The Development of a Pay-for-Performance Appraisal System for Park and Recreation Agencies: A Case Study

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Target Audience: (check all that apply)

Job Function (this function may not reflect actual job title)

- [X] Professional Management
- [X] Professional Staff
- ___ Professional Student
- ___ Professional Retired
- [X] Educator/Researcher
- [X] Citizen-Board/Advocate
- ___ Supplier
- ___ Other: __________________

Learning Outcomes

By the end of this talk, participants will be able to:

a) List the steps involved in developing a pay-for-performance system for a public park and recreation agency.

b) Identify the appropriate procedures for conducting a performance appraisal review.

c) Recognize how a pay-for-performance system positively impacts (employee attitudes and perceptions of procedural justice) employee motivation levels in a public park and recreation agency.
Well-designed employee performance appraisals assume great importance by providing agencies with information that can guide administrative and developmental decision-making about their human resources. Administratively, performance appraisals serve as the formal evaluation tool used by managers when making decisions about the distribution of pay increases; developmentally, performance appraisals assist agencies in identifying issues such as employee training needs, employee selection, and promotional opportunities (Milkovich & Newman, 2005). Despite their importance, agencies’ performance appraisal systems are often viewed by employees and management as a frustrating and unfair process. These frustrations are largely attributed to performance appraisal systems’ reliance on performance appraisal instruments that: 1.) are not job related; 2.) have confusing or unclear rating levels, and; 3.) are viewed as subjective and bias by staff (Mathis & Jackson, 2006). Grounded within a strategic human resource management (SHRM) framework, this study examined the steps involved in creating a pay-for-performance system for a public park and recreation agency. In particular, SHRM places great importance on the employees and managers in the success of the agency’s operations (Tompkins, 2002; Wright & McMahan, 1992). SHRM is cognizant of the value of an agency’s material resources (i.e, financial and physical), but asserts that it is equally, if not more, important to give attention to the human resources. SHRM also provides support for research on an agency’s compensation strategies. A SHRM framework advocates for managers to tailor their pay systems to support the agency’s strategic objectives. This approach is based on contingency notions, suggesting that differences in an agency’s strategy should be supported by corresponding differences in the agency’s human resource strategies, including compensation (Milkovich & Newman, 2005). The underlying premise of SHRM as it relates to compensation is that the greater the alignment, or fit, between the agency’s objectives and the compensation system, the more effective the agency (Dyer & Reeves, 1995; Milkovich & Newman, 2005). Drawing from existing management literature on pay-for-performance systems, this case study sought to address the following questions: 1.) What are the specific steps involved in developing a pay-for-performance system for a public park and recreation agency? 2.) What are the correct procedures for conducting the performance appraisal review? 3.) To what extent are the employees’ attitudes toward the newly developed performance review session similar/different when compared to the previous performance review session format? 4.) To what extent are the employees’ perceptions of the procedural justice toward the newly developed pay-for-performance system similar/different when compared to the previous performance review system? Employees’ attitudes toward the newly developed system were assessed due to research suggesting that even the most well developed pay-for-performance system is predisposed to problems, if it is viewed negatively by staff (Cardy & Dobbins, 1994; Keeping & Levy, 2000; Murphy & Cleveland, 1995). In particular, researchers have suggested that employees’ performance appraisal reactions are closely linked to the acceptance and use of an appraisal system as well as the validity of an appraisal (Mathis & Jackson, 2006). The Elmhurst Park District was selected as the public park and recreation agency for this study. The Elmhurst Park District was established in 1920 in portions of Cook and Du Page counties in the state of Illinois. The district employs approximately 58 full-time, 235 part-time, and 325 seasonal employees and
is governed by seven, publicly elected board of commissioners. Data was collected prior to the start of the pay-for-performance workshops and at the conclusion of the workshops to compare the employees’ attitudes between the original performance appraisal system and the newly developed system. Focus group interviews and surveys with the full-time employees of the Elmhurst Park District were conducted. Focus group interviews were conducted due to their value in stimulating the members of the focus group to state feelings, perceptions, attitudes, and beliefs that they would not express if interviewed individually. The focus group members for this study were assembled based on their position in the agency. In particular, employees with human resource management responsibilities were included in the focus group. As a result, seventeen employees were included in the focus group. In addition, surveys were administered to compare the employees’ attitudes of the existing pay-for-performance system and the newly developed system. Keeping and Levy’s (2000) performance appraisal reaction instrument was selected for this study. Specifically, the two sections of the instrument measured: 1.) employee satisfaction with the appraisal interview/session, and; 2.) perceptions of procedural justice of the appraisal system (see Keeping & Levy, 2000). Previous studies have supported the construct validity of the items with factor loadings ranging from .76 to .97, with an average loading of .89 (Keeping & Levy, 2000; Levy & Williams, 2004). In addition, reliability measures for each area have been high, ranging from .91 to .96 (Keeping & Levy, 2000). Creating a valid and legally defensible pay-for-performance system requires a definition of job specific performance leading to the creation of an appraisal instrument that describes different levels from low to high on the performance measure and a well-conducted performance appraisal interview process (Milkovich & Newman, 2005). To define job specific performance, the following steps were completed with the full participation of the employees of the Elmhurst Park District: 1.) Job analyses for every full-time position in the agency. In conducting the job analyses, the employee(s) and supervisor collectively reviewed the current job description. Job descriptions of similar positions from other agencies were also reviewed to guide the employees in brainstorming a list of job domains and tasks performed. 