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BY THE COMPTROLLER GENERAL  
**Report To The Chairwoman, Subcommittee  
On Civil Service, House Committee On  
Post Office And Civil Service**  
OF THE UNITED STATES

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Accounting Office except on the basis of specific approval  
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**Evaluating A Performance  
Measurement System-- A Guide For  
The Congress And Federal Agencies**

*Released*

Performance measurement systems are valuable management tools. This report stresses the need for performance measurement systems and recommends that Federal managers use such data in their organizations.



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COMPTROLLER GENERAL OF THE UNITED STATES  
WASHINGTON, D.C. 20548

B-198677

The Honorable Patricia Schroeder  
Chairwoman, Subcommittee on Civil Service  
Committee on Post Office  
and Civil Service  
House of Representatives

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Dear Madam Chairwoman:

This report responds to your April 27, 1979, letter, requesting that we develop a tool to evaluate productivity measurement systems. Specifically, you requested an evaluation guide which the Subcommittee could use to assess agencies' measurement systems objectives, measures of efficiency and effectiveness, and reporting mechanisms. You also cited the need for the evaluation guide to address the link or tie-in between performance measurement systems and agency performance appraisal systems. The guide--which includes measures of efficiency, effectiveness, quality, and timeliness--is contained in appendix I of this report.

Performance measurement systems are a valuable management tool; however, they must be used or the systems are of little value. A number of our reports have addressed the use of measurement systems by Federal agencies and generally concluded that such systems are not being fully used in planning, budgeting, and personnel management activities. We believe institutionalizing performance measurement systems is important to promoting the use of these systems by managers. Appendix II describes the need for performance measurement systems and current efforts to institutionalize such systems. A list of GAO reports addressing Federal agencies' use of measurement systems is contained in appendix III.

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As a case study, we reviewed the Department of Health, Education, and Welfare's (HEW's) development and use of certification criteria for approving measurement systems. The HEW certification criteria determined whether a system's approach was feasible, how comprehensive it should be, what documentation was required, and how the system was used by managers. HEW was selected because our preliminary efforts showed that its certification criteria could serve as a basis for the evaluation guide. We found, however, that HEW's certification system terminated in 1977, because it received no high-level departmental support, which is vital to the success of any measurement system.

Nevertheless, we were still able to use the certification criteria in developing our evaluation guide, because the individuals involved and criteria documentation were still available. As agreed with your office, we include in appendix IV a brief discussion of HEW's development and use of its certification criteria.

We believe that our evaluation guide provides both the Congress and agencies a framework for promoting the use of performance measurement systems. (See app. I.) Therefore, to encourage agency use of performance measurement data, we recommend that your Subcommittee disseminate our Performance Measurement System Evaluation Guide under separate cover to all Federal agencies. By doing so, you will

- show congressional support for the use of performance measurement data in the Federal Government,
- indicate to agencies the necessary components of a measurement system and how measurement data should be used, and
- provide agency personnel, charged with reviewing performance measurement systems, a framework for determining if the necessary components of such a system are in place.

Additionally, we recommend that you require agencies to periodically report to the Subcommittee on Civil Service on the results of their reviews based on the evaluation guide. These agency reports will provide the Subcommittee with a detailed response to the guide's questions. Further, we recommend that your Subcommittee and the subcommittees of the Appropriations Committee use the guide as a checklist to determine if agencies are using productivity, effectiveness, quality, and timeliness measures in their planning, budgeting, and personnel management activities.

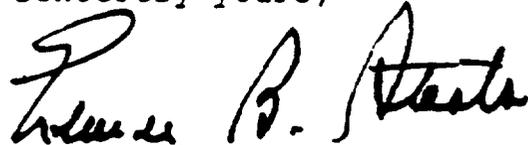
As requested by your office, we did not test the evaluation guide. Instead, we solicited comments and suggestions about the guide's appropriateness from persons involved in productivity and performance measurement, both within and outside the Federal Government. Federal agencies represented include HEW, the Department of Labor and its Bureau of Labor Statistics, the Office of Personnel Management, and the Department of Defense. We considered their comments and suggestions in the preparation of the guide. Overall their comments were very favorable. They agreed that the basic framework of the guide was good, and based on their specific comments, we made adjustments to individual sections of the guide.

Also, this guide was prepared on the basis of past efforts by the Canadian Government. We met with officials of the Office of the Comptroller General of Canada and the Office of the Auditor General of Canada. We reviewed their criteria for identifying impediments to the use of performance measurement systems and, along with the HEW criteria, used them as the basis for our evaluation guide.

We performed limited review work at the Office of Management and Budget, the Office of Personnel Management, and the Bureau of Labor Statistics to determine their roles and responsibilities for productivity and performance measurement within the Federal Government.

As arranged with your office, unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days from its date. At that time we will send copies to interested parties and make copies available to others upon request.

Sincerely yours,

A handwritten signature in black ink, appearing to read "James B. Atack". The signature is written in a cursive style with a large initial "J".

