# Navigating a Changing HR Landscape:

Human Resources and the Washington State Workforce 2005–2012

HR
State of Washington

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## Leadership in a time of change

When Eva Santos assumed the role of State HR Director in April 2005, the time was ripe for a visionary leader who would guide the Department of Personnel (DOP) and the state HR community through transformative changes.

We were just months away from the July 2005 effective date for the Personnel System Reform Act passed by the Legislature in 2002. This act called for a major overhaul of the state's human resources system and brought the most significant changes the state workforce had experienced since the civil service system and the Department of Personnel were created in 1960. Key components included:

- Full-scale collective bargaining for state workers
- Competitive contracting
- Civil service reform, including a streamlined classification system and new, more flexible rules for hiring, layoff, performance management and all other aspects of human resource management

In addition, the state was preparing to implement a new enterprise payroll system to support the reform measures. This new system would impact every state agency and involve significant changes to the business practices that HR and payroll staff had been following for decades.

Change of this magnitude, happening at the same time, was unheard of in the 45-year history of the state's civil service system. In fact, it had never been done in any state, and many doubted that Washington could successfully pull off all of these changes at the same time.

This was just the first of several waves of change that would affect the state workforce and the Department of Personnel. An economic crisis loomed, and with it would come management cuts, salary cuts, layoffs, furloughs and a restructuring of state government that would eliminate the Department of Personnel and split responsibility for HR policy and services between the Office of Financial Management and the newly formed Department of Enterprise Services.

## Implementing a new payroll system

With the passage of the Personnel System Reform Act in 2002, it became apparent that the state's 30-year-old payroll system could no longer be patched to keep pace with the changes to HR and payroll in state government. The old system simply would not be able to handle the multiple salary schedules and varying pay practices that would eventually result from separately negotiated bargaining agreements or the more decentralized, flexible human resource practices resulting from the reforms.

In 2003, Washington began replacing its archaic payroll system with a modern personnel and payroll application, called the Human Resource Management System (HRMS). If successful, HRMS would stand as the first large-scale, statewide technology system put in place by the state.

The HRMS project launched in September 2003 with a $48 million budget — slim for a project of this scope — and anticipated going live in January and April 2005 in two groups. The initial schedule was aggressive, with little room to accommodate project challenges.

Once the initial design of the system was in place, the project began connecting the new payroll system with existing systems, such as the financial and health benefits applications. Connecting modern technology with older systems created complex interface issues that took state agency and project expertise, resources and time to work out. By fall 2004, it was clear the original target dates would need to be extended, which led Department of Personnel leadership to engage in a project re-planning effort that began in December 2004.

When Governor Gregoire took office in January 2005, she brought new leadership and accountability to the HRMS project. The Governor set up a partnership between the Department of Personnel and the Department of Information Services, and appointed new leadership at both agencies. She charged them both to deliver a fully operational system that would meet the current and future business needs of Washington, and held them jointly accountable for managing the project.

In April 2005, newly appointed Department of Personnel Director Eva Santos renegotiated the contract with Accenture, system implementer. The strategy: get the best system for the dollars spent.

The new contract narrowed the scope of the project and extended the “go live” dates to October 2005 and January 2006. This helped reduce risks and gave agencies sufficient time to prepare for the transition. Renegotiation added $11 million to the cost of the new system, which was covered primarily through an agency service charge.

Near the end of the 2005 legislative session, the Legislature authorized a pay increase for state employees. The increase was set to begin in July for those employees represented by unions, but held until September for non-represented employees. This had never been done before in the state and meant that the old payroll system, which was still in use during the development of the new system, would quickly need to be modified to accommodate the split pay raises. This effort diverted resources from the HRMS project during a critical testing phase, cost an additional $8 million and extended the “go live” dates by four months.

In spite of the challenges, the Department of Personnel made good on the promise to the Governor of delivering a fully operational system when it went live with HRMS in February 2006. As the first agency to use the new system, the department was the final test of the system before beginning the statewide transition.

In April 2006, 23 agencies with nearly 9,000 employees successfully began using the new system. The remaining 56,000 state government employees were moved to the new system in July 2006. The transition was remarkably seamless, given the magnitude of the change, and largely is a testament to the strong leadership of the Governor, and her agency directors and attention to change management.

