

Performance Management Confirmation Considering Performance in Layoff

Introduction

A key feature of a performance-based culture is the link between employee performance and employment decisions. Considering performance in layoff is one of several tools available with Performance Management Confirmation (PMC). This guide is for organizations that wish to factor in performance when calculating their employees' employment retention ratings.

Performance-based Layoff Options

Under Washington's Civil Service Rules, an employee's layoff options are determined by his or her employment retention rating. Generally, an employee's rating is the same as his or her seniority date. However, with PMC employers may consider properly documented performance in addition to seniority. The method for considering performance should be detailed in the employer's layoff procedure.

While there are many models for integrating performance and seniority as part of a layoff system, all generally fall into one of four approaches:

1. **Tie Breakers.**
2. **Employment Retention Rating Bonus.**
3. **Ranked Levels.**
4. **Weighted Factors.**

1. Tie Breakers

In a tie-breaker system, the employee's rating is left unmodified. Performance is only used in the event that two or more employees have the same seniority date. This model is most useful if the employer has a historical practice of hiring several new employees on the same date, such as in a retail or customer service center environment.

2. Employment Retention Rating Bonus.

In a bonus system, employees are awarded 'years of service' that are added to the rating.

Example:

Employee	Seniority Date	Seniority Rank	Performance Award	Calculated Rating	Revised Rank
Frank	07/01/1988	1	Average Performer (no award)	07/01/1988	2
Molly	02/01/1990	2	Silver Level Award (3 year bonus)	02/01/1987	1
Lisa	05/01/2001	3	Average Performer (no award)	05/01/2001	4
Josh	05/01/2002	4	Gold level Award (5 year bonus)	05/01/1997	3

If there is a wide spread between older employees and newer employees, a 'bonus' may not be effective. For example, if most employees have over 20 years' seniority, awarding a five year bonus to a new employee may have no impact.

Employers may also consider whether to use a 'rolling total' bonus. For example, the total bonus could be the sum or average of the last three years' awards.

3. Ranked Levels

In a ranking system, employees are grouped based on performance. Employees with awards are ranked highest. Average performers are ranked in the middle. Employees with disciplinary action are ranked lowest. Within each group, employees are organized by seniority.

Example:

Employee	Seniority Date	Seniority Rank	Performance Level	Revised Rank
Sally	09/01/1985	1	Letter of Reprimand	11
Molly	02/01/1988	2	Average Performer	6
Frank	07/01/1988	3	Silver Level Award	3
Joe	03/01/1990	4	Average Performer	7
Jim	07/01/1990	5	Average Performer	8
June	10/16/1991	6	Suspension	12
Lisa	05/01/1992	7	Gold Level Award	1
Josh	05/01/1992	8	Silver Level Award	4
Jane	07/01/1995	9	Average Performer	9
Zane	12/1/2002	10	Average Performer	10
Bob	01/01/2003	11	Gold Level Award	2
Betty	09/01/2004	12	Silver Level Award	5

Employee	Seniority Date	Seniority Rank	Performance Level	Revised Rank
Lisa	05/01/1992	7	Gold Level Award	1
Bob	01/01/2003	11	Gold Level Award	2
Frank	07/01/1988	3	Silver Level Award	3
Josh	05/01/1992	8	Silver Level Award	4
Betty	09/01/2004	12	Silver Level Award	5
Molly	02/01/1988	2	Average Performer	6
Joe	03/01/1990	4	Average Performer	7
Jim	07/01/1990	5	Average Performer	8
Jane	07/01/1995	9	Average Performer	9
Zane	12/1/2002	10	Average Performer	10
Sally	09/01/1985	1	Letter of Reprimand	11
June	10/16/1991	6	Suspension	12

Employers should be careful not to invalidate seniority with a performance ranking system. The rules allow performance to be considered 'in addition to' seniority, not 'instead of' seniority. If a performance ranking system is so specific that seniority is effectively eliminated as a consideration, the layoff may be subject to appeal or legal challenge.

4. Weighted Factors

In a weighted factor system, the rating is calculated using both seniority and performance ratings. Weighted factor systems are very complex. Employers should take care in explaining to employees how the system works so that employees are clear about how their performance impacts them during a layoff. There are two models for weighted factor programs.

Model 1

Begin by calculating each employee's seniority as a percentage of the number of months of seniority possessed by the most senior person in the group. Then multiply that percentage by the weighting factor (e.g., 50% if seniority and performance are weighted equally).

Do the same for performance. Calculate each person's performance score as a percent of the maximum possible score, and multiply the percentage by the weighting factor.

Add the performance and seniority results together, and convert it to a whole number to get the employment retention rating.

Example: Joe has 36 months of seniority. Lisa (the most senior employee in the layoff unit) has 300 months of seniority.

