

GAO

Briefing Report to Congressional
Requesters

May 1989

PAY FOR PERFORMANCE

Interim Report on the Performance Management and Recognition System



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United States
General Accounting Office
Washington, D.C. 20548

General Government Division

B-203022

May 18, 1989

The Honorable Norman Dicks
House of Representatives

The Honorable Vic Fazio
House of Representatives

The Honorable Steny Hoyer
House of Representatives

On May 27, 1988, you requested us to examine the government's pay for performance system for grade 13 through 15 supervisors and managers--the Performance Management and Recognition System (PMRS). As you know, we previously reported on PMRS in January 1987.¹ In that report, we pointed out that factors unrelated to individual performance resulted in employees with the same grade and rating receiving significantly different award amounts. We also reported that although the PMRS legislation prohibits agencies from prescribing ratings distributions, various factors, including budgetary constraints, put pressure on agencies to influence the distribution of ratings.

We agreed that to follow up on our previous report and to address your interest in PMRS, we would obtain PMRS and Senior Executive Service (SES) employees' views on how the system is currently operating and on how it can be improved. The results of our work are based primarily on the views of 36 PMRS employees who participated in focus group discussions we hosted and 6 SES members we interviewed who managed employees covered by PMRS. Focus groups are groups assembled to candidly discuss a topic under the controlled guidance of a moderator and are generally viewed as an effective way to capture major themes related to a discussion topic and provide detailed anecdotal material.

The results of our group discussions were provided to your offices during a March 8, 1989, briefing. As requested, the results are also summarized in this interim report. Because of staffing and time constraints we did not begin our work until November 1988, and it was necessary to complete our work by March 1989 to comply with your request for information in early 1989. However, because our work is limited, we plan to

¹PAY FOR PERFORMANCE: Implementation of the Performance Management and Recognition System (GAO/GGD-87-28, January 21, 1987).

continue work on PMRS during the next several months to further validate the information we obtained. We will issue a final report upon its completion.

PRELIMINARY RESULTS

Despite 4 years of experience with the system, focus group participants and the SES members we spoke with raised most of the fundamental problems identified in our January 1987 report. Also, in general, group participants indicated that PMRS is not fully meeting its objectives to motivate and reward employees. Nearly all participants believed that performance was not a major factor in determining who received performance awards and that awards were too small to act as a motivator.

Participants did not feel that communication about performance standards and feedback about job performance had improved as a result of PMRS. It should be noted, however, that many group participants expressed a certain degree of confusion about how PMRS works and, particularly, about how agencies make individual rating and pay decisions. If individuals better understood the program, perhaps their assessment would have been more positive.

Although most group participants were unhappy with PMRS, they had few suggestions for improving the system. Nevertheless, we did ask them to comment on certain reforms that had been suggested by members of federal employee groups or by congressional staff. Most did not support a proposal to adopt a satisfactory/unsatisfactory two-tier rating system designed to reduce rating inaccuracy. They did not support using an awards panel to make performance award decisions instead of directly relating award decisions to an individual's performance appraisal. Most group participants strongly supported increasing the pay of managers and supervisors. Finally, group participants showed mixed support for returning to the General Schedule (GS) system; some employees liked the predictability of GS pay increases, while others preferred to maintain some kind of pay-for-performance system.

More detailed comments on the views of the PMRS employees and SES members we interviewed are included in appendix I. In general, SES members we contacted shared many of the same concerns about the system raised by the group participants. For example, they agreed that performance awards were too small to motivate better performance. However, SES members' views on one aspect of the system and on one reform proposal differed from those expressed by the focus groups. SES members did not

believe their agencies used forced distributions to control ratings, and some did not support a management pay differential for supervisors.

It should be noted that placing greater emphasis on performance is one of three major themes in the recently issued National Commission on the Public Service (Volcker Commission) report on rebuilding the public service. (See p. 7.) PMRS is an important program because it is one of the principal means for providing incentives to motivate and reward managers in grades 13 through 15. The lack of an effective program for motivating employees at these levels could seriously impede creation of what the Commission called "a culture of performance" in government.