July 10, 2006, was a historic moment in Washington, when more than 65,000 employees received checks and earnings statements processed by the new system. Since going live, HRMS has consistently performed payroll functions with a success rate of more than 99 percent. This success rate is measured by the percentage of payments that balance and are processed by the system.


*One of the advantages of the new payroll system is an Employee Self-Service portal, where state employees can view their earnings statements, process leave requests and update their contact information.*

## Summary and lessons learned

As the state's first enterprise technology solution, this project could never have succeeded without visible support from the Governor and a strong partnership between the departments of Personnel and Information Services.

This new system affected the business practices of every state agency. If agencies weren't ready on the date that the switch was flipped, there was a very real risk that their employees wouldn't be paid correctly or on time. Therefore, change management was a critical component of the project, and every single state agency was engaged in the implementation process.

Some of the biggest challenges in implementing this enterprise system resulted from customizing it to fit Washington's unique HR rules and business practices. In hindsight, we would have been better off to streamline and standardize our business processes before applying them to a purchased software product.

Transparency was also key. The project was highly visible and received oversight from multiple agencies, the Legislature and private sector via the Information Services Board , legislative briefings, agency briefings and a dedicated HRMS website.

There have been many challenges along the way, even after the system was up and running, but we've been successful by focusing on what was best for the state. Sometimes this has meant standing up to vendors to force them to deliver on promises and sometimes it has meant saying no to state agencies when the changes they asked for were not in the best interest of the state as an enterprise.

## Streamlining the classification system

The majority of state jobs are organized into a system of job classifications that describe the type of work done, the knowledge and skills required, and the salary range for the positions within each job class. In 2004, the state had a total of 2,423 classifications in two separate systems; one for higher education institutions and one for general government agencies.

The Personnel System Reform Act called for creation of a more responsive, streamlined classification system and a substantial reduction in the number of job classes. It also called for consolidation of the higher education and general government systems into one streamlined system.

This would be a big change for the state's agencies and higher education institutions. Many agencies had longstanding unique classes that were not shared with other agencies or community colleges and universities. It would take sensitivity and a high level of collaboration to find the common threads to knit these unique job classes into more generic classes that could be shared across state government.

Class analysts met with the agencies and higher education institutions to help them understand why the consolidation was needed, the process that would be used, and why their input was important.

Major obstacles occurred early in the consolidation process. Just getting the various state agencies and higher education institutions comfortable with the idea that they could use any classification as long as it described the majority of the work the position performed was difficult. Suddenly, the concept of "unique classes" had disappeared. For many state agencies, this reality was difficult to grasp. However, the class analysts took time to educate and explain to their customers that the focus was now on the work performed, not where it was performed.

The process also provided a means of implementing the settlement of a "common class" lawsuit. The term "common class" referred to classifications in the higher education system and general government systems that performed the same or substantially the same work, but were paid differently. The lawsuit sought to correct the inequity. In the settlement, the state agreed to equalize common classes over a five year period.

One of the most significant issues faced during the consolidation was the cost of implementing the salary changes. To spread the cost over time, the classes were into four groups. Adoption of the classification changes began in September 2004, and the final changes were effective July 1, 2007, as part of the collective bargaining agreements negotiated with the unions.

The consolidation of higher education and general government classifications streamlined the state's classification system, making it more efficient, easier to use and more flexible to customers' needs. Prior to consolidation, the combined number of classes in general government and higher education was 2,423. After consolidation that number decreased to 1,669.

### Ongoing classification plan maintenance

Soon after the consolidation, the classification team started a comprehensive classification plan maintenance project, with a portion of the classification plan to be reviewed each fiscal year.

This project continues today. Updated language in the class specifications is replacing old terminology and references to old equipment. Duplicate classes or classes that perform substantially the same work are being eliminated, and obsolete classes are being abolished.

## Summary and lessons learned

The number of classes has decreased nearly 40 percent since the class consolidation began in 2005.

The consolidation process opened up communication between DOP's classification team and HR staff in state universities and community colleges. After consolidation, the classification team implemented the first of the statewide classification roundtable meetings on live closed-circuit television at the State Board for Community and Technical Colleges. These well-attended meetings continue today and receive positive evaluations from participants.