To calculate Joe's seniority retention rating:

1. Divide Joe's months of seniority (36) by the highest amount of seniority (300):
 $36/300 = .12$ (12%)
2. Since seniority accounts for 50% of the employee retention rating, multiply 12% by 50%:
 $12\% \times 50\% = .06$ (6%)

To calculate Joe's performance retention rating:

1. Since Joe is the highest rated performer in the group, his performance score is **100%**.
2. Since performance accounts for 50% of the employment retention rating, multiply 100% by 50%: **100% x 50% = 50%**

Add Joe's seniority retention rating (6%) to his performance retention rating (50%). Convert the result (56%) to a whole number to determine Joe's employment retention rating (56).

Following are two examples looking at an entire unit:

Example weighting seniority 50% and performance 50%

SENIORITY					PERFORMANCE			EMPLOYMENT RETENTION RATING	
Employee	Seniority (in months)	Percentage of highest seniority	Seniority Retention Rating		Performance Evaluation	Percentage of maximum value	Performance Retention		
			50%				50%		
Lisa	300	100%	50	+	30	60%	30	80	1
Josh	204	68%	34	+	20	40%	20	54	3
Frank	120	40%	20	+	10	20%	10	30	6
Molly	48	16%	8	+	30	60%	30	38	5
Joe	36	12%	6	+	50	100%	50	56	2
Sally	12	4%	2	+	40	80%	40	42	4

Example weighting seniority 90% and performance 10%

SENIORITY					PERFORMANCE			EMPLOYMENT RETENTION RATING	
Employee	Seniority (in months)	Percentage of highest seniority	Seniority Retention Rating		Performance Evaluation	Percentage of maximum value	Performance Retention Rating		
			90%				10%		
Lisa	300	100%	90	+	30	60%	6	96	1
Josh	204	68%	61	+	20	40%	4	65	2
Frank	120	40%	36	+	10	20%	2	38	3
Molly	48	16%	14	+	30	60%	6	20	5
Joe	36	12%	11	+	50	100%	10	21	4
Sally	12	4%	4	+	40	80%	8	12	6

Model 2

This model also treats seniority and performance as independent variables and uses standardized scores (known as z-scores) to ensure that the weight for each factor (seniority and performance) is accurately reflected in the final employment retention rating. Z-scores allow employers to combine different scales without creating any unintended bias. For example, there may be a wide variance in seniority (one employee may have three months' seniority while another has 300), while the performance scale has only five rankings (forcing everyone to bunch

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closely together). It is usually easiest to use an Excel spreadsheet or other computer program to calculate z-scores. Simply enter the raw scores, and use the “standardized score” function.

Once z-scores have been calculated for each person’s seniority and performance, apply the weighting factor (e.g., 60% seniority and 40% performance) to calculate the employment retention ratings. The largest positive number will be the highest retention ranking, and the largest negative number will be the lowest retention ranking.

Here are two examples:

Example weighting seniority 50% and performance 50%

SENIORITY			PERFORMANCE				
Employee	Seniority (in months)	Seniority Z-score		Performance Evaluation Rating	Performance Z-Score	EMPLOYMENT RETENTION RANKING	
		50%			50%		
Lisa	300	+1.599	+	30	0	+1.599	1
Josh	204	+0.746	+	20	-0.707	-0.039	3
Frank	120	0	+	10	-1.414	-1.414	6
Molly	48	-0.640	+	30	0	-0.640	5
Joe	36	-0.746	+	50	+1.414	+0.668	2
Sally	12	-0.959	+	40	+0.707	-0.252	4

Example weighting seniority 90% and performance 10%

SENIORITY			PERFORMANCE				
Employee	Seniority (in months)	Seniority Z-score		Performance Evaluation Rating	Performance Z-Score	EMPLOYMENT RETENTION RANKING	
		90%			10%		
Lisa	300	+4.797	+	30	0	+4.797	1
Josh	204	+2.238	+	20	-0.707	+1.531	2
Frank	120	0	+	10	-1.414	-1.414	4
Molly	48	-1.920	+	30	0	-1.920	5
Joe	36	-2.238	+	50	+1.414	-0.824	3
Sally	12	-2.877	+	40	+0.707	-2.170	6

Consultation and Assistance

DOP staff are available to assist employers throughout the confirmation process, including providing a briefing to the executive management team regarding the confirmation process. Please contact the PMC Coordinator, Kris Brophy, at KrisB@dop.wa.gov or 360-664-6285 for more information.

Tools and Resources

Use the following tools and resources to learn more about the confirmation process.

- Confirmation Guide – Overview
- Application Guide – Preliminary Application Submittal Guide
- Application Guide – Interim Report and Final Submittal Guide
- Monitoring Report Guide
- Application Process Timeline chart
- Preliminary Readiness Assessment
- Employee Confidence Survey
- Employee Performance Incentive Program Survey
- Baldrige/WSQA Question Crosswalk Table.
- Application Process Table