AGENCY VIEWS

Agency officials responsible for PMRS at the four locations we visited said that the views of the persons we spoke with coincided with their views of how employees perceived the program. Also, officials of the Office of Personnel Management with governmentwide responsibility for PMRS informed us that the results of our study were essentially similar to the results they obtained by holding focus group discussions at four other agencies. The officials said that a total of 185 PMRS participants from the Departments of Army, Agriculture, Housing and Urban Development, and Labor were involved in those discussions and the results differed in only two areas.

According to the officials, PMRS employees participating in discussions they sponsored emphasized that PMRS has had a positive effect on communication because it introduced a formal mechanism for establishing performance standards and providing performance-related feedback. Additionally, the OPM officials said the employees they spoke with did not raise the issue of lower-graded PMRS employees being inappropriately placed under the system merely to increase the amount of funds available for performance awards. The results of the discussions we held with PMRS employees relating to these and other matters are provided in this interim report.

OBJECTIVES, SCOPE, AND METHODOLOGY

The objective of our review was to obtain PMRS employee and SES views on how the system is currently operating and on how it can be improved, including reactions to certain reform proposals. We did our work at four of the five agencies

visited in our earlier PMRS review: the Federal Aviation Administration (FAA), the Internal Revenue Service (IRS), the Office of Personnel Management (OPM), and the Bureau of Land Management (BLM). Because of time constraints, we did not include the Denver-based Bureau of Reclamation, which was the fifth agency involved in our earlier work.

To obtain PMRS employee views, we held six focus group discussions in February 1989 with PMRS employees from the agencies included in our review. The results discussed in this report were based on the perceptions of the employees who participated in our discussions and cannot be generalized to either to other employees at the agencies we reviewed or to employees governmentwide.

We organized the focus groups by grade, two groups each with 10 participants for grades 13, 14, and 15 employees, with employees from different agencies in each group. We randomly selected participants who had completed at least one full performance rating cycle from agency lists of PMRS employees working in the Washington, D.C., area. A total of 36 employees attended the focus groups. Each group had between five and nine participants, with the exception of one group that had only two participants. Eight to 10 employees were scheduled for each group, but some groups were smaller because of last-minute cancellations.

To get another perspective on PMRS, we also contacted several agency members who had operational responsibility for PMRS employees and were from the same four agencies as our focus group participants. During individual interviews, we obtained their views of PMRS, including reform proposals, and their reactions to the views presented in the employee groups. We analyzed the comments of the focus group and interview participants to systematically identify both the range of their views and common perceptions.

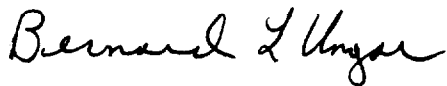
To help us identify issues for the group discussions, we reviewed PMRS legislation and regulations, reviewed literature on compensation and incentives, and familiarized ourselves with studies of PMRS that had been made by OPM and other professional organizations. We also interviewed agency personnel officials and OPM officials charged with governmentwide administration of the program and obtained financial information on PMRS for fiscal year 1988.

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Our work was done in accordance with generally accepted government auditing standards.

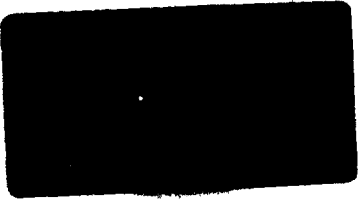
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As arranged with your offices, unless you publicly announce the contents of this interim report earlier, we plan no further distribution until 30 days from the issue date. At that time we will send copies to OPM, to the agencies that participated in this review, and other interested parties upon request. The major contributors to this interim report are listed in appendix II.



Bernard L. Ungar
Director, Federal Human Resource
Management Issues


HOW THE FOCUS
AND THE SES MEM
CONTACTED VIE



PMRS is the federal government's pay grade 13 through 15 supervisors and into law on November 8, 1984, as Title Retirement Spouse Equity Act of 1984 (3195, 3207) and is scheduled to expire. About 130,000 employees participate.

Through an annual performance appraisal, an employee receives a summary rating based on performance--fully successful, two levels above and two levels below fully successful. Fully successful or above receive basic pay, while the most part, meet or exceed those of Schedule (GS) employees. In addition, employees above fully successful are guaranteed a raise at the end of the rating period, while those fully successful or one level above fully successful receive bonuses at the agencies' discretion.