This project affected every state agency and higher education institution. There are many roadblocks with such a broad collaborative endeavor. In addition to the challenges of working with such a large number of players, it was difficult at times to get the information needed from HR offices, as they were extremely busy undergoing major re-organizations and personnel cuts resulting from the state's budget crisis.

We also had to work around budget constraints on the cost of each proposed change. Other than the equalization of common classes, concerns about cost limited us to very low-cost or no-cost class consolidations. There was frustration around the fact that much-needed revisions to certain class series or further collapsing of the classifications could not be proposed due to high cost impacts.

## Making better decisions based on data and collaboration

Over the past eight years, the state workforce has experienced transformative change; cuts in positions, salaries, and benefits; and what often feels like constant scrutiny and criticism from multiple directions, including the media, the public and politicians looking for a cause or a cure for the state's budget crisis.

As the state's central HR office, we appreciate the critical work that state employees do every day and the dedication they bring to their jobs in spite of these challenges. We also know the importance of making good decisions regarding the workforce, especially at a time when every dollar is so precious and hard to come by.

### Better data, more readily available

From the beginning of her administration, Governor Gregoire has made it very clear that she practices data-driven decision making. We support this approach by providing reliable, consistent data that is readily available. The Governor's office, the Legislature, state agencies and even the media have come to rely on us for data about the state workforce.

The replacement of the state's legacy payroll system with a statewide HRMS gave the enterprise an enhanced technology system that could provide robust business intelligence reporting where previously none had been available. This capability supported Director Eva Santos' vision of the key role of DOP as the central human resource agency to proactively ensure that leaders have easy access to current and credible data to make informed decisions about workforce issues.

The new vision and mission for DOP set several efforts into action — the creation of the Human Resources Management Performance & Accountability System, the DOP public website upgrade and the creation of an annual workforce report.

Using statistics on data requests, industry standards and feedback from stakeholders such as the Cabinet, Governor's Office, legislative staff and the media, a core set of data was identified for reporting. With the release of the updated DOP website in 2009, a new section was devoted to core workforce data and trends, and was updated monthly. Additionally, DOP published data detailing the progress and effects of significant workforce impacts, such as the fiscal year 2011 temporary layoffs.

In November 2009, DOP released the first annual State Workforce Report. The report was overwhelmingly successful. Stakeholders and the public were able to easily access and understand the information. The report clarified and communicated the make-up of the state workforce and provided credible information on core metrics.

Director Santos testified at legislative committee hearings and spoke directly to the data that was being used in the decision-making process. The 2009 report received national recognition when it was awarded the National Association of State Personnel Executives (NASPE) 2009 Communications Award.

After the publication of the 2010 report, a decision was made to move to a digital format. By combining the information with the existing workforce data web pages, the printing of the hardcopy report was eliminated. The digitized information is updated more frequently and is more readily available. With increased knowledge and improved web tools, we continue to make the information available in more dynamic and understandable formats.

*Sample chart from workforce data web pages*

Washington was awarded the NASPE 2012 Communications Award for the web pages. The updated web pages have been referenced in numerous publications: Governing magazine, "B&G Report – Workforce Watching…." March 22, 2012; National Association of State CIO Community "State IT Workforce: An Open Government Initiative from Washington" September 10, 2012; Publicola "I've Gone from Why? To Why Not? [3]" December 21, 2011. Several other states, such as Minnesota, have adapted Washington's workforce data and trends framework for their own reporting.

While much of the focus has been on providing transparent and accurate data externally, DOP also dedicated significant resources to ensuring the data integrity of the primary data source, HRMS. Significant work has been done on enterprise data standards through ongoing Data Definitions work conducted by a statewide workgroup led by DOP staff. Staff continue to facilitate the statewide Business Intelligence Users Group that meets monthly to share information, review system updates/changes and ensures consistency in capturing and reporting data for leadership.

**HR Governance Structure**

At the same time, the state developed a new interagency HR governance structure to collaborate more effectively with agencies on evaluating issues and trends, and developing enterprise workforce strategies.

We believe that successful HR leadership requires active involvement and collaboration with those affected by the decisions made. Even the most brilliant plans and program designs will not be sustainable if those affected have not bought in.

