Performance Assessment in the Public Services of the EU Member States

Procedure for performance appraisal, for employee interviews and target agreements

www.bmi.bund.de
Performance Assessment in the Public Services of the EU Member States

Procedure for performance appraisal, for employee interviews and target agreements

Study for the 48th meeting of the Directors-General of the Public Service of the Member States of the European Union

Dr. Christoph Demmke,
Professor of Comparative Administration Sciences

European Institute of Public Administration Maastricht (NL)

Maastricht, June 2007
I. TASK AND OBJECTIVE OF THE STUDY ................................................................. 5
   1. Task ................................................................................................................ 5
   2. Methodology and research status ................................................................. 6

II. THEORETIC PART: PERFORMANCE APPRAISAL AND PERFORMANCE
   MEASUREMENT ..................................................................................................... 10
   1. Basics: Definition of performance measurement and performance motivation .......... 10
   1.1. What influences performance? .................................................................... 10
   1.2. Measuring complex performances in public service ..................................... 11
   1.3. An excursion into psychology: what factors influence the performance motivation? .... 14
   2. Linking performance appraisal to performance-related payment ...................... 16

III. PRACTICAL PART: PERFORMANCE APPRAISAL SYSTEMS BETWEEN
   TRADITION AND REFORM .............................................................................. 23
   1. Traditional performance appraisal systems .................................................... 23
   2. Reforms: Staff interviews, target agreements and performance-based contracts .......... 28
      2.1. Positive aspects ....................................................................................... 31
      2.2. Problematic aspects ............................................................................... 35
   IV. SHARED CHALLENGES IN PERFORMANCE APPRAISAL ......................... 41
       1. Introduction .............................................................................................. 41
       2. Findings on the effectiveness and acceptance of the systems ....................... 43
       3. Between simplification and increased workload .......................................... 47
       4. Management under changed conditions – a delicate topic ......................... 53
       5. The employee/superior relationship and the reality of cooperative management styles .... 58
       6. Inadequate poor performers policy ......................................................... 64
       7. A never-ending issue: Ratings ................................................................... 65
       8. Discrimination of employees ..................................................................... 68

V. EXAMPLES OF GOOD PRACTICES FOR PERFORMANCE MANAGEMENT
   SYSTEMS ............................................................................................................ 69
   1. The structure of allowance and performance appraisal systems in Denmark ........ 69
      1.1 Target agreements and performance agreements ....................................... 72
      1.2 Status of implementation ......................................................................... 74
      1.3 An unbureaucratic example – the "Danish Commerce and Companies Agency" .... 75
      1.4 Evaluation of the performance appraisal system ...................................... 77
   2. Finland – Central Administration and Ministry of Finance .............................. 79
      2.1 General ................................................................................................... 79
      2.2 Structure of the performance appraisal system ......................................... 80
      2.3. Performance appraisal procedure .......................................................... 81
      2.4. Performance appraisal in Ministries of Finance (with Statistics Finland and Road Administration as
           case studies) ............................................................................................. 83
      2.5. Evaluation of the performance appraisal system ...................................... 85
   3. Great Britain .................................................................................................. 85
      3.1 Introduction .............................................................................................. 85
      3.2 The performance appraisal system in the Cabinet Office ......................... 88
      3.3. Evaluation of the performance appraisal system ...................................... 91

VI. COMPARATIVE SURVEYS – WHAT CAN WE LEARN FROM OTHERS? 91
   1. Best practices? ............................................................................................. 92
   2. General success factors ............................................................................... 94
   3. Selected recommendations ......................................................................... 96

V. BIBLIOGRAPHY ................................................................................................. 100

VII. APPENDIXES .................................................................................................. 100
This study has "grown" over a period of 18 months. After intensive literature research, a preliminary study for the Federal Ministry of the Interior started in the winter of 2005/2006. Within the scope of this work, case studies were done in individual authorities in Denmark, Finland and Great Britain. Finally the main Europe-wide comparative study started in the winter of 2006/2007. For this purpose, the EUPAN Human Resource Working Group was presented with a questionnaire, which has been answered by 24 member states, as well as Norway and the European Commission. Subsequently workshops were organised and the results of the study discussed with human resource experts. The document in front of you is the result of this work. All member states, Norway and the European Commission have thus contributed to and accompanied the inception of this study. Many member states supplied additional interesting comments, reference material and documents.

I hope that this study will contribute to a productive debate among the directors-general of the public service of the EU member states, as well as Norway and the European Commission. I would like to thank everybody who contributed to this study; especially my colleagues in the EUPAN Human Resources Working Group (HRWG), as well as the German EU presidency who commissioned this study. In the Federal Ministry of the Interior, Dr. Manfred Späth in particular supported me in writing this study.

I hope this study offers numerous interesting facts and that it will be of great interest to all EU member states, thus contributing to our target of information exchange and mutual learning.

This study was written in German. I would like to thank the translators for rendering this paper into English and French (which certainly is not an easy thing to do). Because of the need for translation, many quotations and the footnotes were left in the original wherever possible (English, mostly).

This study is intended as aid for all those who have the difficult task of introducing a new performance appraisal system and who are interested in learning about the experiences other countries made in the field of performance appraisal. Due to the practical target of this study, theoretical aspects are (only) included if they promote better understanding of this study and the statements it contains.

At the EIPA, Willem Huwae, Thomas Henökl, Denise Grew and Chris Alard in particular assisted me in developing and conducting this study. For this assistance I would also like to express my heartfelt thanks.

Christoph Demmke
I. TASK AND OBJECTIVE OF THE STUDY

1. Task

In the course of the reforms in the European public services, many administrations have in the past few years introduced new instruments for measuring the performance of their staff. Portugal, Spain, Poland, Hungary and Germany are currently in the process of introducing a new appraisal system. In Portugal, “the revision of the performance appraisal system is particularly necessary, since the new reform framework of attachments/links, careers and remunerations shall come into force at the beginning of 2008”. In France, a report of the committee "sur le coût et le rendement des services publics" (2006) recommended continuing with the reform of the appraisal system and in particular to further developed the instrument of target agreements. In the European Commission, the current system is also being revised towards a system based on those factors that were identified as positive („self-assessment, objective-based appraisal, annual dialogue, recognition of personal development“). Other member states implement systems that have been introduced recently, and/or are planning to introduce new systems.

Furthermore approximately half of the EU member states have taken measures to establish a closer tie between performance and remuneration. All public service reform concepts in the EU member states have in common that individual performance should in future be better promoted and rewarded, but also evaluated and sanctioned. With increasing frequency, new performance appraisal systems are introduced, for example appraisals that are to be conducted based on target agreements. To this purpose, Europe-wide procedures and guidelines are being developed, to enable a comparative performance assessment with as little bureaucratic effort as possible. This study investigates if and how these targets are achieved.

Classic performance appraisals have in the past few years been viewed very critically across Europe. Frequently performance appraisals are (if conducted at all) perceived as necessary chores in the everyday administrative life. Neither the superiors nor the employees were interested in the appraisals. However, this lack of interest derived from different reasons. Whereas the one group did not wish to conduct evaluations, the other group did not wish to be evaluated. Frequently performance appraisals had no consequences: In many cases, the appraisals had no significant effects on the work conditions of the personnel. The principle of life-long employment contracts, the seniority principle and more or less automatic promotions put the use of performance appraisals to question. The appraisal system itself represented another weakness: Bureaucratic requirements and a multitude of criteria to be evaluated led to subjective results. This subjectivity has been frequently and rightly criticised. Another point that yielded much criticism is the tendency to assign ratings that are too high, in order to prevent internal personnel management conflicts.

In the meantime, the traditional legitimation problems involved with the instrument of performance appraisal have changed fundamentally. Additionally the instrument itself has significantly gained importance. In many member states, the performance appraisal is increasingly and more consistently linked to consequences for the personnel. These consequences affect performance agreements, performance-related pay, career development, promotions, and increasingly also job security. With these changes, the instrument of performance appraisal has gained a position at the core of human resource management. Yet the changes are not limited to the increased importance of this instrument. In fact, the increased significance also demands improved application and professionalisation of the entire management process. This study investigates and analyses this reform process.
Other developments are not so obvious, but that does not mean that they are less important: Previous performance assessment systems did not make the individual performance assessment the focus behind the criteria. Instead they focussed on standardised comparability. Today's reforms in the remuneration, performance and appraisal systems on the other hand can be described as a decentralisation and (partly even) "individualisation" trend within the field of personnel management. This development is characterised by the fact that the workplace requirements and the individual work targets increasingly make standardisation impossible. As part of these reforms, individual performance appraisal procedures increasingly take the place of standardised appraisal procedures. Simultaneously, new responsibilities are delegated to the middle management. These responsibilities particularly concern performance-related pay, negotiations on target agreements, and conclusion of performance-based contracts. The term "leadership" in the field of performance management thus obtains a whole new meaning.

This process is neither "good" nor "bad". It is ambivalent. Chances and risks are not far apart. At the moment no one knows which effects this trend will have on the position of the executive managers, or on the motivation of the staff and the position of the staff representatives.

2. Methodology and research status

To prepare for this study, an international preliminary study was conducted in 2006 for the Federal Ministry of the Interior, by consulting experts in individual administrations in Denmark, Finland, the United Kingdom and Germany. During these discussions, I was surprised to find large interest in the topic. In Denmark (State Employers Authority), Finland (Ministry of Finance) and the United Kingdom (Cabinet Office), I was met by not one, but several interview partners. The subsequent discussions were very intensive and of great interest. For this I would like to express my heartfelt thanks. Because of the fact that these case studies are of great practical interest to the other member states, they are presented as good practices in this study.

The main study currently in front of you was conducted based on a questionnaire (see the appendix), which was sent to human resource experts in all EU member states, Norway and the European Commission. All in all, 24 member states, as well as Norway and the European Commission participated in this poll. The results were discussed in the human resource working group of the EUPAN network in February and May 2007.

In the discussions and the analysis of the various systems, much insight and many positive developments have been found. It is clearly noticeable that the instrument of performance appraisal is gaining importance in all member states. As a result, the current international reform process in the field of performance appraisal is leading to a boost in innovation that could also be of great interest in the respective national practice. The international comparison provides a multitude of options for learning from the experiences and problems of others, without ignoring the particularities of the national administrative structures.

---

3  For information on the EUPAN network, see http://www.eupan.org
In all EU member states, discussions about performance appraisal systems are limited to the experts. Public discussions in the media and on political level about performance appraisal systems are much less popular than discussions on other performance instruments. Therefore there are international, comparative studies on performance-related payment, but not on performance appraisal. Probably an important reason for this is the fact that the instrument of performance-related payment can more easily be used to further political strategies than is the case with the reform of the appraisal systems.

In this study, only a few administrations stated that they have reviewed and evaluated the strengths and weaknesses of their performance appraisal systems. On the international or bilateral administrative levels in particular, only very sporadic exchanges of experience gained with the instrument of performance appraisal have occurred. Within the framework of the European Public Administration Network (EUPAN), the last experience exchange on performance appraisal systems occurred in 1994 (under Greek presidency). This is particularly regrettable, because the many reform activities that took place in the last few years provide a wealth of interesting material for comparison. For example, the latest reform of the Hungarian performance appraisal system (in 2007) was largely inspired by international examples and experiences. This lack of evaluation and research is becoming increasingly unacceptable, because it is unthinkable to introduce performance-based remuneration without introducing new, more professional forms of performance appraisal.

On the other hand, managerial instruments such as target agreements, performance appraisal and flexible remuneration can hardly be purchased as standard "off-the-shelf" products and without taking their roles and repercussions in the respective administrations into account. Success is only possible if these systems are shaped to the needs of the specific administration, taking the particularities of the administrative culture into account. This study does attempt to answer the question of how practices in the own administration can be improved by learning from the experiences of other member states. Which elements of international performance appraisal systems are interesting and are practical for implementation (at least partly) in the national administration culture and structure? Thus one of the targets of this study is to look for possible models among the administrations of the EU member states. However, it is not a so-called "best practice" study. Especially because there are such a multitude of procedures and experiences with the instrument of performance appraisal, it is not possible to aim at suggesting a "patent recipe" for a perfect or "correct" performance appraisal. In the various European administrative models, the performance appraisal systems have very different targets. In traditional career development systems, the performance appraisal has a direct relation to promotion, yet this link is much weaker in position-based systems. Furthermore, in many member states the performance appraisal directly affects the remuneration. In other countries that do not apply the instrument of performance-related payment, this is not the case. However, a basic principle that is noticeable is that conflicts regarding performance appraisal increase the more the appraisals are linked to "hard objectives", i.e. remuneration and promotion.

In spite of these important differences, investigations across all administrative systems yield three comparable conclusions:

- The targets and importance of performance appraisal are generally recognised. In spite of all difficulties, only a few observers debate the advantages and the significance of performance appraisal. The personnel administration expects valuable information, the organisation hopes that efficiency will increase, the employees

expect recognition and motivation, the appraisers hope for improved communication and increased performance among the employees.

- However, implementing the instrument in daily practice results in difficulties, unrest and frustration among many employees and superiors.
- Due to past experiences, new personnel appraisal systems keep being introduced cyclically. Improvements in the form or structure (new methods, new criteria, new ratings, new appraisers, new style of communication, new appraisal intervals) are introduced or new implementation strategies are suggested (more ongoing training, new rules for consistent application, rules against subjectivity).

With such an ambivalent situation, it is no wonder that the instrument of individual and organisational performance measurement is one of the most debated personnel management instruments in all administrative cultures. This does not only apply across all authorities on the national level, but also Europe-wide and internationally.

The unsatisfactory amount of research, as mentioned above, is probably also a result of the fact that terms such as performance motivation are hard to define and the many international appraisal practices are hard to grasp analytically. For example, in the European public services, very different appraisal forms are used, depending on the organisation. These range from traditional performance appraisals, target agreements, performance-orientated contracts, self-assessments, 360° feedback, balanced scorecards, team evaluations and citizen polls. This study unfortunately does not have the space required to discuss all the various appraisal forms intensively. Instead we will look at those methods that are currently most popular – the instrument of target agreements, and the traditional performance appraisal.
Another difficulty that arises when an international comparison between administrations is made is the fact that the instrument of performance appraisal is one of the most decentralised instruments in personnel policy. Therefore most EU countries does not have a uniform performance appraisal system that is applicable to the entire public service any more. On the contrary; in the British and Swedish civil services not only have different appraisal systems from authority to authority, but also a different pay system for each authority. Decentralising the payment and appraisal system requires professional coordination management. The Swedish answer sheet to this study made the following remark: “It is also necessary to note that the more decentralised, optional and flexible you make the pay system, the more information you will have to provide for the people involved in pay setting“.

Christoph Demmke
II. THEORETIC PART: PERFORMANCE APPRAISAL AND PERFORMANCE MEASUREMENT

1. Basics: Definition of performance measurement and performance motivation

1.1. What influences performance?

The most important target of performance appraisal in all the European administrations that were compared is to improve the motivation as well as the performance of the individual and the organisation. Administrative conduct is therefore no longer based only on the ethic of acting in the public interest and fulfilling one's duties, but rather increasingly also on the performance and motivation of the individual. Today no-one foregoes providing performance incentives, because the public servant ethic and duty ethic represent a performance ethic that is not only based on values, but also on material performance incentives.

Furthermore the prerequisites influencing the motivation to deliver better performance have changed fundamentally. International civil service law now also accepts an exchange of performance and rewards. Additionally it is recognised that individual performance is not simply delivered because ethics make it a matter of course, instead it is influenced by a combination of various factors.

The changed debates on motivating factors affecting work in the public service have also changed the significance of the personnel appraisal.

Whilst performance appraisal was actually superfluous in the traditional setup, it now has become an indispensable instrument and building block for individual development, sanction and motivation management. Thus the increased significance of personnel appraisal as an instrument over the course of time mirrors the change of the public servant ethic and the changes within the administrations.

Especially when finances are tight, better performance is demanded of public servants in all departments. The Europe-wide demands for a reform of the service regulations and the performance appraisal system imply that different levels of performance should result in different treatment. Top performances should be rewarded. On the other hand, lack of performance should be sanctioned.

The increased importance of performance management procedures, and in particular the use of performance-orientated remuneration components, require a definition of performance that makes it as measurable as possible.

The concept of performance is very complex. The only points on which there are consensus are the factors that influence individual and organisational performance. Since performance as "input" is very difficult to measure, the member states are increasingly measuring target achievement, results or outputs. Even when output measurement is implemented, the question of how the individual performances should be evaluated remains. Frequently, individual performance is confused with individual success. In reality, performance and target achievement in public service almost always depends on a multitude of factors, e.g. the organisational culture and structure, work conditions, workplace technology, management, performance motivation, own performance maxim, self-confidence, expected success, satisfaction with performance, targets and commitment, effort put into performance delivery, skills, cooperation with colleagues, health etc.
It is therefore not easy to explain and evaluate individual performance. Ideally, a performance appraisal should be done based on criteria that a) are important for the task concerned, b) can be observed by the appraiser, c) can be influenced by the employee, and d) can be conveyed and motivated in the form of feedback. To prevent demotivation, it is also important that the performance appraisal does not involve any negative surprises.

1.2. Measuring complex performances in public service

Individual performance is measurable. Most of the member states have several criteria for measuring performance:

- Quantitative criteria
- Qualitative criteria
- Criteria concerning economic efficiency
- Criteria concerning function
- Social criteria
- Criteria concerning competence and requirements
- External criteria (significance and difficulty of the task, fulfillment under pressure etc.).

The performance measurement furthermore requires two factors: a functional procedure for measuring or judging the performance and the possibility to make correct attributions, i.e. to link the performance output to the actual causes, to explain it.

The last aspect in particular is relatively easy to describe in theory. However, the reality of administrative work cannot be pressed into a form and differs from authority to authority and between the various categories of employees. Among the top levels of public service, measuring performance is particularly difficult, because most individual performances could be the explained by a multitude of factors. Therefore the requirements put on a performance appraisal system in the public service are more complex than is the case for many jobs in the private sector, where performance can more easily be determined by quantitative performance measurements.

Most member states that contributed to this study accept that performance measurement in public service is particularly difficult, because many aspects of individual performance are hard to quantify and only insufficient information on the performance is available. In terms of employee categories, this especially concerns the police, fire brigade, judicial and penal systems and the political sphere. In these areas in particular, performance output is frequently influenced by external variables (changing values, catastrophes, resources, coordination, time, hierarchy etc.), as well as political developments and decisions of the political leaders. These variables frequently change suddenly, and are therefore difficult to incorporate into target agreements.

In the case of performances that are not very complex, conducting a single measurement seems sufficient to determine a performance value. Let us for instance look at a person who runs 100 m in 12 s at an athletics contest. The measured result, and therefore also the performance result, is 12 s. But does that really tell us everything about the performance? Are we looking at a fast or a slow runner? For a top male athlete, 12 seconds is a miserable result.

---

5 See Thomas Breisig, Entgelt nach Leistung und Erfolg, Bund Verlag, Frankfurt/Main 2003
7 Schüler, Der Funktionskreis, in: Schüler, Beurteilung, loc. cit., page 309
The same time in a contest for 14-year old school girls would mean that a very promising talent has been discovered. The example illustrates that the measurement by itself, regardless of its precision, does not constitute a complete performance appraisal. It lacks a comparative group as reference, a standard, and the procedure of the evaluation. But as soon as the performance situation gets more complex, another component come into play, namely the attribution or assignment of responsibility. To go back to the example above: The measured result would be valued lower if the contest took place on a windless day than if the competitors had to fight against a strong headwind. "Tailwind" or "headwind" can also frequently apply to job performances, but they are not as easy to determine as on the athletic field.8

In their answers to the questionnaires that form the basis for this study, many member states reported that target agreements frequently have to be adapted to changed situations in the course of a year. Furthermore politics have a big influence on the individuals’ work. This especially concerns the work of the top management.

<table>
<thead>
<tr>
<th>What are the most important challenges in setting and agreeing upon annual objectives (between employees and their superiors)?</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td>Very important</td>
</tr>
<tr>
<td>1</td>
</tr>
<tr>
<td>2</td>
</tr>
<tr>
<td>3</td>
</tr>
<tr>
<td>4</td>
</tr>
<tr>
<td>5</td>
</tr>
<tr>
<td>Not important</td>
</tr>
<tr>
<td>6</td>
</tr>
<tr>
<td>Tasks and obligations changing rapidly</td>
</tr>
</tbody>
</table>

---

8 Schuler, Der Prozess, in: Schuler, Beurteilung, loc. cit., page 34
Other difficulties arise from the evaluation of indefinite performance criteria, e.g. the category "managerial conduct". For example, some managers deliver excellent performance as experts in their fields. However, many fail when it comes to collegiality or as manager. It is possible to deliver excellent performance, judged by objective measuring standards, yet fail miserably as partner, subordinate, superior, or colleague.9

All in all, several member states respectively mentioned specific difficulties that complicate the measurement of qualitative attributes. Partly the answers of the member states illustrate the particular difficulties involved in performance measurement in the public services.

