of your peers and one way to do this, of course, would be to score your peers low in an effort to elevate your own position. Therefore, any advocate of peer co-evaluation should keep this in mind.

As mentioned by Duane Thompson, performance appraisals should be based on job analyses and performance standards so as to stand the test of a court dispute. Too many existing methods are not tied to either of the two and are again, extremely difficult to defend if and when challenged by the courts.

Feedback commonly found with MBO type systems and others is also extremely important to increasing the effectiveness of performance appraisals. The employee should be involved in the process and should also be informed of the information gathered from the appraisal if the users of the appraisal instrument want to achieve the best results. Also, many theorists and practitioners alike have now realized the importance of conducting appraisals more often than just once a year for salary evaluation and compensation purposes. By holding appraisals more frequently, the accuracy and consistency of the data gathered has been found to rise. Also, divorcing the appraisal from the merit pay increase cycle has reduced employee suspicion and fear of the whole evaluation process, which further enhances the particular system's accuracy.

Legislation such as the Civil Service Reform Act which spells out specific uses for performance appraisals, as well as certain court decisions, have all advanced and strengthened performance appraisal systems in our society. New methods, such as training and employee participation, are being implemented to further increase the accuracy of these systems to try and achieve a valid measure of an employee's actual job performance. While no system is perfect, definite steps in refining and improving performance appraisal methods can and are being made, as we have seen from this analysis. But these changes take time to happen and to be accepted by the professional world. Brent Steel, while talking about the implementation of a participatory performance appraisal process and why it was not an immediate success, had this to

say: "Perhaps allowing them more time to train for usage of the process will help supervisors (and their employees) to create a more favorable environment for implementation."³⁷

SUMMARY

From this rather comprehensive analysis, we have been exposed to the many diverse issues associated with performance appraisals. The kinds of systems used, the uses of the data gathered and the problems and potential solutions to these problems have all been discussed at considerable length. The focus this analysis will now turn to is the question of "Do these concepts and issues pertaining to performance appraisals as presented here hold true for local governmental units?" More specifically, "Do local governmental units use formal performance appraisals and if so, what kind of a system is used and what is the data gathered from the system used for?" What this analysis is seeking to discover is "Are local governmental units keeping up with the current trends in appraisal reform and improving their performance evaluation techniques accordingly?" The next section will explain the methods that will be used to answer these questions.

METHODOLOGY

The question this methodology will be concerned with is "What is the extent of the use of performance appraisals by local governmental units?" Many different variables can influence this use (such as the management philosophy of the organization), as was illustrated in the literature review contained within this analysis. The objective of this section is to identify the major influencing factors on the use of performance appraisals by local governmental units.

Two different questions will be the basis for this examination. They are as follows:

- A. Do local governmental units use performance appraisals?
- B. And if so, what is the extent of this use?

The independent variables which should give insight to the above dependent variables will be researched by a two-step approach which is as follows:

1. The first step will be to review existing surveys (case studies) of the use of performance appraisals in local government.
2. The second step will be the application of a small survey to 35 local jurisdictions within Oakland, Genesee, Shiawassee and Livingston Counties.

These two approaches will now be explained more thoroughly.

The case study approach will be used to analyze various surveys that have already been conducted pertaining to the extent of the use of performance appraisals in local government. The reason for using this method is that the resources that were made available for the formulation and implementation of these surveys far exceeds what is available to a private individual. This in turn means that these existing surveys contain valuable information that is not readily available through other sources.

These surveys will be analyzed to determine the extent of the use of performance appraisals by various-sized local governments ranging in population from 50,000 to over 250,000.

It is suggested that the larger units of government will utilize performance appraisals to a greater extent than will the smaller units. Also, it is proposed that those local units with professional managers/administrators are more likely to use performance appraisals than would those units not employing a full-time professional. Additionally, it is felt that those local units that have recently changed or made attempts to upgrade their performance appraisal systems will have moved in the direction of a more progressive system which stresses ratee involvement in the process as a whole.

Indicators of a more "progressive" performance appraisal system would be the existence of such factors as:

- A. Validation of the particular appraisal instrument/based on formal job analysis.
- B. Training program for evaluators.

C. Positive feedback programs for the employees.

D. Involvement of the employee in the appraisal process itself.

And finally, local units that have high levels of unionization will not make use of performance appraisals nearly as much as units that aren't unionized or have a small segment of their work force represented by a union. It is also implied here that due to intangible elements associated with management level work, most of these positions will not be assessed under a formal appraisal process.