Therefore, we have built an HR governance structure and process to identify statewide HR priorities and develop or recommend actions to address those priorities. It is a multi-level structure composed of representatives from several state agencies.

The overall purpose is to have active stakeholder involvement and ownership of statewide HR decisions. By bringing key stakeholders into the process, we can:

- Foster collaborative discussions.
- Find shared solutions.
- Reduce risk.
- Align workforce and business priorities.
- Achieve performance outcomes.

Each group within this structure has a written charter outlining its purpose and responsibilities. Information, analysis and recommendations flow up the structure from the working group level to the director level for decision making.

A select group of agency deputy directors — the Deputies HR Management Group — advises the state HR director and serves as the statewide operational and policy decision-making entity on HR and management issues as requested by the state HR director.

Meanwhile, the HR Management Advisory Group represents the HR community and informs the Deputies HRM Group. This group provides input and recommendations regarding: strategic HR management initiatives; HR processes and service delivery and HR metrics and performance measures.

A number of technical groups, called councils, have been recently formed to give input to the HRM Advisory Group. Each council represents a specialty HR subject, such as classification/compensation, recruitment/retention, diversity, etc.

## Summary and lessons learned

Transparent and credible workforce data has been critical in communications with stakeholders and the public. The conversation has shifted from where and how to get data to what the data was telling us about the workforce.

The new HR governance structure is helping us to make our planning and decision making more relevant to the business needs of state agencies. As we identify and address HR issues, we have a better understanding of how these issues affect the ability of agencies to deliver services to their constituents.

## Addressing concerns about the number of managers

Good managers are essential to good government, but the state cannot afford to have too many managers at the expense of frontline workers. Therefore, there will always be a focus on the number of managers and how they are used. This focus became even more intense as the state's economy worsened and agencies were forced to lay off workers and reduce or eliminate services.

Over the past several years, many agencies have flattened their organizational structures to reduce the number of managers and focus more dollars on direct service delivery.

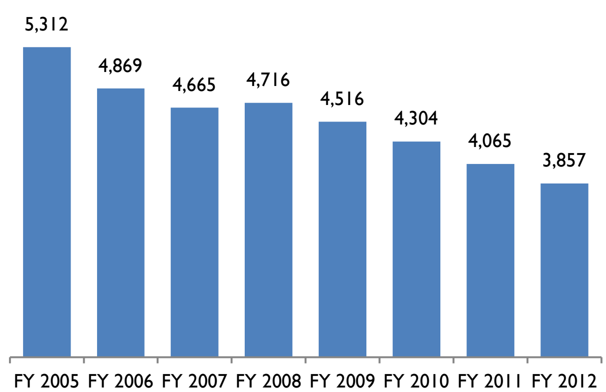
### Washington Management Service (WMS)

WMS is the state's personnel system for mid-level managers. It was created by legislation in 1993 to give agency directors greater flexibility to hire, set salaries and deploy managers where they are most needed. WMS positions are classified, civil service jobs, but are not subject to collective bargaining.

WMS has been criticized by unions and certain legislators for growth in the number of managers over the years, certain pay practices and its proper use.

WMS salaries have been frozen since February 2009.

**WMS headcount has declined more than 27% during the past 8 years**




### Management reductions

In 2005, Governor Gregoire ordered a reduction of 1,000 management positions. The number of WMS managers has since declined by more than 27 percent to 3,857 as of June 2012.

WMS managers make up approximately 6.5 percent of the general government workforce in 2012, down from 8.5 percent in 2005.

In July 2007, DOP implemented agency and enterprise control points to manage growth of WMS. Agencies began reporting on WMS in their GMAP and HR Management reports. Since then, the state has seen a 10 percent reduction in the number of WMS managers.

### Improved WMS oversight and accountability

In December 2009, State HR Director Santos asked agency HR directors to develop a uniform, enterprise-wide process for the inclusion and evaluation of WMS positions to improve accountability, transparency and consistency of the WMS as a whole. Two work groups were formed, with leadership and representation from the state HR community.

One work group addressed the administrative process agencies use to evaluate WMS positions for placement in salary bands, and the other addressed the criteria used to determine which positions were appropriate to include in WMS.

