Job Aid
Contribution Instead of Performance: A Primer

Summary

AcqDemo organizations, as well as many DoD laboratories, pay their employees based on an assessment of the employee's <u>contribution</u> to the mission and business goals of the organization. This approach marks an alternative to traditional methods (e.g., GS within grade increases (WGI) and quality step increases (QSI)) to pay employees based on an assessment of the employee's <u>performance</u>. To those who have not studied or experienced the contribution-based approach, the difference between "contribution" and "performance" may appear to be no more than a clever word game. In fact, "performance" and "contribution" are fundamentally different concepts and these differences have profound effects on how the appraisal and pay systems associated with each concept must be structured and administered. In accordance with Title 10 United States Code §1597(e), performance assessments and ratings were incorporated as a part of the AcqDemo contribution-based system effective with the Fiscal Year 2018 assessment period.

Put in its simplest terms, here is the difference:

- <u>Performance</u> is a measure of <u>how well</u> an employee does what he/she is asked to do from the standpoint of quality, quantity, timeliness, and/or adaptability needed for successful performance. This usually takes the form of giving the employee specific objectives and at the end of the year, measuring how well the employee met those objectives.

- <u>Contribution</u> is a measure of the <u>value</u> of what an employee did. This usually takes the form of describing a continuum of work and job outcomes along a compensation value scale from those of very low impact on the organization and its mission to those of very high impact. At the end of the year, the employee's work and work outcomes are measured and placed along this scale to determine their monetary value.

The table below contrasts some of the key conceptual differences between these two approaches:

Performance under GS	Contribution
Defined relative to the job	*Defined relative to the mission*
Measures quality, quantity, timeliness, and adaptability	*Measures level of work, values of the contributions and position, and impact of contribution results*
Presumes a system of position classification	*Replaces a system of position classification with a standard set of descriptors and discriminators*

Different factors and standards for different jobs at different levels	*One unified set of factors and standards across many jobs and levels*
Impacts pay within the assigned GS grade level set for the job	*Impacts pay and/or promotion across entire assigned broadband level pay range for a position*
Pays again and again for the same performance	*Pays only for increases in contribution*
Pay is a symbolic reward– recognition for a job well done	*Pay is "just" compensation – an assessment of how much should be paid given the value of the contributions and position, and impact of contribution results.*
Compensation is based on projected value	*Compensation is based on demonstrated value*
Position-based	*Person-based*

Expanded Comparison

These contrasts between performance-based and contribution-based appraisal and pay systems are expanded below:

Performance under GS	*Contribution*
Defined relative to the job	*Defined relative to the accomplishment of the mission and the impact to the mission*

In pay for performance systems, the performance appraisal is always conducted in the context of the job. It asks, 'Did you do your job well?' *Contribution-based pay systems look beyond the job. The question is, what is the value of what you did in terms of accomplishing the mission? If you transformed your job into one of higher value, the AcqDemo system recognizes your contributions through your Overall Contribution Score (OCS) which translates to a Contribution Rating Increase (CRI) raising your salary. If you diminished your job into one of lesser value, it may also impact your OCS and contribution rating with a diminished/no pay increase. If you took on an entirely new job, it looks at your contributions and your pay increases where they move in a similar direction, up or down, based on the value of your contributions to the mission.*

Performance under GS	*Contribution*
Measures quality, quantity, timeliness, and adaptability	*Measures level of work, values of the contributions and position, and impact of contribution results*

Most performance appraisal measures focus on quality, quantity, timeliness and adaptability. Did you do a good job? Were you productive? Were you timely? *Contribution assessments look at the level of work done and its value. In fact, the contribution factors along with the AcqDemo descriptors and discriminators give you the parameters for measuring your contributions to the mission.*

Performance under GS	*Contribution*
Presumes a system of position classification	*Replaces a system of position classification with a standard set of descriptors and discriminators*

Since performance appraisal systems do not look at the level or value of work, they presume the level-of-work dimension has been accounted for through a position classification. Position classification ascertains the range of difficulty and responsibilities, and level of qualification requirements and rating means evaluating employee performance against the elements and standards in an employee's performance plan. *AcqDemo differs from the OPM classification system by utilizing only three factor levels instead of the nine factors commonly used in the OPM Classification Standards. The factor descriptors and discriminators are generally tailored to the duties and the expected contribution criteria for the occupations grouped within the respective career path and broadband level. While the descriptors indicate a position classification and/or contribution level appropriate at the upper end of each broadband level, a broadband contains an array of positions with varying levels of work, responsibilities, and value as defined by an organization's position management structure and compensation management strategy needed to accomplish its mission.*

Performance under GS	*Contribution*
Different factors and standards for different jobs at different GS levels	*One unified set of factors and standards across many jobs and levels*