Comptroller General  
of the United States



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ABBREVIATIONS

BLS	Bureau of Labor Statistics
GAO	General Accounting Office
HEW	Department of Health, Education, and Welfare
OMB	Office of Management and Budget
OPM	Office of Personnel Management
PHS	Public Health Services

PERFORMANCE MEASUREMENT  
SYSTEM EVALUATION GUIDE

This guide was prepared by GAO at the request of the Chairwoman, Subcommittee on Civil Service, House Committee on Post Office and Civil Service. It is intended to promote the use of performance measurement systems.

The guide provides Congress with a checklist for assessing whether agencies include certain measures and activities in their performance measurement systems and whether they are institutionalizing performance measurement by using it for management and accountability. Detailed evaluation of answers to the guide's questions will be time consuming. We have, therefore, highlighted questions which will provide the Subcommittee with an overall understanding of how agencies use performance measures. These questions are in bold print. For Federal agencies, the guide can serve as a "consciousness raising tool" to highlight possible weaknesses in, as well as to improve, their performance measurement systems. The guide provides agency personnel, charged with reviewing performance measurement systems, a framework for determining whether the necessary components of such a system are in place.

This guide is not an attempt to promote a single organizational structure for a performance measurement system. We recognize that performance measurement systems will and should differ from organization to organization to reflect the different roles, management styles, or organizational size. However, no matter what the situation may be within an organization certain measures and activities, in some form, must exist to assess the performance.

The guide was based on (1) past efforts by the Government of Canada and HEW and (2) comments and suggestions solicited from persons involved in productivity and performance measurement, both within and outside the Federal Government.

The guide is composed of eight sections. The questions contained in each section are built on accepted principles of organizational review, measures of organizations' performance (productivity, effectiveness, quality, and timeliness), management control (planning, budgeting, and position management), and institutionalization.

The following questions, while not all inclusive, are designed to highlight the principal components of a good performance measurement system and how it should be used in the management process. Organizations, if using performance measurement systems, should be able to provide documentation, working papers, reports, and the like to support their answers to these questions.

GlossaryCrosswalk

Translation of performance measurement data into other formats (for example, plans or appropriation structures) to determine their interrelationships.

Effectiveness

The extent to which an objective or goal is achieved.

Input

The resources (for example, staff, money, material) utilized by an organization to produce or accomplish an output.

Institutionalize

To establish as common practice within an agency the use of performance measurement systems.

Output

The products or services an organization produces.

Performance measurement

An assessment of an organization's performance which has, as its components, measures of productivity, effectiveness, quality, and timeliness.

Position management

The effective and economical organization of personnel resources and work processes to accomplish the mission of an organization.

Productivity

The ratio of output to input for a particular activity. A physical measure of efficiency, such as the output per unit of labor consumed.

Quality

An attribute (for example, accuracy, thoroughness, complexity) of an organization's output.

Strategic planning

A planning activity concerned with anticipating events, making diagnoses, and shaping appropriate courses of action so an organization can respond effectively to contingencies.

Timeliness

The time involved to produce an appropriate output.

Unit costs

The ratio of the value of resources consumed (that is, staff, materials, travel) to an output.

Section I - Scope of Organization

- (1) Organization:
- (2) Date of review:
- (3) Number of positions:
  - a. Ceiling
  - b. On-board
  - c. Full-time permanent
  - d. Full-time temporary
  - e. Other

Section II - Objectives of the Organization

- (1) What are the organization's objectives?
- (2) Are the organization's objectives ranked according to priority? If yes, show the priority of objectives.
- (3) Are objectives defined as precisely as possible in terms of results desired?
- (4) Is attainment of the objectives monitored? In what manner?
- (5) Are the organization's objectives being attained?

Section III - Scope of Organization's Performance Measurement System

- (1) DOES THE ORGANIZATION HAVE MEASURES OF:
  - A. PRODUCTIVITY?
  - B. EFFECTIVENESS?
  - C. QUALITY OF OUTPUT?
  - D. TIMELINESS?

- (2) IS THE ORGANIZATION'S PERFORMANCE MEASUREMENT SYSTEM LINKED TO ITS:
- A. PLANNING PROCESS?
  - B. BUDGET PROCESS?
  - C. POSITION MANAGEMENT PROCESS?
  - D. PERFORMANCE APPRAISAL SYSTEM?
- IN WHAT MANNER?
- (3) ARE THE FOLLOWING PROCESSES LINKED TO EACH OTHER?
- A. PLANNING.
  - B. BUDGETING.
  - C. POSITION MANAGEMENT.
- IN WHAT MANNER?
- (4) WHAT PERCENTAGE OF THE ORGANIZATION IS COVERED BY PERFORMANCE MEASUREMENT, OR A COMPONENT OF PERFORMANCE MEASUREMENT?
- (5) What percentage of coverage is feasible?
- (6) What is the difference between actual and feasible coverage?
- (7) Have line managers specified the type and frequency of performance measurement information necessary to manage their organizations?
- (8) Is performance measurement data provided in time to be of significant use in the management of the organization?
- (9) Do line managers use performance measurement information to manage their organizations?