By spring 2010, these groups made recommendations on rules, processes, tools and training. DOP led efforts to further develop and implement the recommendations of the work groups. This included contracting with an external expert to revise the Job Value Assessment Chart and evaluator's handbook used to evaluate WMS jobs.

These new tools and controls are now in place, and agencies are in the process of re-evaluating all of their WMS positions, to be completed by mid-2013.

## Summary and lessons learned

WMS provides an easy way to identify and count mid-level managers. What's not so clear is the fact that nearly a quarter of WMS employees don't manage staff. By definition in law, WMS also includes employees who serve in certain types of policy and consultant roles as individual contributors. This is one more factor that needs to be considered when weighing the question of how many managers is the right number for state government. There may be no easy answer, but the conversation is an important and ongoing one.

While the budget crisis focused additional concern on the number of WMS employees, it also demonstrated one of the benefits of WMS. As agencies were forced to cut back and restructure their workforce, WMS gave them the flexibility to quickly and easily reassign managers to where their skills were needed most.

The overarching goal of the new administrative measures has been to ensure consistency, transparency and accountability in WMS operations at both the statewide and agency levels.

The success of the WMS work groups has set an example for other collaborative efforts with the HR community.

## Giving a voice to state employees in how they are managed

In a Government Management Performance and Accountability (GMAP) Forum in August 2005, DOP presented a variety of workforce data, including survey results, which told the story of workforce management in the state. Back then, employee surveys had 50 questions, were done on paper and were administered sporadically to a partial list of agencies. About 10 percent of the executive branch workforce, from only 15 agencies, participated in the 2005 survey.

Governor Gregoire was not satisfied with such a small portion of the workforce providing input to this workforce management picture. She directed DOP Director Santos to do an employee survey of all employees in all executive branch agencies. In addition, the Governor directed that it be done for $1.00 or less per person rather than the previous $2.00 per person cost.

DOP met the scope and cost challenge by creating a more focused, shorter survey, by shifting to an online survey tool, and by performing the survey administration and analysis completely in house.

To develop the enterprise-wide survey, we met with a group of agency representatives and with the director of the Division of Government Studies & Services at Washington State University.

We also solicited participation by contacting the directors of each executive branch agency, asking them to appoint a survey contact for their agency and noting the Governor's wish to have all agencies participate.

In the eight months between the Governor's directive and the first statewide electronic survey in April 2006, the survey team faced a challenging workload. The task proved to be five-fold:

1. Facilitate the cross-agency team that would pare the survey down to12 core questions.
2. Choose and set up the online tool with a way to scan surveys into the database for those agencies still needing a paper survey.
3. Create a template for fast and consistent analysis and reporting.
4. Establish communication, tips and tools for the agencies to use when sending the survey link to their employees.
5. Contact all executive branch agencies to enlist their participation.

Eighty-five agencies, boards, and commissions, more than 36,000 employees (58 percent of the executive branch workforce), participated, a stunning and satisfying increase from the previous survey.

Since 2006, the team has added four more questions, converted fully to an electronic survey and enhanced the reporting and analysis. The solid framework and process set up in 2006 continue to be relevant. Response rates continue to be strong, with 58 percent in November 2007, 59 percent in November 2009 and 56 percent in 2011, despite the economic recession.

## Summary and lessons learned

The State Employee Survey gives voice to employees' experiences of how they are managed. More than half the executive branch employees now respond to the survey.

The survey helps identify successes and opportunities for improvement in our workforce management practices. Following the survey in 2006, agencies took action to improve recognition and performance evaluations and described that work in their HR Management Reports. Employee feedback indicates there is still room for improvement but that the work so far has been effective.

## Improving the tools and strategies for recruiting critical talent

Whether in good economic times or bad, the state needs to be able to recruit and hire people with the skills needed to deliver and support critical state services.

The Personnel System Reform Act (PSRA) transferred rule making authority to the DOP Director so that she could adopt modern best practices and create a state workforce for the 21st century.

The vision for recruitment reform was to decentralize recruitment and allow agencies to adopt recruitment practices tailored to their unique business environments. To this end, the DOP director adopted rules that created a broad recruitment framework, but allowed agencies significant discretion in managing their individual processes. This approach was also reflected in the newly established statewide collective bargaining agreements.