Overall, the PMRS employees we interviewed had mixed perceptions of PMRS and identified problems similar to those discussed in our January report. Those who showed mixed support for pay for performance were even those who did support pay for performance if PMRS had been well-implemented. Specific concerns were with rating and performance. One concern was that PMRS' ability to motivate was eroding because of inadequate performance awards, and, in general, SES members we contacted shared concerns. We have highlighted the points on which SES members' and employees differed.



Our 1987 report on PMRS presented the results of interviews with 100 PMRS employees and 234 supervisors of PMRS agencies after the implementation of the program. The results could not be generalized to all PMRS agencies. Supervisors, they highlighted several points. Based on the results of our current effort, we expect these points to persist.

CONCERNS ABOUT RATING AND
PERFORMANCE AWARD DECISIONS

In general, group participants believed that ratings were inequitable and did not accurately distinguish between different performance levels. They identified several factors working against the integrity of the rating system and believed that these factors also undermined the integrity of the performance awards process. Also, most group participants did not believe that performance was one of the major factors that determined who received performance awards.

It should be pointed out that some of the problems discussed by PMRS employees, such as subjectivity in the ratings process, appear to be systemic problems that could occur under any rating system. In fact, the need to improve performance appraisal systems was one of the issues cited in the recent report of the National Commission on the Public Service, commonly known as the Volcker Commission.¹ Other problems, such as concerns about pressure to control the number of high ratings, appeared to be directly related to the structure of the program.

There Are Concerns That Quotas
and Management Pressure Are
Influencing Ratings and Awards

Although 5 U.S.C. 4302a(e) (Supp. IV, 1986) prohibits agencies from prescribing the distribution of levels of performance ratings among employees, 68 percent of PMRS employees' supervisors responding to the survey discussed in our 1987 report said they were pressured, at least to some extent, to distribute ratings to their PMRS employees in a prescribed manner. In our group discussions, some participants also said they believed forced distributions did exist. However, others said they were unaware of forced distribution in the form of explicit quotas given to managers, but they believed they experienced other forms of pressure to control the number of high ratings. For example, some group participants said managers were told in staff meetings or correspondence that they should apply performance standards more rigorously than in the past. Some also said they knew of instances in which top management had changed ratings that had been provided to PMRS staff by immediate supervisors. These employees felt that this pressure to change ratings or to apply performance standards more rigorously resulted in inappropriate

¹Leadership for America: Rebuilding the Public Service, National Commission on the Public Service, March 1989.

ratings.

The issue of top management inappropriately changing ratings of particular concern to some group participants. Employees of one group suggested that top management should not in any way be involved in changing ratings, or managers should be required to provide written justification when this occurred. Some participants in another group thought rating and award decisions should be made by first-line supervisors. They believed that first-line supervisors were the persons most familiar with ratees' performance.

Most SES members we spoke with said pressure to control the number of high ratings exists, although they did not believe that their organizations used rating quotas. A few SES members, however, said they changed ratings in response to budgetary pressure or to achieve consistency among staff with different raters.

As discussed in our 1987 PMRS report, the statutory budgetary limits of PMRS place management in a dilemma. PMRS legislation requires each employee with a summary rating two levels above fully successful to be paid a performance award of at least 2 percent of the employee's base salary. The law also requires that an agency's total payout for performance awards not exceed a maximum of 1.5 percent of its aggregate PMRS salaries. Under this system, an agency that gives a very large percentage of staff summary ratings that are two levels above fully successful could be forced to either (1) make total payouts greater than 1.5 percent that is legally authorized, or (2) pay less than 2 percent performance award that is statutorily required. To avoid these situations, an agency needs to ensure that its ratings process does not yield too many high ratings, which, in turn, could result in violation of the statutory prohibition against prescribing ratings distributions.