Section IV - Performance Measurement  
System Structure

A. Inputs and Outputs

- (1) Have all inputs been identified and are they documented?
- (2) Do inputs include direct and indirect labor?

- (3) Are inputs directly related to outputs and results?
- (4) Are outputs defined? If so, what are their definitions?
- (5) How are outputs identified (for example, by organizational element; by program)?
- (6) Does production of the outputs automatically satisfy the objectives of the organization? Are the outputs mandated by statute? If yes, skip question (7).
- (7) Is the effectiveness of the outputs in achieving the objectives of the organization systematically measured? Explain.
- (8) Are outputs representative of the organization's work?
- (9) What percentage of the organization's work is accounted for by outputs?
- (10) Are unit times developed for the outputs?

B. Planning Process

- (1) TO WHAT EXTENT IS PERFORMANCE MEASUREMENT DATA USED IN THE MANAGEMENT OF A PROGRAM (FOR EXAMPLE, PROGRAM FORECAST, ESTIMATES PREPARATION, OPERATIONAL PLANNING)?
- (2) Is the performance measurement system used by managers to establish relative priorities for matters deserving their attention? How?
- (3) IS THE PERFORMANCE MEASUREMENT SYSTEM USED BY SUPERVISORS TO PLAN AND SCHEDULE DAY-TO-DAY OPERATIONS?
- (4) Does the organization have an identifiable process for strategic planning?
- (5) Does the organization prepare strategic plans? If no, skip question (6).
- (6) Can the outputs of the organization be crosswalked to the organization's objectives in the strategic plans?
- (7) Does the organization have an identifiable process for operational planning?
- (8) Does the organization prepare operational plans? If no, skip question (9).

- (9) Can the outputs of the organization be crosswalked to the organization's objectives in the operational plans?
- (10) IS THE LINKAGE OF PLANNING AND PERFORMANCE MEASUREMENT UNDERSTOOD BY THE ORGANIZATION'S MANAGERS?
- (11) WHAT PLANNING DECISIONS WERE MADE BASED ON PERFORMANCE MEASUREMENT SYSTEM DATA?

C. Budget Process

- (1) HOW DO MANAGERS USE PERFORMANCE MEASUREMENT SYSTEM DATA IN PREPARING THE ORGANIZATION'S BUDGET?
- (2) HOW DO THE ORGANIZATION'S BUDGET ANALYSTS USE PERFORMANCE MEASUREMENT SYSTEM DATA IN REVIEWING THE ORGANIZATION'S BUDGET?
- (3) Is performance measurement system data used with the Zero-Base Budgeting decision packages? If yes, how?
- (4) Does the budget reflect plans for performance improvements?
- (5) Is the performance measurement system used to provide quantitative workload staffing requirements data?
- (6) Is workload data used in the budget process?
- (7) Are actual workloads compared with forecasted workloads?
- (8) Are unit costs developed?
- (9) Do unit costs include, in addition to personnel costs:
  - a. Supplies?
  - b. Travel?
  - c. Equipment?
- (10) DO BUDGET JUSTIFICATIONS INCLUDE DETAILED ANALYSES OF UNIT COSTS?
- (11) IS THE LINK BETWEEN BUDGETING AND PERFORMANCE MEASUREMENT UNDERSTOOD BY THE ORGANIZATION'S MANAGER?

D. Position Management Process

- (1) Does the organization have a position management system?

- (2) Is the position management system documented?
- (3) ARE POSITION MANAGEMENT (FOR EXAMPLE, POSITION ALLOCATIONS, POSITION REALLOCATIONS) DECISIONS BASED ON PERFORMANCE MEASUREMENT SYSTEM DATA?
- (4) To what organizational level (for example, Service, Division, Branch, Section) are the organization's functions identified?
- (5) Are the organization's functional statements current and accurate?
- (6) Do the organization's functions correspond with duties described in the organization's position descriptions?
- (7) Do reorganization decisions consider performance measurement system data?

Section V - Performance  
Measurement System Maintenance

- (1) Identify the number of, percentage of time spent by, and grade levels of personnel assigned to the performance measurement system.
- (2) Are functional responsibilities for performance measurement defined, communicated, and reviewed?
- (3) Are written instructions available concerning the updating of performance measurement system data?
- (4) DO PROCEDURES EXIST FOR ASSURING THAT PERFORMANCE MEASUREMENT RESPONSIBILITIES ARE CARRIED OUT?
- (5) WHAT ACTIONS HAVE BEEN TAKEN TO UPDATE THE PERFORMANCE MEASUREMENT SYSTEM?

Section VI - Forecasting

- (1) Are workloads forecasted?
- (2) Are staff requirements forecasted?
- (3) By what methods are forecasts made?
- (4) Are written procedures available concerning forecasting methodology?
- (5) What accuracy of forecasting has been achieved?