The surveys that were used for this analysis were products of the literature review for this paper. Also, a search was conducted on the Public Affairs Data Base by the University of Michigan-Flint library. This also proved to identify some valuable information with regard to survey data.

The second step in this approach, as stated, was to conduct a survey of the 35 villages and cities in Genesee, Livingston, Shiawassee and Oakland Counties that have populations in the range of 1,000 to 10,000. This group of municipalities represents the total population of municipalities in this size range who are located in one of the above four counties and also who are members of the Michigan Municipal League and therefore should give a fair representation of other units of government of similar size.

This specific population range was selected due to the lack of any previous data being available on municipalities of this size. My concern with units of this size stems from my employment in a municipality that would be within this range. Also, since

governmental units of this size are quite common, a fair proportion of our citizens are being served by these smaller units. Therefore, an examination of units in this range is warranted. It is alarming that when analyses are performed of governmental entities and their services, all too often these smaller units are ignored. Due to the large number of citizens being served by these units when taken as a whole, it can be seen as a great disservice to the citizens not to include data from these levels when analyzing governmental-related issues.

This survey seeks to answer the same questions that were addressed in the existing surveys that were reviewed as case studies. The emphasis here will be whether or not the findings for the small levels of government will approximate the norms found by the surveys of the larger units of government.

A cover letter was sent, along with the questionnaire, to all concerned municipalities stating the reasons for the survey and directions to follow in completing the survey. Along with this packet there was an index card included to be returned separate from the survey to identify the municipalities who had returned the survey and who had not. This was important for two reasons.

- A. To maintain the anonymity of the respondents.
- B. To identify those municipalities which needed to be sent follow-up surveys in an effort to get them to respond so as to increase the response rate of the study. This was very important due to the small sample size that was utilized.

The questions for this survey are structured in a simple yes/no fashion to indicate either a negative or positive response, which in turn can be easily converted to percentages. This must be done to remain consistent with the methodology used in the other surveys which were reviewed in the first part of this analysis. By keeping the method of analysis comparable between the two approaches, we will greatly facilitate the comparison process.

ANALYSIS

USE OF PERFORMANCE APPRAISALS BY LARGE LOCAL UNITS OF GOVERNMENTS (50 - 250,000)

As was stated in the "Methodology" section of this analysis, the extent of the use of performance appraisals by large units of government (50 - 250,000), was studied through the analysis of existing surveys on this topic, and the review of the use of performance appraisals by small units of government (1,000 - 10,000), was conducted through the implementation of a small-scale survey specifically designed for this purpose. The larger units of government will be the first topic of analysis.

A comprehensive review of the University of Michigan-Flint Public Affairs Data Base and library research revealed the fact that there are not many existing surveys on local government's use of performance appraisals. This illustrates the importance of this particular research project, due to the lack of existing data on this topic.

The most significant survey that has been done on this topic is a Baseline Data Report prepared by ICMA. This report, Personnel Appraisals in Local Government, was administered to over 350 local governments with populations between 50 and 250 thousand. (See Appendix B for a summary of the data from this survey.) One of the most revealing findings of this survey was the fact that performance

appraisals are used by an overwhelming majority of those local officials responding to the survey. As stated: "that 82% of those local officials responding to the survey have a formal performance appraisal system."³⁸ Also, it was discovered that those municipalities with full-time professional managers or administrators were more likely to use a formal performance evaluation system than those that don't employ a professional chief administrative officer.

Surprisingly though, the survey found that the local government's size did not have any effect, negatively or positively, on whether or not a performance appraisal system was used. The author states that: "Large local governments are just as likely to use performance appraisal systems as are small local governments."³⁹ However, it must be realized that the definition of small local government, in this setting, is limited to populations of 50,000 and greater. No municipality with a population under 50,000 was included in this analysis. This point will become extremely important as the focus of this review is turned toward the smaller units of local government.

Performance appraisals were used most often for making decisions pertaining to employee wages. "Seventy-six percent of those local government officials responding to the survey tied wage increases to performance appraisals."⁴⁰ However, this use was not reflected by those units of government located in the Northeast. The authors of the survey offer the following explanation: "This finding may be explained in part by the heavily unionized labor force in many

northwestern local governments, and the likelihood that wage increases are set for all employees as part of the labor bargaining process."⁴¹

Other personnel decisions did not seem to be based on performance evaluation data to any great extent with the possible exception of promotions. The survey was able to distinguish the fact that "74% of the officials responding use performance appraisals in deciding whether to promote employees."⁴² An interesting footnote here is that those governments located in the Northeast were found to use appraisal data for promotions to a larger degree than local units located elsewhere. As we may recall, these northeastern units were also found to not use performance appraisals for decisions pertaining to pay increases. Therefore, this uncommonly high utilization of performance appraisals by northeastern governments for decisions regarding promotions may in part be explained by the fact that, again, the influence of the unions controls the use of these data for wages. Therefore, these governments then use the appraisal data for other personnel decisions to a larger extent than those governments who do not have to contend with the "union contract."

