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WHY THE REVIEW WAS MADE

Performance awards

GAO reviewed the Incentive Awards Program to determine whether cash performance awards (lump-sum special achievement awards and quality increases) and cash suggestion awards had been effective in encouraging employees to help improve Government operations. GAO also inquired into actions taken by the Civil Service Commission regarding previously identified problems.

Performance awards are not as effective as they could be. Of the more than 1,900 randomly selected employees responding to a GAO questionnaire, 56 percent indicated that the Incentive Awards Program had not motivated them to do a better job and about 67 percent believed that favoritism was shown in granting cash performance awards. (See p. 8.) GAO believes that the primary reasons for this lack of confidence were:

GAO's review was made in 10 departments and agencies, which represented a cross section of the Federal Government; at the Commission's headquarters; and at its Atlanta, New York, and San Francisco regional offices.

--Cash performance awards had been used inconsistently. In fiscal year 1972, special achievement awards by all Federal agencies ranged from 1 to 146 for each 1,000 employees and quality increases ranged from 2 to 85 for each 1,000 employees.

FINDINGS AND CONCLUSIONS

During fiscal year 1972, Government agencies granted over \$16 million for 91,161 achievement awards and about \$4.6 million for 56,606 employee suggestions. The Commission reported measurable benefits of \$315 million related to special achievements and adopted suggestions. (See p. 6.)

GAO believes that the inconsistent use of cash performance awards is attributable in part to the varying attitudes of management toward the awards and in part to the subjective nature of most performance awards.

Cash performance awards should be used more consistently and performance criteria should be more objective.

Quality increases were awarded to 42,570 employees but related benefits were not determined. The Commission estimated a first-year cost of \$17 million for these quality increases. (See p. 6.)

These awards should be given only when employee performance has clearly increased the productivity, economy, efficiency, or effectiveness of Government operations. (See p. 14.)

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--Program administrators were confused about the circumstances under which each type of award should be granted. GAO found that there was no clear distinction between the criteria for granting a special achievement award and a quality increase.

The 42,570 quality increases granted during fiscal year 1972 had an estimated cost to the Government of \$17 million. Because of their continuing nature, these awards could cost as much as \$60 million in 4 years and could eventually cost much more. (See p. 10.)

In contrast, the 91,161 lump-sum special achievement awards cost only \$16 million. The criteria for granting each of these awards should be distinct and quality increases should be relatively more difficult to obtain. (See pp. 10 and 14.)

--Many employees were not told why specific awards were granted. In general, publicity given to performance awards was limited to numbers and types of awards granted and names of recipients. GAO believes that employees should be told the reasons for granting specific awards. (See pp. 12 and 14.)

--About one-fourth of Federal civilian employees are not eligible for the quality increase award. GAO believes, if an award similar in value to the quality increase were made available to these employees, their overall confidence in the fairness of performance awards would increase. (See pp. 13 and 14.)

#### Suggestion awards

During fiscal year 1972 about 81,000 of over 300,000 suggestions were adopted, and about \$4.6 million was awarded for 56,606 of these adopted suggestions. First-year measurable benefits reported for these adopted suggestions totaled \$202 million. The Commission estimates that, on the average, benefits from suggestions continue for 3 to 5 years. (See p. 16.)

Because the benefits from suggestions usually are tangible, employees generally have more confidence in suggestion awards than in performance awards. In fiscal year 1972 about 36 percent of the suggestion awards were for tangible benefits. (See p. 16.)

Although the Commission improved the suggestion program in response to a Subcommittee report issued in November 1967 (see p. 17), employee participation could be increased by actively promoting and publicizing the program (see p. 19) and processing suggestions promptly. (see p. 20).

#### Program reports and internal reviews

The Commission is required to annually report results of the Incentive Awards Program. To be of maximum use in evaluating the program and making sound decisions, the Commission's report should be complete and reliable. The annual report prepared by the Commission did not present a complete picture of the program because

--it did not show the substantial costs of quality increases and program administration (see p. 22) and

--it may have significantly overstated the measurable benefits reported for special achievement awards (see p. 24).

At the installations it visited, GAO found a number of errors in reporting program results. (See p. 25.)

GAO found that, although Commission guidance frequently refers to the need for program review and evaluation, neither the agencies nor the Commission had made reviews of sufficient frequency or depth to identify problems and inequities in the Incentive Awards Program. (See pp. 27 and 28.)

#### RECOMMENDATIONS

GAO recommends that the Chairman, Civil Service Commission:

--Establish criteria to limit cash performance awards to employees whose performance has clearly increased the productivity, economy, efficiency, or effectiveness of Government operations. (See p. 14.)

--Revise the standards for granting lump-sum special achievement awards and quality increases to clearly distinguish between the level of performance needed to receive these awards so that quality increases will be relatively more difficult to obtain. (See p. 14.)

--Emphasize to agency heads the importance of keeping employees well informed of the specific reasons for granting individual awards. (See p. 14.)

--Include quality increases as part of the Incentive Awards Program and consider creating a higher

value special achievement award for employees who are ineligible for quality increases which would be comparable in value to quality increases. (See p. 15.)

--Insure that agencies more actively promote and publicize the suggestion program and establish time goals and followup procedures to insure that suggestions are processed promptly. (See p. 21.)

--Increase the usefulness of the annual report by (1) including quality increase and administration costs, (2) insuring that high-dollar-value benefits claimed for special achievement awards are independently reviewed, and (3) emphasizing to agencies the importance of accurately reporting program results. (See p. 26.)

--Emphasize to agencies the importance of periodically reviewing and evaluating their incentive awards programs. (See p. 30.)

--Designate the Incentive Awards Program as priority area for review, to obtain evaluations in the depth necessary to identify program strengths and weaknesses. (See p. 30.)

#### AGENCY ACTIONS AND UNRESOLVED ISSUES

The Commission said that the report presented a clear and accurate perspective on the Incentive Awards Program and that it believed GAO's conclusions and recommendations were constructive. The Commission said also that it had taken, or planned to take, certain corrective actions as the result of GAO's report.

The Commission is making a thorough analysis of GAO's findings,

conclusions, and recommendations, in an effort to make full use of GAO's report for program improvement purposes. Also the Commission plans to fully discuss with agencies the approaches to be taken to deal with the problems identified. (See p. 31.)

GAO believes that the actions taken and planned by the Commission should help strengthen and improve the Incentive Awards Program. In its continuing reviews of Federal personnel matters, GAO plans to evaluate the

effectiveness of the actions taken by the Commission. (See p. 32.)

MATTERS FOR CONSIDERATION  
BY THE CONGRESS

The Congress is strongly interested in the productivity and motivation of Government employees. This report discloses weaknesses in the management of the Incentive Awards Act and calls for the Civil Service Commission and all Federal agencies to use the act more effectively.