Section VII - Performance Reporting

- (1) WHAT PERFORMANCE-MEASUREMENT-RELATED REPORTS ARE PRODUCED BY THE ORGANIZATION? WHO RECEIVES THEM AND FOR WHAT PURPOSE(S)?
- (2) Are performance reports regularly prepared and distributed to persons responsible for performance?
- (3) Is efficiency data reported periodically to management?
- (4) Is efficiency reported on both an aggregate and individual basis by program, function, activity, or responsibility center?
- (5) Is effectiveness data reported periodically to management?
- (6) Are performance improvements reported regularly? To whom?
- (7) WHAT DECISIONS HAVE BEEN MADE DURING THE CURRENT YEAR ON THE BASIS OF PERFORMANCE-MEASUREMENT-RELATED REPORTS?

Section VIII - Institutionalization of Performance Measurement System

- (1) IS PERFORMANCE MEASUREMENT SYSTEM DATA USED IN DEVELOPING INDIVIDUAL PERFORMANCE APPRAISAL CONTRACTS AND AS A GAUGE IN ASSESSING PERFORMANCE? IN WHAT MANNER?
- (2) ARE WORK STANDARDS INTEGRATED WITH THE ORGANIZATION'S PERFORMANCE APPRAISAL SYSTEM? IN WHAT MANNER?
- (3) WHAT MERIT PAY DECISIONS WERE MADE BASED ON OR INCORPORATED WITH PERFORMANCE MEASUREMENT SYSTEM DATA? WITH SENIOR EXECUTIVE SERVICE BONUS DECISIONS?
- (4) Does the organization have written instructions establishing a performance measurement system?
- (5) Are the links between planning, budgeting, and position management and the organization's performance measurement system documented?
- (6) IS THE NEED FOR PERFORMANCE MEASUREMENT ACCEPTED THROUGHOUT THE ORGANIZATION?
- (7) ARE THE ORGANIZATION'S MANAGERS PROMOTING PERFORMANCE MEASUREMENT? HOW?

PROMOTING BETTER MANAGEMENT THROUGH  
PERFORMANCE MEASUREMENT

Performance measurement systems are a valuable tool for managers because they provide information on an organization's performance. To be valuable, though, performance measurement systems must be used by managers in their planning, budgeting, and personnel management activities. However, past GAO reviews have found that the use of performance measurement data as a management tool has been very sporadic, dependent mostly on the motivation and commitment of individual managers.

In addition, these GAO reviews found several institutional barriers which contribute to the lack of use of performance measurement as a tool. Those barriers include:

- Lack of managerial commitment.
- Lack of a central point in the executive branch for guiding and coordinating the development and use of performance measurement.
- Managers' perceptions that penalties rather than rewards tend to result from more efficient performance.
- Problems with the civil service personnel management systems.

These barriers, though, may soon be overcome by current efforts to institutionalize, that is, to establish as common practice within an agency the use of performance measurement systems. However, experience has shown that if not institutionalized, performance measurement systems will either not be fully used or not used at all.

DEFINITION OF PERFORMANCE MEASUREMENT

The Federal Government does not have a universally accepted term for measuring an organization's performance. As a result, many terms have been used synonymously with "performance measurement," for example, productivity, work measurement, and effectiveness. In our view, however, performance measurement is defined as an assessment of an organization's performance, including measures of:

- Productivity, which quantifies the outputs and inputs of an organization and expresses the two as a ratio. Generally, the ratio is expressed as output to input (for example, inspections per staff-day).

- Effectiveness, which determines the relationship of an organization's outputs to what an organization is intended to accomplish.
- Quality, which examines an output or the process by which an output is produced. Quality is indicated by attributes such as accuracy (or error rate), thoroughness, and complexity.
- Timeliness, which evaluates the time involved to produce an appropriate output.

The framework for this definition of performance measurement is cited in Title IV, Section 405 (a) and Title V, Section 501 of the Civil Service Reform Act of 1978.

#### NEED FOR A PERFORMANCE MEASUREMENT SYSTEM

The manager in the Federal Government is confronted by a continuous challenge--how to meet the needs of the public effectively and efficiently, particularly in the face of severe restrictions on resources. To run their organizations successfully, managers must have certain key items of information available about their organizations. This applies to all levels of management and to all kinds of organizations. It is essential that performance measurement be considered an inherent and indispensable part of the management process.

The establishment of performance measurement systems is important, since it

- provides managers with information to perform their management control functions,
- links both individual and organizational performance to aspects of personnel management, and
- fosters accountability on the part of managers.

#### Management control

Management control is a function through which managers are able to identify change, discover its causes, and take action to accomplish their organization's mission. An essential element for management control is information about performance. This information is provided by the management processes of planning and budgeting.

Planning involves setting both long-range and short-range objectives and determining the most effective and efficient means of achieving them. Managers can derive at least two benefits from using performance measurement data in planning. First, using performance measurement data provides a means of projecting the organization's future needs. Secondly, it provides a means of monitoring an organization's performance in relation to defined targets and goals.