There are many possible explanations as to why performance appraisals are used for so few personnel-related decisions. One of the most common of these explanations would be the idea that most performance appraisal systems are simply not flexible enough to accurately cover a variety of topics. Therefore, it is argued that if more personnel decisions are to be based on performance appraisal data, then these evaluation systems will have to be altered or changed

completely in order to accommodate each different type of personnel function. As stated by the authors of the survey: "Few local government officials have the resources or the interest to establish parallel appraisal systems."⁴³

Additionally, it is believed that yet another reason why appraisal data are used for so few personnel decisions is the problem of the lack of adequate training for the supervisors who actually conduct the appraisals. Without proper training, the supervisors simply cannot gather and use work performance data in an accurate and meaningful manner. (This problem is compounded when numerous appraisal systems are proposed.) Their superiors realize this, and therefore are reluctant to base personnel decisions on the collected data. The alternative would be to, of course, train the supervisors in the proper procedures of conducting and analyzing performance evaluations. But, again the problem of the lack of resources enters into this discussion. To summarize, "Most local government managers find it difficult to provide the time and training for their supervisors that would enable them to conduct various types of performance appraisals."⁴⁴ Almost 75% of the municipalities stated that they did not assess the manager/administrator with a formal performance appraisal system. It was reported that this was the only employee group excluded from formal evaluation by the majority of the respondents. Population size did not seem to influence this finding to any great degree. One of the proposed theories as to why this is so is that more of these professional executives are working under

employment contracts. Quite frequently, these contracts clearly indicate how the person's performance level will be assessed. Often, this is very different from the general performance appraisal process used for the majority of the employees. Also, the nature of the work performed by the professional manager/administrator necessitates that performance be measured in a rather unique way (if at all), as compared to the regular employees. The crucial elements of a managerial position simply are not easily measured by a traditional performance appraisal system. One of the main reasons for this is that most professional level job activities are very subjective in nature and are not readily broken down into quantifiable elements. As stated in the findings of the survey: "Many local governments will use more informal, unstructured appraisal methods to assess the less tangible elements that make up a manager's set of responsibilities."⁴⁵

Even though it was found that the managerial positions were not being assessed under a uniform performance appraisal system, these positions do play an active role in the formulation of the appraisal systems themselves. More important, it was shown that the employees who are evaluated by these systems are also active participants in the development of the instrument. This is extremely important to the success of a performance appraisal program. It has been shown repeatedly in the literature that the most successful system is one that is accepted and supported by the actual users of the system. Involving these employees in the development of the system is one

positive way of gaining their support and trust in the process as a whole.

Even though the employees are included in the development of these appraisal systems, it was determined that they are not involved in the actual appraisal process itself. This means that the employees do not play an active role in the appraisal of their performance and therefore, they are not given the opportunity to interject their own comments, feelings and concerns. As was stated: "This assessment and feedback (of the employee being rated) generally takes place during an evaluation interview where the supervisor reviews an appraisal form with the employee.... The survey indicates that there is only a 50% chance for this direct, one-to-one exchange to take place in most local governments."⁴⁶

This is an extremely disappointing finding when we know that many personnel professionals consider this feedback from the employee to be one of the most important and beneficial aspects of the appraisal process as a whole. Not allowing this feedback to occur, or not encouraging it by failing to establish the setting which would facilitate the feedback (such as an appraisal interview) results in these local units of government losing a very valuable resource. This resource is the direct information and data about the ground-floor operations which can only be gained from the person doing the actual work.

As was illustrated earlier in this analysis, local governments are not changing or altering their appraisal systems to allow them to

be used for more personnel decisions. Also, it can be seen that these same local governments are not evaluating their appraisal systems in an attempt to make them more objective measures of job performance and less prone to the influences of bias or prejudice.⁴⁷ New developments which have been found to increase appraisal objectivity such as coaching, subordinate review or self appraisals are not being incorporated into these local governmental systems. "The responses to the survey indicate that most local government appraisal systems use traditional techniques to assess employee performance."⁴⁸ (Examples of traditional techniques would be rating scales based on performance standards, interviews, etc.) Also, it was discovered that "Local governments also are not making many significant changes to their performance appraisal systems...only 32% of (the) local governments report having modified their appraisal system during the last six years."⁴⁹