**Qualitative performance measurement in the public services**

(answers from the member states)

- **Slovenia**: This depends on the superior's inventiveness.
- **Italy**: There are no objective indicators. The measuring takes place through daily relations.
- **Sweden**: Through the discussion of the individual's contribution to the business needs of the organisation.
- **Portugal**: Through scales defined by each evaluator.
- **Latvia**: It is complicated. We are using competency approaches to evaluate the behaviour.
- **Netherlands**: 1 to 1 discussions in which the targets that have been agreed upon will be discussed. For regular civil servants qualitative results are not taken into account.
- **Estonia**: They are usually the most complicated part of any appraisal and tend to give ground for subjective judgments
- **Germany**: In the evaluation form different points are listed (quality, analysis, usability, promptness, team fairness, conflict management), which have to be appraised
- **Denmark**: Qualitative results might be measured on the basis of customer satisfaction and other types of evaluation.
- **Cyprus**: Through the assessment of competencies. But this assessment is highly subjective.
- **Lithuania**: Workload, quality of performance, complexity of tasks, ability to apply the expertise and skills laid down in job descriptions, communication and co-operation.
- **Austria**: Not every accomplishment can be counted or measured. Nevertheless aims should be defined beforehand. Thus it is possible to judge whether aims are achieved or not.
- **Belgium**: By interviewing panels – questionnaires
- **Romania**: Qualitative issues are more difficult to measure, thus leading to more subjectivity.
- **European Commission**: By appraisal of three headings: efficiency (set of SMART objectives), competencies and conduct (compulsory appraisal standards)

In Denmark and Belgium, 360° feedback and evaluations by colleagues, customers and citizens are conducted. In Great Britain (in the senior civil service), “the measure of qualitative results are often recorded through the use of assessment tools such as 360 degree feedback, input from peers, staff managed and colleagues as well as, for many of the most senior staff, the results of staff surveys and departmental feedback”. In Austria, various projects are concerned with measuring qualitative results, partly on the level of individual ministries, and partly as inter-ministerial reform projects within the framework of the

---

administrative reform. An example of a project on departmental level is the ""Führungskräfte-Modell"" (manager model) of the Federal Chancellery. For each department of the Federal Chancellery, performances have been defined, target figures have been developed and controlling reports are to be written every 3 months. The performance definitions and target figures are intended as an important basis for management by objectives. The project is currently in the implementation phase. Within the framework of the administrative reform, there are also attempts to determine target figures for the introduction of a country-wide performance and cost calculation, and for "effect controlling".

Due to the fact that it is particularly difficult to conduct performance measurement in the public service, the aim in most cases is not to achieve objectivity, but instead to achieve a performance appraisal that is as professional as possible, and that observes and describes both a measurable result per time unit (output) and the corresponding performance that led to the result (input)\(^{10}\). Furthermore the principles of professionalism and non-discrimination are gaining importance. There is stronger acceptance for the fact that a move towards subjectivity could be a key for dealing with the problem of objectivity\(^{11}\). Within this framework, it is increasingly thought that a professional performance appraisal is possible the applied appraisal procedure takes the relativity of the procedure and the complexity of work in the public service into account. In the past, the principle of objectivity has led to extremely detailed and mathematical appraisal processes in which the appraiser increasingly felt lost. Today it is increasingly recognised that an accurate appraisal requires that the appraiser has received appropriate training and has enough information - thanks to a cooperative style of management - to get a complete picture of the individual performances of the employees\(^{12}\).

1.3. An excursion into psychology: what factors influence the performance motivation?

Researchers are still arguing whether the motivation or ability to perform are significant causes for performance. As early as the 1960s, Herzberg already pointed out that it is necessary to distinguish between motivating and demotivating factors in the personnel policy. Thus, according to Herzberg, the payment mainly influences whether the staff members are demotivated (in the event of bad payment) or not demotivated (if payment is appropriate). However, motivation-boosting effects of remuneration only occur in exceptional cases. Therefore it can be said that remuneration is an important factor for motivation. However - according to Herzberg - it seldom increases motivation.

In the psychological performance appraisal diagnostics, experts such as Schuler et al. describe the tendency of success-motivated and self-confident individuals to ascribe success to themselves. In reverse, failure-orientated individuals ascribe their success to the low degree of difficulty of the task, or to chance. If success-orientated individuals fail, they tend to ascribe this failure to too little effort or bad luck.

\(^{10}\) Fred Becker, Grundlagen betrieblicher Leistungsbeurteilungen, 3rd reprint, Stuttgart 1998, page 165
\(^{11}\) Fred Becker, Grundlagen, loc. cit., page 209
\(^{12}\) Fred Becker, Grundlagen, loc. cit. page 151
The perspective of the person to be appraised

The appraisee would initially attribute the success or failure to their own contribution, or to chance or other external circumstances. This attribution is fundamentally linked with the person's own self-awareness and self-perception.

For failure-motivated persons, even success hardly promotes the feeling of self-worth, whereas failure reduces the belief in success or increases the fear of failure.

The consequences, which are the same when viewed objectively, are processed differently by the acting individuals, and lead to different attitudes (and feelings!) regarding the performance situations (...). Therefore performance management should always take into account that there is a high degree of untapped performance potential in "capable, but failure-fearing persons." ¹³

In reverse, negative feedback can lead to improved performance if the individual has a high degree of self-confidence and the appraiser is credible and competent. Therefore, improving the self-confidence should be the basis and the main objective of all performance-management systems. Stable self-perception and self-confidence are therefore the most important motivators for individual success. Several of the factors that are relevant to success depend on the development of the individual's self-perception and the degree of self-confidence:

- Success expectancy
- Aspiration level and target definition
- Satisfaction with performance (separate from work satisfaction)
- Commitment (to targets)
- Desire for and reaction to feedback
- Effect of self- and external reinforcement."¹⁴

Successful management depends on knowing the self-perception of each employee and taking it into account (...). If the manager succeeds in improving the employee's confidence in his/her own competence, by means of targets that take the individual's abilities into account, feedback and (self-)rewards, the result is a higher success expectancy, higher self-set targets and improved performance.¹⁵ However, this does not mean that weaknesses in the individual's performance should not be clearly addressed. In many cases, individual performance in particular can be increased by means of constructive and respectful discussions between the superior and employee.

Long-term, voluntary performance is unthinkable without motivation (...). Import aspects or correlates for performance motivation (...) are: Activity, self-monitoring, aspiration level, endurance, industriousness, willingness to work hard, ambition, readiness to take risks, success-orientation/belief and fear of failure/anxiety¹⁶. The concept of performance motivation assumes that the effort involved in attaining the performance and the explanation

---

¹³ Schuler, Der Funktionskreis, in: Schuler, Beurteilung, loc. cit., page 311
¹⁴ Schuler, Der Funktionskreis, in: Schuler, Beurteilung, loc. cit., page 314
¹⁵ Ibid.
¹⁶ Ibid
and attributions given for the results are decisive. However, competence in the form of skills and knowledge also promotes performance. The explanation assigned to the performance results determines whether the performance is perceived as satisfactory. This explanation in turn is directly dependent on the self-awareness of the person.

Furthermore the performance motivation is a combination of the basic conflict between "hoping for success" and "fearing failure", the probability of success, persistency, endurance and effort.

2. Linking performance appraisal to performance-related payment

This study does not deal with the analysis of performance-related payment systems and their effects on the individual performance motivation. However, the interrelationship between the introduction of a new payment system and a new appraisal system is of relevance. Most of the EU states that have introduced a new remuneration system have also introduced a new appraisal system (or rather: performance management system).

The interrelationship between the two instruments is deemed to be sensitive. All in all, introducing a new remuneration system requires that the appraisal system is handled much more professionally than a system without performance-orientated remuneration. The following example makes this clear: If performance level 4 is assigned to employee A, he/she has to get used to it. The performance bonus can thus be viewed as the right of employee A. Revoking this performance level would cause frustration and demotivation. The question is: To which degree does this situation – of which the appraiser is probably aware – leads to bonus payments becoming matters-of-course, because the appraiser has no interest in demotivating employee A? This example shows that the introduction of performance-orientated remuneration can in fact corrupt the performance appraisal system. As a result, there is danger of the trust in the new appraisal system being negatively affected and of the new system not being accepted.

In almost all EU member states, for several years now, the reforms in the remuneration system have been combined with decentralisation of human resource management. Especially the responsibilities for granting performance-orientated remuneration are being decentralised. Today performance-related payment is one of the most decentralised aspects of personnel management.
In most countries, the reasons given for the introduction of performance-orientated remuneration are:

- Individual performance should be rewarded.
- Different performers should get different payment (fairness principle)
- The attractiveness of working in the public service has to be increased by offering flexible payment, and talented employees have to be retained.
- By means of performance-orientated remuneration, the concentration should be focussed on performance and results.
- Performance-orientated remuneration should change values – not only task fulfilment, but also performance is important!
- Remuneration for performance is intended as motivation
- Performance-orientated remuneration should influence the organisational structure.
In spite of the Europe-wide introduction of performance-oriented remuneration elements, there are currently only a few EU states (i.e. Denmark, Finland, United Kingdom) in which the instrument of performance-oriented payment plays a significant role. The strongest link between performance appraisal and remuneration as employee motivation can be found in countries with a high degree of delegation in human resource and household management – in general those with position-based systems. This illustrates the importance of delegating responsibility for the development of a remuneration-based pay system. Countries with little delegation – mainly career-orientated systems – until recently mainly counted on personnel development and promotion to motivate the employees. Here changes are also visible, and in some career-orientated systems (i.e. Hungary, France), the introduction of performance-orientated remuneration was partly aimed at increasing flexibility and promoting individual responsibility17.

Currently there four comparative studies on performance-orientated remuneration systems in the public administrations of the EU member states are available. In 2002 – under Spanish EU presidency – the European Institute of Public Administration (EIPA) presented the first comparative study on performance-orientated remuneration systems. In 2003, a study by Dente for the Italian EU presidency followed. Finally, the most extensive study to date was completed by the OECD in 2005.18 In Germany, the Bertelsmann Stiftung conducted a comparative short study in 2006 on remuneration in the public service19. In spite of the many

---

17 OECD,  Performance-related Pay Policies for Government Employees, Paris, 2005
available publications, it is noticeable that most studies still does not conduct sufficient critical analysis of the risks that are involved with the introduction of performance-orientated remuneration.

The introduction of performance-orientated remuneration in the public services of the OECD states is only one aspect of the general trend towards more flexibility and individualisation of remuneration.

An important change – in particular on the management level – is the attempt to adapt the individual salaries to the particular difficulties of a position, the competencies or the degree of responsibility. This introduction of a position or competency management however requires different appraisal and reward systems for different groups of persons.

In most countries, the payment received by the civil servants today are based on three main components: Basic salary, remuneration based on the type of position and the accompanying tasks, and performance-based remuneration. The variable remuneration components must not be confused. The first kind applies to the "expected" or "probably required" position-related performance (through evaluation of the competencies that are required for the tasks associated with the position). For the second kind, an ex-post evaluation is done. The variable remuneration component on management level apparently depend more on the ex-ante evaluation of the respective position than on an ex-post evaluation of the type that would be necessary for a PRP system. If this definition is used as basis, only a few European states have an extensive, formal performance-related payment system. This term also partly does not match reality, because some systems base their performance appraisal on inputs1 that cannot really be called "performance-related". In other cases, performance bonuses are paid without formal evaluation of the individual performances.

This explains why only about half of the states have a direct relation between performance appraisal and assignment of performance-related pay.

Is the outcome of the appraisal directly linked to the determination of performance-related pay (bonuses) (in central administration)?

In fact, there is frequently a discrepancy between the existence of a so-called "performance-related payment system" and the way this system works in reality. Often the system has almost no relation to performance20. For example, some European administrations have.

---

decided to introduce performance-related pay. However, to prevent fairness problems, it was decided to pay all employees a bonus in turn, approx. every two years. Other states differentiate between monthly and/or yearly PRP, one-off bonuses and premiums and other benefits. Therefore not everything that is summarised under the heading "performance-related pay" actually fits the term.

For example, there are several member states (Denmark, the Netherlands, Malta etc.) in which different payment systems apply to the managers. In other states this is not the case. Other differences concern the degree of centralisation of the payment system. Furthermore, in Denmark almost all managers receive performance-related payments. On the other hand, only a minority of all employees in the public sector receive performance-related payments. For example, in Greece and Luxembourg, the remuneration of the civil servants are defined by a central body, whereas in Great Britain and Sweden they are negotiated individually or by the individual agencies.

In several member states, the instrument of performance-related payment has long become part of everyday life (e.g. in Great Britain, Denmark and Finland). Other member states view this instrument very critically. In many member states, there is no performance-related payment (yet). In Ireland, Belgium, the Netherlands and Norway, such payments are only made to (a few) managers.

Finally there are also very large differences where the amount of the performance-related payment is concerned. In France, the PRP instruments differ from ministry to ministry, and also depends on the employee category of the civil servant in question ("Le degré de corrélation dépend des administrations et des catégories d’agents en cause »). In Poland “the results of the appraisal have been linked directly with the granting of a Civil Service bonus based on the service rank held (appraisal system for the appointed civil servants)”. In very few member states, team bonuses are also possible. However, almost all member states that participated in this study negated the existence of team evaluations.

We thus see that PRP elements exist in many states. The examples document the shared trends in summarized form and the larger differences in detail. The strategies for reforming the payment systems are comparable (e.g. decreasing benefits, reforming the seniority principle, introducing material performance incentives, etc.). However, the concrete national implementation strategies are adapted to the national context (and the respective national taxation system). The popular instrument of the "best practice" procedure where payment is concerned has to battle with these problems. Much of what appears comparable is in fact very hard to compare.

A positive aspect of the performance-related payment is the fact that there is an increased orientation towards performance and accountability to the public. This target is particularly important to many "reformers".

Critics counter that performance-related elements cannot correct individual deficiencies of the administration, because these are shortcomings in the structure of the administration, diffuse political guidelines, too complex and contradictory legal stipulations, insufficient personnel and equipment, bad organisation of the information flow, or lack of training.21. In reverse, performance-related payment offers a reason and opportunity for extensive reforms in the personnel management and organisation of the work; examples are efficient target agreement and employee appraisal procedures, transparent task definitions, acquisition of expertise, improved dialogue between employees and superiors, more teamwork and increased flexibility in delivery of performance at work. Performance-related payment can

thus serve as catalyst for such changes and for negotiating new "performance deals". Thus it contributes to a new work culture with positive effects on the work performance. It does not seem to be the financial incentives of the performance-related payment systems that lead to improved performance, but rather the accompanying effects, i.e. the organisational changes that are necessary to implement such a system, and the different management culture.22.

Another advantage lies in the fact that the introduction of performance-related payment "forces" many administrations to conduct yearly performance appraisals. The investigations conducted for this study revealed that most administrations do indeed conduct yearly appraisals.

**When do the appraisals take place?**

![Graph showing the frequency of appraisal times]

Another positive aspect is that managers are expected to regularly conduct interviews with the employees, with the aim of achieving the best possible performance assessment. Frequently these are even combined with target adaptation discussions on a half-yearly basis.

**Target agreement** → **Mid-year review** → → **Appraisal** →

The purpose of these interviews are to conduct trustful discussions that are not dominated by the aspects of payment and promotion. Therefore the target has to be to separate "hard and soft objectives", in order to create an open, honest and trustful climate for discussions. Unfortunately this is not always achieved. For example, in Finland and Great Britain, it was found that the contents of the interviews with the employees are largely dominated by the payment aspect. Other member states do not make any separations, because the performance appraisal has no effects on the decisions regarding payment and promotion.

22 OECD.
Are discussions on “hard” objectives separated from discussions on “soft” objectives?
III. PRACTICAL PART: PERFORMANCE APPRAISAL SYSTEMS BETWEEN TRADITION AND REFORM

1. Traditional performance appraisal systems

Fundamentally, the performance appraisal systems in the member states of the EU as well as Norway and the European Commission can be divided into two groups, which in turn can however also be combined: The first type is the traditional performance appraisal system, with which the performance of the employees are measured based on a set selection of criteria. Or the member states apply the instrument of target agreements, in which the individual performance is measured by the degree to which the target has been achieved.

### Comparison of performance appraisal and target agreement

<table>
<thead>
<tr>
<th>Performance appraisal</th>
<th>Target agreement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Based on their performance, the employees are assessed using selected performance indicators.</td>
<td>The employees have to be sensitized for the superordinate targets of the administration, department and divisions, and for individual targets.</td>
</tr>
<tr>
<td>The employees have to be assessed as fair as possible, i.e. based on the same criteria.</td>
<td>The employees are evaluated based on their personal targets.</td>
</tr>
<tr>
<td>Variable remuneration should be decided based on performance criteria that are as objective as possible.</td>
<td>Variable remuneration should be decided based on whether targets have been achieved or missed.</td>
</tr>
<tr>
<td>The individual performance has to be evaluated based on performance indicators, requirement profiles and job descriptions.</td>
<td>The relationship between individual and organisational performance has to be made clear.</td>
</tr>
</tbody>
</table>

Traditionally, the advantage of a traditional performance appraisal system are considered to be the fact that standardised measuring procedures are much more efficient and easier to apply than time-consuming individual target agreements. Furthermore, comparing the performances of the employees is easier – at least theoretically – in a standardised system than in an individualised system. Furthermore there is danger of the centralised personnel management loosing influence if decentralised and largely autonomous performance centres gain importance. In a traditional performance appraisal system, the performance appraisal is frequently based on the tasks, the position and a certain number of performance and/or requirement profiles (competence profiles).

---

Example of a performance appraisal

I. Tasks and/or requirement profile of the employees

<table>
<thead>
<tr>
<th>Task 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Task 2</td>
</tr>
<tr>
<td>Requirement profile 1</td>
</tr>
<tr>
<td>Requirement profile 2</td>
</tr>
</tbody>
</table>

II. Appraisal of the performance

Appraisal levels:
- Very good or excellent (performance level 4)
- Good or exceeds the requirements (performance level 3)
- Satisfactory or completely meets the requirements (performance level 2)
- Unsatisfactory; largely does not meet the requirements (performance level 1)

<table>
<thead>
<tr>
<th>Work methods and expertise</th>
<th>4</th>
<th>3</th>
<th>2</th>
<th>1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Communication and teamwork</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Motivation</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

II. Appraisal of leadership

<table>
<thead>
<tr>
<th>Task 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Task 2</td>
</tr>
</tbody>
</table>
Leadership (only for employees in managerial positions)

- Employee management
- Employee development/qualification
- Motivation/team building
- Conflict management
- Decision-making ability
- Language skills

III. Assessment of potential

Development desires of the employee

Comment of the appraiser

**Planned development orientation**

<table>
<thead>
<tr>
<th>Direction of development</th>
<th>Targeted scope of duties</th>
</tr>
</thead>
</table>

Signatures

___________________________ ___________________________
(Appraiser) (Employee)

(Second appraiser)

From a purely procedural point of view, a multitude of different appraisal methods, appraisal procedures and appraisal criteria are possible in this model. Usually, the activities, skills, targets, results, conduct and traits (commitment, reliability, motivation etc.) are evaluated. The advantage of trait-based criteria are their large scope of validity. The disadvantage is the low degree of clarity regarding the meaning of the terms, which can lead to errors in the appraisals. Behavioural criteria however are also very prone to subjective assessments.

Generally the various European administrations use a mix of criteria. Frequently the properties to be evaluated can be chosen flexibly. For example, in Poland, the personnel appraisal is governed by an ordinance of the prime minister of 6 May 2002 (however, this ordinance is currently the topic of reform debates). According to this ordinance, regular appraisals have to be conducted based on mandatory criteria and selected criteria (chosen
from a list). The list of mandatory and optional criteria can be found in an appendix to the ordinance.

<table>
<thead>
<tr>
<th>No.</th>
<th>Mandatory Criteria in Poland</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Credibility</td>
</tr>
<tr>
<td>2.</td>
<td>Promptness</td>
</tr>
<tr>
<td>3.</td>
<td>Competence in applying relevant regulations</td>
</tr>
<tr>
<td>4.</td>
<td>Planning and work organisation</td>
</tr>
<tr>
<td>5.</td>
<td>Ethical attitude</td>
</tr>
</tbody>
</table>

“A direct superior, further referred to as the “evaluator,” shall select from the list no fewer than 3 and no more than 5 evaluation criteria that are deemed the most significant for the proper fulfilment of duties of the position occupied by a civil servant. The evaluator shall select performance criteria after he/she has discussed with a civil servant, further referred to as the “evaluee,” the manner in which the duties of the position occupied are fulfilled.”