Budgeting involves developing a plan for achieving objectives, expressed in quantitative terms, over a specified period of time. Using performance measurement data in budgeting provides several benefits to managers. For instance, when used in conjunction with the organization's objectives, performance measurement data contributes to better projections of resource needs. Also, performance measurement data provides quantified budget estimates for use in budget preparation. Lastly, a manager's ability to react accurately and expediently to the reallocation of resources is enhanced by using performance measurement data.

#### Personnel management

Employee costs (for example, salaries and retirement benefits) are one of the largest items of an organization's budget. Additionally, employee costs are typically the input factor of performance measurement systems. Therefore, the link between personnel management and performance measurement systems is important. The specific aspects of personnel management which are linked to performance measurement systems are performance appraisal, incentive awards, and position management.

The Civil Service Reform Act of 1978 provides for the link between performance measurement systems and performance appraisal systems. The act requires that most Federal agencies develop performance appraisal systems for three types of employees: senior executives; managers and supervisors at the GS-13, 14, and 15 grade levels; and other employees. The act requires that performance appraisals for the first two categories of employees take into account individual performance and organizational accomplishment based on four factors:

1. Improvements in efficiency, productivity, and quality of work or service, including any significant reduction in paperwork.
2. Cost efficiency.
3. Timeliness of performance.

4. Other indications of the effectiveness, productivity, and quality of performance of the employees for whom the individual is responsible.

Performance appraisals for senior executives must also take into account individual and organizational performance in meeting affirmative action goals and achievement of equal opportunity requirements. For other employees, the act requires that performance appraisals be based on objective criteria consisting of performance standards and critical elements of an employee's position.

Performance appraisal systems which identify performance levels expected as well as achieved by employees can link performance and incentive awards. In our report on incentive awards (FGMSD-79-9, Mar. 15, 1979), we found that an effective awards program should include at least the following essential components.

- A direct link with specific organizational goals and objectives.
- An objective system for setting and communicating employee work expectations and measuring performance contributions.
- Managers who know how to use, and are motivated to use, the program.
- Awards that are timely and relevant to employees' needs but which do not become part of the basic salary rate.
- An annual evaluation of the program's results.

We also found that managers and supervisors were reluctant to identify expected or achieved performance levels for their employees. However, a properly designed and used awards program, while not a substitute for good management, can help stimulate an employee's motivation and improve performance.

Position management is concerned with the effective and economical organization of personnel resources and work processes to accomplish the mission of an organization. Three primary goals of position management are to:

1. Assure that the position structure (the organization and the assignment of work among positions) is designed to (a) serve mission needs most effectively and economically and (b) utilize the most effective work processes, equipment, procedures, methods, and techniques.

2. Evaluate the need for positions and the required skills and knowledge.
3. Identify, prevent, or eliminate organizational problems such as unnecessary organizational fragmentation, excessive organizational levels, outmoded work methods, and improper distribution of personnel.

Managers can derive at least two benefits from using performance measurement data in position management. First, performance measurement data provides quantified information for developing and managing position structure. Second, it provides quantified information for position allocation or reallocation decisions.

### Accountability

Holding managers accountable for the efficient and effective use of resources requires that tools be available for assessing performance. Without performance data, holding managers accountable for organizational performance is difficult. For assessment purposes, performance measurement systems provide tools by which changes can be tracked. They force managers to explain poor performance and provide a vehicle for documenting good performance.

However, a basic problem in providing accountability in the Federal Government is the lack of management incentives to do so. Without incentives, the elements of accountability--specifying responsibility and measuring its fulfillment--are weak, at best. Any effort to improve accountability in the Federal Government must incorporate proper incentives which includes requiring the use of performance measurement data in the budget process and linking performance measures to the appraisal of employees' performance.

### NEED TO INSTITUTIONALIZE PERFORMANCE MEASUREMENT SYSTEMS

The process of institutionalizing the use of performance measurement systems in the Federal Government is an area where much needs to be done. Over the past several years a number of our reviews have addressed the need for more high-level support for performance measurement. In addition, these reports have addressed barriers to effective measurement systems, including inaccurate measurement data, untimely and inaccurate reporting, and a lack of managerial commitment.

On June 14, 1979, we testified before the House Subcommittee on Civil Service on productivity in the Federal Government and the role of performance appraisal systems in enhancing

productivity improvement. At that time, we pointed out little effort has been made throughout the Federal Government to develop, use, and refine performance measures. In discussing the barriers to effective measurement systems, we emphasized the general lack of managerial commitment to measurement systems. This lack of commitment prevents performance measurement system data from being fully used.