As stated by the authors of this survey, the data would seem to indicate that local governments must be satisfied with their appraisal systems because they obviously aren't changing them to any great extent. Klingner and Nalbandian show us quite the opposite: "Even though the appraisal or evaluation function is related to employee productivity and employee's desire to know how well they are doing, rarely are supervisors or employees satisfied with the appraisal process."⁵⁰ This obviously suggests that local government officials are not satisfied with their systems. Why, then, aren't they changing them? While this question may not be totally answerable, there are

some reasons that can account for this. First of all, local government may lack the necessary resources needed to implement change. They may not be satisfied with their system, but it may not be to a point which would warrant a revision of the system. Also, the environment in which local government operates may play a role in the decision of whether or not to implement a change to an existing system. This idea is clearly explained as follows: "Sometimes, changing a system can erupt into a political controversy. If this potential exists, many managers (of local governments) will carefully weigh whether the potential improvement to the appraisal system is worth the political unrest."⁵¹ Therefore, we can see that a valid and worthwhile change may not be implemented due to the reality of the circumstances that would surround the change.

USE OF PERFORMANCE APPRAISALS BY SMALL LOCAL GOVERNMENTS (1,000 - 10,000 IN POPULATION)

The focus of this analysis will now shift to the extent of the use of performance appraisals by small governmental units (populations of 1,000 - 10,000). As previously stated, the data used to analyze this group were generated from a survey sent to 35 local governmental units throughout a four-county area.

Out of the 35 surveyed, 33 responded for an excellent response rate of 94%. This was achieved through two mailings with 28 responding to the first mailing and the remaining 5 respondents acting on the second mailing. The most surprising finding associated with

this survey was the fact that 27, or 81%, of those local units responding stated that they did not use a performance appraisal system in evaluating their employees. This is in direct conflict with the findings of the survey administered to the larger units of government where it was found that 82% of the officials responding did in fact use performance appraisal systems in their organizations.

This would seem to contradict the finding by the large-scale survey of ICMA that population size did not have a relationship with the extent of the use of performance appraisals. Also, of those municipalities responding that they did not use performance appraisal systems, 21 or 78% employ a full-time professional administrator. Therefore, it would seem that the absence of a professional chief administrative officer is not the explanation for the reason why these small municipalities are not using formal performance appraisal systems.

The most frequently stated reason why these small units of government do not assess their employees through a formal performance appraisal system was the fact that the development of such a system was not a major priority. Twenty-six percent stated this as one of the contributing factors to their units not using a system. Other reasons for the lack of the use of a formal appraisal system are as follows (see Table 1):

TABLE 1
 NEGATIVE INFLUENCES ON THE USE OF PERFORMANCE APPRAISALS

<u>Perceived Reason</u>	<u>Number</u>	<u>Percent</u>
1. Governmental unit is too small to warrant the resources needed to administer a system	6	22%
2. Informal appraisals are used	6	22%
3. A system is currently being developed	5	18%
4. Perceived belief that performance appraisal systems are not valid measures of job performance	5	18%
5. Employees are unionized	3	11%
6. Not enough professional staff to administer the program	2	7%
7. Government is a volunteer system	2	7%
Note - These responses are not mutually exclusive. Six respondents did not answer this question.		

From the above data it seems clear that there is no single reason why these units are not utilizing performance appraisal systems, but rather it is due to a combination of many different factors which tend to influence these governments' implementation and use of performance appraisal systems.

An interesting finding was the minor role that unionization seemed to play in the stated explanations of why performance appraisal systems were not used. As was shown, only 11% of the respondents

stated that unionization was a factor in their decision not to use a system. However, over 50% of those who stated that they do not use a formal system actually have at least one or more employee groups represented by an organized labor union. Therefore, the influence of the "union" on the decision to not implement an appraisal system is unexpectedly low in this instance.

Due to the small response of only six units stating that they used formal performance appraisal systems, conclusions drawn from the data should be used carefully. It is realized that a larger scale, more in-depth analysis would have to be performed to validate these findings. But, the data is still valuable and can be compared to larger-scale surveys to see if it in fact approximate the norms which have already been found in the more comprehensive surveys.

Of the six local units of government who responded that they in fact did use a formal performance appraisal system, it was discovered that the most common use of the generated data was for decisions concerning employee wages. Eighty-three percent (83%) of these municipalities used their system for these decisions. This compares favorably to ICMA's large survey where it was discovered that 76% of the respondents were found to use performance appraisal data for personnel decisions regarding employee wages. However, it should be stated that the small governments which are using the data for wage decisions are most commonly doing so with employees not represented by a union. The only employee group that was formally assessed by an appraisal system by all respondents was the executive/management

employees. (But, as was illustrated earlier, the larger units of government did not assess the chief administrative officer through a formal performance appraisal system.) Therefore, the data indicate that the small local units which are using performance appraisal systems are doing so to the greatest extent for their managerial-level personnel.