In Lithuania – which can be used as an example for several other member states – 5 performance appraisal criteria are used:

1. Workload
2. Quality of the performance shown
3. Complexity of the performance shown
4. Individual ability to implement expertise and skills to meet the requirements of the job
5. Communication and cooperation

In Portugal “the performance appraisal in the Portuguese public administration focus on the following elements - Individual contribution in service for the achievement of outputs - Behaviour skills with a view to measure relatively stable individual features differentiating performance levels for a given assignment - Personal attitudes with a view to measuring personal commitment to reach higher performance levels, including such features as the efforts made, and the interest and motivation shown. The relative weighting of each element will depend upon the specific features of services or bodies, professional groups or careers, to meet the requirements and objectives within each sector. Reference should also be made that in the case of performance appraisal of middle managers and at the behavioural skills level leadership criteria, such as the development capacity and staff motivation and strategic vision are taken into consideration”.

Although Finland has centrally defined guidelines for the performance appraisal, the individual appraisal criteria are not centrally governed. In many cases – e.g. in the Finnish Ministry of Finance – criteria such as competence, efficiency, cooperation and flexible subordinate criteria are assessed.

Thus, although there are certain trends, Europe-wide totally different competence and appraisal criteria are used both for employees and for the top management. However, it is noticeable that in many European administrations, criteria that are based on personal traits (punctuality, intelligence, social skills) as well as attributes achieved outside of the workplace (level of education, character), are loosing importance. All in all, the number of individual appraisal characteristics is decreasing, and more importance is assigned to (a limited number of) target agreements, function appraisals and competence appraisals.
What are the most important criteria in the performance process?

In spite of the popularity of target agreement and competence management as instruments, many member states are NOT discarding standardised criteria. The most important reason is that standardised criteria lists, with which all employees within an administration are evaluated, have the advantage of making the performances more comparable. Therefore a performance appraisal is easier to handle than a target agreement, which requires much more communication between the superior and the employees.

All in all, a differentiation between the performance appraisal instruments, performance indicators and ratings is taking place. Today many EU states apply almost no standardised appraisal procedures any more. Each administration has its own model. Thus the performance appraisal increasingly becomes decentralised and is adapted to the respective targets, structures and values of the individual organisations. It is currently not possible to determine whether this fragmentation process will cause new fairness problems.

The disadvantage of department-internal freedom to shape own processes is a non-uniform assessment landscape across the various individual departments, which is a hindrance to personnel mobility between the departments and to the establishment of uniform principles for personnel development.24 In the German Federal Administration, the various departments use between 2 and 17 differentiation criteria for this appraisal category, according to the investigations conducted by Lorse:25 „The other ressorts use between five and seven appraisal factors.”26 The following overview lists the factors by frequency of use, as sorted by Lorse27:

<table>
<thead>
<tr>
<th>Differentiation criteria when evaluating leadership</th>
<th>Frequency (in %)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Delegation of tasks</td>
<td>80</td>
</tr>
<tr>
<td>Motivation of employees</td>
<td>70</td>
</tr>
<tr>
<td>Information behaviour</td>
<td>60</td>
</tr>
<tr>
<td>Furthering of employees</td>
<td>60</td>
</tr>
<tr>
<td>Creating a positive work climate</td>
<td>40</td>
</tr>
<tr>
<td>Objective-setting</td>
<td>30</td>
</tr>
<tr>
<td>Integration behaviour</td>
<td>30</td>
</tr>
</tbody>
</table>

---

25 Lorse, Führungskräfte, loc. cit., page 112.
26 Ibid.
27 Ibid.
This overview makes clear that today important trends visible in the modernisation of administration are mirrored in the appraisal criteria. However, the trends towards modernisation does not make appraising these criteria easier. E.g. the criteria "objective-setting" is hard to evaluate.

A solution to this problem could be the introduction of anonymous appraisals by employees to evaluate management skills. Thus the management skills of the superiors can be assessed from the perspective of the staff. This innovation would fit well to a modern management culture.

In the end, each authority has to internally determine whether the respective appraisals in their various forms have been conducted earnestly, thoroughly, fairly and correctly.

2. Reforms: Staff interviews, target agreements and performance-based contracts

Towards the end of the twentieth century (and even at the beginning of the new century), performance appraisals on an international level was mainly based on the theory of "management by objectives" (and thus was less orientated towards detailed, formalistic and standardised appraisal systems). In this concept, the main focal points are the staff interview, the individual target agreements between the superior and staff member, and the assessment of the target achievement.

The theory of "management by objectives" describes two aspects of objectives that affect performance. These are the target level (difficulty) and the target specificity (as compared with undefinedness). Finally the commitment of the staff member to the objective is important. This is the degree to which a person feels bound to achieving the target. Participation in setting the targets improve the target commitment. This frequently-mentioned participation in formulating the performance objectives only proved to be conducive as a means of achieving commitment. Viewed alone, it has rather little significance for the level of performance.

Researchers agree that higher and more specific targets lead to more willingness to invest effort than is the case with lower targets. The degree to which high targets promote performance depends on several conditions, which in particular include commitment and effort invested, self-confidence, skills and feedback. Additional conditions that are favourable for achieving commitment are:

- success expectancy (i.e. the expectancy that the target can be achieved),
- rewards when the targets are achieved,
- the superior's support for the targets,
- targets that make sense,
- agreeing on ambitious targets,
- describing concrete targets,

28 Uwe Kleinbeck, Die Wirkung von Zielsetzungen auf die Leistung, in: Schuler, Beurteilung, loc. cit., page 220
29 Schuler, Der Funktionskreis, in: Beurteilung, loc. cit., page 316
30 Kleinbeck, Die Wirkung, loc. cit., in: Schuler, loc. cit., page 223
• limiting the number of targets,
• specifying the targets in a cooperative process,
• matching the targets to the demands of the job.

In all the administrations compared in this study, the target agreements are agreements on the performances to be delivered, as well as their quality and quantity. The purpose of these target agreements is to jointly plan and set out the performance requirements in a fair process. It is assumed that this helps to motivate the staff members, because they participate in setting their own work objectives and are part of the overall organisational strategy. The other benefits of target agreements are deemed to be as follows:

**Aim and purpose of target agreements in the compared administrations**

<table>
<thead>
<tr>
<th>Targets that were set during the discussions with the staff should:</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. promote decentralised structures and independent action,</td>
</tr>
<tr>
<td>2. improve the participants' identification with the tasks,</td>
</tr>
<tr>
<td>3. enable result-orientated work processes,</td>
</tr>
<tr>
<td>4. guide the employee towards achieving the target, by providing clear objectives,</td>
</tr>
<tr>
<td>5. enable managers to concentrate on managerial tasks,</td>
</tr>
<tr>
<td>6. make management more transparent,</td>
</tr>
<tr>
<td>7. provide possibilities to set priorities, adapt the focus of the work activities to match current requirements, and improve cooperation.</td>
</tr>
</tbody>
</table>

In almost all administrations investigated during this study, the employees are now working on the basis of individual function descriptions, competence profiles and/or target agreements, and therefore they increasingly have to provide justification for the delivered performance and their success or failure in achieving the target.

**What are the most important criteria in the performance process?**

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Very important</th>
<th>Less important</th>
<th>Not important</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reaching annual objectives</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Competency criteria</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personal criteria</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Leadership criteria</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Quantitative criteria</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Qualitative criteria</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Management by objectives is therefore increasingly becoming the obvious choice on administrative and organisational level.

All in all, the new management instruments such as employee interviews and/or target agreements\(^\text{32}\) are viewed as extremely positive developments. This represents a significant change as compared with the situation that prevailed several years ago. For decades, the relationship between superior and employee was hierarchical, and was based on commands

and obedience. The use of the new instruments shows that not only the understanding of the superior/employee relationship has changed, but that the public service (as such) is changing.

On the other hand, the target agreement as instrument is extremely complex and its effects are hard to estimate. The evaluation of this instrument depends on the respective case.
2.1. Positive aspects

The introduction of target agreements is frequently an integrative part of a superordinate (legal, political and organisational) target strategy. The resulting changes require other qualifications and involve new requirements both for the managerial conduct and for the way in which appraisals are conducted by the appraiser. Today, the appraiser is expected to do much more than simply run through a formal process. Instead, the manager must in future not only evaluate the performance, but also (together with the appraisee) consider how targets can be set and how the success or failure in achieving the various targets should be assessed.

Target agreements are getting much approval, because modern organisations can be better managed by means of objectives and target agreements than by means of traditional hierarchical instructions.33. The target agreement systems in Estonia and France can be used as examples. Across Europe, there are hardly any shorter and more transparent appraisal forms to be found than those used in these countries. These examples show that – at least from a formal point of view – the advantage of target agreements can lie in a much less bureaucratic appraisal process as compared with a traditional performance appraisal system involving a multitude of separate appraisal forms.

---

33 See Thomas Breisig, Entlohnen und Führen mit Zielvereinbarungen, Frankfurt/Main, 3rd reprint, 2007
## Estonia - Annual Performance Appraisal Record

<table>
<thead>
<tr>
<th>Name and position of official</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Name and position of direct superior</td>
<td></td>
</tr>
<tr>
<td>Evaluation period</td>
<td></td>
</tr>
<tr>
<td>Date of performance appraisal interview</td>
<td></td>
</tr>
</tbody>
</table>

1. **Evaluation of performance of an official (incl. evaluation of the achievement of targets in the evaluation period, personal competencies)**

2. **Performance targets for the next period**

3. **Evaluation of the probationary period (when relevant)**

---

32
### 4. Agreement on remuneration for the next period


### 5. Evaluation of training and development needs and objectives for the next period

<table>
<thead>
<tr>
<th>Area of development</th>
<th>Objectives set</th>
<th>Activities planned (training, rotation, attachment, supervision etc.)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### 6. Opinion of an official evaluated

/Signature of direct superior/ /Signature of official/

The combination of organisational and individual target agreements promises a more effective and efficient implementation of administrative targets. In reverse, the employees approve of
these instruments, because they address the employees' increased interest in self-development. At least in theory, it is all about achieving an objective and not about executing hierarchical instructions. Target agreements in particular increases the individual motivation, because the opinion of the employee is taken into account when determining the best way to implement the objective. It is therefore a cooperative management instrument, because the employees are given the opportunity to help shape their work conditions. Furthermore the employees have better knowledge about what is expected of them. It is also beneficial for a trustful relationship between employee and superior if both parties can calmly discuss the negotiated agreements within the course of the year. For the employee, this means a better opportunity to get recognition. The employee appraisal also has many advantages above a traditional performance appraisal, because basing the appraisal on concrete, agreed objectives can help to avoid the appraisal errors that can occur when a multitude of attributes are to be evaluated in a traditional performance appraisal system.

In this study, it was found that many administrations (e.g. the Cabinet Office in Great Britain, the European Commission etc.) use (or at least take into account) the so-called SMART(T) principle. SMART means Specific, Measurable, Achievable, Realistic, Timely (and Tough).

In the day-to-day reality of administrative life, target assessment is not so simple. For example, when weighing targets, it is possible to distinguish between important and less important targets. This then also requires different weighting when evaluating whether the targets have been achieved. This can e.g. be done by assigning percentages.

<table>
<thead>
<tr>
<th>Weight in percent</th>
<th>Target</th>
<th>Target achievement</th>
<th>Absolute percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>20%</td>
<td>1</td>
<td>100%</td>
<td>20%</td>
</tr>
<tr>
<td>20%</td>
<td>2</td>
<td>50%</td>
<td>10%</td>
</tr>
<tr>
<td>20%</td>
<td>3</td>
<td>50%</td>
<td>10%</td>
</tr>
<tr>
<td>10%</td>
<td>4</td>
<td>25%</td>
<td>2.5%</td>
</tr>
<tr>
<td>30%</td>
<td>5</td>
<td>100%</td>
<td>30%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td><strong>72.50 %</strong></td>
</tr>
</tbody>
</table>
2.2. Problematic aspects

The advantages of target agreements could also be relativised. Individual experiences within the member states of the EU show that the increased use of target agreements (initially) also drastically increases the administration's self-involvement. Therefore researchers are already warning against "bureaucracy traps." This warning does not seem exaggerated; the results of this study clearly confirm a trend towards more bureaucracy. As is the case with any instrument used as part of the personnel policy, there are risks and weaknesses involved. Especially in the public service, it is difficult to negotiate clear targets. Frequently the tasks are determined by the political reality and change during the day-to-day work. In many areas, it is not easy to agree on measurable targets.

What are the most important challenges in setting and agreeing upon annual objectives (between employees and their superiors)?

Targets are never static; they always have to be adapted to the new situation. In fact, the member states considered this to be one of the largest challenges: In the day-to-day reality, targets constantly have to be adapted to new circumstances. The required, continuous adaptation of the target agreements would however involve immense administrative effort. Therefore the use of half-yearly interviews (mid-year reviews) are introduced in many administrations. Because this procedure is always subject to criticism – due to the required time and administrative effort – there are no binding stipulations regarding these target adaptation discussions or mid-year reviews. However, in Finland for example, the superiors are expected to take sufficient time for their employees.

34 Lorse, Aktuelle tarif- und dienstrechtliche Reformüberlegungen im öffentlichen Dienst, loc. cit., page 30.
35 Lorse, Aktuelle tarif- und dienstrechtliche Reformüberlegungen im öffentlichen Dienst, page 32.
Examples of the content of target adaptation reviews (mid-year reviews)

Does this or that task still make sense? How can a task be completed better, easier, faster or more cost-effectively? What has changed? Are there new priorities? Which prescribed quality attributes have to be fulfilled during delivery of a service? How should priorities be defined? What resources are necessary? Which training measures are required for the new targets?

Our study has however brought to light important differences in the type and bindingness of the target agreement instruments. In some countries, the target agreement plays a relatively subordinate role in the performance appraisal system. On the other hand, in Hungary, Ireland, Great Britain (SCS), Malta (SCS) and Denmark, the performance appraisal system is based on evaluating the target agreements. In these countries, the individual target agreements are integrated into a hierarchical concept – i.e. into an objective tree. Demands are made in the Cabinet Office for a specified upper limit for the amount of targets. In Denmark and Malta, the target agreements (for the top management) have special relevance, because they are contractually agreed and top officials can obtain a considerable performance bonus for fulfilling the target agreements.

Therefore it is complicated to assess achievement of the target. Frequently, the target agreement suggests that only the employees are responsible for reaching the targets. In many situations however, nothing can be further from the truth, because in reality diverse situational conditions arising from a complex matrix of different interwoven factors are responsible for good or bad performance. In the end, targets are frequently diffuse, or there are too many or too much, too difficult or too easy agreements. Another uniformly perceived problem of target agreements and target negotiations is that the derivation of the individual targets are not directly related to the precisely defined superordinate targets.

---

36 Thomas Breisig, Entlohnen und Führen mit Zielvereinbarungen, Frankfurt/Main, 3. Aufl., 2007, S. 85
37 Conrad/Manke, Zielvereinbarungen, loc. cit., page 54.
Prerequisites for successful target agreements in an objective tree

<table>
<thead>
<tr>
<th>Targets and target agreements</th>
<th>Prerequisites</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Objective tree</td>
<td>• Individual targets have to fit into the objective tree, i.e. be an integrative part of the superordinate targets.</td>
</tr>
<tr>
<td>• Framework, e.g. political, legal, financial targets</td>
<td>• Target agreements have a motivating effect if they are jointly negotiated, accepted, understood and supported.</td>
</tr>
<tr>
<td>• Targets of the organisation</td>
<td>• Individual targets in particular can either promote better performance or have a demotivating effect; target achievement can also be motivating or demotivating.</td>
</tr>
<tr>
<td>• Targets of the department</td>
<td>• Too many targets hinder performance, and quantitative targets could negatively affect the quality.</td>
</tr>
<tr>
<td>• Targets of the division</td>
<td></td>
</tr>
<tr>
<td>• Individual targets</td>
<td></td>
</tr>
</tbody>
</table>

Errors especially occur when the managers have no experience in determining and negotiating targets. For example, a British evaluation report from 2007 states: „Too many managers are still setting poor quality objectives or worse still, not agreeing objectives formally with their staff until very late in the reporting year. As a result, there is poor linkage to departmental goals and reduced accountability for the delivery of results”38.

Especially in these situations, it frequently occurs that the employees are not involved in the objective-setting. Thus target agreements in essence simply become traditional target instructions and orders. However, the reality is seldom only "black” or "white". This is illustrated by the example of Ireland, where the communication between the superiors and the employees has improved, but not the feedback on the performance appraisal. „While communication has been improved by PMDS – there are issues around managers giving feedback”.

Particularly in those member states that have only shortly introduced target agreement contracts and systems, their implementation are not always easy. An example is Switzerland, where the introduction of a new personnel appraisal system with variable remuneration revealed that the employees are more critical towards the introduction of a new performance appraisal system and target agreements than they are towards the introduction of performance-orientated payment. In total, between 40% and 50% of the employees rated the target agreements as negative in 2005.

---

In Germany – in spite of the positive view of target agreements both in the praxis and in the scientific community – this instrument is also very critically debated in the discussions on administrative law and the legal nature of target agreements. This mainly concerns the discussion in the administrative sciences about target agreements, social unbalance of the interview partners as well as the dangers of increasing performance demands. The staff councils are especially critical towards this instrument. Whereas the employee interview is an expression of a managerial culture that is based on dialogue and professional support, and therefore rated as uncritical where personnel policy is concerned, the target agreement on the other hand is somewhat more problematic. An important point of criticism is that target agreements harbour the risk of increased performance demands, as well as an individualisation in the performance relationship towards the superior. There are fears that the individualisation of the target agreements could make it almost impossible to verify the performance measurement and appraisal. Individual target agreements also make it more difficult to compare the performance of the employees. Finally – from the perspective of the staff councils – the largest challenges are evaluating and measuring qualitative and unclear targets. Due to the difficulties in measuring qualitative targets, this type of work content frequently is not taken into account during the appraisal. Thus we can see that: Target agreements in particular can be highly useful, but also harbour large potential for misuse to the disadvantage of the employees. Furthermore problems can be caused by the fact that in the administrative reality, target agreements are not always negotiated between the employer/authority and the staff council, but instead are "forced" onto the employees from above. An additional difficulty lies in the fact that a target agreement often is not an agreement at all, but rather an objective set by the superior. The top level generally assumes that they have the sole right to a) set objectives, b) decide on performances, rewards and objectives. The staff councils in particular fear that the objectives could be set too high and individual agreements could erode collectively obtained rights. Another problem is the consequences resulting from failing to meet the target. If the performance of a staff member

39 Tom Coens/Mary Jenkins, Abolishing Performance Appraisals, San Francisco 2002, page 16
still lacks far behind the target, or if the target is unrealistic, undesired consequences could result. Especially persons with low self-esteem tend to interpret missed targets as incompetence. This group of persons then are more likely to abandon attempts to reach the target.\textsuperscript{40} From this, researchers normally draw the conclusion that non-agreed, i.e. \textit{prescribed} targets hardly contribute to increasing the motivation of the employee. In reverse, this means that the participation of the staff members is important if the objectives are to be achieved. (The more a subordinate staff member can bring his own personal ideas and convictions into the appraisal interview, the more he/she will feel that a) the superior is being helpful, b) the current problems at the workplace are being eliminated and c) sensible future objectives are being defined.\textsuperscript{41}

The fears of the staff councils and trade unions – as justified as they are – are much less discussed in the international community than the advantages of target agreements. A significant reason for this might be the fact that the position of the staff councils in this field is relatively weak. There are only a few member states in which the responsible offices have to negotiate with and/or at least consult the staff councils on a procedure or on the introduction of a new system. Our investigations showed that – Europe-wide – the integration of the staff councils in the performance appraisal process is relatively low.

\begin{center}
\begin{tabular}{|l|c|c|c|}
\hline
Who is involved in the evaluation process? \\
\hline
Staff representatives & Main involvement & Minor involvement & No involvement \\
\hline
1 & 2 & 3 & 4 & 5 \\
\hline
\end{tabular}
\end{center}

This conclusion is confirmed by the study of Demmke, Hammerschmid and Meyer (2006)\textsuperscript{42} in which they discovered that the staff representatives and trade unions play a relatively small role where questions regarding performance management is concerned.

\textsuperscript{40} Kleinbeck, Die Wirkung, in: Schuler, Beurteilung, loc. cit., page 227

\textsuperscript{41} Ibid.