To support this new framework, we adopted three strategies:

1) Replace the applicant tracking system with a new web-based recruiting tool from SAP (referred to as the "E-Recruiting system").

2) Create a new website, www.careers.wa.gov, to support job seekers and brand the state as an employer of choice.

3) Train DOP staff to serve as experts to support agencies with the new decentralized framework.

Recruitment reform meant new knowledge and skills for our staff as well as recruiting staff out in the agencies. DOP supervisors and staff whose expertise was in building and maintaining registers were now responsible for advising agencies on how to find, screen and select candidates using methods they had never used themselves.

Additionally, while DOP attempted to provide training, efforts were hampered by the need to continuously reassign staff to support implementation of a problem-plagued online recruiting system.

Lacking a fully functioning, reliable DOP support system, most agencies either replicated old recruitment practices or developed their own recruitment program independent of any central coordination.

The few large and medium-sized agencies that had developed modern recruitment programs prior to PSRA were well positioned to take advantage of the flexibility of the new rules. These agencies had already brought in or trained recruitment specialists, and had developed and implemented new selection strategies. Some had even purchased or built their own web-based recruiting systems. Having full functioning programs, several elected not to use DOP services and declined to participate in enterprise recruiting efforts or to use new statewide recruiting software.

Most agencies, however, were unprepared for the new flexibility. Staffed primarily with HR generalists for whom recruitment was only a partial responsibility, these agencies were slow to adopt new recruitment approaches.

Some earlier recruitment practices were well-suited for individual agency's business needs. For example, for agencies that hired new employees in large batches (such as corrections officers), the old register-based system was more efficient than position-specific recruiting.

Other agencies didn't have the time or resources to design and develop customized recruitment practices, or were overwhelmed with supporting implementation of the E-Recruiting system. They were used to requesting and receiving lists of screened candidates who had been certified by DOP systems or professionals.

**A new online recruiting system**

On July 1, 2010, the state implemented a new online recruiting system hosted by a third-party provider (NEOGOV), replacing the enterprise E-Recruiting system that had been plagued with problems since its inception. This new hosted solution was selected through a collaborative effort led by DOP and involving multiple agencies from across state government.

The result was that job seekers can go to one place to see all state jobs instead of 60 separate sites. An online survey of job seekers revealed that of those responding, 86 percent gave a satisfaction rating of the new system as "high" or "very high." The measure never went below that rating through mid-2011 when the survey was removed.


***Careers.wa.gov*** *provides a single entry point for citizens to find state job openings.*

As of June 2012, 83 agencies have used the new system to at least post jobs, as compared to 36 agencies that used the prior system. The number of postings published by agencies since implementation is 14,029, and 535,652 applications have been submitted by job seekers. Recent survey responses from agency recruiters indicate the new system is supporting their recruitment needs and is easy to use and understand.

## Summary and lessons learned

While moving to online recruiting was clearly the right path for the state, our first attempt was not successful. While the SAP E-Recruiting tool may have been the best option available at the time, it was designed for the corporate world and was not a good fit for state government. Customizing this off-the-shelf software package to fit our unique business practices resulted in an unstable and problem-prone system.

Job seekers and state agencies found the system hard to use and unreliable. In addition, since many agencies were not posting their jobs in E-Recruiting, job seekers had to check up to 60 separate sites to find all state job openings.

Director Santos decided to make a course correction. While it was a difficult decision to give up on the E-Recruiting system, this move proved to be the right decision for state government.

In selecting and moving to a new system, we applied two lessons learned from our earlier experience:

- We engaged agencies at all points in selecting and implementing the new system so they felt ownership and were committed to make it work.

- Before moving to the new system, we worked with state agencies to streamline and standardize the state's business practices. Doing so allows us to use a vanilla version of the tool that is fully supported by the vendor.

The new online recruiting system created a single point of entry for citizens seeking job opportunities with state government. It also creates efficiencies while reducing costs.

The replacement of the old recruiting system with this new hosted service allowed both DOP and state agencies to focus on developing staff skills and new recruitment strategies. Agencies have integrated position-based recruitment along with new strategies into their business practices. Alternative processes have been created to establish recruitment pools for agencies that do batch hiring.