Other personnel decisions based on performance appraisal data that were reported by the municipalities are as follows (see Table 2):

TABLE 2
PERSONNEL DECISIONS BASED ON PERFORMANCE APPRAISALS

<u>Personnel Decision</u>	<u>Number</u>	<u>Percent</u>
Dismissals	4	66%
Training	4	66%
Promotions	3	50%
Demotions	2	33%
Reassignment	2	33%
Retaining	2	33%
(Responses are not mutually exclusive.)		

When compared to the existing surveys on the use of performance appraisals by local governments, it is obvious that the data found by analyzing the use of these six local units reflect a more diversified

application of the system to personnel decisions. Again, as stated in ICMA's study, those areas which have a large unionized labor force are more likely to use performance appraisal data for decisions other than wage issues due to the fact that wage levels are so often tied to a negotiated contract. Therefore, the results of this survey would seem to support ICMA's conclusion.

The survey also concludes that these small municipalities use traditional systems. The common rating scale was reported to be the type used by four of the six, or 66%, of the respondents (see Table 3, below). Also, these governments are not changing their appraisal systems either. Sixty-six percent (66%) reported that there had been no change or modification to their system in the last two years (see Table 4, p. 50). Again, this supports the findings of the larger, more comprehensive surveys which have been completed on this subject.

TABLE 3
KINDS OF SYSTEMS USED

	<u>Number</u>	<u>Percent</u>
Rating Scales	5	83%
Paired Comparisons	1	16%
Interviews	1	16%
(Answers are not mutually exclusive)		

TABLE 4

HAS THE SYSTEM BEEN MODIFIED OR CHANGED
IN THE LAST TWO YEARS?

	<u>Number</u>	<u>Percent</u>
Yes	2	33%
No	<u>4</u>	<u>66%</u>
TOTAL	6	99%

CONCLUSION

This analysis has reviewed the use of performance appraisal systems by local government through a two-step approach. First, existing surveys developed on this topic were reviewed and analyzed. Second, a survey was administered to very small units of government (1,000 - 10,000) to see if their use of appraisal systems approximated that found for the larger units of government which were analyzed through the pre-existing surveys on appraisal systems.

Many similarities were found between the two different-size classes of government. Major examples of this are:

1. The use of the data generated from an appraisal process--most common personnel decision based on this data was related to employee "wage."
2. The influence of the existence of a union regarding uses of performance appraisal systems.
3. Use of traditional appraisal systems that don't incorporate new developments such as coaching and subordinate review which are attempts to reduce the subjectivity of the appraisal process.
4. Local governments are not changing or altering their appraisal systems.

However, a glaring difference was also discovered. This is the fact that 82% of the large units of government (50,000 - 250,000)

reported using a performance appraisal system, whereas 81% of the small units of government (1,000 - 10,000), reported not using a performance appraisal system. This could be due to many factors such as those stated by the small governments who responded to the survey in explaining their reasons for not using a system. Examples are, again: System was never developed, lack of resources, lack of professional staff, etc. But, it is the contention here that the methodology used by the large local units of government in performing the appraisal process could quite possibly nullify any benefits which may be derived from the use of an appraisal system. Thus, this would place these large units of local government in the same situation as those units which do not use any appraisal system at all.

First, it was shown that the performance appraisal data were not used for many personnel decisions. This is a great restraint on the value of performing an appraisal, since it tells us that many personnel decisions are being made without the benefit of objective criteria. Second, it was found that the employees are not involved in the appraisal process itself. The value of including the ratee in the evaluation has already been discussed at length so again, it can be seen that operating an appraisal system under these guidelines greatly diminishes its effectiveness as a personnel management tool. And finally, it was illustrated that the governmental units who are using performance appraisal systems are not evaluating them or changing them to include new techniques which are designed to improve the accuracy and fairness of the process as a whole. Again, it seems that current

practice is prohibiting these existing appraisal systems from generating the benefits for the organizations that they are intended to do.