\textsuperscript{42} Demmke, Hammerschmid, Meyer, Decentralisation as a Focus, loc. cit.
<table>
<thead>
<tr>
<th>More important role of trade unions and staff representatives</th>
<th>Restricted role or no role of trade unions and staff representatives</th>
</tr>
</thead>
<tbody>
<tr>
<td>– Fixation of salaries</td>
<td>– Recruitment of managers</td>
</tr>
<tr>
<td>– Dismissal of employees</td>
<td>– Promotion of managers</td>
</tr>
<tr>
<td>– Head count reduction</td>
<td>– <strong>Performance management</strong></td>
</tr>
<tr>
<td>– Relocation of staff</td>
<td>– Public procurement</td>
</tr>
<tr>
<td>– Working time</td>
<td>– Sanctioning of agency management</td>
</tr>
<tr>
<td>– Performance-related pay</td>
<td>– Dismissal of agency management</td>
</tr>
<tr>
<td>– Altering task responsibilities and areas of work</td>
<td></td>
</tr>
</tbody>
</table>

Source: Demmke, Hammerschmid, Meyer op cit.
IV. SHARED CHALLENGES IN PERFORMANCE APPRAISAL

1. Introduction

Europe-wide (and world-wide) reform activities in performance management demonstrate a paradox: On the one hand, the many reforms are evidence of an increased interest in the instrument of performance appraisal. On the other, the reform activities show that science and experience have not as yet been able to provide satisfactory assistance for performance appraisal and assessment practice.

Moreover, in many publications the possibility of an objective and professional appraisal is discussed far too superficially. Hence most publications are qualified only minimally to communicate practical instructions to those in charge of staff, to the employees and to the superiors in their own staff appraisal. Generally many publications are not sufficiently practice-orientated, demonstrate little connection to the realities of administration, rely on experience made in private industry and ignore long-recognised problems associated with the staff and performance appraisal as an instrument.

### Reality check – representative answers from Cyprus and Romania

Cyprus: “Dissatisfaction with the system has been at the centre of discussions during the last 5 years amongst all involved. The current system has failed to deliver results and a new system is needed to replace it”.

Romania: "In the Romanian civil service, most of the performance appraisal are over-evaluated. The causes are the lack of training of the managers, the subjectivity, the lack of expertise in setting and measuring objectives, the lack of time, the formal character of the interview”.

Anyone who looks at legal, social or economic performance and management theories for advice on dealing with employees may find a fair amount of interesting ideas and will encounter much that is contradictory\(^{43}\). Often these theories are to a great extent mixtures of utopian ideas and a questionable way of putting social-psychological laboratory results into practice\(^{44}\). “As the history of performance appraisal has shown there is a great difference between assumptions of ideal “scientific based”, objective performance appraisals and how appraisals are actually been done”. A Finnish study by Maaniemi and Hakonen also comes to the same conclusion\(^{45}\).

Particularly in international comparisons, it is advisable to always analyse the examined systems of performance appraisal in the context of national administration systems and with comparative perspectives, since international studies constantly demonstrate that aims and purposes of assessment in an organisation are fundamentally influenced by the various administration models and organisation structures\(^{46}\). The objectives of a performance appraisal system carried out in a career-based model (e.g. in France, Germany or in the European Commission) are more intensively associated with the aspect of promotion than is the case in a position-based model (as for instance in the United Kingdom or Sweden).


\(^{44}\) Ibid.


The lack of success in introducing target agreements frequently is caused by the fact that the instrument does not fit in with the relevant administrative culture. In a comparative study on "Performance Management in Practice: A Comparative Study of Executive Agencies", Pollitt reaches the interesting conclusion that the control of target agreements and the evaluation of hitting and/or missing the target depend very strongly on the administrative culture of a country. For instance, missing a target in Great Britain is sanctioned far more severely than in Scandinavian countries (with their cooperative and consensual administrative culture)\(^7\). Thus we may question whether "importing" performance appraisal systems into an administration is beneficial, if the introduced structural elements in no way suit the relevant administrative culture and structure. It is well known that performance-related pay causes more difficulties in certain administrative structures than in states where the individual performance principle is largely accepted.

Cyprus provided the following answer to the questionnaire for this study: “Currently there is not “performance assessment culture” embedded in our administration, due to the weaknesses of the current performance appraisal system described in previous questions. Personnel appraisal is viewed as a “once a year exercise” and it is not thought of as a challenge nor is it managed on a daily basis”.

It is therefore recommended that those responsible for staff answer the following questions when introducing this instrument:

- Does the administrative culture tend to be open and communicative rather than hierarchical and weak in communication?
- Has the management concept hitherto been based more on specifications and agreements?
- Do the superiors have experience in communicative and consensual instruments?

As already described, in many member states there has been a trend towards less formal, more dialogue-based employee interviews and target agreements. Today, management by objectives and performance management are therefore increasingly becoming a matter of course on administrative and organisational level in more and more EU member states. But we may distinguish differences in the significance of the various target agreements. In some member states the assessment of the discussed targets focuses on the assessment, while other member states combine the target agreement with a performance appraisal. Meanwhile, the disadvantages of target agreements are under discussion. This primarily concerns difficulties in setting and adapting targets, problems with target agreements, particularly in hierarchic administrative cultures, insufficient competency of managers regarding target negotiations, and the problem of comparing individual target agreements. Within this study, it furthermore became clear that a professional and fair assessment of different targets is a difficult undertaking for every superior.

The core point of criticism however only seldom applies exclusively to the principle of assessing. Instead it can be said that in all administrations, the administrative and technical challenges (e.g. in scaling methods or the proper application of forms and methods) are far fewer than the management problems (in other words, correctly conducting a talk with an employee, shaping the superior-employee relationship, questions of administrative culture, leadership skills and – in general – the serious and professional implementation of the instrument of performance appraisal in practice). On the other hand, the specific weak points of the existing performance appraisal systems are more open and are discussed less ideologically than they were a few years ago. A good example of this is the discussion on the relationship between superiors and employees. It was practically impossible years ago to point

out that many managers are overtaxed when they have to carry out a performance review. It was just as inopportune to note that many employees granted their superiors no admission at all of any (structural) management skills, in order to exonerate themselves of their own poor performance.

A further positive aspect is the increasing readiness of administrations to start an evaluation of their systems so as to arrive at better conclusions and data as to how to assess and what must be improved. In doing so, particular attention is paid to (frequently subconscious) discriminations in assessment. There are more indications that certain occupational groups – frequently subconsciously - are discriminated against, both in positive and negative terms. It would indeed be intolerable if it turned out that performance-based remuneration elements were allocated based on prejudices and not on individual performance.

On account of the multifarious problems in performance appraisal these might supply quite a few arguments against performance appraisal. But they do not justify the rejection of performance appraisals. On the contrary: in recent years staff administration has made considerable progress in applying the instrument of performance and staff appraisal. Although no norms are available in this sector, endeavours to attain improved procedures and methods are clearly evident. This positive trend is also evident in this study. Nearly all member states are of the opinion that the performance appraisal systems are operated far more professionally than 10 years ago.

Do you think performance management systems are managed more professionally than 10 years ago?

2. Findings on the effectiveness and acceptance of the systems

The experience made hitherto among the EU member states and the Commission and from Norway show clearly that the sector of performance appraisal is being affected by an enormous amount of reform activity. New performance appraisal systems come and go. However, replies from all member states to this study also showed that no best practice systems exist. Weak points always existed and still do – everywhere. Since performance appraisal systems have to do with individuals, this is no wonder. There will always be subjective evaluations. The question is rather: Which inadequacies are tolerated and which not? The following example from Romania surely applies to many administrations in Europe: „In the Romanian civil service, most of the performance appraisal are over-evaluated. The causes are the lack of training of the managers, the subjectivity, the lack of expertise in setting and measuring objectives, the lack of time, the formal character of the interview etc.”
Knowledge of the deficits is diametrically opposed to the frequently insufficient evaluation and inadequate knowledge about the effectiveness of assessment systems in public service. This study shows that only few administrations (e.g. in Slovenia, Ireland, Denmark, United Kingdom, Estonia, Cyprus, the European Commission, etc.) evaluate their performance appraisal systems. As a whole, there are scarcely any investigations into the attitudes of various occupational categories, consequences and effects of the assessments as regards incentive, motivation, performance and reward, and also discrimination of occupational categories in the evaluation process. Meanwhile, hardly any analyses are made on which aspects of the evaluation process are running well, and which not. Moreover, there is little knowledge about the competency of managers in assessing their employees.

During the course of this study, the question never at any time arose whether certain countries or administrations evaluated individual and organisational performance better, more meticulously and more objectively. The present study has instead showed that – increasingly - assessment practice is carried out very conscientiously and carefully.

Too little information was available in this study as regards evaluation applied to staff. On the other hand, the available information verifies that – frequently – top public servants have different forms of assessment from other employees. In some countries (e.g. in the British Senior Civil Service) customer questionnaires, 360-degree feedback, balanced scorecards, assessment centres, etc., are used for assessment.

As a whole there seems to be a trend across Europe of not setting limitations as regards service age and service rank. However, in Finland, managers are excluded from performance-related pay. On the other hand, in other administrations (Poland, Ireland), only the managers are remunerated based on performance.

No statistics are available on the appraisal of employees. Thus it is not known how high the percentage is of those assessed in the European public services and whether it's rising – or falling. A study in the Netherlands shows that the number of appraisees is always different – depending on the authority and Ministry. The range lies between 51.0% and 98.4%.
Performance evaluation in the Dutch Ministries (no. of people interviewed),

<table>
<thead>
<tr>
<th>Ministries</th>
<th>2002</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>AZ</td>
<td>93,1%</td>
<td>78,6%</td>
</tr>
<tr>
<td>BZK</td>
<td>82,4%</td>
<td>86,3%</td>
</tr>
<tr>
<td>BuiZa</td>
<td>99,7%</td>
<td>98,4%</td>
</tr>
<tr>
<td>EZ</td>
<td>87,0%</td>
<td>94,1%</td>
</tr>
<tr>
<td>Fin Dep</td>
<td>88,6%</td>
<td>80,9%</td>
</tr>
<tr>
<td>Fin Bel</td>
<td>70,4%</td>
<td>69,7%</td>
</tr>
<tr>
<td>Justi</td>
<td>86,8%</td>
<td>70,3%</td>
</tr>
<tr>
<td>LNV</td>
<td>72,4%</td>
<td>77,0%</td>
</tr>
<tr>
<td>OCW</td>
<td>64,2%</td>
<td>79,5%</td>
</tr>
<tr>
<td>SZW</td>
<td>57,2%</td>
<td>51,0%</td>
</tr>
<tr>
<td>VenW2</td>
<td>85,7%</td>
<td>41,1%</td>
</tr>
<tr>
<td>VROM</td>
<td>49,1%</td>
<td>65,6%</td>
</tr>
<tr>
<td>VWS</td>
<td>56,8%</td>
<td>67,3%</td>
</tr>
<tr>
<td>Total</td>
<td>74,1%</td>
<td>68,7%</td>
</tr>
</tbody>
</table>

Source: Strategic alignment of Human Resource Management at the Commission, Benchmark exercise – The Dutch Central Government, Study from Deloitte Consultancy, May 2005

It is a truism to say that performance appraisal systems are not greeted with unanimous agreement by all employee groups. On the other hand, it is important to work out which employee groups (and why) have a critical attitude towards a performance appraisal system. Moreover, the question arises as to whether a performance appraisal system can be at all effective (and fulfil any kind of purpose), if a great number of employees has no or only little trust in the system involved. The investigations in this study do not give a conclusive picture in answering this question. However, it is clear that the degree of consensus from Ministry to Ministry fluctuates greatly.

For instance, Sweden's answer to the questionnaire was as follows: “The degree and quality of difficulties varies between different types of work and different levels of responsibility in the civil service.” This is also corroborated in Ireland in that "experiences of the PMDS varied according to grade category. In particular, when compared with the management, executive and administrative support grade groups, the technical/professional staff show considerably less positive experiences with the PMDS as regards all of the criteria, except effectiveness”.

In Ireland, employee acceptance of the existing management system is relatively positive. On the other hand it varies – depending on the position in the administration hierarchy.
Particularly pleasing is the high level of acceptance among managers. On the other hand, weak points in the Irish performance appraisal system are mentioned that also apply to many other administrations. It often happens that assessments do not have any immediate material or immaterial consequences. When performance is in decline there are hardly any individual discussions on the reasons for performance decline; coaching needs to be improved. Finally, there exists only an inadequate connection between performance appraisal and career development. The response to this study from Estonia is rather more cautious: “Most people involved find the system useful and it works”. This gives rise to the question as to how the acceptance is to be evaluated. Is an acceptance of 60% high or is it too low, when viewed from the fact that 40% of the respondents are dissatisfied? Is the glass half full or half empty?

### Exhibit 4: Average Percent Agreed or Favourable Responses for Survey Statements under Evaluation Criterion

<table>
<thead>
<tr>
<th>PMDS Evaluation Criteria</th>
<th>Ave % for All Groups</th>
<th>Senior Mgmt</th>
<th>Mgmt</th>
<th>Exec</th>
<th>Adm Support</th>
<th>Non-Cl Support</th>
<th>Tech/ProfI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Implementation</td>
<td>64%</td>
<td>81%</td>
<td>65%</td>
<td>62%</td>
<td>62%</td>
<td>52%</td>
<td>60%</td>
</tr>
<tr>
<td>Process</td>
<td>61%</td>
<td>60%</td>
<td>66%</td>
<td>68%</td>
<td>61%</td>
<td>48%</td>
<td>50%</td>
</tr>
<tr>
<td>Effectiveness</td>
<td>55%</td>
<td>73%</td>
<td>58%</td>
<td>55%</td>
<td>53%</td>
<td>48%</td>
<td>47%</td>
</tr>
<tr>
<td>Feedback</td>
<td>48%</td>
<td>63%</td>
<td>52%</td>
<td>49%</td>
<td>47%</td>
<td>36%</td>
<td>40%</td>
</tr>
<tr>
<td>Training and Development</td>
<td>52%</td>
<td>61%</td>
<td>55%</td>
<td>58%</td>
<td>54%</td>
<td>39%</td>
<td>42%</td>
</tr>
<tr>
<td>Fairness and Consistency</td>
<td>56%</td>
<td>72%</td>
<td>63%</td>
<td>63%</td>
<td>57%</td>
<td>48%</td>
<td>54%</td>
</tr>
<tr>
<td>Assessment</td>
<td>60%</td>
<td>78%</td>
<td>62%</td>
<td>63%</td>
<td>50%</td>
<td>44%</td>
<td>55%</td>
</tr>
<tr>
<td>Linkage</td>
<td>33%</td>
<td>33%</td>
<td>29%</td>
<td>32%</td>
<td>36%</td>
<td>35%</td>
<td>31%</td>
</tr>
</tbody>
</table>

Source: Mercer Human Resource Consulting, Review of the Irish Civil Service
### Exhibit 5: The Five Least Observed Best Practices in Performance Management in the work units of the Technical/Professional and the Comparator Groups

<table>
<thead>
<tr>
<th>Comparator Group</th>
<th>Best Practices</th>
<th>Technical/Professional Group</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Little Extent (%)</td>
<td>Some Extent (%)</td>
</tr>
<tr>
<td></td>
<td>72</td>
<td>20</td>
</tr>
<tr>
<td></td>
<td>60</td>
<td>27</td>
</tr>
<tr>
<td></td>
<td>33</td>
<td>40</td>
</tr>
<tr>
<td></td>
<td>37</td>
<td>45</td>
</tr>
<tr>
<td></td>
<td>35</td>
<td>48</td>
</tr>
<tr>
<td></td>
<td>47</td>
<td>39</td>
</tr>
<tr>
<td></td>
<td>30</td>
<td>42</td>
</tr>
<tr>
<td></td>
<td>38</td>
<td>51</td>
</tr>
</tbody>
</table>

Source: Mercer Human Resource Consulting, Review of PMDS evaluation results for technical and professional staff, 2004

### 3. Between simplification and increased workload

In many EU member states the process and execution of performance appraisal was for a long time a burdensome formality. Particularly in traditional bureaucracies, the ethos of administrative dealings implied that the public servants carry out their work effectively and efficiently. No performance appraisal at all was needed to determine this. A "poor performance" was inconceivable in this regard.

In many cases a performance appraisal had no or hardly any direct effects on the employees. On account of a secure job situation ("life-time tenure"), there was hardly any fear of an assessment having a sanctioning character. In view of the principle of automatic move-ups in salary ranking, there was nothing to fear from a poor assessment. Promotions, too, were not always and immediately rewarded based on the results of a performance appraisal, but were based other reasons. All in all, cooperative management instruments such as employee interviews were not particularly popular for a long time. Administration communication was a hierarchic process. This did not require confidential interviews between superiors and
employees. Both – the superior and the employee – tended to avoid performance appraisals: The one party to avoid conducting an evaluation. The other to avoid being evaluated. Frequently, certain employment categories were freed from a performance appraisal, and performance appraisals were carried out only every two years - if at all.

The advantage of this long tradition is the lack of effort involved, the low requirement on resources and time. Carrying out a performance appraisal was a chore, but it did not take too much time to do. Employee interviews and annual target agreements did not exist. In comparison with traditional evaluation methods, it becomes clear that modern performance appraisal procedures are of a much higher standard, are much more professional - but are also more complex and resource-intensive. The responses of most member states to the question of workload lead to a striking conclusion: Many member states report that the reform of the performance appraisal systems indeed lead to an enhancement of professionalism in the systems. Meanwhile, an evident trend towards simplification and reduction of bureaucracy is also detected in form sheets. Modern assessment forms are short and understandable, like the form from France shown below. On the other hand, the increased professionalism in the performance appraisal processes also leads to more workload and bureaucracy.

Generally speaking, would you agree that the introduction of new appraisal systems will produce more or less bureaucracy?

The present situation in Cyprus seems to hover precisely between these paradigms. Thus the question as to whether the reform of the performance appraisal system has led to more or less bureaucracy was answered as follows: “Under the current performance appraisal system, the appraisal is carried out with minimal effort and time, since, as mentioned above, the form is very simple and the evaluation takes place once a year, without previous dialogue with the employees, mid-term reviews, objective setting etc. On the contrary, the new appraisal system will be more demanding in terms of time required since it will involve dialogue and feedback between the evaluators and the staff”.

48
FICHE D'ÉVALUATION

RUBRIQUE À COMPLÉTER PAR LE SERVICE D’AFFECTATION DE L’AGENT

NOM : ........................................................................................................................................
NOM D’ETAT CIVIL : .....................................................................................................................
PRENOMS : ..................................................................................................................................
Né(e) le : ......................................................................................................................................
Grade : .......................................................................................................................................... Fonctions ou attributions exercées : (description précise obligatoire) ......................................
................................................................................................................................................
................................................................................................................................................
................................................................................................................................................
................................................................................................................................................
................................................................................................................................................

RUBRIQUE À COMPLÉTER PAR L’AGENT

Distinctions honorifiques : ........................................................................................................
Diplômes : .................................................................................................................................
Formations suivies au cours de l’année 2004 : .................................................................
................................................................................................................................................

RÉSULTATS PROFESSIONNELS OBTENUS AU REGARD DES OBJECTIFS ASSIGNÉS
................................................................................................................................................
................................................................................................................................................
OBJECTIFS À ATTEINDRE OU APTITUDES À DÉVELOPPER L’ANNÉE SUIVANTE

Moyens proposés pour parvenir à l’amélioration souhaitée (formation notamment)

Autres points évoqués lors de l’entretien

Remarques, commentaires éventuels de l’agent, voeux relatifs à la carrière (cette rubrique pourra être renseignée dans les huit jours qui suivent l’entretien)

Date :

Signature de l’agent :

Signature de l’agent :

Nom et signature du supérieur
s’étant entretenu avec l’agent :

This demonstrates that the price of this increase in professionalism is nevertheless an increased workload and higher time demands. In Portugal "the new Portuguese appraisal system has introduced new procedures that made the system more complex and bureaucratic (the law provides for 8 steps in the staff appraisal procedure: definition of objectives and outputs to be achieved, self-appraisal, previous appraisal, harmonisation of appraisals by the
Council for Assessment Coordination, interview with the assessed officer, ratification by top manager, complaint to top manager and, eventually, hierarchical appeal to the member of the Government concerned. This procedure along with the lack of experience and professional training of middle managers converts the evaluation in a very long and complex process."

It is certainly noticeable that some member states avoid the concept of "bureaucracy" and instead speak of an increase in management efforts or professionalism in the performance appraisal, which has certain side effects. Sweden defines "bureaucracy" (....) as a neutral term which is synonym to the process of administrating resources. As noted, the devolution of responsibilities naturally creates more administrative work i.e. the transaction costs become higher. This increased “bureaucracy” on the other hand creates more flexibility, puts the appraisal work on each managers daily agenda and naturally integrates in into the toolbox for leadership This comparison also depends on what is compared. We imagine that the former systems for promotion that we used earlier in Sweden included a large amount of hidden bureaucracy, not least created by slower handling and less accuracy in the outcome. As for softer PM – can we ever consider more of communication etc. as more of bureaucracy?