A few group participants believed that unwritten agency policies regarding the proper size of performance awards also led to pressure to control ratings. As indicated in our 1987 report, one factor that put pressure on agencies to influence ratings was the desire to give substantial performance awards for quality performance. Therefore, even if agencies were free of the requirement to pay a minimum of 2 percent to top performers, they might still want to limit the number of high ratings granted. Two discussion group participants said:

"Money is an impediment to getting the rating."

"You have certain expectations that just don't get met. Managers tell you you're doing a great job, however, the budget is having problems this year. You end up not getting what you expect to get. While the personal kudos are there, something gets lost in the translation."

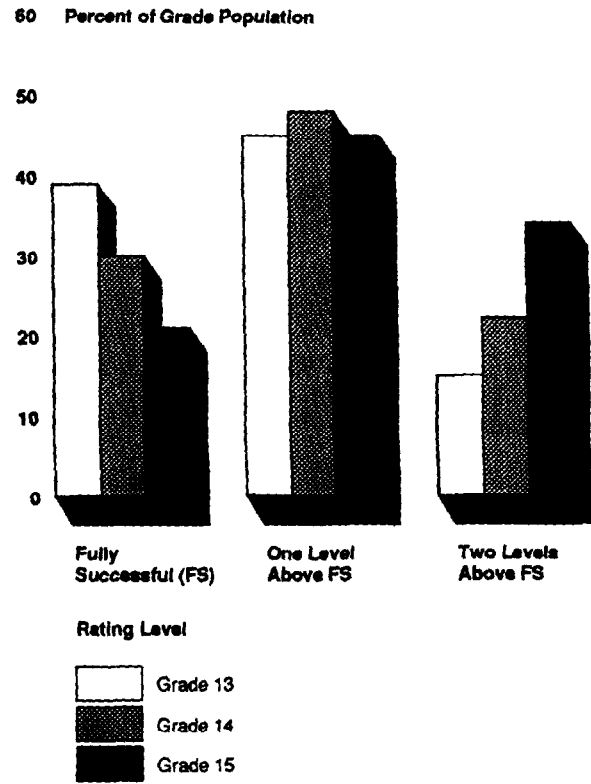
Some group participants said that some managers deal with pressure to limit the number of high ratings and performance awards by distributing them to staff on a rotating basis. Some participants said that their supervisors had told them they were outstanding, but that they could not rate them accordingly or give them a performance award because it was not their turn to receive a high rating or performance award.

SES members who commented on this issue said they were not aware of managers distributing high ratings and awards on a rotating basis, although they were familiar with complaints that this has occurred.

Relationship Between Grade
and Rating and Performance Awards
Viewed as Inequitable

A few group participants felt that GS, PMRS, and SES pay was not proportionate to each group's relative responsibilities. They complained that SES members received substantial awards or bonuses for work that was done by their staffs and yet the staffs either received no reward or were rewarded to a far lesser extent than the SES members. Some participants also indicated that higher graded PMRS staff are more likely to get high ratings and performance awards. As shown in figures I.1 and I.2, OPM data for fiscal year 1986, the latest available data, confirm this perception.

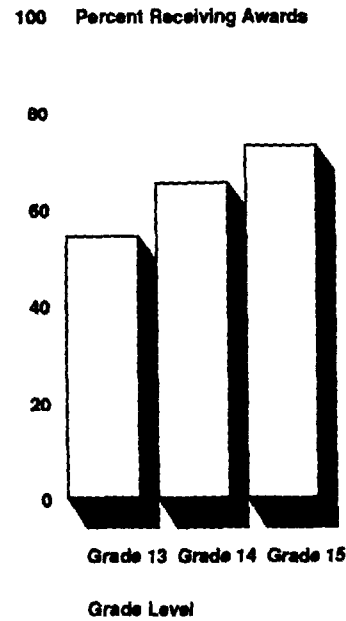
Figure I.1: Fiscal Year 1986 PMRS Performance Rating Distribution by Grade



Note: Ratings below fully successful are not illustrated.