Thus, it appears that local government, regardless of size, is not taking advantage of the benefits which can be developed from a progressive, modern performance appraisal system. Many are not using performance appraisal systems, and if they are, they rely on traditional, subjective methods which may not measure employee performance at all. The greatest resource any organization can possess is its employees. Therefore, it is the responsibility of the organization to develop these individuals to their fullest potential. An appraisal system, when used correctly, is an excellent method of doing this. Hence we can only hope that future generations of local government will realize the value of their employees and begin to place a greater emphasis on their professional development through programs such as a properly managed performance appraisal process.

APPENDICES

APPENDIX A

PERFORMANCE APPRAISAL QUESTIONNAIRE
 AGGREGATE SUMMARY FOR LOCAL GOVERNMENTAL UNITS
 WITH POPULATIONS OF 1,000 - 10,000

TOTAL SURVEYED: 35

TOTAL RESPONDENTS: 33

Response Rate: 94%

FULLTIME ADMINISTRATOR: YES 27 or 81%

NO 6 or 18%

POPULATION BREAKDOWN		
<u>In Thousands</u>	<u>Number</u>	<u>Percent</u>
1 - 2	4	12%
2.1 - 3	6	18%
3.1 - 4	5	15%
4.1 - 5	2	6%
5.1 - 6	8	24%
6.1 - 7	3	9%
7.1 - 8	3	9%
8.1 - 9	2	6%
9.1 - 10	<u>0</u>	<u>0</u>
TOTAL	33	99%

EMPLOYEE GROUPS REPRESENTED BY A UNION (Answers Are Not Mutually Exclusive)		
	<u>Number</u>	<u>Percent</u>
CLERICAL	9	27%
TRADES/FIELD	19	57%
PROFESSIONAL/TECHNICAL	18	54%
EXECUTIVE/MANAGEMENT	3	9%
NO UNION REPRESENTATION	6	18%
NO RESPONSE	2	6%

DOES THE MUNICIPALITY USE A FORMAL PERFORMANCE APPRAISAL SYSTEM?

	<u>Number</u>	<u>Percent</u>
YES	6	18%
NO	<u>27</u>	<u>81%</u>
TOTAL	33	99%

OF THOSE RESPONDING "YES" TO THE USE OF A FORMAL APPRAISAL SYSTEM:

EMPLOYEE GROUPS NOT ASSESSED BY A FORMAL PERFORMANCE APPRAISAL SYSTEM: (Answers Are Not Mutually Exclusive)		
	<u>Number</u>	<u>Percent</u>
CLERICAL	4	66%
TRADES/FIELD	4	66%
PROFESSIONAL/TECHNICAL	1	16%
EXECUTIVE/MANAGEMENT	0	0
NO UNION REPRESENTATION	0	0
NO RESPONSE	2	33%

KINDS OF SYSTEMS USED (Answers Are Not Mutually Exclusive)		
	<u>Number</u>	<u>Percent</u>
RATING SCALES	5	83%
PAIRED COMPARISONS	1	16%
INTERVIEWS	1	16%

HAS THE SYSTEM BEEN MODIFIED OR CHANGED IN THE LAST TWO YEARS?		
	<u>Number</u>	<u>Percent</u>
YES	2	33%
NO	<u>4</u>	<u>66%</u>
TOTAL	6	99%

FOR THOSE ANSWERING "YES" TO A CHANGE, THE CHANGES LISTED INCLUDED: (Answers Are Not Mutually Exclusive)		
	<u>Number</u>	<u>Percent</u>
TRAINING PROGRAM	2	100%
FEEDBACK PROGRAM	1	50%
EMPLOYEE INVOLVEMENT	2	100%
MORE FREQUENT REVIEWS	1	50%

PERSONNEL DECISIONS BASED ON PERFORMANCE APPRAISAL DATA: (Answers Are Not Mutually Exclusive)		
	<u>Number</u>	<u>Percent</u>
PAY INCREASES	5	83%
PROMOTIONS	3	50%
TRAINING	4	66%
REASSIGNMENT	2	33%
DEMOTION	2	33%
DISMISSAL	4	66%
RETAINING	2	33%

APPENDIX B

QUESTIONNAIRE SUMMARY FOR LOCAL GOVERNMENTAL UNITS
 WITH POPULATIONS OF 50,000 - 250,000
 (As Reported by ICMA)

LOCAL UNITS WITH PERFORMANCE APPRAISALS			
Population	Total	Yes	%
50,000 - 99,999	128	104	81
100,000 - 250,000	135	114	84
Over 250,000	75	59	79
<u>TOTAL</u>	<u>338</u>	<u>277</u>	<u>82%</u>

CHANGES TO PERFORMANCE APPRAISAL SYSTEMS			
Population	Total	Yes	%
50,000 - 99,999	107	38	36
100,000 - 250,000	122	37	30
Over 250,000	66	20	30
<u>TOTAL</u>	<u>295</u>	<u>95</u>	<u>32%</u>