At least in this way something positive can be gained from a problematical development. Slovenia describes the dilemma from an additional perspective: “It demands a lot of time and intellectual efforts to set objectives, to transform them into concrete tasks, to discuss them with employees. After that work performance must be checked and evaluated and assessed with written explanation...The process must be traced in the way that arguments for special appraisal are available. All these demand more and more bureaucracy. But there is no other way to achieve objectivity and transparency”. The Austrian response subscribes to this analysis: “Though annual staff appraisals are a useful instrument, they result of course in an increasing workload; all appraisals have to be prepared carefully and the specific interests and skills of each staff member as well as options for career development have to be discussed.”

Estonia, too, has a very critical perspective: "In the end, the most important issue actually is, how seriously the appraisal is taken by the two main parties – the direct superior and the employee – and to what extent and how well the agreements reached are actually implemented in an organisation, so that the appraisal does not become or remain an annual formality It really depends on how the system is set up (whether it includes only annual interviews or also mid-term interviews) and how it is tied to an overall organisational strategy, objective-setting and implementationan organisational strategy based on a balanced scorecard method involving targets, indicators, and their measurement) in the public service also brings along increased workload necessary for reporting and managing the system. So in the end, you start to question, if all the workload involved is all actually worth it.”

France, too, analyses a comparable development: More bureaucracy s’il faut entendre par là une plus grande individualisation du management et un meilleur suivi des agents, mais également, pour certains organismes, davantages de procédures complexes et très consommateurs en moyens humains. Cela dit, le dispositif n’a pas encore atteint son rythme de croisière. Cela ne traduit pas nécessairement une appréciation négative du dispositif⁴. The United Kingdom states: " The workload should, in principal, be static or reduced. However whilst the level of form filling may reduce, the quality and time taken to effect good people management (mid-term appraisals, regular meetings, objective settings, etc) should increase to ensure that more time is given to addressing people issues”). Our analysis concludes that a very great majority of member states is of the opinion that the present developments can be divided up into three development paths:

1. A positive development that leads to more earnestness and professionalism in performance appraisal.
2. A complex development that leads to more workload and resource consumption
3. A problematic development that leads to an increased workload on the managers

Only a small minority of countries is of the opinion that the workload has become less (or will become less), in particular by the increased use of information technology. Ireland has replied in this study that though the present processes indeed lead to more bureaucracy the workload of managers has dropped owing to "streamlined processes".

**Good-Practice – decreasing workload and Bureaucracy**

**Hungary**: We introduced a web based evaluation system that is transparent, easy to use, saves time of the superior, and it makes the process faster without paperwork. Target setting, annual and mid-year evaluation are all managerial functions, that takes about an hour and a half per subordinates annually. Preparation for the evaluations (gathering performance information, measuring numerical targets) takes and estimated extra hours per person.

Experience in the compared administrations thus shows that there must be a distinction between the added time load for the appraisers and the bureaucratic requirements. Hence employee interviews, target agreements and performance appraisals do not necessarily have to lead to more formalism and resource wastage. On the contrary: individual experience shows that the assessment processes can be handled in a relatively unbureaucratic way. The development and use of information technology in personnel departments moreover leads to helping assessment data from the various divisions, departments and directors' offices to be accessed, evaluated and compared with each other far more rapidly than a few years ago. The development towards electronic staff assessments thus facilitates the identification of those appraisers and departments deviate from the average. This can again lead to more fairness in the assessment process.

In this context, however, it is of great importance that all involved should have access to complete information. Hence clarity, transparency and the knowledge of performance criteria combine to form an important prerequisite for an effective performance management system. Not only this: these principles also guarantee a minimum of bureaucratic output.
4. Management under changed conditions – a delicate topic

Many factors document a surprising deficit in management research: the Europe-wide trend towards decentralisation of personnel management tasks; the introduction of individual target agreements; the linking of assessment results with pay components; the general increase in significance in the tool of performance appraisal; the more frequent execution of performance appraisal; and the increased workload put upon medium management levels. In the course of this Europe-wide development towards decentralisation of personnel management responsibilities, the medium management level is primarily entrusted with additional staff assignments, without always ensuring that this level is able to cope with and "manage" these tasks. It is indeed true that workload, lack of time and deficient management skills do lead to problems.

Till today, no one has seemed to be seriously addressing the question as to how managers handle these new challenges and are capable of adapting to these developments. Questions on further training, competency development and on motivation and incentive are becoming more and more important. But far too little is being done in administration reality for managers in accepting and coping with the new challenges.

Thus the question arises whether not too much is being expected of superiors and the employee interview? Are expectations at all realistic? Don't the employees expect too much? On the one hand, employees expect their superiors – to quote Coens – to devote themselves entirely to the support and supervision requirements of the employee. The author goes on to say that they are made responsible for carrying out a complex performance appraisal procedure in which evaluations, feedback, target enhancements, developments, education plans, decisions on salary increases (...) are carried out .... and this overload is becoming more and more unrealistic.48

---

48 Coens, Abolishing , op.cit., p. 76.
What Managers are expected to do during performance reviews

- Managers **assess** both performance against objectives and what behaviours are being demonstrated using the leadership framework.

- Managers should discuss **leadership and people management abilities** which are especially important for the SCS and are consequently being directly linked to appraisal and reward this year. The **leadership model** that sits at the heart of the PSG framework, articulates the expectations the Civil Service has of its leaders, acting both individually and corporately:
  - Manager and jobholder should discuss the objectives originally agreed and moderated, and whether they should be revised in light of changing circumstances. If this is the case, the original objectives should not be changed, and the **revised objectives** should be recorded alongside them. This ensures that end-year performance assessment can take matters fully into account.
  - Managers should review **priorities** where there is conflict over resources to deliver the full SCS responsibilities within the framework at Annex A.
  - Managers may want to give and record **feedback**, and manager and jobholder may want to agree corrective action. A performance assessment Form is shown at Annex B(1). Again, this ensures that end-year performance assessment can take matters fully into account.
  - Managers should be working with their staff to identify ways in which each individual could demonstrate the behaviour outlined in the leadership model and improve people management within their area of responsibility, and perhaps beyond.
  - Managers also need to make time to discuss **development needs, longer-term career aspirations and options**. The PSG self-assessment should be completed to help frame this conversation. While it is important to deal with these issues as part of performance planning and assessment, it can be helpful to do this during the year when more time is available. Conclusions should be recorded and, again, this ensures that end-year performance assessment can take matters fully into account.


A simple and general answer to these challenges seems difficult at the very least: there is indeed a dilemma in all European public services if superiors are more and more frequently of the opinion that the effort involved in staff evaluation has currently already reached a very high level and could increase even more because of new tools (such as employee interviews and target agreements)⁴⁹. For example in Latvia: „Employees and their superiors are not very satisfied with the system, because it is time consuming to fill in the performance appraisal form and there are no consequences on pay or other bonuses. Not all superiors are capable to carry out professional and objective appraisals, because they lack knowledge and professionalism”.

⁴⁹ Coens, Abolishing, op.cit., p. 115.
There is principle consensus in the question as to who carries out the assessment. In all the investigated cases, this is nearly always the direct superior (e.g. division manager, departmental head, line manager) plus a counter signatory or a monitoring body (like the Pay Review Committee in the Cabinet Office).

**Who is involved in the evaluation process?**

<table>
<thead>
<tr>
<th>Main involvement</th>
<th>Minor involvement</th>
<th>No involvement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Superior</td>
<td>Line manager</td>
<td>HR officer</td>
</tr>
<tr>
<td></td>
<td>Staff representatives</td>
<td>Other</td>
</tr>
</tbody>
</table>

Here again it is clear how important it is that the direct superior is trained in the skills required to carry out a professional performance review. The staff managers play a subordinate role.

A functioning performance review system furthermore depends on whether the managers actively support and encourage the implementation of the system. This is underlined in the Irish evaluation report:

“The senior management in the Departments/Offices of the Civil Service have been supportive of the process over the years and this must continue. There is no substitute for top leadership support. Rather, the senior management should be a visible role model for performance management as a priority in the Civil Service in all communications and events. Also, senior management must maintain consistent visibility and active support of the PMDS”.

Experience in many administrations shows in actual fact that employee interviews and target agreements can be trained and practised. However, it requires a patient and long-term training strategy and reciprocal motivation of superiors and employees, because in many cases an employee and target agreement interview represents a new and (still in many cases) unaccustomed tool.

In addition, many managers frequently avail of classic and technical management skills (specialist skills, above-average assertiveness, excellent proficiency in decision-making, persuasive skills, diligence, etc.). Many employees, on the other hand, complain of lack of social and communicative skills in their superiors. Accordingly, the aforementioned attributes are often cancelled out by lack of criticism skills, lack of incentive to take on further training, inability to cooperate, poor knowledge of human nature, etc.

Moreover, in the discourse on performance assessment, the effects of bad management on employee performance is still taken too little into account. If the superior acts in a way that is unethical, if he or she is unfair, dishonest, unreliable, moody and cynical, etc., this behaviour has a direct effect on employee performance. However, the superior is usually not aware of this. There is indeed a link between bad management and employee performance readiness and incentive.

50 Wolfgang Seidel, Emotionale Kompetenz, Heidelberg 2004, p. 312
Why I no longer commit myself:51

- Inadequate information flow from superior: 97%
- Decisions without involving employees: 95%
- Manager cannot solve group conflicts: 82%
- Errors in superior's management behaviour: 81%
- No communication of purpose by the organisation: 71%
- Too much bureaucracy in organisation: 71%


The British response to the questionnaire addresses the issue: “it is also worth mentioning that many of the difficulties have arisen as a large number of staff do not place people management high on their list of priorities, even though the impact of poor management is so great. We are facing a pivotal point in the UK. Following a series of peer reviews, a lot of departments are now being told that their people processes and systems are not good enough (such as communication, information exchange, people management, delegation and time spent being a manager). We are working hard to turn this around and ensure that staff at the highest levels dedicate more and more time to people issues, notably succession planning, talent management and development”.

Despite what is on the whole a positive assessment, the Irish evaluation report "Evaluation of the PMDS in the Civil Service" also concludes that 41% of managers have too little time and too few resources to carry out a PMDS process professionally. Irish top managers likewise see many positive but also critical challenges. Certain the most problematic are the evaluations "Unless managers’ time is freed, PMDS will be considered as an add-on responsibility rather than as a core management activity” and “There is a lack of openness and honesty between managers and employees.”
Today many member states already implement temporary management posts. In Malta, for instance, managers are given performance contracts. With a positive evaluation, these contracts can be extended. A correspondingly poor performance can mean future contracts are subject to the corresponding sanctions. It would be very interesting to find out if and how these management functions can be judged on a temporary basis and whether negative sanctions really occur. Owing to lack of data, this question cannot be answered in this study.
5. The employee/superior relationship and the reality of cooperative management styles

Within the scope of the reform of performance assessment systems in Europe, the significance of the interview with employees is constantly stressed, despite the increased demands put upon managers. It is pointed out that a professional interview between the superior and employee offers the opportunity of an open, unprejudiced, cooperative and confidential dialogue about work essentials, work contract and development potential. It serves the analysis of the actual state of things and the description of the ideal state of things in daily collaboration. It ought first and foremost to offer the opportunity of improving cooperation between superior and employee, of intensifying information flow and transparency at work, discover and eliminate disturbances in the cooperation and support personal development. As a rule, the following topics are addressed in employee interviews:

- Cooperation and management,
- Work environment, tasks and general conditions of work,
- Professional promotion and personal development,
- Target agreement on objectives relating to work and personal fulfilment.

The benefits of the instrument is seen first and foremost in the advantages it yields for both dialogue partners:

- Both dialogue partners receive more detailed information on the individual work situation.
- Both dialogue partners get to know what ideas, concepts and attitudes the other partner has on certain questions.
- Both dialogue partners receive reciprocal views into the respective tasks and work methods of the other.
- The superior obtains better knowledge on the needs and wishes of his or her employee regarding professional development and qualifications and can support and foster them according to the available possibilities.
- The dialogue partner can exercise constructive criticism and integrate ideas and incentive for restructuring the work situation and relationship
- Both dialogue partners can improve their cooperation, their interaction and their personal work climate.

The positive aspects of employee interviews are not queried anywhere. It is far more an issue of equipping managers with the necessary "armour" to cope with these new challenges. Meanwhile it is important to form a realistic picture of the form, content and significance of the employee interview and also of the target agreements.

---


53 Ibid.
Judging by the experience in your administration, what are the most important challenges in the daily management of the personnel appraisal system?

<table>
<thead>
<tr>
<th>Challenge</th>
<th>Scale</th>
</tr>
</thead>
<tbody>
<tr>
<td>Informing and training staff</td>
<td>3</td>
</tr>
<tr>
<td>Convincing staff</td>
<td>3</td>
</tr>
<tr>
<td>Training managers</td>
<td>2</td>
</tr>
<tr>
<td>Time resources of managers</td>
<td>2</td>
</tr>
<tr>
<td>Ability to set objectives</td>
<td>1</td>
</tr>
<tr>
<td>Ability to measure performance</td>
<td>1</td>
</tr>
<tr>
<td>Availability of performance information</td>
<td>2</td>
</tr>
<tr>
<td>Simplification of systems</td>
<td>1</td>
</tr>
<tr>
<td>Motivation of superiors</td>
<td>3</td>
</tr>
<tr>
<td>Motivation of staff</td>
<td>3</td>
</tr>
<tr>
<td>Separation of hard and soft objectives</td>
<td>3</td>
</tr>
<tr>
<td>Informing about the danger of subjectivity</td>
<td>3</td>
</tr>
<tr>
<td>Avoid ratings that are too high</td>
<td>1</td>
</tr>
<tr>
<td>Management issues</td>
<td>1</td>
</tr>
</tbody>
</table>

Where the concepts of "employee interview", "target agreement" and "feedback" are concerned, it becomes clear that in recent times cooperative styles of management are increasingly gaining ground in performance management (or should do so). Although this is to be welcomed in principle, as yet the issue remains mainly unsolved whether cooperative styles of management actually do have the desired control effect constantly attributed to them. If this is supposed to be the case, employee interviews and target agreements should have been introduced into administration reality a long time ago.

In reality however it frequently seems to be false labelling – despite the (Europe-wide) positive significance and surge of popularity of the employee interview. At times, the impression is created that cooperative forms of management style are asserting themselves more and more and are – in any case – relatively unproblematic. In reality the workload and the increased responsibility of managers seem to be the very things that cause them simply not to have enough time for employee interviews. In addition, the discourse surrounding employee interviews, performance agreements and performance contracts frequently does not take into account that work processes in most European administrations (still) function according to hierarchic structures, and cooperative, supportive and even friendly structures do not represent the customary picture. Thus it can be seen that in many EU member states the civil servant relationship is still the classic one of superordinate and subordinate. The compulsory habit of following instructions corresponds to the specification of targets by the superiors. Hence a target agreement questions this classic relationship.

Indeed, several member states are of the opinion that hierarchic administration structures represent a challenge (and possibly even a contradiction) to the instrument of the cooperative target agreement. But this fact obviously does not imply that the involvement of the employees in the target agreement is not very important. Reality occasionally looks different, however. A look at the actual situation shows that popular ideas of a consensual and supportive staff review and interview have to be freed first of all from all too naive expectations. Another problem is even more obvious: particularly in times of financial straits and performance cut-backs, many employees find the employee interviews and motivation management rather cynical.

On the other hand, trendy management advisers often spin an unrealistic yarn about administration by giving the impression that hierarchic and bureaucratic administrative structures have long since ceased to exist. In reality, nearly all European administrative models continue to be based on the principle of "hierarchy" and bureaucracy. Hence trendy ideas such as participation, information, agreement, feedback and communication frequently contradict administrative reality. The superior-employee relationship is still shaped in practice by a (sometimes exceedingly) hierarchic work style, and forms of cooperation that show mutual trust cannot be taken for granted.

Often the reality in the relationship between superior and employee looks completely different. Wehrle describes this reality in "Der Feind in meinem Büro" (The Enemy in my Office) as follows: If the boss is the first to go home, he's lazy in the eyes of his colleagues and employees. If he's the last at his desk, he's a workaholic. If he leaves everything as it always was, he's missing the boat. If he pushes changes through, he's seen as a reckless gambler who hazards the future (...). A boss does everything wrong because he's the boss. And his employees are the know-alls because they are the employees.55

An Irish evaluation report also pinpoints this issue: “Openness, honesty and trust are essential to progressing and linking PMDS. However, managers continue to shy away from open, honest and constructive feedback during performance reviews. The risk associated with this lack of performance feedback is that the PMDS may be reduced to a paper exercise, the reviews will not be as meaningful and substantive as they should be, people will be encouraged to play it safe in their objective setting and stick with the status quo, and the performance levels will likely bunch around the average mark rather than above average and outstanding”56.

On the other hand, there are also promising best practices in this sector. The Irish evaluation report shows that the Irish performance management system (PMDS) “has facilitated more communication between managers and their staff. For example, employees consistently agree that managers are listening to staff during the performance reviews, feedback from the managers is helpful to improving performance, and the PMDS process provides useful information. Going forward, it is anticipated that staff will continue to want communication. Thus, the quality and quantity of internal communications can be used " to sustain, enhance

55 Martin Wehrle, Der Feind in meinem Büro, Berlin 2005, p. 25
56 Mercer Human Resource Consulting, Evaluation of the PMDS in the (Irish Civil Service), 2004, p. 19
and further embed the PMDS, and "to change the culture of the Civil Service to one of full performance ownership and accountability at all staff levels"57.

The following can apply as rule of thumb for the introduction of a staff review, interview and target agreement:

| The more hierarchic and formal one's own administrational culture is, the more difficult the successful introduction of a cooperative management style will be. Each authority itself should therefore estimate whether it is necessary to first "practise" employee interviews and target agreements, or whether they already comply with the administrational culture. |

The greatest problem in the relationship between bosses and employees consists of the following: that information between bosses and employees doesn't flow; that hierarchy levels are sometimes as impenetrable as concrete ceilings; that everyone has an idea what the other person wants, but doesn't know exactly. Most employees know the menu in the canteen far better than the expectations their boss has of them.58 Vice versa, employees are more capable of estimating their boss's performance than the bosses themselves59. A remarkably high number of superiors often have a distorted view of their own performance and overestimate their competency and skills.

57 Mercer, op cit, p.18
58 Wehrle, Der Feind, op.cit., p. 219
59 Wehrle, Der Feind, op.cit., p. 33
Suppositions and perceptions of superiors and employees

<table>
<thead>
<tr>
<th>Individual supposition</th>
<th>Reality</th>
</tr>
</thead>
<tbody>
<tr>
<td>I'm better than the others</td>
<td>Superiors and employees overestimate themselves, superiors have a better picture of themselves than the employees have of their superiors</td>
</tr>
<tr>
<td>If I do my job and attain my goal, this is my achievement and no one else's</td>
<td>Achieving a goal is attributed to personal attributes. Fulfilment of tasks and achieving goals depend on multiple context-based factors.</td>
</tr>
<tr>
<td>I'm not the only one to blame if I don't achieve my goal.</td>
<td>Poor performance is judged by taking context-based factors into consideration.</td>
</tr>
<tr>
<td>The difference in performance relationship between me and the others has to do with effort, endeavour, incentive and individual ambition.</td>
<td>Differences in performance behaviour very often have to do with the complexity of the circumstances, the work environment, coordination and communication.</td>
</tr>
</tbody>
</table>

In addition, a great problem lies in the fact that employees are dissatisfied with their superiors. Insufficient communication and credibility are two crucial elements probably responsible for what results in the moderate interpenetration of managerial information on change. The reality shows that relationship networks between superiors and employees are multi-layered and influenced by all kinds of perceptions and mistrust: the performance of an effective staff review and interviewpresumes that both superiors and employees are clearly aware of their "relationship". However, this contains one of the greatest challenges.

In all investigated administrations, the study confirmed that the administrative and work requirements demanded of a modern performance appraisal system are higher than in the past.

---

Do you think the workload of those involved in carrying out appraisals is increasing or decreasing?

However, this "price" is accepted, since everyone, everywhere, was of the opinion that communication, cooperation, trust and ethical behaviour are major factors in motivation and performance and have positive effects.
6. Inadequate poor performers policy

Many member states responded negatively to the question "Do you have a specific poor performance policy?". Other member states simply declared that poor performance might in a negative case lead to dismissals. Statistics or percentages were not named in this regard. The provided information on this issue is thus very sketchy and is summarised here only briefly: As a whole, performance management systems are based exclusively on the identification of good (and not poor) performance. A reply, too, from the United Kingdom might illustrate this point: "So far poor performance is not handled effectively". According to a study of the British Civil Service, only 19% of the respondents were in agreement with the following statement: “Poor performance is dealt with effectively in my Department” (SCS Survey 2006, p.16). The Swedish report mentions that "the common policy is that poor performance should render no, or at least, less pay increases than average for performance. There is also a general culture that poor performance should be analysed from the perspectives of the employee as well as from the organisational circumstances present at the time. Getting no or a little pay raise is in itself not a sufficient signal to poor performers. Sometimes the financial and other circumstances do not allow pay rises even for average performance. The importance of a thorough assessment dialogue cannot be over estimated.

