



Highlights of [GAO-03-612T](#), testimony before the Subcommittee on Civil Service and Agency Organization, Committee on Government Reform, House of Representatives

Why GAO Did This Study

There is widespread agreement that the basic approach to federal pay is broken and that it needs to be more market- and performance-based. Doing so will be essential if the federal government is to maximize its performance and assure accountability for the benefit of the American people. While there will be debate and disagreement about the merits of individual reform proposals, all should be able to agree that a performance management system with adequate safeguards, including reasonable transparency and appropriate accountability mechanisms in place, must serve as the fundamental underpinning of any fair, effective, and appropriate pay reform.

At the request of the Subcommittee, GAO discussed the key practices for effective performance management that federal agencies should consider as they develop and implement performance management systems as part of any pay reform.

www.gao.gov/cgi-bin/getrpt?GAO-03-612T.

To view the full testimony statement, click on the link above. For more information, contact J. Christopher Mihm at (202) 512-6806 or mihmj@gao.gov.

RESULTS-ORIENTED CULTURES

Modern Performance Management Systems Are Needed to Effectively Support Pay for Performance

What GAO Found

The need for results-oriented pay reform is one of the most pressing human capital issues facing the federal government today. To implement results-oriented pay reform, commonly referred to as “pay for performance,” agencies must have modern, effective, credible, and validated performance management systems that are capable of supporting pay and other personnel decisions. Pay for performance works only with adequate safeguards, including reasonable transparency and appropriate accountability mechanisms in place, to ensure its fair, effective, and responsible implementation. Modern performance management systems are the centerpiece of those safeguards and accountability.

Most federal agencies are a long way from meeting this test. All too often, agencies’ performance management systems are based on episodic and paper intensive exercises that are not linked to the strategic plan of the organization and have only a modest impact on the pay, use, development, and promotion potential of federal workers. Leading organizations, on the other hand, use their performance management systems to accelerate change, achieve desired organizational results, and facilitate two-way communication throughout the year so that discussions about individual and organizational performance are integrated and ongoing. Effective performance management systems are not merely used for once- or twice-yearly individual expectation setting and ratings processes, but are tools to help the organization manage on a day-to-day basis

GAO identified key practices leading public sector organizations both here in the United States and abroad have used in their performance management systems to link organizational goals to individual performance and create a “line of sight” between an individual’s activities and organizational results. These practices can help agencies develop and implement performance management systems with the attributes necessary to effectively support pay for performance.