

Individual Performance Management

Most organizations, both public and private, find it necessary to have some mechanism to manage the performance of employees. The meaning of the term "performance management" has changed over the years. In the past it was often taken to mean rating employees using a trait-based instrument – one looking at factors such as neatness, punctuality, – etc., as opposed to focusing directly on work output. The evaluation process also tended to be secretive. The employee did not participate and was not told what rating he or she received.

This style of performance appraisal is no longer considered good practice. There is general agreement that performance management should be:

- *task-oriented*: based on results as opposed to personal traits, and measuring results against pre-defined goals and targets
- *participative*: involving the employee as well as his or her supervisor, both in the setting of goals at the beginning of the rating period and in appraising results at the end
- *developmental*: the evaluation process should do more than rate employees – it should assist them to improve their performance, and to identify any training or other support that may be required to this end.

Many countries have introduced performance management processes along these lines. As an illustration, [click here](#) to see the work planning and evaluation form which is the basis for Malta's Performance Management Programme.

Rewarding performance

A longstanding question that many countries are still grappling with is whether and how to reward good performance (or, conversely, how to deal with persistent poor performers). Several countries have experimented with performance-related pay. One approach is to make salary increments or progression past some point on the pay scale conditional on good performance. The disadvantage of such a system is that it can revert very rapidly to a formalistic process in which virtually everyone gets their increment. Moreover, it does not permit any distinction between adequate performers and outstanding ones.

Alternative approaches are to award variable increments according to employees' individual performance ratings, or to award a variable performance bonus over and above the annual increment. In the United States, for example, the Civil Service Reform Act of 1978 required that 50 per cent of any pay increase be variable depending on performance.

Service-wide performance-pay schemes tend to be costly to administer. Do they deliver worthwhile improvements in performance? The evidence is inconclusive at best. Studies have identified various problems in the way performance-pay schemes operate:

1. performance payments tend to be small by comparison to normal pay owing to budgetary constraints
2. there is often a large time-lag between the end of the appraisal period and the payment of the related reward

3. even where performance-pay schemes allow for variable payments, most employees tend to receive similar ratings: managers appear unwilling to differentiate among their subordinates
4. Finally, performance-related pay is only one element in the staff management system and cannot make up for serious deficiencies elsewhere. If, for instance, pay is perceived by staff to be inadequate, performance bonuses of a few per cent are unlikely to motivate employees and may simply be seen by them as a minor pay supplement.

Performance management at senior levels

Because of the problems associated with pay-for-performance schemes, it has been suggested that they should be introduced gradually in selected units rather than throughout government in one go. This would increase the chances of success by keeping the scheme manageable. Another way of achieving this is to limit pay-for-performance schemes to senior officials. Typically, performance management systems for senior officials include elements additional to performance-pay, such as time-limited contractual appointments. Malta has adopted this approach. Key features of its system include the following:

1. Senior officials are recruited to a unified career structure known as Category A, which incorporates most top-level positions.
2. Category A officers are appointed for three-year terms (though they retain tenure in their substantive grade). An incumbent whose contract expires has to re-apply for his or her position and is not guaranteed renewal of his or her appointment. An individual whose appointment is not renewed reverts to his or her substantive grade, which is usually at a lower level.
3. An integral component of a Category A appointment is an annual performance agreement between the appointee and his or her superior officer. This sets out a number of key tasks (overall goals) and performance targets (indicators of achievement of key tasks). At the end of the year, the appointee and his or her superior officer jointly evaluate the appointee's performance against this agreement.
4. On the basis of the evaluation, the appointee is paid a performance bonus ranging from 0 to 15 per cent of basic pay.

This scheme has yielded very significant benefits, particularly in tightening up organizational reporting relationships and giving the heads of ministries and large departments tangible mechanisms of accountability in relation to their immediate subordinates. Some countries, such as Australia and New Zealand, also allow external appointments to senior positions under their equivalent of this scheme.

Linking performance to promotions

Some have argued tying career advancement to performance is more important than linking performance and pay. Whereas the benefits of pay for performance are uncertain, particularly in the lower echelons, there is no doubt of the need to ensure that the best people rise to management levels.

It is not advisable to make performance appraisals the sole arbiter in promotion decisions, even where all candidates for promotion have been appraised by the same supervisor. Various other methods have been developed to test the

suitability of candidates for particular positions -- e.g., structured interviews, assessment centers and aptitude tests, among others. It would make sense to draw on such methods, particularly since past performance is not always a good predictor of performance at a higher level. The use of other methods is also a means to draw on outside judgments in addition to those of the employee's supervisor, thereby minimizing the risk of bias in promotions.

Still, an effective and reliable performance evaluation mechanism can play a valuable role in promotion decisions. This, incidentally, can help to ensure that the evaluation process retains its relevance and credibility in the eyes of employees. Thus, in Malta, employees who apply for promotions and who are covered by the Performance Management Programme are generally required to submit recent performance appraisal forms for consideration as part of the selection process.

Recommended readings:

- Blinder, Alan S. ed. 1990. Paying for Productivity: A Look at the Evidence. Washington, D.C.: Brookings Institution.
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- Jorm, Noella, Julie Hunt, and Nick Manning. 1996. "Working Towards Results: Managing Individual Performance in the Public Service." Strategies for Improvement Series No. 3. Managing the Public Service, Commonwealth Secretariat, London.
- Murlis, Helen. 1993. "Reward Management Strategies." in *Pay Flexibility in the Public Sector*. Paris: OECD/PUMA.
- Nunberg, Barbara. 1995. "Managing the Civil Service: Reform Lessons from Advanced Industrialized Countries." World Bank Discussion Papers No. 204. World Bank, Washington, D.C.
- OECD (Organization for Economic Cooperation and Development). 1990. *Flexible Personnel Management in the Public Service*. Paris: OECD.
- Perry, James L. 1991. "Linking Pay to Performance: The Controversy Continues." In Carolyn Ban and Norma M. Riccucci, eds., *Public Personnel Management: Current Concerns, Future Challenges*. New York: Longman.
- Synnerstrom, Staffan. 1998. "Professionalism in Public Service Management: the Making of Highly Qualified, Efficient and Effective Public Managers." (Paper presented at the OECD conference: "National and International Approaches to Improving Integrity and Transparency in Government.")
- Teel, Kenneth S. 1986. "Compensation: Are Merit Raises Really Based on Merit?" *Personnel Journal* 65 (March): 88-95.