Also the performance management system in Ireland "is weak in distinguishing the different levels of performance, in recognising staff who perform well and in handling underperformance. This is particularly the case given that PMDS is not linked to decisions on increments, promotions, career development and career assignment. The lowest level of agreement in the PMDS survey was around the area of underperformance. All grade group categories indicated that underperformance was not appropriately dealt with by managers. Underperformance may be addressed by progressive discipline or by positive discipline. We recommend a combination of progressive and positive discipline rather than depending on progressive discipline alone".
Good Practice: Poor Performers Policy in the British Senior Civil Service

1. “Many things, inside and out of the work environment can affect an individual’s performance. A good Line Manager will identify any poor performance and work with the individual to understand why it is happening and what can be done to resolve it.

2. Lack of ability, skills and knowledge, can often be resolved with training, however, Managers should be sensitive to other factors such as stress, bereavement, relationship problems and financial worries can also affect performance and whilst the Manager cannot resolve these issues, support to bring performance back to an acceptable level should be given.

3. We also need to recognise that there is a difference between a one-off dip in performance (maybe at a particular time or in a particular discipline) and ongoing poor performance where an individual is clearly not operating at the required level. For the latter, a performance improvement plan should be agreed and documented so that all parties are clear about how the way forward and the timescales in which a further review of performance will be undertaken. If performance does not improve, formal procedures will need to be adopted”.


7. A never-ending issue: Ratings

Controversy has long raged on the benefits of assigning ratings when appraising performance. Critics of ratings point to studies which indicate that different appraisers (even when assessing the same performance) never produce objective appraisals, marks are poor in information content, and that other forms of appraisal (interviews, self-assessment, reports, total evaluations) should be preferred. Supporters of ratings point out that ratings are still the best reference and yardstick for measuring performance and indeed have a significant effect on incentive.

The discussion on assigning ratings was in recent years frequently dominated by the criticism of too good and too subjective appraisals. In actual fact, this phenomenon is still widespread. Typical assessment errors can be detected in appraisal practice, such as "trend to the happy mean", "trend to mildness", so-called "halo effects" (one element or criterion determines the total perception), "hierarchy effects" (the higher in the hierarchy the better), assessments as "means to an end" and other perception problems. For instance there is the example of Slovenia: "in the years 2004 and 2005 95% of officials were evaluated as “excellent” and “good” whereas only 5% were rated satisfactory and unsatisfactory.”

---

63 Each Department holds guidance on managing poor performance and dismissal. Other useful points of reference are www.businesslink.gov.uk (Employing People section) and www.cipd.co.uk/subjects/emplaw/discipline/default.htm?IsSrchRes=1

Whether this trend was stopped through the introduction of performance-related pay can only be speculated upon, due to the lack of data.

There are great differences in the administrations investigated in this study, for example between the Cabinet Office in the United Kingdom, some Ministries in France and the other administrations of the EU member states. Hence at present experiments are being conducted in several Ministries in France to abolish ratings ("une experimentation de suppression de la notation et de renouvellement de l’exercice de l’évaluation sur la base d’un entretien professionnel avec les agents est en cours de mise en place dans quelques ministères expérimentateurs") . Whereas in the Cabinet Office only qualitative ratings and a "clickbox" for poor performance is used, other administrations usually prefer four or five marks. The European Commission applies a point system.

In the latest reforms of performance appraisal systems, a noticeable development was seen towards reducing the number of evaluation scales. Whereas previously complex and differentially graded rating procedures were favoured, today many administrations prefer an appraisal procedure with scales of four- and five digit scales. Ratings are even dispensed with in individual cases.

In rating systems, verbal (qualitative), numeric and point evaluations can be distinguished. In verbal scale anchoring, the individual scales are converted into words, while in the numeric form ratings are assigned as numeric values. Sometimes both forms are also applied combined. In other procedures point systems are used (often these are too complex). There is a risk, therefore, that the rating systems become too complex and in the end are of little use to the appraiser. If moreover a performance appraisal is combined with function rating and regular job assessment, it results in exceedingly high administrative workload and expense.

Four or five appraisals are used in most member states. It is very controversial whether the appraisers should be recommended to arrive at a specific quota (the so-called Gauss curve) or whether a specific rating should only be issued as an exception. When there are specifications for distributing or quotas, the wish plays a role here to obstruct the familiar tendency to give too good an appraisal. For instance in Finland and Ireland it is expected of appraisers that they keep to the average mark and a specific quota for an average performance. However, opinions on this instrument are extremely varied. Particularly critics of this system point out that performance incentive depends on many variables (and can take on very different forms) and may not be specified artificially.
In order to avoid a “too-good” rating, do you apply a quota system?

Where ratings are concerned, there is an evident development in the direction of reduction and simplification of the systems. Hence for a long time a great number of detailed appraisal criteria was introduced in numerous questionnaires to meet the demands of objectivity. In reality, this practice only led to increased administrative workload and more subjectivity. Hence in his evaluation study on managers in the German Federal Administration, Lorse criticises the exceedingly mathematical approach in performance appraisal and the meticulousness demanded of appraisers in forming a total evaluation.

**Example of formation of mathematical total evaluation**

The appraisal closes with a total evaluation. The appraisals for the individual evaluation characteristics are added up and divided by the number of appraised evaluation characteristics. If the result is 0.5 "after the decimal point" or more, the amount is rounded upwards, if less, downwards.62

Harry Levinson remarked that the more significance was given to measurement and quantification, the more probable it was that sensitive and non-measurable task components get lost on the way.63 It is this very approach to appraisal based on mathematics that suggests a higher level of security and more information. But it also in particular leads to qualitative and complex aspects being ignored.

This means that – in contrast to assessing the performance of authorities – in individual performance assessment the development in most European administrations is going in the opposite direction: reduction of measurement procedures and marks, simplification of assessment procedure, assessment of target agreements and less of personality criteria, no standardisation of appraisals, but evaluation of sectoral and individual requirements and competency profiles.

8. Discrimination of employees

Difficulties can hardly be avoided in forming judgements and assessing target attainment, also behavioural and performance criteria, an unprofessional attribution of performance etc. However, an objective performance appraisal isn't a yardstick, either. Instead the aim is to attain a maximum in professional competency, fairness and non-discrimination in the various employee groups. In general, the introduction of performance-related pay leads to new challenges, because from now on subjective and unprofessional appraisals are even less acceptable. The linking of performance appraisal with variable allowances thus leads to an escalation of the significance of such themes as "leadership skills", "professional competency" and "objectivity". How can managers be made capable of putting performance appraisals into practice more professionally, meanwhile remaining free of prejudice? The first sign of a change in trend can be seen particularly in Denmark, where managers are obliged to take part in intensive training.

Especially as regards this last point, this study shows only minor forms of discrimination of individual staff groups in the appraisal procedure. The provided data does not permit any tangible results to be concluded, however.

Do you think the following groups are – unintentionally – evaluated (rated) differently?

<table>
<thead>
<tr>
<th>Group</th>
<th>Frequently</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>Never</th>
</tr>
</thead>
<tbody>
<tr>
<td>Top officials</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>6</td>
</tr>
<tr>
<td>Older employees</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ethnic minorities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Part-time employees</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Women</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>People with disabilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

If at all, cases of discrimination concerned a **too good** appraisal by managers. However, these issues are very difficult to measure. On the other hand, a positive aspect is the increasing readiness of administrations to start an evaluation of their systems so as to arrive at better conclusions and data on how to assess and what has to be improved. Here particular attention is paid to (frequently subconscious) discriminations in assessment. There are more indications that older employees, women, people with disabilities, top public servants and part-time employees are discriminated against either positively or negatively. Public services ought to address these issues more intensively in future. It would indeed be intolerable if it turned out that performance-based remuneration elements were doled out not based on individual performance but based on prejudices.
V. EXAMPLES OF GOOD PRACTICES FOR PERFORMANCE MANAGEMENT SYSTEMS

1. The structure of allowance and performance appraisal systems in Denmark

Similar to many other European public services, the Danish public service for a long time had a centralised and standardised pay and performance appraisal system. It was long established that pay followed the principle of automatic salary adjustment (seniority). With the pay reform (starting 1998), salary grades were reduced, the seniority principle practically done away with, pay was more closely aligned to performance aspects and the responsibilities in the allowance and performance appraisal sector decentralised.

Today in Denmark, all essential work conditions are specified in collective bargaining. These negotiated agreements (which also encompass aspects of pay) are valid for three years respectively. The negotiations for the period 2005 – 2008 were the most recent. The Danish pay system now consists of a (centrally specified) basic salary, (as a rule) regular qualification- and function-based allowances and also individual and temporary performance bonuses and/or performance-related pay.64

The concept of decentralisation refers here above all to the option for Ministries, decentralised local corporate bodies, agencies and managers, of autonomously specifying the main components of pay. In practical terms, this means only the basic salary is specified – centrally in collective bargaining. Moreover, the individual authorities and agencies have the option within the scope of their budgets of applying function- and qualification allowances and performance-based remuneration elements. One aim is that up to 20 % of pay be paid out according to performance and position-related features.

New pay systems – centrally and locally agreed pay

![Diagram of pay systems](image)

Source: Danish State Sector Employers Authority

---

64 Cf. Danish Ministry of Finances, Employment in the Danish State, Copenhagen, 2005, p. 22ff.
The new remuneration system in the meantime affects over 60% of all employees (status 2006), whereby the performance-related pay system was introduced at first in the subordinated sectors and agencies. In the Ministries, only 40% of all employees are currently remunerated according to the new pay system.

Number of man-years in new pay systems

![Graph showing the number of man-years in new pay systems from 1998 to 2005.](image)

Source: Danish State Sector Employers Authority

The step-by-step introduction of performance elements into the public services is constantly inspected for effectiveness (see below). This aims to reinforce personnel management instruments and the sense of responsibility of state public servants towards the citizen. The individual authorities were gradually accorded more and more autonomy and self-determination in the course of the reforms.

**Old and New Pay Systems**

**Old pay systems**
- Many salary steps
- Pay determined by years of service
- Central determination

**New pay systems**
- Few salary steps
- Pay is determined by qualifications and performance
- Local determination

The new pay system is thus decentralised, and pay specification and performance appraisal take place in the respective organisations. Thus there are no central pay charts in which
payment groups are specified. Performance-related pay is not specified by law but is
determined in collective agreements with the employee organisations.

In most organisations the payment models are based on:
1. a basic salary, which is agreed upon centrally for the organisation,
2. a superordinate component, which is based on special position features, personal
   qualifications and the
3. performance of employees, and
4. a performance-based component, which is ascertained according to target
   attainment (targets are specified qualitatively and quantitatively in advance).

In contrast to the situation in Finland, top public servants in Denmark are entirely integrated
into the new system of performance-related pay. Performance-related pay was in fact first
introduced for top public servants and only afterwards for the other employees. On the other
hand, the instrument of performance-related pay is NOT applied to the police force and
judiciary (e.g. judges). One of the main reasons for this exception is to prevent e.g. police
activities from being too negatively affected by quantitative target agreements (e.g. dealing
out as many penalty tickets as possible).

As regards the question whether the introduction of performance-related pay has improved the
dialogue between management and employees, 37% of employees replied in agreement, 31%
against. At least it is becoming clear that the introduction of new performance appraisal
systems and target agreements polarises employees. Many are for them, but quite a few are
against them.

In Denmark, the employee representatives have to be included in discussions on position- and
qualification-based allowances. On the other hand, their inclusion is not obligatory for the
performance-based component. Overall aim of the Danish pay system is that up to 20% of the
total salary be composed of allowances and direct performance-based salary.
The performance-based salary components are mainly specified based on personal assessments in staff reviews and interviews between employees and superiors. The salary interview is integrated in most organisations in the annual "performance interview". Although there have never been regular evaluations of the Danish system, the transparency and what the results reveal are particularly interesting elements of the Danish system. Lists on the evaluations and merits of the employees are circulated in the authorities and operations; these are designed to lead to fair assessments.  

1.1 Target agreements and performance agreements

One special aspect of Danish performance management is the option of making target agreements, which are then drawn up in a contract. At first, each parent authority (e.g. the Ministry of Finance) concludes a performance agreement with the agencies (e.g. the State Employers Authority).

![Contracts chain diagram]

Source: Danish State Sector Employers Authority

Depending on the authority, 10 to 15 targets of the agency are fixed contractually in this agreement. These targets are at the same time a target obligation for the agency managerial staff and are published on the Internet and Intranet, so as to give employees the chance of becoming familiar and identifying with the targets of their authority. After this, the agency managerial staff (or authority) is obliged to conclude additional target agreements with the individual departments, divisions and/or individual employees. The requirements in the performance agreements are however not specified and thus may remain very general. However, it is encouraged that these contracts contain specific, measurable and – if possible – quantifiable target agreements.

One of the special aspects of the Danish system is that many performance contracts are published within the authority. Many employees thus have the chance of comparing themselves with their colleagues and also finding out how much performance-related pay

---

their colleagues earn. However, this form of transparency only exists internally within the authorities (e.g., in the "State Employers Authority", which belongs to the Ministry of Finance).

Management by performance contracts

**Basic idea**
- Create incentive and efficiency
- Make the objectives of the institution visible
- Focus on the connection between performance and pay

**Recommendations**
- The overall objectives should cover the whole institution
- Focus on external (specific) targets
- The targets should be measurable (quantitative if possibly)
- A Performance Pay Contract should be linked to the institutional Performance Contract

The salary of an authority manager in particular is largely determined by whether he or she has achieved the set target. In 2004 a total of 60 of these target agreements was concluded; in 69.8% of all cases the specified targets were indeed achieved.

**Performance pay contracts**
- *directors general*

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of performance management contracts</td>
<td>58</td>
<td>60</td>
</tr>
<tr>
<td>Reaching the targets (average in pct)</td>
<td>71,3</td>
<td>69,8</td>
</tr>
<tr>
<td>Performance pay - objective (average) DKK</td>
<td>63,067</td>
<td>62,989</td>
</tr>
<tr>
<td>Estimated performance pay - subjective (average) DKK</td>
<td>8,716</td>
<td>13,969</td>
</tr>
</tbody>
</table>

Source: Danish State Sector Employers Authority

Fundamentally all authorities and agencies can decide how they may configure the (performance-based) remuneration system. The same applies to the assessment. The assessment in practice hence differs from administration to administration. Yet most systems are comparable; annual appraisals of all employees (also top public servants) based on
employee interviews and target agreements. Some administrations also use balanced scorecards.

1.2 Status of implementation
The decentralisation policy has led to the situation that by 2003 around 22% of all Ministries, 50% of all research institutions, 60% of all local authorities and 85% of all agencies had introduced performance-related pay systems.

![Survey 2003](image_url)

**The spread of Performance Pay**

Source: Danish State Sector Employers Authority

In 2003, performance-related pay was allocated in a total of 55% of all institutions (trend increasing). What is interesting is that distribution into staff categories varied greatly: a total of 85% of all managers was paid according to performance. After them, primarily employees who deal with financial tasks and management projects were paid according to performance. Teachers are particularly critical towards the introduction of performance-related pay – as is the case in Great Britain.

In all, in 2003, 31% of all public employees were paid according to performance in Denmark.

In actual fact, particularly the agencies make intensive use of the option of paying according to more flexible systems. Some agencies also pay annual bonuses as part of their performance-based pay system. Others have opted for the chance of awarding ad-hoc performance bonuses in ad-hoc procedures.
1.3 An unbureaucratic example – the "Danish Commerce and Companies Agency"

In the search for unbureaucratic, innovative and effective examples of performance appraisal systems, the case of the "Danish Commerce and Companies Agency" (during talks with Danish experts) was particularly striking.

In this agency, the performance appraisal procedure is not formalised and is structured only to a minor extent. Proposals for performance appraisals and performance-related pay are negotiated ad hoc.

Departmental heads meet every two weeks to discuss proposals regarding which employees should be "rewarded" for their outstanding performance. The performance bonuses can be awarded any time (and are thus very quick and unbureaucratic). The proposals for monetary and (immaterial) performance awards are submitted in writing by the departmental heads, and reasons for the proposal have to be given. This procedure is comparable to staff appraisal procedures in the British Cabinet Office. In the Cabinet Office, the appraiser suggests a recommendation for a performance bonus, which is then either accepted or rejected by a Pay Committee.

The Danish Commerce and Companies Agency is in particular noted in Denmark as being very innovative as regards payment practice. This also refers to the awarding of bonuses, which are decided solely by the agency. Thus in urgent recruiting projects for instance (and in cases where recruiting competition is very tough) salaries are occasionally offered that lie well over the usual level.
The case of the Danish Commerce and Companies Agency (DCCA)

The authority-intern performance appraisal system is individualised. Each superior concludes performance agreements with his and her employees individually or team-based. These performance contracts are evaluated annually in a performance appraisal interview.

Performance agreement between the DCCA and Ms XX

Motivation

On 7 December 2005, the following performance agreement was concluded between the DCCA and Ms XX to the amount of DKR 20000. The performance contract was based on the following premise.

Ms XX has worked since spring 2004 as project manager in the department handling approval of the new trade provisions. Ms XX is responsible for the successful implementation of this project. This project has been successful until the present and has been performed very professionally.

..... Ms XX has a central role in training her colleagues and acts as coordinator within various other projects. Her management skills and commitment are highly esteemed by her colleagues.

Copenhagen, date/month/year

DCCA........
Staff Manager

Ms XX........
Project Manager

Various bonuses might be awarded on the basis of this agreement (team bonuses, function bonuses, performance bonuses and qualification bonuses). Awarding of the bonuses is not bound to a schedule, i.e., the bonuses may be given at any time. Initiatives for awarding performance-based bonuses may take place any time on both sides (superiors and employees).

A fairness check is implemented by publishing all salaries and all performance-related bonuses of the 260 employees twice a year on the Intranet.
1.4 Evaluation of the performance appraisal system

A special department of the Ministry of Finance was entrusted for the whole of Denmark with information and communications for introducing the new system. The department endeavoured to explain the system to all employees. Furthermore, courses and training for staff managers and managerial staff were offered. After two years the information and communications department was dissolved and its tasks divided among various existing departments of the Ministry of Finance. In many local corporate bodies special value was laid on preparing all employees in workshops etc. for the demands and options inherent in the system.  

A particular feature of the Danish system is without doubt the special statistics programme (ISOLA), which was established in the Ministry of Finance. The programme enables both control of the system and also an opportunity for benchmarking in local administrations and operations. The statistics programme enables the user to see how the pay system is practised as a whole and in the individual authorities and departments. For example, ISOLA shows how salaries develop and how distribution changes over a specific period of time. It can be recognised whether the new system can be used across the board and whether public employers really have adapted their allowance system. Each area of the administration has access via the Internet to information on how departments and authorities proceed in this area. The Ministry of Finance has insight into all areas of the administration and can thus recognise weaknesses in the system, but also "best practices".

However, the experience gained hitherto with the new pay instruments encounters a very divided echo. A study of 2004 emphasised mainly the advantages of the new system:

- The introduction of performance-related pay encourages a performance culture and stresses the significance of target-setting and negotiations,
- By introducing performance-related pay, target priorities are achieved more easily,
- Performance-related pay enables more feedback for one's own performance and increases employee incentive,
- Performance-related pay facilitates the achievement of (short-term) schedule specifications and supports a closer connection of pay and individual performance.

However, there was no unambiguous clarification of whether the introduction of performance-related pay improves work quality, increases productivity in the work process or enhances customer/citizen relations.

The Denmark Country Report in the aforementioned OECD study complains in addition that managers have too little competency and experience in handling the new pay and appraisal system. This criticism was also voiced in Switzerland and in Finland. Moreover, the OECD report criticised that the appraisers did not have the "guts" to actually give the employees different appraisals. Another study – according to the IECD report - showed that only 39% of managers and 23% of trade union members were of the opinion that this system leads to intensified target awareness.

---

66 The author was introduced to this system during a visit in December 2005. I would like to express my heartfelt thanks for this. Also cf. Country Report, Denmark. Cf. Bertelsmann-Studie, op.cit. p.26 ff.
67 Ibid.
An occasionally very critical picture is provided on the other hand in a Danish study from 2003, in which employees were asked whether they thought that the awarding of performance-related pay elements is fair (or unfair).