An example of the type of managerial commitment needed can be seen in the Canadian Government. Recognizing the importance of performance measurement information for sound management control, the Canadian Government established a policy which requires that departments develop ways to measure the ongoing performance of their operations in terms of the effectiveness with which their objectives are being achieved and the efficiency with which they are being administered. Measures of performance, in addition to being essential to departments in managing their operations, are also important to the Canadian Treasury Board in its oversight responsibility for the general management of the public service and for reviewing expenditure plans and programs. The Office of the Comptroller General of Canada uses "Improvement in Management Practices and Controls" (IMPAC) questions as the basis, or criteria, for identifying impediments to the use of performance measurement systems. The Office of the Comptroller General's review, based on IMPAC questions, stresses the need for performance measurement systems within the Canadian Government.

We believe a series of questions, similar to those used by the Canadian Government, can be a useful tool for Federal agencies and their subordinate organizations to promote or institute performance measurement systems. The Performance Measurement System Evaluation Guide (see app. I) addresses what we consider to be the necessary components of a performance measurement system and how system data can be used. In our view the evaluation guide serves as a "consciousness raising tool" for agencies to highlight possible weaknesses in as well as to improve their performance measurement systems. It should be emphasized that the evaluation guide is not an attempt to promote a single organizational structure for a performance measurement system. We recognize that performance measurement systems will and should differ from organization to organization to reflect the different roles, management styles, or size of the organization.

#### CURRENT EFFORTS TO INSTITUTIONALIZE PERFORMANCE MEASUREMENTS

The legislative and executive branches of the Federal Government have undertaken numerous efforts to institutionalize

the measurement of organizations' performance. Three specific efforts undertaken are:

- Charging the Office of Personnel Management (OPM) with lead responsibility for the Federal Work Force Productivity Improvement Program.
- Encouraging the development and use of productivity measurement by departments and agencies in OMB circulars.
- Enacting the Civil Service Reform Act of 1978.

#### Office of Personnel Management

The lack of a continuing focal point to lead Federal efforts is a problem that has plagued productivity, as well as performance measurement efforts. Over the past few years, leadership responsibility for Federal productivity efforts has been shifted between the Office of Management and Budget, the Joint Financial Management Improvement Program, the National Center for Productivity and Quality of Working Life, and now the Office of Personnel Management.

OPM was assigned responsibility for the Federal Work Force Productivity Improvement Program by Executive Order 12089, issued October 23, 1978. This order was intended to assure that Federal productivity improvement efforts would receive a much higher level of attention within the newly structured OPM, created to function as a major central staff agency to the President in the area of personnel management. OPM was directed to exercise its responsibilities in collaboration with other Federal agencies through the National Productivity Council, also established by the executive order.

OPM reorganized itself to take account of its new responsibilities. A new organizational unit, called the Workforce Effectiveness and Development Group, was created with a mission to assist Federal agencies to improve their productivity. This group is composed of three offices:

- Office of Productivity Programs whose function is to develop knowledge and understanding about productivity improvement, how to achieve it, and how to measure components of performance measurement.
- Office of Training whose function is to convey knowledge about productivity improvement to managers.
- Office of Consulting Services whose function is to provide direct and indirect consultant and technical assistance to agency efforts to bring about productivity improvement.

While having lead responsibility for the Federal Work Force Productivity Improvement Program, OPM places few requirements on agencies regarding productivity measurement. According to an OPM official, the only requirement OPM places on agencies concerning productivity measurement is the annual data call, which is a joint effort by OPM and the Bureau of Labor Statistics (BLS). This data call represents a continuation of the permanent system to collect and analyze productivity data for the Federal sector. As a result, BLS will generate productivity indexes, and OPM will provide an analysis of this data to Federal agencies.

OPM and BLS are undertaking additional joint efforts to improve and enlarge the productivity measurement system. OPM has developed and will follow, in cooperation with BLS, a measurement improvement strategy composed of five components:

1. Review and document successful efforts to improve productivity and to publicize the best approaches for use by managers throughout Government. This strategy has been termed the Exemplary Practices in Federal Productivity program.
2. Make improvements in the annual data call which are designed to make it more useful to agencies and which encourage agencies to work on measures which will be helpful at the agency level.
3. Offer direct technical assistance to a select number of agencies, using a team of OPM and BLS staff, to develop improved measures to link productivity measurement to performance appraisal systems and to find ways to integrate the productivity measurement system into existing management information systems in the agency.
4. Publish information on productivity measurement. This will include, at a minimum, information on how to obtain and use measures of quality of performance and on successful changes instituted through the joint staff-agency teams.
5. Conduct research on the development of measurement methods which permit public-private comparisons.

#### Office of Management and Budget

The President has delegated certain management responsibilities to the Director, OMB. These responsibilities include issuing guidance to departments and agencies for

reviewing and improving their operations and for assessing department/agency management. To meet an aspect of these responsibilities, OMB has issued three circulars encouraging the development and use of productivity/performance measurement data by departments and agencies.

--Circular A-11 provides instructions relating to the preparation and submission of budget estimates subject to executive branch review. Guidance in the circular states

"To the extent possible, using specific measures of accomplishment, workload, effectiveness, and efficiency, describe the recent progress of the decision unit in achieving its objectives."