Source: Office of Personnel Management data for largest 34 agencies (4 non

Figure I.2: Fiscal Year 1986 PMRS Performance Awards by Grade



Source: Office of Personnel Management data for largest 34 agencies (4 nonrepc

While OPM data suggest a positive relationship between grade, rating, and performance awards, we did not determine if this relationship is based on a higher level of performance or factors unrelated to performance. Some group participants believed the differences were based on factors other than performance and were inequitable. A few even suggested that because the money available for performance awards is based on payroll, lower graded staff at their agencies were put into PMRS in order to increase the total amount of money available for performance awards for higher graded staff. This issue and questions regarding the criteria agencies use to determine which of its employees are included in PMRS led some group participants to suggest that additional clarifying guidance may be necessary.

Although most SES members did not comment on the likelihood of higher graded PMRS staff receiving performance awards, they did comment on the salary disparity between SES and PMRS. Only one SES member we contacted agreed that SES pay was disproportionate to PMRS pay. The four other SES members who commented on this issue said that their SES pay was justified by their additional responsibilities.

Performance Award
Amounts Vary Between
Organizational Groups

A few group participants noted that performance award amounts granted to employees with the same grade and rating vary across organizational groups within each agency, often referred to as pools. This perception is consistent with a finding from our 1987 report. For example, we noted that an employee rated one level above fully successful in one pool received \$2,043--more than 7 times the performance award received by a person with the same grade and rating in another pool. One factor contributing to the variation of individual performance award amounts across pools is the number of employees with high ratings who must be given awards.

Other Factors Unrelated
to Performance Affect
Ratings and Performance Awards

Some group participants said that nonperformance factors in addition to budget limitations tended to influence which employees got high ratings. These participants said that high ratings tend to be awarded to employees who are in high-profile jobs, successfully market their skills, or are well-liked by management. Some participants identified these factors as

influencing rating and award decisions, attributed them to subjectivity and favoritism rather than to PMRS, and pointed that they could be present under any system where performance cannot be measured by totally objective means. As discussed in our 1987 report, 33 percent of the employees and 23 percent of the supervisors who responded to open-ended survey questions indicated a belief that the rating process was driven by favoritism and not based on performance.

Some group participants and SES members also thought that rating inequity problems resulted because of individual managers' personal views on how staff should be rated. Some of these employees said that this could occur regardless of the agency's stated rating policies. A typical response was:

"Some of the managers will allow top evaluations to go through, and others will say, 'you can't have that many, only this many'. It all depends upon the philosophy of your manager."

When employees with similar performance in the same pool are rated by different supervisors, some with a strict rating philosophy and others with a liberal rating philosophy, the employees with the supervisors that rate liberally could have an advantage in competing for performance awards because their ratings will be higher. One SES member commented that the inconsistency between raters is precisely why managers review and sometimes change ratings.

PERCEIVED INEQUITIES
AND SIZE OF AWARDS LIMIT
PMRS' ABILITY TO MOTIVATE

One of the original intents of the program was not only to reward good performance, but to motivate employees to strive for it. According to some group participants, however, perceptions of inequity in the rating and award distribution processes as well as the small size of performance awards have diminished PMRS' ability to motivate employees toward better performance. In some cases, employees felt the system actually acted as a demotivator.

Management Pressure on
Ratings and Awards Can
Be Demotivating

Some group participants felt that the performance appraisal system itself is flawed because ratings control and ratings rotation policies have undermined the integrity of the rating

process. These employees placed high value on the recognition that came from a rating above fully successful. In their view, rating rotation practices and management's changing ratings are undermining the prestige of higher ratings. A few said it was actually a demotivator to see high ratings, and therefore awards, go to undeserving employees simply because it was their turn. Employee responses to the survey discussed in our 1987 report also indicated that subjective performance appraisal and the unfair distribution of ratings contributed to a lack of motivation and demoralization.

Participants Viewed
Performance Awards
as Too Small

Most group participants and SES members said that even if the ratings process worked well and the highest ratings went to those who were most deserving, the size of individual performance awards would not motivate employees to perform better. As shown in table I.1, the average award amount at the agencies we reviewed ranged from \$859 to \$1,670, and OPM governmentwide data from fiscal year 1987 show that about 65 percent of all PMRS employees received performance awards that averaged \$1,075. However, group participants said that the awards they received were simply too small to motivate better job performance. Some group participants said that performance awards would have to be significantly greater than they currently are to affect their performance.