### Opinion poll 2004

**Granting allowances...**

<table>
<thead>
<tr>
<th>Option</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Doesn't make sense</td>
<td>50%</td>
</tr>
<tr>
<td>Is accidental</td>
<td>40%</td>
</tr>
<tr>
<td>Reflects individual qualifications</td>
<td>30%</td>
</tr>
<tr>
<td>Reflects the wage policy</td>
<td>20%</td>
</tr>
<tr>
<td>Reflects individual effort/performance</td>
<td>10%</td>
</tr>
</tbody>
</table>

Source: Danish State Sector Employers Authority

A total of around 50% of all respondents replied that the awarding of performance-related pay didn't make sense. Over 40% were of the opinion that the awarding of performance-related pay was subjective. Only about 30% were of the opinion that the awarded allowance reflected individual performance. Although around twice as many employees favour the introduction of performance-related pay over the usual principle of seniority in pay, most employees (42%) are of the opinion that differences in pay should primarily reflect differences in qualification and function and less the performance and effort.

### Opinion poll 2004

**Pay Differentials Should Reflect...**

- **Qualifications or functions**: 42%
- **Effort or performance**: 24%
- **Wish there would be no pay differentials in equal positions**: 18%
- **Seniority**: 12%
- **Don't know**: 4%
Hence it was determined that performance-related pay only makes sense when it is done transparently, is simple and is experienced as fair. Moreover, good monitoring and benchmarking systems (as in ISOLA) are crucial for the success of the pay system and for avoiding unfair differences in pay.

2. Finland – Central Administration and Ministry of Finance

2.1 General

Public services in Finland are characterised by a position-based system. Hence employees are not recruited for Civil Service careers but apply – as in private industry – for individually advertised posts.

A start was made in Finland in the early nineties to introduce a performance-related pay system; since then it has been gradually put into practice. A fundamental aim of the reform was the decentralisation of the pay system, the rejection of the principle of automatic salary adjustment (seniority) and the individual remuneration according to performance and competency\(^{69}\). The reform of the Finnish pay and performance appraisal system was developed in partnership with the trade unions.

The reform of the Finnish pay system is almost complete. The new performance appraisal system now encompasses nearly all employees and agencies in the public services. Only border officials and many university employees voiced criticism about the reform, for it was feared particularly on the part of academe that the emphasis would be placed too much on quantity and not quality in performance appraisal. It is interesting that similar criticism is aimed at the scheme in Denmark and the United Kingdom (particularly) by teachers.

A special feature in the reform of the Finnish system thus consists in the long years of preparation for the new performance-related appraisal system. This conscientious preparation and the transparency in introducing a new system may have been the key reasons for the relatively generous acceptance of the new performance-related pay system among employees.

The discussion with the Finnish experts therefore focused on the introduction of a new staff- and performance-related appraisal system. The Finns discovered that the introduction of the new pay system at first led to much mistrust among employees. To defuse this mistrust, the Ministry of Finance decided on a dual strategy. Firstly, all employees should be informed of the application and consequences of the new appraisal system. To achieve an optimal attainment of this aim, work psychologists were engaged to train the staff as professionally as possible. Then, all employees were required to participate in a test run to comment on and criticise the functioning of the new appraisal system.

A Finnish study on "What makes Performance Related Pay work?"\(^{70}\) of 2004 came to the conclusion that the success of performance-related pay in Finland depends on three basic principles:

1. Performance-related pay has to amount to at least 5% of the annual salary.

\(^{69}\) Extensive state pay reform under way http://www.eiro.eurofound.eu.int/2005/08/feature/fi0508203f.html

2. The introduction of performance-related pay only functions if the employees are included in the reform process.
3. The employees must have exact knowledge on how performance is assessed, ("There is a considerable reduction in the effect on effort, if they are not very well known. This is expected, because if the employee is unaware of how the PRP payments are formed, the whole system must seem pretty random. This imposes considerable risk on the employee").

When introducing performance-related pay in the Finnish Ministry of Finance, these basic principles were taken into account:

- In comparison with the other investigated European administrations, the performance-related pay component is very high and may amount to 15% of the monthly salary,
- Not only the appraisers, but all employees went through training in performance appraisal,
- All employees were given the chance to test and (anonymously) criticise the new system.

In Finland – in contrast to Denmark and the Cabinet Office in Great Britain - no evaluation of the new appraisal system has been carried out as yet. A reason for this is the very different performance appraisal practices across the Finnish public services. Within this investigation, information and data on three different systems were provided (Ministry of Finance, Statistics Finland and Finish Road Administration). All three systems are very different. For instance, the Road Administration favours a very detailed rating system between 4 and 10 and distinguishes individually between 4-4.9, 5-5.9, 6-6.9 etc. In contrast, there is a simpler system in the Ministry of Finance, with a rating system between 1 and 5. Statistics Finland has the option of 7 marks. On account of the great individual differences in performance appraisal, relative little information on appraisal practice is available. However, the author of this study was informed that there is shortly to be an inspection of appraisal practice.

2.2 Structure of the performance appraisal system

The Finnish system is far less legally standardised, is more decentralised and more flexible especially in comparison with other systems in Europe. Thus every organisation has its own appraisal procedure. At central level it is simply specified that the employees receive a basic salary, based on the principle of function assessment and job requirements.

A special feature of the Finnish system consists of the fact that – in contrast to Denmark and the United Kingdom – top public servants are assessed, but no performance-related pay is provided for this employee category.
2.3. Performance appraisal procedure

The Finnish pay system consists of three components: a) an individual basic salary based on job description and requirements at the workplace, b) an individual allowance based on achievements, individual skills and target attainment, also c) a team bonus for achieving certain organisational and divisional results.
In Finland, this separation is an endeavour to reward performance according to individual and cooperative elements, in order to prevent the development of overly selfish tendencies. However, the team or group bonus is financed from the budget of the individual authorities. Thus the allocation of the bonus depends on the budgetary situation of the various authorities. But on account of the – occasionally – difficult budget situation, this only happens - if at all – very irregularly.

Source: Finnish Ministry of Finance
An appraisal method prevailing in most Finnish authorities links target agreements with performance assessment elements. Hence 3 to 5 criteria are assessed as a rule (e.g. competency, effectiveness and cooperation), also various sub-criteria.

Many authorities likewise work with quota allocations and qualitative marks. Performance assessment takes place once a year. Performance assessment takes place between the superior and the employee. In Finland, superiors are expressly invited to take sufficient time for the assessment interview (“We find it quite unacceptable that a leader cannot find the necessary time and resource for regularly discussing with their subordinates in order to be well informed on the job requirements and the individual performance levels”, e-mail from a senior public servant from the Finnish Ministry of Finance).

Hence, a positive side-effect in introducing the new performance appraisal system was that it led to a perceptible rise in training measures in performance appraisal procedure.

Being given a best mark in the performance review may earn a total of around 15% extra salary in performance-related pay. However, only few employees reach this maximum, since most employees are assessed (in a range of 1 – 5) with an average mark of (3).

2.4. Performance appraisal in Ministries of Finance (with Statistics Finland and Road Administration as case studies)

The special feature (and no doubt also the strength) of the investigated system in the Ministry of Finance lies in its simplicity and professionalism. In contrast to many other European
administrations, the Finnish Ministry of Finance favours a performance appraisal that envisages only few criteria. The performance appraisal form has only 2 pages. Meanwhile, there is a development plan form (3 pages), which has to be discussed and filled in separately. The aim is to keep "hard" and "soft" appraisal targets separate from each other.

In contrast to the United Kingdom and Denmark, individual target agreements and performance contracts are hardly ever used in the Finnish Ministry of Finance. Instead, a combination of competency and performance appraisal is applied in by far the most cases. This concerns a simplified form of performance appraisal, since only few criteria such as competency, effectiveness, cooperation and sub-criteria are evaluated. In all, five marks can be given in the Ministry of Finance.

If the individual performance is assessed with A (3 points), there is a bonus, which corresponds to about 25% of the basic salary; 3.5 points gives 29%; 2.5 points only 21% and 5 points gets a value of 50%.

### The example of the Road Administration

1. At Road Administration, the allowance is calculated according to individual job descriptions. The job descriptions are specified by employee and superior the first day the employee starts work and are then reviewed every year. If there is lack of consensus, a shop steward is called in.

2. Performance appraisal assesses productivity (efficiency, productivity, speed, contribution to attaining organisational targets), responsibility (development, own initiative), cooperation (teamwork, ability to cooperate, customer-orientation etc.) and individual skills (general knowledge, language skills, specialist expertise, etc.).

3. Performance appraisal takes place annually.

4. When allocating marks, there is a distinction between 4 – 4.9, 5-5.9, 6-6.9, 7-7.9, 8-8.9 and 9-10 (best mark).

5. In contrast to the Ministry of Finance, all employees can receive a performance bonus in the Road Administration. Meanwhile, there is the chance to receive a "rapid result bonus". This bonus can be allocated maximally twice a year and may not amount to more than 200 euros.

6. The experience made hitherto with this system shows that in particular the superiors have to undergo training and be better prepared to carry out performance appraisals.

### The case of Statistics Finland " (OECD summary)

1. In Statistics Finland, the allowance is calculated based on job descriptions and function assessments. A total of 16 reward classes was specified. The salary rates are calculated according to an annual performance appraisal, competency appraisal and job experience of the employees (a form of seniority remuneration).

2. Although the 10 departmental heads are not paid according to performance-based criteria, they are assessed by the employees in an 180 degrees process – varying according to division.

3. Before the start of the appraisals, the appraisers are asked to submit a preliminary appraisal of
their employees, to avoid too many too good or too poor appraisals being allotted during the assessment process. This unusual procedure also aims to avoid many subsequent problems.

4. The annual individual appraisals are confidential and take place between the superior and the employee.

5. The major assessment criteria are:
   – Work results and responsibility (quantity, quality and target attainment)
   – Command of special field of work, skills (command of statistics)
   – Communication and social skills
   – Development potential

6. These criteria are variably considered. The achievement of the work results and the command of a special field of work are each evaluated at 35%, while the criterion of communication skills and development potential are each evaluated at 15%.

7. A total of 7 marks may be given at Statistics Finland. However, the appraisers are required to evaluate a normal performance as a "fairly good (3)" or a "good" (4).

8. After the evaluations, the superiors send the appraisals to the departmental heads and from there they are communicated to the staff manager.

2.5. Evaluation of the performance appraisal system

During the course of talks with the Finnish experts, it became clear that the possibilities of the team bonus (RBR) were as yet hardly exhausted. Replying to the question why this is so, it was pointed out that it had to do with the limited financial options of the agencies. Vice versa, small team bonuses contribute very little to intensified individual incentive. These remarks are corroborated by the replies of the other member states in this study. Thus the instrument of team appraisal has as yet scarcely asserted itself across Europe.

The problematic issues show that the employees concentrate very strongly on performance areas that are measured and assessed. This behaviour would also lead to the appraisal being looked at too much from the quantitative point of view, with qualitative aspects at work taken too little into consideration. The question whether aspects of anti-discrimination were ascertained in the appraisal procedure received the reply that too little had been undertaken as yet to address this issue. This is also due to there being hardly any problems in Finland with (ethnic) minorities, nor with the appraisal of men and women. As a whole, the pay gap between women and men has largely been closed.

As regards the effectiveness of the new performance-related pay system, the following was ascertained in conclusion: that the introduction of performance-related pay is taking place too slowly. To achieve improved incentive values, other attractions should be tried out (material and non-material), in order to get better results.

3. Great Britain

3.1 Introduction

The United Kingdom is generally noted as a very interesting reference case for administrational and staff reforms. One major reason for this might be that the British Civil Service was radically reformed after the Fulton Reform in 1968, and Great Britain was a forerunner in implementing the New Public Management Model. Indeed, the reform of the British senior Civil Service with its 3,800 top civil servants frequently figures in international
best practice comparisons. The – at times – completely different administrative reality in the British Civil Service with its around 500,000 employees and the general public sector is then screened out, however. In the course of this study, therefore, there will only be a reference to the specific pay and appraisal system in the senior Civil Service. In the following we will restrict ourselves to the Civil Service and at the same time place the main focus –especially – on the staff appraisal system in the Cabinet Office.

Another variable in explaining the appeal of the British administration reforms should not be underestimated, although it is banal: the linguistic dimension. Administration reform models from New Zealand, Australia, the United States and the United Kingdom reach a far wider public than Italian, Spanish, French or German reform projects.

Performance orientation was a fundamental target in all reform endeavours. The creation of flexible pay systems included the farewell from the seniority principle, from fixed promotion claims, and fixed and equalised pay schedules. The search for performance-related pay systems was connected to the endeavour to reinforce management methods and structures.

Owing to the very varied structures and processes it is difficult to present a typical performance appraisal system in the British Civil Service. The appraisal system in the Cabinet Office may be considered as an interesting, transparent, only relatively bureaucratic, and comprehensible model.

In contrast to many other European States, in Great Britain regular evaluations of performance reviews were carried out and improvements proposed. Especially the evaluations being done regarding "discrimination in performance appraisal" are relatively unique and exemplary in comparison with international procedures. The following describes the most significant evaluation reports. Afterwards, we will have a look at the appraisal system in the Cabinet Office.

In 1999, a high-ranking work group (under the leadership of Sir Michael Bichard) published a report strongly criticising the customary practice in performance management in Great Britain's Civil Service. Major points of criticism concerned the complexity of the existing system, the unprofessional and unfair evaluation strategy, and the enormous differences in evaluation practice in the various departments. Some years previously, an evaluation study in a British department concluded that only 44% of responses felt that the existing appraisal system was fair and just. The Bichard report proposed the following measures with the objective of improving administrative practice:

- Introduction of target agreements at the beginning of the year.
- Introduction of requirement and competency profiles and their evaluation in annual rotation.
- Compulsory employee interviews.
- A compulsory staff appraisal by the end of the year.
- Abolition of assessment ratings. Instead, clearer emphasis on cases of insufficient performance.
- Introduction of a target hierarchy, in which strategic targets are defined, from the top of the organisation down to the employees.


72 Robert Behrens, HOW TO MANAGE INDIVIDUAL PERFORMANCE – UNITED KINGDOM COUNTRY REPORT, Governing for Performance in the Public Sector, Berlin 2002
Likewise of major importance for the British performance management system was the report "Equality Proofing in Performance Review in the Civil Service" by Tamkin, Jo Rick, Peter Bates from the Institute for Employment Studies in 2000. This report analysed appraisal practice in the British Civil Service for the first time. Here particular focus was put on determining whether discrimination was evident in staff appraisal. The report came to some grave conclusions. Thus it was discovered that Women on the whole achieved better ratings than men, but this is mainly attributable to the ratings assigned in the lower grades, and ethnic minority and disabled staff on the whole received lower ratings than white and non-disabled staff respectively. The most striking evidence from our statistical analysis is the consistency of the information across the departments and agencies.

Another important conclusion in the report referred to the discovery that the appraisal systems, forms and techniques do not present a great problem. Far more of a problem, however, was the management and the implementation in practice, i.e., the human element: the report concluded that systems for performance review were not the cause of differences in ticking the answers. The main issues related to how people were led, appraised and motivated, and on how performance management systems were applied.

Another evaluation report of the UK Cabinet Office ("Equality in Performance Review – Progress Report May 2003") of 2003 noted that 90% of all authorities had carried out studies on the functioning of their staff appraisal systems. Of these authorities, 55% reported a smooth and satisfactory running of staff appraisal processes. 11% reported minor problems in the (unfair) assessment of certain employee groups. Yet again, 11% were able to note significant differences in evaluating certain job categories. 18% of the investigated authorities were not in a position to give complete information on appraisal practice. In all authorities the portion of complaints was less than 2%. This low percentage was explained by the fact that many individuals rate the risks of a complaint procedure higher than the potentially positive consequences. Focus group participants said that the complaints and redress systems were visible and the process of making a complaint well-known; however, individuals were not confident or comfortable using the system. The reasons can be summarised as follows:

- submitting a complaint may have the effect of stamping a person as a troublemaker, or hinder his or her career development.
- Complaints are in essence seldom taken into account: Nothing really changes - and people are left on their own with their problems; no real support was at hand.

Other interesting conclusions in the study concerned the fact that 40% of all respondent authorities had no information whether there were differences in the staff appraisal of gender, age, origin, etc., in other words, whether various forms of discrimination occur. Most authorities on the other hand noted that – frequently – part-time workers (i.e. mostly women) are assessed lower, fully employed women (slightly) better than men and top civil servants have a better chance of being assessed higher than other employees. As a whole it was also noted that the appraiser is (still) not provided with the necessary competency and authority to carry out fair and professional staff appraisals.

---

73 Penny Tamkin, Jo Rick, Peter Bates, Institute for Employment Studies, Equality Proofing in Performance Review in the Civil Service, 2000

74 When analysing the performance marking data statistically significant variations in performance markings across a very large sample of civil servants were found. Women on the whole achieved a higher distribution of markings than men did, but this is mainly attributable to markings in the lower grades, and ethnic minority and disabled staff on the whole received a lower distribution of markings than white and non-disabled staff respectively. The most striking evidence from our statistical analysis is the consistency of the information across the departments and agencies.

75 Institute for Employment Studies, Equality in Performance Review, Progress Report May 2003
The Makinson Report "Incentives for Change" of 2004 develops the Bichard recommendations further and points out the significance of the appraiser in the appraisal process: \textit{Managers must have the skills, experience and delegated authority to implement the scheme}"\textsuperscript{76} also the importance of clear criteria for the target agreements. According to the report, in every organisation it is of crucial importance for the people that the targets set by them correspond to the perspectives of the organisation's objective. It goes on to say that any incentive that is based on objectives seen as unimportant by the employees has no appeal.\textsuperscript{77} Above all – according to the report - it should be prevented that the target agreements are contradictory and lead to new confusion. "All incentives should be SMART (specific, measurable, attainable and relevant and also timed .\textsuperscript{78} The greatest problems occur – according to the Makinson Report - in M (measurability) and R (relevance).

An additional problem arises from the fact that the aspect of personnel development is frequently forgotten as aim of the employee interviews. Instead all participants focus on the remuneration and performance components. Finally, the Makinson Report underlined the importance of limiting the number of target agreements. It stated that as a rule of thumb 5 goals should be the highest number for the lower career groups and 8 goals for the managers.\textsuperscript{79}

\textbf{3.2 The performance appraisal system in the Cabinet Office}

The appraisal system is decentralised in the British Civil Service. This specification however, does not affect practice in the senior Civil Service: "the Minister for the Civil Service has not delegated SCS pay to individual Departments". In the Civil Service, each authority may develop and apply an largely autonomous assessment procedure. Nevertheless, our model case, the Cabinet Office, is comparable with many other procedures in comparable authorities in the British Civil Service. The greatest differences consist in the use of (immaterial) bonuses and the allocation of team bonuses. In principle, every authority has the opportunity of developing its own bonus system. The only set limits are aligned to budget specifications (which again are specified by the Chancellor of the Exchequer). This flexible practice permits the superiors, also at short notice, to allot material and also immaterial bonuses. This again has the advantage that individual performance can be awarded quickly. This is particularly remarkable, because the experience in other countries shows that performance-related pay often occurs too late and too slowly.

\textsuperscript{76} John Makinson, Incentives for Change, Public Service Productivity Panel, 2004.
\textsuperscript{77} Makinson, op.cit., p. 11.
\textsuperscript{78} Makinson, op.cit., p. 4
\textsuperscript{79} Ibid.
The Cabinet Office has experience in the custom of team bonuses. This instrument was seen as a generally positive option, for the allocation of team bonuses could counteract the disadvantages of individual performance bonuses (envy, rivalry and excessive selfishness). However, the experience with team bonuses also taught that the effects on individual incentive and performance readiness are very limited. In addition, the bureaucratic workload involved in the target agreement is very high. In the end it was concluded that the rewarding of "hangers-on", in other words staff members who hide in the team, was very counter-productive. Therefore the instrument of team appraisal is generally seen from a critical standpoint.

Individual performance appraisal is done in an annual rhythm based on target agreements and competency assessment.

