

## Performance Management System

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### Policy

It is the policy of the State of North Carolina that each agency shall have an operative performance management system. The purpose of the performance management system is to ensure that:

1. The work performed by employees accomplishes the work of the agency;
2. Employees have a clear understanding of the quality and quantity of work expected from them;
3. Employees receive ongoing information about how effectively they are performing relative to expectations;
4. Awards and salary increases based on employee performance are distributed accordingly;
5. Opportunities for employee development are identified; and
6. Employee performance that does not meet expectations is addressed.

An operative performance management system shall consist of:

1. A process for communicating employee performance expectations, maintaining ongoing performance dialogue, and conducting annual performance appraisals;
  2. A procedure for addressing employee performance that falls below expectations;
  3. A procedure for encouraging and facilitating employee development;
  4. Training in managing performance and administering the system; and
  5. A procedure for resolving performance pay disputes.
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## Performance Management System (continued)

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### Definitions

- **Performance management** – A management process for ensuring employees are focusing their work efforts in ways that contribute to achieving the agency's mission. It consists of three phases: (a) setting expectations for employee performance, (b) maintaining a dialogue between supervisor and employee to keep performance on track, and (c) measuring actual performance relative to performance expectations.
- **Work plan** – A document that describes the work to be completed by an employee within the performance cycle, the performance expected, and how the performance will be measured.
- **Corrective action plan** – A short-term action plan that is initiated when an employee's performance fails to meet expectations. Its purpose is to achieve an improvement in performance.
- **Individual development plan** – An action plan for enhancing an employee's level of performance in order to excel in the current job or prepare for new responsibilities.
- **Performance appraisal** – A confidential document that includes the employee's performance expectations, a summary of the employee's actual performance relative to those expectations, an overall rating of the employee's performance, and the supervisor's and employee's signatures.
- **Performance documentation** – A letter, memo, completed form, or note on which the supervisor indicates the extent to which the employee is currently meeting expectations and provides evidence to support that conclusion.
- **Fair appraisal** – Appraising employees in a manner that accurately reflects how they performed relative to the expectations defined in their work plan and in a manner that is not influenced by factors irrelevant to performance.

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### The Process of Managing Performance

Supervisors and managers are responsible for managing the performance of their employees. Each agency's policy shall specify how the three phases of performance management will be carried out. Agencies shall adopt performance management practices that are consistent with the requirements of this policy and that best fit the nature of the work performed and the mission of the organization.

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1. Communicating employee performance expectations
  - a. At the beginning of the agency's twelve-month work cycle, supervisors shall meet with their employees, establish expectations regarding their employees' performance, specify how employees' actual performance will be measured and their success determined, and impart to them an understanding of how meeting these expectations will contribute to the achievement of the agency's mission.
  - b. Performance expectations shall be written at the "meets expectations" level (the midpoint of the state rating scale) and shall be documented on a form defined by the agency – the "work plan." (An agency may designate different work-plan formats depending on the nature of the work.)
  - c. Work plans shall be signed and dated by both the supervisor and the employee.
2. Maintaining ongoing performance dialogue
  - a. Employees shall be responsible for meeting their performance expectations.
  - b. Progress toward meeting expectations shall be measured, reported, discussed, and documented throughout the work cycle.
  - c. Supervisors are expected to use appropriate supervisory techniques to support employee efforts to meet or exceed their performance expectations.
  - d. When expectations change during the course of the work cycle, supervisors shall communicate these changes and modify work plans as necessary. Modifications shall be signed and dated by both the supervisor and the employee.
3. Conducting annual performance appraisals
  - a. At the end of the work cycle, supervisors shall evaluate employees' performance during the past year compared to their performance expectations. They shall use verifiable information collected and documented throughout the cycle to determine the extent to which actual performance has met the expectations defined in the work plan.
  - b. The evaluation shall be documented on a standard form defined by the agency – the "appraisal." (An agency may define more than one standard appraisal form based on the nature of the work being appraised.)

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- c. The annual performance appraisal shall use a 5-level rating scale for reporting overall performance. A rating at the midpoint of the scale shall indicate that an employee's performance has met expectations. (Alternative rating scales are permissible, provided they are convertible to a 5-level scale.)
- d. Prior to discussing a completed performance appraisal (that is, an appraisal containing ratings and descriptions of actual performance) with an employee, a supervisor shall review the appraisal with the next-level manager to ensure that ratings are appropriate and consistent.
- e. Supervisors shall discuss the appraisals with their employees. Both supervisor and employee shall sign and date the completed performance appraisal indicating that the discussion has taken place.

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### Addressing Poor Performance

When an employee's performance falls below expectations at any time during the performance cycle, the supervisor shall document the performance deficiency and take actions, including (if appropriate) disciplinary action, to assure that performance expectations will be met within a reasonable period of time.