"Agencies should ultimately develop productivity measurement systems that consider all resource inputs \* \* \*. In so doing, they should seek the capability to measure the efficiency with which they utilize operating and investment resources and express this in terms of total resource productivity."

"Work measurement, unit costs, and productivity indexes should be used to the maximum extent practicable in justifying staffing requirements."

"Properly developed work measurement procedures should be used to produce estimates of the staff-hours per unit of workload, \* \* \*, depending on the nature of the agency programs."

"When unit costs include personnel costs, work measurement should be used to support the acceptability of this component."

"Agencies will extend the use of work measurement and unit cost analysis to both common service activities and program activities."

--Circular A-64 establishes criteria for the operation of an effective position management system. According to the circular

"Consistent with the policy of reducing Government costs \* \* \*, the President expects each agency head to pursue vigorously the efforts of his agency to achieve lower employment levels and increased productivity through tighter management, aggressive manpower utilization programs, \* \* \*."

"The requirements for the authorized position structure should be determined principally through the budget process, but also through the use of such tools as work measurement, work standards, productivity analysis, and manpower and workload reporting."

--Circular A-117 provides guidance on management improvement initiatives designed to increase the efficiency and effectiveness of program operations in the Executive Branch. The circular defines management improvement as

"\* \* \* any action taken to improve the quality and timeliness of program performance, increase productivity, control costs, or mitigate adverse aspects of agency operations."

"In addition to the actions taken as part of the budget process, OMB, as part of its management responsibilities, will: promote the development and use of valid performance measures, \* \* \*."

Additionally, the circular requires agencies to report to OMB resources for four functions of evaluation and management improvement. Included in the four functions are management evaluation activities which incorporate the assessment of

"\* \* \* worker productivity (but not including routine collection and processing of productivity data), achievement of performance objectives, and other quantitative measures of operational efficiency and effectiveness."

Another of the four functions is productivity measurement; agencies are required to

"Enter total obligations and staff years devoted to work measurement, determination of unit costs, and the collection and processing of other data whose primary use is to measure the productivity of the agency's own operations."

#### Civil Service Reform Act

The Civil Service Reform Act of 1978 was enacted to make broad improvements in the Civil Service system. Some of these improvements will, as a result of the act, have an effect upon the incentives and disincentives to managers for improving the performance of their organizations.

One such improvement is the link of organizations' performance to Senior Executives' and managers' and supervisors' (at the GS-13, 14, and 15 grade levels) performance appraisals. Another improvement is the link of pay for managers and supervisors, at the GS-13, 14 and 15 grade levels, to their organization's performance.

In addition, the act also requires that performance standards be established to permit performance to be evaluated on the basis of objective criteria that are related to the job of each employee. Once these standards are identified and employed, the incentives for improving an organization's performance should be meaningful.

RELATED GAO REPORTS

"Major Cost Savings Can Be Achieved by Increasing Productivity in Real Property Management," LCD-76-320, Aug. 19, 1976.

"Improvements Needed in Defense's Effort to Use Work Measurement," LCD-76-401, Aug. 31, 1976.

"The Work Measurement System of the Department of Housing and Urban Development Has Potential But Needs Further Work to Increase its Reliability," FPCD-77-53, June 15, 1977.

"Mail Processing Productivity Measurement Is Inadequate," GGD-77-083, Oct. 27, 1977.

"U.S. Army in Europe's Work Measurement Systems For Real Property Maintenance," LCD-78-312, Feb. 16, 1978.

"Improved Productivity in Real Property Management Would Save Money For Certain Agencies," LCD-77-343, May 2, 1978.

"Improving Federal Agency Efficiency Through the Use of Productivity Data in the Budget Process," FGMSD-78-33, May 10, 1978.

"The Federal Role in Improving Productivity--Is the National Center for Productivity and Quality of Working Life the Proper Mechanism?" FGMSD-78-26, May 23, 1978.

"OMB Needs to Intensify Its Work Measurement Effort," FPCD-78-63, July 24, 1978.

"Assessing Social Program Impact Evaluations; A Checklist Approach," PAD-79-2, Oct. 1978.

"Federal Agencies Should Use Good Measures of Performance to Hold Managers Accountable," FPCD-78-26, Nov. 22, 1978.

"Development of a National Productivity Clearinghouse," FGMSD-79-4, Dec. 12, 1978.

"Improving the Productivity of Federal Payment Centers Could Save Millions," FGMSD-80-13, Feb. 12, 1980.

A CASE STUDY: THE DEPARTMENT OF HEALTH,  
EDUCATION, AND WELFARE'S DEVELOPMENT AND  
USE OF CERTIFICATION CRITERIA

The Department of Health, Education, and Welfare's Division of Staff Resource Analysis, Office of the Secretary, developed and implemented, on a limited basis, a certification criteria for evaluating staff management systems. Specifically, the criteria was to determine whether a system's approach was feasible, how comprehensive it should be, the amounts of documentation that would be required and how the system was used in managing staff resources. The criteria placed an emphasis on the use of work measurement standards. In 1977, however, the Division of Staff Resource Analysis' use of the certification criteria ended. The termination of the certification reviews was generally attributed to a lack of high-level support within the Department.

