

Colorado is proud to nominate its new Performance-Based Pay (PBP) system for consideration of NASCA Outstanding Program Awards.

There are approximately 33,000 classified employees in Colorado state government. The pay system for Colorado State classified employees had been unchanged for more than thirty years. All job classes were allocated to pay-grades and pay-ranges and the grades were separated into seven steps. Employees moved up one step every year until step 6 and then five years later to the final pay-step. Although the state personnel rules allowed for employees to be denied a step increase for unsatisfactory performance, this seldom happened. In fact, in many agencies the timing for performance appraisals did not coincide with the employees' anniversary dates. The pay system became known as an "automatic" anniversary pay increase system with no real linkage to performance.

For decades, many felt the system had become out-dated and needed to be changed. As early as 1980, steps were being taken to create a system that encouraged high performance through the use of salary increases. Over the years, both the Legislative and the Executive Branch made efforts to develop a system based on performance rather than the amount of time spent in state service.

In 1996 legislation was adopted that mandated a performance-based pay system be implemented by July 1, 2000. The system developed in response to this legislation was called Colorado Peak Performance (CPP). It consisted of two primary components: performance management and performance-based pay. The performance management component directly linked individual objectives to state business objectives and strategies; the performance-based pay component provided a pay delivery process that directly linked pay to an employee's performance.

Before CPP could be implemented, the law that had created it was repealed. The legislation directed the Department of Personnel to develop a new plan by September 1, 2000. Upon passage of the bill, Governor Owens appointed a cabinet-level oversight committee to ensure the development of a viable plan. The governor's office encouraged the committee to consider the work that the departments had already done in designing their individual performance assessment processes as a foundation for the new system. The law required that the plan be simple and understandable, cost neutral, be developed with stakeholder involvement, emphasize the principles of performance management and provide uniform and consistent guidelines.

Working through the summer, the committee developed a pay system based on performance. Nine town meetings were held throughout Colorado and more than a thousand individuals responded to a questionnaire that was published in the state employee newsletter and on the state's website. The committee also met with a number of employee association representatives, department executive directors, and university and college administrators. The information collected was reviewed and had significant impact on the formulation of the plan.

The proposed plan was announced in August, 2000. The committee asked that all classified employees review the plan and give feedback. Subsequently, the plan underwent additional changes in response to the feedback received. A final plan was developed and forwarded to the Legislature on August 31, 2000.

The State Personnel Director adopted administrative procedures on April 17, 2001 that support the new system. Under these new procedures, a performance management component will begin on July 1, 2001, the beginning of the state's fiscal year. Employee performance plans will be developed that clearly provide performance expectations for the year. Supervisors will provide ongoing feedback and coaching throughout the year. In July 2002 employees' salary increases will be awarded based on evaluations of their performance. Under the new regulations, state agencies have the flexibility to develop individual programs within system parameters.

Employees and supervisors are being trained in the components and process of the new system and each state agency is putting the finishing touches on their individual agency plans for implementation.

The new performance-based pay system has four levels of performance. Employees will be evaluated on uniform, statewide core competencies. As defined in this system, a competency is a measurable pattern of skills, knowledge, abilities, behaviors and other characteristics that an individual needs to perform work roles or occupational functions successfully. The four identified competencies that will be used are: communication, interpersonal skills, customer service, accountability, and job knowledge. In addition to core competencies, employees will be evaluated on individual performance objectives that also link up with the agencies goals and objectives.

Colorado expects the system to bring about a change in the culture of state government. Employees and supervisors will work closely together to develop individual performance plans that "link up" with agency goals and objectives so that employees have a "line of sight" between their individual objectives and those of their agency and of the state at large. Consequently, this system should not only improve the effectiveness of state government but should improve employee effectiveness and morale as well. As a result, Colorado will be a "vanguard state" in the field of performance management and pay. The Governor and his cabinet officers are committed to this system and look forward to providing a working environment that encourages each state employee to be their best and to providing them with the tools and incentives to make that happen.