The form used for this is transparent and relatively unbureaucratic. The required proficiencies to be assessed are first of all explained at the beginning of the form and then evaluated. The target agreement usually takes place in April. This is the time when the superior discusses the objective-setting with his or her employees. Generally four to six objectives are set. This includes noting which objectives are more important and how these objectives should be evaluated. The target agreement is carried out in the Cabinet Office according to the SMART principle. Meanwhile, it is established which proficiencies and skills are required to attain these goals. The appraisal of target attainment is carried out after about a year (usually in March the following year). This is when the superiors assess the individual proficiencies and target attainment. The competencies are specified based on a competency framework. Competency criteria are described in this competency framework. In detail it concerns "communication", "continual improvement", "friendliness to the customer", "target attainment", "leadership, incentive and development skills", "ability to solve problems and make decisions", "general knowledge", and "cooperation and partnership at work" (the competency framework is printed in the Appendix of this study).
Based on the assessment of competencies and target attainment, the superiors formulate a pay recommendation in the *Pay Review Form*. This specifies not only to what extent the employee has reached the goals (or not), but also which financial bonuses are recommended. The final decision on the superior's recommendation is submitted to a pay committee, which is composed of superiors from the department and also an external member. In order to be able to calculate the allowance within the scope of the budget and to stop the allocation of performance points based on reciprocal favour or complacency, the quotas are such that no more than 22-28% of employees fall in tranche 1, 57-73% in tranche 2, and 5-15% of employees in tranche 3. Tranche 1 is allotted when all target agreements have been met or even surpassed, trance 2, when the target agreements were largely met and tranche 3 when the target agreements were not reached AND the required competencies and skills are not provided.

If a civil servant does not wish to accept his or her mark, he or she can go through the official channels after a talk with the appraiser, who can change the mark, and make a complaint all the way up to the managerial staff of the authority in question. A legal investigation is not provided for, nor is it possible according to the British legal system. Employees have two options for making a complaint against the assessment. Firstly, they can submit a complaint to the president of the pay committee, within 10 days after the decision. Another option for complaint and redress is to call upon an independent panel. This complaint option is mostly used in cases of discrimination.
Overview of the performance appraisal system in the Cabinet Office

1. By the end of April: In agreement with the superior, creation of a personal development plan and a performance agreement (must be formulated in detail).
2. By the end of April: Discussions of target agreements.
3. The objectives are planned according to the SMART method (likewise until the end of April).
4. The superior discusses what objectives have priority with the staff to be assessed.
5. Every three months: Review meetings (comparison of the actual status with the target agreements)
6. By 31 October: Mid-year review.
7. Winter/Spring: Assessment of target agreements, core competencies and skills in the End of Year Review. Cabinet Office communicates specifications on the Intranet regarding the atmosphere and framework for this review (confidentiality, sufficient time, no surprises during meeting, etc.). The assessment by the superior must include to what extent the targets were reached, how difficult the targets were, how and whether the required competencies and skills were attained, to what extent the performance benefited the department or organisation, etc. Meanwhile, a personal development plan must be agreed upon. The following applies as law for the appraisal: NOTHING IN THE APPRAISAL SHOULD COME AS A SURPRISE.
8. Reasons for the appraisal must be noted in the pay review form. No marks are given. In the case of poor performance, an "unsatisfactory" box can be ticked, which automatically sets a "poor performer's" policy in motion.
9. The employee produces his or her own assessment at the same time (self-assessment).
10. End of August: The superior can recommend performance-related pay elements to a pay committee and/or performance premiums.
11. There is a difference between performance-related pay, which is paid for the tranches (1, 2 or 3), and premiums, which can be issued for good performance at any time (maximum of 1,000 pounds a year).
12. The final decision on the appraisal is met by the pay committee.

3.3. Evaluation of the performance appraisal system

In the Cabinet Office, experience with the present system is positive. So far there has been no signs of the individual performance appraisal in combination with individual performance bonuses leading to an increase in jealousy, envy or selfishness. Vice versa, it was noted that performance-related pay has scarcely any effects on individual performance incentive. The benefits of the instrument are seen far more in attaining an administration culture in which the importance of organisational goals is at the centre of operations. However, it was also remarked upon in the Cabinet Office that certain employment categories (e.g. ethnic minorities, part-time workers) were assessed structurally as somewhat weaker. A further weak point of the present system is seen in the fact that – as in all other comparable administrations - the appraiser does not always have the required skills at his or her disposal to be capable of a professional performance review.

VI. COMPARATIVE SURVEYS – WHAT CAN WE LEARN FROM OTHERS?
1. Best practices?

Recommending a specific performance assessment model would violate the core idea behind this study. All models evaluated in this study have their own strengths and weaknesses and cannot be transferred **ONE TO ONE**. It is notable that all the evaluated administrations fundamentally agree that there is no alternative to introducing a modern performance assessment system in which communicative components are combined with target instruments. No one wants to go back to the traditional structure (essence of a conversation in Denmark). This view is shared in many countries. In spite of many problems involved in the introduction of new assessment systems, no one is considering going back to the old formalistic and standardised assessment instruments and assessment forms.

In the past, most performance assessment systems did not make the individual performance assessment the focus behind the criteria. Instead they focussed on standardised comparability.80 These systems frequently had symbolic value. The employees were rated very subjectively and "too good" – if rated at all. The performance assessments had no consequences as regards payment and career development. Even though it is not readily admitted, many promotions were based on (political) arbitrariness and administrative needs, instead of on excellent individual performance.

The current reform process is part of a wide-ranging reform trend: a general decentralisation and "individualisation" trend within the field of human resource management. Where personnel appraisal is concerned, this development leads to the introduction of individual target agreements that are embedded in a target definition system valid for the entire organisation. This process has advantages and disadvantages. Chances and risks are not far apart. For instance, at the moment no one knows which effects this trend will have on the position of the executive managers, or on the motivation of the employees and the position of the employee representatives.

On the other hand, an important conclusion derived from this study is that it is only of secondary importance which forms of appraisal (structured performance appraisal, target agreements etc.) and which criteria (conduct, characteristics, tasks) are used for the personnel appraisal. Competent, professional and fair application of the appraisal system is much more important. Increasingly, the main issues are the degrees of professionalism and fairness with which the personnel are led, evaluated and furthered.

Within the scope of this study, no EU member state was able to provide a complete overview of the appraisal practices across the entire central public service. Furthermore many countries have vastly different appraisal systems for the top officials and/or the senior civil service (e.g. in the United Kingdom, Malta, Norway, the Netherlands, Belgium, Estonia etc.). Therefore, in the case of the United Kingdom, the answers on our questionnaires only apply to the British senior civil service. The Netherlands also provided the author of this study with an additional set of answers for the Dutch senior civil service.

In most other member states, the authorisation to conduct the performance appraisals has been delegated to the various ministries. For example, in France, Norway and Germany, each ministry has its own method and form of performance appraisal. This decentralisation and fragmentation of the responsibilities for the performance appraisal pose fundamental questions to the validity of many statements made in this study. This study constitutes an

---

analysis and comparison of individual performance appraisal systems of various ministries (or agencies, in the case of Sweden). Therefore, when this study talks about the performance appraisal systems of the individual member states, it actually means systems of individual or several ministries of the EU member states.

The trend towards decentralisation and individualisation presents large challenges when comparative scientific analyses are conducted. As far as the author is aware, no studies have yet been conducted on whether the "decentralisation process" that is currently taking place in the field of performance appraisal contributes to mobility problems. The increasing differentiation across Europe can also be seen in the appraisal procedures, in particular in the different structures, ratings, targets, criteria and deadlines. There are hardly any standardised appraisal procedures any more. Each administration has its own model. Thus the performance appraisal increasingly becomes decentralised and is adapted to the respective targets, structures and values of the individual organisations. It is currently not possible to judge whether this fragmentation process will cause new fairness and management problems. The department-internal freedom to establish own processes can lead to a non-uniform appraisal landscape across the various individual departments, which could be a hindrance to personnel mobility between the departments and to the establishment of uniform principles for personnel development. 81

The decentralisation of the appraisal competencies also makes it increasingly difficult for the member states to obtain information on the appraisal practices on horizontal and centralised government levels. This ranges from knowledge on the application of appraisal systems in reality, to the question on whether specific groups of employees are – unconsciously – discriminated against during the appraisal process. Many member states did not even answer this (sensitive) question, because measuring this hypothesis is very difficult. Other member states wanted to answer the question, but pointed out that the answer is subjective by nature. This restraint is understandable, because the prerequisite to answering this question would be that appraisal data is available on the various employee and age groups and that the data has been analysed and compared. As far as the author is aware, studies on this topic have been conducted in Switzerland and (partially) in the United Kingdom. Therefore this study cannot answer or conclude the questions and discussions on this topic, as the answers of the member states are too subjective (and probably also too political). Most member states furthermore reported that they have not yet conducted centralised evaluations on the appraisal procedures.

### Various forms of personnel appraisal in Europe

<table>
<thead>
<tr>
<th>Characteristics</th>
<th>Possibilities</th>
</tr>
</thead>
</table>
| What is evaluated? | • Results/targets  
• Performance  
• Job profile  
• Conduct  
• Properties  
• Competencies  
• Leadership skills  
• Social skills |
| Who are evaluated? | • All employees  
• Group/team  
• Management  
• Employees still in the probationary period |

| Who evaluates? | • Direct superior  
• Board  
• Head of department  
• Self-assessment  
• Others (e.g. employees, customers, 360° feedback, etc.) |
| --- | --- |
| Which instrument is used for the evaluation? | • Performance appraisal  
• Target agreement  
• Balanced scorecard  
• Employee interview  
• Job description  
• Competency profile |
| Which criteria are used? | 1. Requirement-orientated procedures (universal, general requirements such as communication skills, work quality, innovativeness, team orientation)  
2. Position-specific requirements (depending on function)  
3. Characteristic-orientated procedures, e.g. performance/work results, qualification, knowledge, expertise, conduct at work, leadership, personality  
4. Output-orientated requirements, e.g. target agreements, performance-based agreements |
| What rating system is used? | • Grades  
• Evaluations  
• Quotas  
• No rating system |
| How frequent are the evaluations? | • Annually  
• Every 2 years  
• Other intervals |

### 2. General success factors

This practice study could provide the reader with much material for critical debates and many arguments against performance appraisal. But it does not justify the rejection of performance appraisals.

On the contrary: in recent years staff administration has made considerable progress in applying the instrument of performance and staff appraisal. Although no standards exist in this field, endeavours to attain improved procedures and methods are clearly evident. The situation in Ireland can be deemed to be representative for the results and effects of many of the newer performance appraisal systems in Europe. There are many positive developments, e.g. more communication between the superiors and the employees, more "performance awareness", more concentration on targets set by the administration, connecting appraisals to career development, etc. On the other hand, the critical points are the additional bureaucracy, the lack of attention paid to "poor performance", too little feedback and trust, etc.
It is interesting to note that these criticisms do not focus on the appraisal principle itself, but on the management shortfalls and the concentration on too few priorities.

All in all, it can be said that in all administrations, the administrative and technical challenges (e.g. in scaling methods or the proper application of forms and methods) are far fewer than the management problems (in other words, correctly conducting a talk with an employee, shaping the superior-employee relationship, questions of administrative culture, and – in general – the serious and professional implementation of the instrument of performance appraisal in practice).

In particular, the managers should not only be held responsible for unprofessional management. That would be much too simple. Instead, more should be done for the managers, to support them in the execution of their duties.

Today the most important success factors in the introduction of new performance appraisal systems are largely undisputed:

- "Test runs" and professional preparation programs in which the superiors are given the necessary competencies in training sessions, as well as the integration of all employees in new appraisal systems and keeping the employees well-informed are vital factors for the success of introducing a new system.

- Transparency and access to the results, which should, within the framework of the organisational target achievement, ideally be used to shape the respective administrative culture.

- Unbureaucratic systems with simple structures should be given preference above complicated ones; the number of ratings and evaluations should be kept easily manageable, and be conducted annually if possible.
"Lead - Evaluate – Encourage" are the core issues involved in performance management systems.

There should be a clear demarcation between salary and performance bonuses.

Performance-orientated remuneration only makes sense if it is transparent and deemed to be fair by those affected: this leads to a higher degree of acceptance amongst the employees.

Classic performance appraisal systems could be supplemented with clear target definitions and a differentiation between "hard" and "soft" targets could be introduced.

The results of the appraisal should not be limited to remuneration factors, but should also consider issues such as personnel development and qualification.

This study makes it clear that the success of a performance management system is largely dependent on the capabilities and competencies of the appraiser. Even today, the importance of good leadership to the individual performance of the employee is not given enough attention. This also applies to the importance of cooperation, feedback and trust between the superior and the employees.

"Individuals are more willing to perceive the decision process as fair if they are allowed to present their own view, if decisions are properly explained and justified, if appraisals are implemented fairly and consistently over time and amongst colleagues, if employees are given a timely feedback, if they are treated politely and if employees trust their employers in making fair and professional judgements. When both parties respect each other, an appraisal will more likely be more successful".

This view is shared by a German study by Nerdinger, in which the following conclusion is made: Managers have to take great care that their conduct is perceived as fair by their employees...

Reality still lacks far behind. Ireland for example reports that it is still easier to "evaluate" than to "coach". In Finland and Great Britain, experience showed that the employee interviews are frequently also influenced by the performance component.

Nevertheless no administration questions the importance and purpose of these cooperative instruments. On the contrary: These instruments contribute to positive change in the (traditionally bureaucratic) organisation culture

3. Selected recommendations

This study comes to the conclusion that the greatest challenges lie in these four areas:

- The role of the managers in the performance appraisal process
- Mastering the increased workload, complexity and bureaucracy
- Managing target agreements and improving the appraisal

Connecting the performance appraisal with consequences (feedback, payment, promotion, training, sanctions) as quickly as possible.

All experience gathered in the comparative sciences shows that introducing a new performance appraisal and remuneration system is always a lengthy process. In most cases, the implementation and application of a new remuneration and appraisal system take several years and - frequently - lead to distrust among the employees. To disperse this distrust, it is important to keep all employees informed about the application and consequences of the new appraisal system. Especially when introducing target agreements, it is vital to train the managers how to make these agreements and how to measure whether the target has been achieved. It is equally important to increasingly train employees by providing them with feedback. In the case of target agreements, it became apparent that many employees have difficulty agreeing on targets if they cannot see the sense and importance of the target. Frequently targets are not agreed, instead they are simply orders from above. Here the author would like to point out the Makinson report in Great Britain once again. In this report, it is recommended to limit the number of target agreements. An additional problem arises from the fact that the aspect of personnel development is frequently ignored as aim of the employee interviews. Instead all participants focus on the remuneration and performance components. In Great Britain, realising this fact led to a complete separation of the performance appraisal and the remuneration aspect. “We have sought to detach the performance management system from the pay system although there is still a cultural mindset shift required to encourage people to see good performance as important rather than link it to pay”.

1. Analysing the reforms and their implementation has shown that time, resources, trust, fairness, comprehensibility and leadership are important success factors for successfully implementing new appraisal and remuneration structures. Experience has shown that especially the critical success factors that aim at changing the values and the leadership culture require a long-term time frame for their implementation. Simultaneously measures that concern the introduction of new systems and instruments (statistics and monitoring systems, advanced training, relationship between superior and subordinates) are very resource-intensive and cannot be implemented quickly.

2. Success or failure of a new appraisal system greatly depends on whether the employees can be convinced that their superiors are able to apply this new instrument competently and professionally. In the part, many appraisers either a) overestimated their appraisal skills or b) tried to invest as little effort as possible in their duties.

3. Frequently the managers are overburdened by the demands of the performance management process. They lack time, competence and motivation. One of the most important recommendations of this study is therefore to improve the role of the managers in the performance management process. It is especially problematic if superiors overestimate their own abilities and do not participate in further training. In the future, each superior should regularly be trained in performance appraisal.

4. The Europe-wide development towards decentralisation of duties and responsibilities in the field of human resource management causes the superiors to be burdened by an increasing number of tasks, although they do not always have the expertise to correctly and competently deal with these tasks. The new tasks involved in the personnel appraisal and their relevance to the remuneration of the employees are part of this development. In the eyes of the superiors, the personnel appraisal is simply yet another duty, one of many. Appraising an employee is a task which has no incentive for the appraiser. Rewards for executing a performance appraisal correctly and with the highest possible precision are rather rare. In the future, the appraisal process should obtain greater importance, and stronger incentives for performing the appraisal
should be created. Immaterial bonuses would be suitable incentives. It is also possible to implement sanctions/incentives based on a regular poll among the employees, in which the personnel appraisal skills of the superior is (anonymously) evaluated.

5. This could be done by means of employee appraisals, 360° feedback, or by self-assessment, in which the superior has to provide verification that he is capable of professionally appraising his employees.

6. Due to the increased importance of performance appraisal, it can hardly be expected that the workload of the superiors will decrease noticeably in future. Therefore it should at least be ensured that superiors do not conduct more than 5 to 10 personnel appraisals per year.

7. The introduction of a new appraisal system should be prepared by developing a concept which ensures that all employees are extensively informed, and that includes a qualification strategy that attunes the centralised and decentralised elements. This process should be initiated by the personnel managers. However, the implementation of the process should not simply be left to the human resource management. Instead, to overcome acceptance problems, the top officials in the administration have to actively support the introduction of a new personnel appraisal system. If, for example, the top management supports the appraisal system, actively support it and implement it fittingly, others will follow their example. In particular, it can be assumed that the example (positive or negative) of the top management in handling the performance appraisals will play an important role.

8. If personnel appraisal systems and employee interviews turn into rituals and chores, they miss their goal. The most important task therefore is to provide information on the purpose and importance of personnel appraisal systems, and to generate the required motivation and acceptance. All employees and appraisers have to know in advance which changes will occur, what they will be confronted with and what their rights and duties are. Providing information is not limited to "technical issues", but also includes providing the reasons why a new system is desirable and explaining the hopes that are being set on the new appraisal system. Furthermore it is important that the meaning and purpose of a combined system involving target agreements and performance appraisals are explained to the employees.

9. In particular, the (international) trend towards organisational performance measurement has in the past few years led to a new measuring culture in which everything that can be measured has to be measured. The new measurement-orientated ambition creates the impression of higher reliability and more information. However, it also leads to qualitative and complex issues being ignored. Although work in the public services is in general "appraisable", many tasks are difficult to measure, especially through the eyes of the superiors. This in particular applies to the duties on the higher personnel levels in the central administrations of the public services. On this level, duties and targets are constantly subject to change. To solve this special problem involved in the measurement of individual performances, greater sensitivity in the appraisal process is required.

10. All in all, introducing a new remuneration system requires that the appraisal system is handled with a much higher degree of professionalism than a system without performance-related remuneration. This in particular also mean that in future, new personnel appraisal systems should include a target definition, and "hard" and "soft" targets should be separated. Therefore the employee interview should be separated from the personnel appraisal. However, care must be taken that employee interviews aimed at personnel development do not fall by the wayside (especially when all participants are focussed on the remuneration and performance components).
Due to the integration of formal performance appraisals and communicative instruments (e.g. target agreement discussions), the administrative requirements and workload in a modern performance appraisal system are higher than in the past. This "price" has to be accepted, because communication, cooperation, trust and ethical conduct are important factors that affect motivation and performance.

Even though this study did not find conscious, serious discrimination in the appraisal process, unconscious discrimination is a definite problem. For example, specific performance criteria (e.g. assertiveness, resolution, ability to work under pressure, willingness to accept responsibility, decision-making ability, willingness to work hard, social skills etc.) are still associated with either men or women. To prevent that part-time employees, persons with disabilities or illnesses (which limit the scope to which they can perform their duties), employees returning from maternity/paternity leave, employees with low salaries, employees with reduced performance due to events in their private lives (e.g. illness, death in the family etc.) are discriminated against in the appraisal and are on average evaluated differently or worse than the other employees, it is recommended to follow the example of Great Britain and evaluate the appraisal results on a yearly basis.

Furthermore it is recommended to prevent the above forms of discrimination by improving the descriptions of the performance criteria so that unconscious gender-related discrimination does not occur. Example: Instead of "decision-making ability" – > "Ability to come to appropriate and quick decisions within his/her area of responsibility and to be accountable for them".

In reality, it can hardly be expected that these kinds of discrimination can be eradicated simply by passing guidelines or using linguistic adaptations. Therefore it is necessary that a wide-ranging shift in attitude is initiated. In the praxis, this means that the appraiser is not only theoretically of the opinion that e.g. part-time employees should not be evaluated differently than full-time employees due to the lower amount of work hours. To promote this shift of attitude, it is important that anti-discrimination becomes a fixed topic in all training programs on the new appraisal system.

Target agreements are in essence viewed as a positive aspect, however this instrument also causes some discomfort among certain categories of employees. For example, target agreements and evaluating whether the targets have been met or missed are especially problematic when it comes to judges, police, firefighters, judicial employees, prison employees, personnel in political capacities, etc. Another problem is the consequences of missing the targets. If someone is still far from the agreed target or if it is unrealistic that the target can still be achieved, undesirable consequences might follow. The concept of target agreements has other weaknesses as well. In the day-to-day reality of administrations, target agreements are not always implemented by means of negotiations between the employer/authority and the staff, but instead are issued as "orders" from above. Therefore it is recommended that target agreements between the parties have to made in writing, in the form of minutes.
V. BIBLIOGRAPHY

VII. APPENDIXES