Because performance is defined relative to the job, the factors and standards used to measure performance must also be job specific. For example, a Secretary may have a performance factor measuring typing errors, while a Management Analyst may have a performance factor measuring the depth and thoroughness of studies conducted. Under this concept, it would be impossible to develop a common set of performance factors for both the Secretary and the Management Analyst, because each is being measured in the context of the job they are asked to perform. *Under contribution-based systems, the opposite is true. A single set of factors and standards must be applicable to very broad sets of jobs in order to compare the value of work done and place it along a complete continuum. Both the Secretary and the Management Analyst would be measured against the same factors (e.g., in AcqDemo employee accomplishments are measured against Job Achievement and/or Innovation, Communication and/or Teamwork, and Mission Support) in order to determine their relative value to the organization.*

Performance under GS	Contribution
Impacts pay within the assigned broadband level set for the job	*Impacts pay and/or promotion across entire assigned broadband level pay range for a position*

Again, because performance appraisal does not measure the value of work, it cannot be used as a definitive indicator of pay. Rather it only tells us if someone should be paid higher or lower in the pay range. *Contribution assessments on the other hand, impact pay across the entire assigned broadband level pay range for a position An employee's contribution score answers the question, 'How much should this employee be paid?' If their contribution is higher than what is expected for the pay range for the employee's position, then the employee should receive a pay increase. The contribution score drives pay within the range for a position's broadband level.*

Performance under GS	Contribution
Pays again and again for the same performance	*Pays only for increases in contribution*

Under performance-based pay systems, employees who perform at the same level year after year will get the same performance rating year after year and typically the same accompanying pay increases. *Under contribution-based pay systems, pay increases are the result of the difference between their expected contribution score and approved score. Therefore, the employee whose contributions are at the same score year after year normally continue to be paid at the same rate adjusted by any applicable approved General Pay Increase until their level of contribution increases.*

Performance under GS	Contribution
Pay is a symbolic reward–recognition for a job well done	*Pay is "just" compensation – an assessment of how much should be paid given the value of the contributions and position, and impact of contribution results.*

Because performance pay only involves regularly scheduled step increases or an occasional quality step increase, the big pay jumps occur by being promoted to a job with a higher scope of work and thus higher salary potential. In the General Schedule (GS) system, there could be many more opportunities for promotion, which have an overall smaller pay increase. *Contribution-based pay increases, on the other hand, reflect the results of a fundamental compensation review. Is this employee paid appropriately given the employee's scope of work and impact on mission and business goals? Consequently, contribution-based pay increases can be larger and are often the only way pay levels are adjusted. In AcqDemo, promotions happen between broadband levels. All pay increases must be earned by demonstrating one's value to the mission.*

Having fewer promotions simplifies the personnel processes for increasing an employee's pay based on their contributions to the mission.

Performance under GS	Contribution
Compensation is based on projected value	*Compensation is based on demonstrated value*

In a performance-based system, compensation is based primarily on longevity in the position. When employees are promoted to a higher-level position, their compensation is increased, often substantially, based on their new position, and the expectation where the work is substantially more valuable to the organization. *In contribution-based systems, employees receive compensation increases only after they have demonstrated they have actually contributed at a higher level and at a greater value to the organization.*

Performance under GS	Contribution
Position-based	*Person-based*

Performance-based systems are built from positions. The position defines the factors and standards for measuring performance. Positions define the pay range. The only way employees can leave the position, is to be downgraded, reassigned or promoted. *Under contribution-based systems, the position becomes practically irrelevant. Employees can contribute very high on the scale or very low on the scale, regardless of their position. Contribution-based systems offer a structured way of moving to a person-based concept of personnel management.*

The Business Environment

Traditional position classification and performance-based pay systems grew out of an industrial, assembly line model. Here was the concept: I need a riveter on my assembly line. I do a study and find the going rate in the market for riveters is $10 - $12 an hour. I decide I will hire new riveters at around $10 an hour and if they perform well over time, I will gradually move them up to $12 an hour. If they want to earn more than $12 an hour, they need to get another job that commands a higher pay range.

This traditional approach continues to work reasonably well in manufacturing and production business environments where work is highly structured and routinized and the key objective is to get employees to perform the same tasks again and again as efficiently as possible. In this context, it makes sense to first place a value on the set of tasks performed, and then build incentives to encourage employees to perform those tasks quickly, productively, and with few errors.

The contribution-based approach works very well in the acquisition, research, engineering and development environment, and has shown it works well as a different appraisal and pay paradigm for knowledge workers in general. The DoD AcqDemo community has implemented this approach with great success. Any dynamic business environment requiring employees to continually develop, grow, take on new tasks, adapt to change, and respond to new customer requirements is an excellent candidate for a contribution-based model. Contribution-based models pull employees out of their position boxes and place them in much larger mission and business roles.

The contribution-based approach grew out of DoD's research and development laboratories. The laboratory business environment is the polar opposite of the manufacturing and production business environment. A premium is placed on creativity, risk-taking, and results. Employees are not asked to perform a narrowly defined set of tasks again and again. Instead, employees are given broad latitude to shape and define the tasks they perform in order to achieve positive business results.

Given the immense size and functional diversity of the Department of Defense, both performance-based and contribution-based models have their place. Many DoD organizations will find the traditional performance pay models work great for them. Many others will find the performance pay boxes them in, is bureaucratic and fails to build the human capital skills they desperately need to meet mission requirements and goals. For these organizations, contribution-based models may be a perfect fit.