Table I.1: Performance Awards for PMRS Employees, Fiscal Year 1988

<u>Agency</u>	<u>PMRS employees</u>	<u>Number receiving awards</u>	<u>Percent employees awarded</u>	<u>Total paid in awards</u>	<u>Average award per awarded employee</u>
BLM	530	398	75.1	\$399,300	\$1,003
FAA	6,454	3,649	56.5	\$4,560,079	\$1,250
IRS	6,471	2,653	41.0	\$4,430,445	\$1,670
OPM	495	403	81.4	\$346,319	\$859

Source: Incentive Award Program Annual Reports, OPM Form 1465.

Similarly, a few participants said the difference between awards given to those rated two levels above fully successful and those rated one level above was too small to make a meaningful distinction between the performance levels. A few others also said they were not motivated by the performance awards to make the extra effort necessary to get that higher rating although

other factors, such as their desire to do a good job, might motivate them to do so. At one agency, we found that employees rated two levels above fully successful received performance awards averaging 2.25 percent of their base pay, while employees rated one level above fully successful received 1.93 percent-difference of only 0.32 percent.

The small size of performance awards under PMRS has been a continuing issue. In response to the survey discussed in our 1987 report, 50 percent of PMRS award recipients we contacted said that the dollar amount of 1984 performance awards was inadequate.

Many Employees Prefer
Accurate Ratings
Over Monetary Awards

A few group participants acknowledged that as the program is presently structured, the federal government is unable to pay enough to make performance awards a meaningful motivator, and many emphasized that recognition in the form of accurate ratings and intrinsic job satisfaction were much more important than monetary awards of the size they are now. Although these participants said they appreciated monetary awards, given the choice between receiving a higher rating or a performance award of current average size, they said they would choose the rating. A few group participants said they not only get personal satisfaction and recognition from the rating itself but also get the practical benefit a higher rating provides during a reduction in force² or when they are looking for another job.

PMRS NOT SEEN AS
ENHANCING COMMUNICATION
AND FEEDBACK

Performance standards and performance feedback were emphasized PMRS with the intent of enhancing job performance through better communication. However, many employees were frustrated with poor communication about job standards and PMRS pay decisions. Most SES members agreed that, in general, communication and feedback have not improved as a result of PMRS. Some group participants and SES members, however, said the quality of communication is influenced more by individual supervisors than

²During an agency reduction in force, the order of layoffs is affected by several factors, one of which is the employee's performance rating.

by PMRS. A few employees and SES members noted that at least PMRS provides a mechanism for establishing performance standards and providing performance-related feedback.

Employees Need More
Information on PMRS
and Agency Pay Decisions

Many group participants expressed a certain degree of confusion about how PMRS works and how agencies make individual rating and pay decisions. At some agencies, employees perceived the rating and performance award processes as being very secret, while some employees from other agencies said that secrecy was less of a problem. In either case, some employees felt they should know the formal and informal rules their agencies used to make award decisions. Some employees' lack of understanding is evident in the following comments:

"It is a mystery how it works."

"It's hard to complain about something you don't understand."

"I know less about PMRS than any other rating system I have been under."

Employees Not Satisfied
With Standard Setting and
Performance Feedback

PMRS requires that at the beginning of the rating period supervisors and PMRS employees mutually establish performance standards particular to employees' jobs. During the assessment period, actual job performance is to be measured against these standards. Some group participants, however, said the standard setting process did not work as intended. Some said their agencies use generic standards that provided little information useful to their specific jobs. Standards, whether generic or tailored to individual jobs, often were developed by superiors rather than through a mutual communication process. A few group participants also said they received their standards late in the rating cycle, some as much as 5 months late. Employees made the following comments about the quality of the standard setting process:

"I just received this week the criteria that they're going to use to rate my performance for the entire year even though five months have already passed."

"I went through the paper exercise of getting them approved. I stuck them in the drawer and ignored them until rating time."

"There is not very much haggling back and forth over what you are going to accomplish, you are pretty much told that you will accomplish this or that."