Newly formed cross-agency recruitment forums provided venues for central HR and agency staff to coordinate recruitment efforts and share best practices.

While flexibility has allowed many agencies to be more productive in their individual recruitment efforts, decentralization has resulted in a wide variation in practices. Most notable is the lack of consistency among agencies in utilizing the full capacity of the new system to accept and track applications. Furthermore, lack of central oversight of assessment development and selection procedures may expose some agencies to liability. Future administrations will need to determine what balance they wish to maintain between productivity, efficiency and risk.

## Moving toward a performance-based culture

Following passage of the Personnel System Reform Act, the DOP director adopted rules to assess and evaluate an employer's readiness to fairly and objectively factor performance into compensation and layoff decisions. These rules allow agencies to consider employee performance when making these decisions. The rules require agencies to first receive performance management confirmation (PMC) from the Director. The rules were adopted in 2005 and apply only to non-represented classified employees.

The purpose of PMC was to strengthen employee performance that contributes to agencies' ability to achieve priorities, exceed performance goals and improve service to citizens. Each employee's performance expectations must be clearly tied to organizational goals and performance measures, and rewards may be given only to employees who perform above and beyond normal expectations.

While other public organizations have implemented performance incentive programs, Washington is the only state with a comprehensive application, approval and accountability process. Washington state won the NASPE Merit Award for this innovative program.

The PMC program was developed based on a comprehensive review of other performance incentive programs, literature reviews and interviews with experts in employee and organizational performance management. It was based on best practices seen in other successful performance management programs and designed to complement the Washington State Quality Award objectives and criteria.

In late 2006, DOP implemented an application and review process for agencies seeking confirmation. The Attorney General's Office (AGO) became the first agency to receive confirmation. The AGO already had a successful history of providing performance pay to its at-will attorneys. PMC allowed AGO to expand its program to all employees including classified general service and WMS staff. Agencies receiving confirmation in order of approval were:

| Year Confirmed | Agency |
|---|---|
| 2006 | Office of the Attorney General |
| 2006 | Department of Veterans Affairs |
| 2007 | Housing Finance Commission |
| 2007 | Department of Financial Institutions |
| 2008 | State Investment Board |

| | |
|---|---|
| 2008 | Washington State Lottery |
| 2008 | Department of Commerce |

Each confirmed agency developed award programs tailored to their unique business needs and strategic plans, which included specific criteria for award nominations. Most programs contained two or three award levels tied to either fixed dollar amounts or a percentage of salary. By rule, awards may not exceed 15 percent of an employee's base salary. Agencies could also grant non-monetary awards such as paid leave.

Performance recognition programs had to be tied to the performance planning and evaluation process. To ease administrative burden, each confirmed agency established uniform performance planning and evaluation cycles synchronized to its award program schedule.

In 2007, the confirmation process was revised. The reporting requirements were made more standardized and transparent (e.g. question and answer, supplemental data and evaluation standards). Confirmation process and tools were redesigned so they could be used by organizations seeking confirmation without an awards program. The application process now consisted of a series of staged submittals so that organizations can get evaluation and feedback along the way. The post-confirmation reporting requirements were anchored to a set of standardized requirements. The revised confirmation guidance materials were published to the DOP website in May 2008.

In 2011, in response to the state's budget crisis, the Legislature suspended the performance-based awards and incentive portion of the PMC program until June 30, 2013.

## Summary and lessons learned

Because the participants were still monitoring and adjusting their programs, agencies did not collect extensive data on the correlation between performance awards and agency business success prior to the suspension of awards. However, there was promising anecdotal evidence:

- At the Department of Financial Institutions, the number of enforcement actions increased from 379 per year before the performance award program started, to 439 in FY2007, and 467 in FY2008. The agency attributed this increase in agency performance to the performance results of award recipients who exceeded their core performance expectations.

- In an early survey conducted at the Attorney General's Office (AGO), 75 percent of all current and past AGO Excellence Award winners agreed with the statement, "The recognition from the Performance Management Program provides a positive incentive to achieve the rigorous goals in my PDP." One example of such an award included an assistant attorney general who supported and represented the state in a record five cases before the United States Supreme Court, which was directly related to the agency's goal of providing efficient and effective representation to client agencies.