USE OF PERFORMANCE APPRAISAL PAY INCREASES			
Population	Yes	%	
50,000 - 99,999	88	79	
100,000 - 250,000	95	76	
Over 250,000	49	72	
<u>TOTAL</u>	<u>232</u>	<u>76%</u>	

EVALUATION OF THE PERFORMANCE APPRAISAL INSTRUMENT			
Population	Total	Yes	%
50,000 - 99,999	106	35	33
100,000 - 250,000	120	46	38
Over 250,000	67	23	34
<u>TOTAL</u>	<u>293</u>	<u>104</u>	<u>36%</u>

USES OF PERFORMANCE APPRAISAL PERSONNEL DECISIONS														
POPULATION	PROMOTION		TRAINING		REASSIGNMENT		REINSTATEMENT		DEMOTION		DISMISSAL		RETAINING	
	Yes	%	Yes	%	Yes	%	Yes	%	Yes	%	Yes	%	Yes	%
50,000 - 99,999	62	75	22	27	19	23	15	18	43	52	44	53	47	57
100,000 - 250,000	72	73	14	14	32	33	15	15	47	47	43	44	53	54
Over 250,000	34	74	6	13	5	11	9	20	28	61	30	65	26	57
<u>TOTAL</u>	<u>168</u>	<u>74</u>	<u>42</u>	<u>19</u>	<u>56</u>	<u>25</u>	<u>39</u>	<u>17</u>	<u>118</u>	<u>52</u>	<u>117</u>	<u>52</u>	<u>126</u>	<u>56</u>

APPENDIX C
PERFORMANCE APPRAISAL QUESTIONNAIRE

Title of person completing the questionnaire _____

Your level of education _____

1. Does your municipality employ a fulltime Administrator/Manager?
Yes () No ()

2. What is the population of your municipality? _____

3. Of the following four employee groups, please check the ones which are represented by a union.

Clerical () Trades/Field () Professional/Technical ()
Executive/Management () No Union Representation ()

4. Does your municipality use a formal performance appraisal system?
Yes () No () If no, why not?

If you answered no to question 4, you have completed this survey.

5. Of the following four employee groups, please check the ones that are not assessed by a formal performance appraisal system.

Clerical () Trades/Field () Professional/Technical ()
Executive/Management () No Union Representation ()

6. What kinds of performance appraisal systems are used and for what employee groups? (Such as forced choice, paired comparisons, rating scales, etc.)

7. Have you modified or changed your performance appraisal system in the last two years?

Yes () No () - go to question 9.

8. If you answered yes to question 7, please check the choices below that were included in the change to your performance appraisal system.

- A. Training program for the evaluators _____
- B. Validation of the appraisal system _____
- C. Positive feedback program for the employees _____
- D. Greater involvement of the employee in the appraisal process such as in joint goal setting meetings between employee and employer _____
- E. Complete change to a new type of system _____

Old system (type) _____

New system (type) _____

- F. Periodic performance review/interview with the employees throughout the year _____
- G. Other changes to your appraisal system not already listed above: (please explain thoroughly) _____

9. Please check the personnel decisions that are based on (at least to some degree), the results of performance appraisals.

pay increases ___ promotions ___ training ___
reassignment ___ demotion ___ dismissal ___ retaining ___
other ___ please explain _____

10. Please add anything further you would like concerning your performance appraisal system.

PLEASE INCLUDE A COPY OF YOUR PERFORMANCE APPRAISAL RATING FORM(S)
AND ALL RELATED MATERIALS SUCH AS INSTRUCTIONS ETC. WHEN YOU RETURN
THIS QUESTIONNAIRE. THANK YOU FOR YOUR COOPERATION!

ENDNOTES

¹Gilbert B. Siegel, Robert C. Myrtle, Public Personnel Administration (Boston, Massachusetts: Houghton, Mifflin Company, 1985), p. 297.

²Ibid., p. 298.

³Baseline Data Report, Personnel Appraisals in Local Government. ICMA, Vol. 18, No. 1 (January/February, 1986), p. 1.

⁴Gilbert B. Siegel, Robert C. Myrtle. Public Personnel Administration (Boston, Massachusetts: Houghton, Mifflin Company, 1985), p. 298.

⁵Baseline Data Report, Personnel Appraisals in Local Government. ICMA, Vol. 18, No. 1 (January/February, 1986), p. 1.

⁶Wayne F. Cascio, Human Resources Management (Reston, Virginia: Reston Publishing Company, Inc., 1981), p. 405.