- 1. The supervisor shall document the performance that falls short of expectations by preparing a corrective action plan or other documentation. The documentation will specify (a) the performance problem, (b) the steps to be taken to improve performance, including the timeframe for improvement, (c) the consequences of failure to improve, and (d) a follow-up date.
- 2. A corrective action plan shall be considered successfully completed only when the employee's actual performance has improved to the point where expectations are being met.
- 3. The agency's performance management policy shall specify the relationship between disciplinary policy and performance management.
- 4. Performance deficiencies that occur during the performance cycle shall be referenced in the annual performance appraisal.

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### Supporting Employee Development

Many employees may express interest in growing in their current positions or in furthering their careers in state government. Supervisors shall work with them to identify strengths and weaknesses and, if appropriate, to help them prepare an individual development plan. Individual development plans may specify how employees can more fully apply their strengths in their current positions, build up areas of weakness, enhance their performance in their current positions, or develop the skills and experience they will need for possible future assignments.

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### Transitions

When employees move into or out of their positions, relevant performance information shall be communicated in a timely way.

1. Probationary employees shall have work plans within a certain number of days (set by the agency) of their date of employment. To remove an employee from probationary status, the supervisor shall provide performance documentation, in a manner specified by the agency, that the probationary employee's performance is at minimum meeting expectations.
2. Employees in training progressions shall have work plans, or an equivalent document that describes performance expectations, within a certain number of days (set by the agency) of the date of employment. The supervisor shall provide performance documentation that performance at minimum meets expectations before each salary increase is granted within the progression.
3. Employees whose responsibilities are changed substantially, either within their current position or by transfer (promotion, lateral transfer, or demotion), shall have work plans established within a certain number of days (set by the agency) following the new assignment.
4. When an employee transfers from one agency to another within state government, the releasing agency shall send to the receiving agency performance documentation summarizing the employee's performance from the last appraisal up to the date of

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- transfer. This performance documentation shall be provided before the employee's first day with the receiving agency. The receiving supervisor may use this performance documentation when completing the employee's end-of-cycle appraisal.
5. When a supervisor leaves a work unit, the next-level supervisor shall ensure that performance documentation concerning the employees supervised by the departing supervisor is made available to the employees' new supervisor.
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### Access and Use of Performance Information

1. Confidentiality of appraisals – Completed performance appraisals shall be retained on file by the agency for three years and disposed of according to GS 121.5(b&c).
2. Properly informed personnel decisions – Agencies shall take measures to ensure performance information is appropriately and consistently used and that personnel decisions are based on appropriate performance information. Decisions involving promotions, performance-based disciplinary actions, performance-based salary increases, and reductions in force shall be supported by a current (completed within the past twelve months) appraisal on file.
3. When current or former State employees are being considered for hire or promotion, their past appraisals may be obtained for review by those involved in making the hiring or promotion decision. This right to access is based on State policy (Employment and Records, Section 3) and on the employee's signature on the state application that authorizes the release of information relevant to job requirements.
4. In their performance management policies, agencies shall clarify which of the documents used for performance management purposes are confidential and which are not, as well as define what "confidential" means. Completed performance appraisals (with ratings, supporting information, and signatures and dates) shall be treated as confidential (under the provisions of the Employment and Records policy). Agencies, however, are encouraged to make openly available employees' work plans and any information recorded during the work cycle for the purposes of clarifying performance expectations, tracking progress, or reporting on the status of the results achieved. The free availability and use of this information is integral to the ongoing management of an agency's, division's, or unit's work.

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### Training in Managing Performance and Administering the System

How effectively employees perform depends to a great extent on how well supervisors manage their performance. Thus, it is essential that agencies train managers and supervisors how to manage their employees' performance and that responsibility for coordinating the elements of the agency's performance management system be clearly assigned.

1. Each agency shall designate a person as performance management coordinator with responsibility for coordinating the development and revision of the agency's performance management policy and the implementation and ongoing administration of performance management within the agency.
2. Each agency shall provide performance management training to all employees who have supervisory responsibility. Training for new supervisors shall be completed within a timeframe set by the agency.

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### Performance Rating and Pay Disputes

An employee may grieve a performance rating or performance pay decision only on the grounds listed in the Employee Grievance Policy found in Section 7 of the Manual.

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### Monitoring and Evaluating the Performance Management Process

1. The performance management coordinator (or other designated person) shall monitor the agency administration of the performance management system to ensure compliance with agency policy.
  2. The State Human Resources Director shall report to the State Human Resources Commission each year on the administration of performance management systems.
  3. Each agency shall evaluate its performance management system at least every three years to determine how effectively the system is meeting the purposes stated in the first section of this policy and take actions to improve the system if necessary. Evaluation findings and improvement actions shall be reported to the State Human Resources Director.
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