BACKGROUND ON DEVELOPMENT OF  
HEW'S CERTIFICATION CRITERIA

HEW initiated several staff management systems during the early 1970s. The impetus for developing the first of these systems, the Manpower Utilization Program, was a 1971 report by the House Appropriations Committee on HEW's Manpower Management Policies and Practices, which cited many deficiencies in HEW personnel practices including a lack of continuing reviews of operations and personnel requirements and a lack of personnel measurement systems. The Manpower Utilization Program, later designated the Manpower Management Program and then the Staff Resource Management Program, was initiated to improve staff use through a Department-wide program of work measurement systems and staff utilization surveys. The responsibility for developing and implementing specific systems was assigned to each principal operating component, with guidance to be provided by the Office of the Secretary. Additionally, the Department made improved productivity through personnel management a major goal. This was an attempt to further implement effective personnel management systems.

In February 1975, the House Appropriations Committee issued another report on HEW's personnel management policies and practices. While recognizing that HEW had taken steps to improve its personnel management, this report identified several problems, including the lack of a meaningful relationship between the personnel program and the budget process; and lack of interest, acceptance, or cooperation on the part of HEW agencies in establishing systems. The House Appropriations Committee, in its report on HEW's fiscal 1977 appropriations, was again critical of the slow progress in implementing

personnel management programs. This report encouraged the Secretary of HEW to assign this effort a high priority.

In October 1976, to emphasize the importance of the program, the Assistant Secretary, Comptroller, advised HEW agency heads that additional staff would not be approved in the 1978 budget unless supported by a reasonably well developed personnel management system. Furthermore, acceptance of any system was conditioned upon certification by the Division of Staff Resource Analysis. In early 1977, the certification process received added emphasis through the reassignment of staff resource management specialists to the budget office. This reorganization was an attempt to more closely tie work measurement to the budget process.

#### COMPONENTS AND USE OF HEW'S CERTIFICATION CRITERIA

The HEW certification criteria was developed to approve, or certify, operational staff resource management systems by defining and comparing elements of an adequate system, including work measurement. Because different work measurement techniques were used throughout HEW, there were variations in the methods used, the accuracy of the data, the comprehensiveness of systems, and the degree of application, thus making it impractical to develop specific quantitative criteria. As a result, broad criteria were developed. These criteria consisted of a checklist of essential program components and addressed the following areas:

- Work units (outputs).
- Work count system.
- Time values (standard time, average time).
- Staffing budgets.
- Reallocations.
- Staff resource management systems maintenance.
- Application of the system.

Reviewers in the Division of Staff Resource Analysis evaluated staff resource management systems using a detailed certification criteria checklist and a certification status--certified, not certified, or provisionally certified--was assigned. Provisional certification meant that a number of improvements had to be implemented before a system could be accorded full certified status.

The Division of Staff Resource Analysis conducted only a limited number of certification reviews during 1977, most of which were in the Public Health Service (PHS). These reviews pointed out deficiencies with the system and recommended areas for improvement. For example, a June 1977 review of PHS's

Center for Disease Control resulted in a provisional certification for most systems and noted the following deficiencies: (1) system objectives were incomplete, (2) work units were not defined, (3) there was no evidence of workload forecasting methods, documentation and accuracy of past, current, or future budget submissions, and (4) no evidence existed to show any use of staff resource management systems after budget preparation or any system documentation for ongoing control or allocation of staff positions. Improvements would have had to be made in each of the above areas to warrant a full certification. The former Director, Division of Staff Resource Analysis, stated that only one organization's system--the Bureau of Hearing and Appeals, Social Security Administration--received a full certification.

#### TERMINATION OF CERTIFICATION REVIEWS

HEW's Division of Staff Resource Analysis has not performed any certification reviews since 1977. Department officials responsible for developing and implementing the criteria stated there was a general lack of high-level support for the certification reviews. This lack of support was further substantiated by a 1977 HEW Audit Agency report which noted that no HEW principal operating components had developed certifiable personnel management systems. The report stated that the major factor contributing to this situation was insufficient management interest.

The Public Health Service, however, continues to place a major emphasis on the use of work measurement and resource utilization system data in its budget justification. It is the only principal operating component that still uses the HEW criteria for certifying its systems. Generally, PHS will not support requests for personnel increases in organizations with noncertifiable systems. The HEW criteria, which defines adequate systems, has proven helpful to PHS in its development and maintenance of work measurement and resource utilization systems. PHS officials stated that the Department, however, has not supported them in their use of certification reviews.

We believe that without high-level Department support and an evaluation criteria, HEW and other Federal agencies are unable to fully assess the adequacy and utility of their measurement systems.

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