⁷Ibid., pp. 405-406.

⁸Charles F. Fombrun et al., Strategic Human Resource Management (New York, New York: John Wiley & Sons, 1984), p. 87.

⁹Ibid., p. 87.

¹⁰Ibid., p. 87.

¹¹Wayne F. Cascio, Human Resources Management (Reston, Virginia: Reston Publishing Company, Inc., 1981), p. 406.

¹²Ibid., p. 406.

¹³Jone L. Pearce et al., "Federal Merit Pay: A Longitudinal Analysis." Public Administration Review, No. 4 (July/August, 1983), p. 315.

¹⁴Wayne F. Cascio, Human Resources Management (Reston, Virginia: Reston Publishing Company, Inc., 1981), p. 408.

¹⁵Ibid., p. 407.

¹⁶Ibid., p. 407.

¹⁷Michael Nash, Managing Organizational Performance (San Francisco, California: Jossey-Bass Publications, 1983), p. 221.

¹⁸Duane Thompson, "Performance Appraisal and the Civil Service Reform Act." Public Personnel Management, Vol. 80, No. 3 (Fall, 1981), p. 282.

¹⁹Ibid., p. 282.

²⁰Michael M. Harmon and Richard T. Mayer, Organizational Theory for Public Administration (Toronto, Canada: Little Brown and Company, 1986), p. 101.

²¹Brent Steel, "Participative Performance Appraisal in Washington: An Assessment of Post-Implementation Receptivity." Public Personnel Management, Vol. 14, No. 2 (Summer, 1985), p. 160.

²²Ibid., p. 157.

²³George S. Odiorne, Strategic Management of Human Resources (San Francisco, California: Jossey-Bass, Inc., 1984), p. 253.

²⁴John Nalbandian, "Performance Appraisal: If Only People Were Not Involved." Public Administration Review, Vol. 42, No. 3 (May/June, 1981), p. 392.

²⁵Fred C. Thayer, "Civil Service Reform and Performance Appraisal: A Policy Disaster." Public Personnel Management, Vol. 10, No. 1 (1981), p. 23.

²⁶Ibid., p. 24.

²⁷Wayne F. Cascio, Human Resources Management (Reston, Virginia: Reston Publishing Company, 1981), p. 412.

²⁸Duane Thompson, "Performance Appraisal and the Civil Service Reform Act." Public Personnel Management, Vol. 80, No. 3 (Fall, 1981), p. 281.

²⁹Ibid., p. 281.

³⁰George S. Odiorne, Strategic Management of Human Resources (San Francisco, California: Jossey-Bass, Inc., 1984), p. 255.

³¹Duane Thompson, "Performance Appraisal and the Civil Service Reform Act." Public Personnel Management, Vol. 80, No. 3, (Fall, 1981), p. 284.

³²Ibid., p. 285.

³³Gary Brumback and Thomas S. McFee, "From MBO to MBR." Public Administration Review, Vol. 42 (July/August, 1982), p. 366.

³⁴John Nalbandian, "Performance Appraisal: If Only People Were Not Involved." Public Administration Review, Vol. 41, No. 3 (May/June, 1981), p. 393.

³⁵Charles J. Fombrun, Strategic Human Resource Management (New York, New York: John Wiley and Sons, 1984), pp. 96-97.

³⁶Fred C. Thayer, "Civil Service Reform and Performance Appraisal: A Policy Disaster." Public Personnel Management, Vol. 10, No. 1 (1981), p. 25.

³⁷Brent Steel, "Participative Performance Appraisal in Washington: An Assessment of Post-Implementation Receptivity." Public Personnel Management, Vol. 14, No. 2 (Summer, 1985), p. 167.

³⁸Baseline Data Report, Personnel Appraisals in Local Government. ICMA, Vol. 18, No. 1 (January/February, 1986), p. 2.

³⁹Ibid., p. 2.

⁴⁰Ibid., p. 2.

⁴¹Ibid., p. 2.

⁴²Ibid., p. 2.

⁴³Ibid., p. 4.

⁴⁴Ibid., p. 3.

⁴⁵Ibid., p. 5.

⁴⁶Ibid., p. 9.

⁴⁷John M. Greiner, Productivity and Motivation (Washington, D.C.: The Urban Institute Press, 1981), p. 397.

⁴⁸Baseline Data Report, Personnel Appraisals in Local Government. ICMA, Vol. 18, No. 1 (January/February, 1986), p. 6.

⁴⁹Ibid., p. 9.

⁵⁰Ibid., p. 9.

⁵¹Ibid., p. 9.

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