In general, employees found the quality of feedback to be poor, but some attributed the deficiency to individual supervisors' skills rather than to PMRS. One mechanism to encourage communication about job performance is the performance appraisal process itself. Some employees, however, regularly wrote their own performance appraisal narratives, thus limiting the communication with the supervisor.

"Since I write my own appraisal, my supervisor and I don't communicate."

"The Assistant Director came in and handed out our merit pay paperwork and said 'these are your merit pay ratings and there is no feedback,' and walked out of the room."

"There is no feedback at any level."

PARTICIPANTS SHOWED
MIXED REACTIONS TO
PROPOSALS TO REFORM PMRS

Employees we spoke with identified concerns with PMRS that may limit the system's ability to motivate and reward staff. In response to similar concerns, members of federal employee groups and congressional staff are considering several proposals to change PMRS. During our group discussions and interviews, we obtained participants' views on several proposals: implementing a two-tier rating system instead of the five-tier system currently in effect, establishing awards panels to make award decisions rather than basing such decisions on an individual's performance appraisal, increasing the pay of managers and supervisors, and returning to the General Schedule.

Participants Showed Little
Support for Two-Tier
Rating System

The proposal to change to a two-tier rating system was intended to alleviate problems of rating accuracy. Under the current

five-tier system, some managers are finding it difficult to make distinctions among performance levels. Under a two-tier system, managers would rate employees either as satisfactory or unsatisfactory.

While it may be difficult to make performance distinctions, some group participants believed that five-tier ratings were valuable. Many PMRS and SES employees did not approve of a two-tier rating system because a "satisfactory" rating would not provide useful performance information to superiors or future employers. They also anticipated that few employees would be rated "unsatisfactory;" thus, the two-tier system would, in effect, make no distinctions at all.

Most Group Participants Supported
Increasing the Pay of Managers and
Supervisors, but Some SES Members Did Not

A pay differential for managers was proposed to assure that supervisors are paid more than their subordinates and nonsupervisory peers. In support of this proposal, some group participants said they earned less than their subordinates and that they were not adequately compensated for supervisory responsibilities. In addition, a few said a pay differential may help attract qualified managers.

Several SES members raised concerns about a supervisory pay differential because they value high technical skill as much as supervisory skill and would not want to reward the two differently. They said their agencies already have difficulty attracting and retaining technical employees and do not want a supervisory pay differential that would entice technicians to accept higher paying management positions.

Awards Panels Not
Generally Supported

Under this proposal, agencies would establish awards panels to make performance award decisions on the basis of supervisors' written nominations rather than on employees' ratings. Separating the performance award and rating processes was intended to alleviate budgetary pressure on ratings.

Most group participants and SES members supported the idea of removing pressure on ratings but did not support the proposal to use performance award panels. Some opposed the proposal because of the additional administrative burden involved in establishing panels and preparing written nominations. They also thought

that decisions made by awards panels would be more subjective than those made under the current process. Additionally, some group participants believed that award decisions should be made by supervisors with direct knowledge of their job performance.

Opinions Varied on
Returning to the
General Schedule

Group participants and SES members also commented on the possibility of eliminating PMRS and returning to the General Schedule system. Group participants and SES members who believed in the concept of pay for performance did not support returning to the General Schedule because they thought it did not adequately reward good performers. Others supported returning to the General Schedule; some thought it was more predictable than PMRS. One group participant said:

"The old system was predictable. With PMRS there are all these intervening variables like budget and whose turn it is to get the 'outstanding' that impact on the system. I don't know that the old system was any better, but it was certainly more predictable. When you know what you are getting, it makes life easier."

Some group participants also believed that they could earn more money under the General Schedule. Most PMRS employees are eligible for merit increases that are equivalent to or greater than the base salary (within-grade) increases received by their GS counterparts. The only PMRS employees who do not receive merit increases at least equivalent to GS base salary increases are employees rated fully successful with salaries in the middle third of their pay range (equivalent to GS steps 4 through 6). PMRS employees rated fully successful who are in the middle third of their pay ranges receive one-third of a merit increase per year, while GS employees in similar circumstances receive a full increase every 2 years. OPM estimated that this difference in pay increases affected approximately 12 percent of all PMRS employees rated in fiscal year 1987.

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