2.) The assignment of “weights” to each job task. The incumbent and supervisor independently reviewed the list of task statements and rated each statement on two, 7-point scales. The first scale, “importance” (1=low, 7=high) rated their perception of the importance of each task statement to overall job performance. The second scale, “time/frequency” (1=low, 7=high) assessed the time/frequency that each task required in comparison to all other tasks. The values from each scale were multiplied and a total “weight” for each job task was created. 3.) The creation of the performance appraisal instrument. The Elmhurst Park District incorporated an anchored rating format. Organizational research has indicated the reliability of a performance appraisal instrument is strongest when using between three and seven descriptive anchors (Arvey, & Murphy, 1998). The Elmhurst Park District selected a three-anchor approach and identified the immediate supervisor as the rater. The immediate supervisors were also provided with training sessions that focused on three rater-error categories: 1.) rater-error training; 2.) performance dimension training, and; 3.) performance standard training. Once the appraisal instruments had been developed, the Elmhurst Park District implemented the new pay-for-performance system. Following its implementation, the study examined the employees’ reactions toward the appraisal system. Results from the focus group interviews suggested a change in employees’ satisfaction with the newly developed performance review session compared to the original system. In particular, when asked about the newly developed instrument, a majority of employees felt the interview session and system were greatly improved. The primary reason for this positive view centered on the participative
process. One employee stated, “since the employee (ratee) was involved in creating the instrument, it has become much easier and less confrontational to comment on specific (performance) ratings since they were part of the process to identify what was included on the performance appraisal.” Interview results also identified changes in employees’ perceptions of the processes involved in creating and administering the newly developed pay-for-performance system. Several employees commented on the role of the job analyses and its influence on their staff’s views of justice. For example, a division manager of parks stated, “Staff initially were wondering why we needed to do this (job analyses) to make an appraisal instrument. However, once we sat down and discussed the employee’s job, she and I were provided with better insight on what she was doing and what I (rater) thought she was doing...the staff saw value in the weighting of tasks by time and importance as we often agreed that a majority of their tasks were important, but not conducted as often...including the weights in the appraisal instrument seemed fair”. Despite the majority of employees expressing positive comments toward the procedures used in the newly developed pay-for-performance instrument, some staff expressed concern. One upper level management employee stated, “We will wait and see. The proof is in the pudding and it is still too early to tell. It does not seem realistic to ding them on one particular task, but we are. We have delineated multiple tasks into multiple statements. Our previous instrument was more broad”. In addition to the interviews, Keeping and Levy’s (2000) seven-item instrument was used to assess the employees’ satisfaction with the performance review session and their perceptions of procedural justice. Significant mean differences were found five of the seven items (p<.006). In particular, significant mean differences were found for the following items: “My manager conducts a very effective review discussion with me”; “The performance review system does a good job of indicating how an employee has performed in the period covered by the review”; “The procedures used to evaluate my performance were fair”; “The process used to evaluate my performance was fair”, and; “The procedures used to evaluate my performance were appropriate” items. Overall, these results provide further support to the cognitive and affective value of employee participation in the creation of the agency’s pay-for-performance appraisal system (Roberts, 2003). Throughout the process, the employees were actively involved in the creation of the agency’s pay-for-performance system. Taken together, the employee’s participation in the appraisal process and the clearly stated areas for employee improvement, led to higher perceptions of fairness and acceptance of the supervisor’s ratings. In turn, these high levels of employee acceptance and understanding will likely enhance the employee’s motivation and job performance. Support for this conclusion is found in the comment obtained from one of the supervisors, stating, “…it was somewhat difficult to tell Employee ‘A’ that he is a ‘1’ (below standards performance rating), but it was worth it. I was surprised – Employee ‘A’ showed little disagreement with the rating (during the performance review session) and I saw immediate and continued improvement in Employee ‘A’s’ attitude and performance.”

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References


