

## THE ROLE OF INDIVIDUAL PERFORMANCE FOR EFFECTIVE PUBLIC MANAGEMENT: EUROPEAN UNION AND LITHUANIAN CASE STUDIES

**Algis Junevičius**

**Indrė Seniūnaitė**

*Kaunas University of Technology*

*Institute of Europe*

### **Abstract**

Performance is one of the key terms of modern public administration. Most of reform proposals speak in one or another form of strengthening performance or of introducing new performance measures/instruments into public sector organizations. Traditional public administration is usually poor in offering stimulating job contents, particularly because of over-bureaucratized regulations and narrow decision-making competencies which limit the job autonomy of civil servants. In contrary, implementing performance appraisal into public personnel management makes job more attractive regarding to career perspectives (clear and secure promotion) and extra payments for outstanding performance.

### **Keywords:**

**Individual performance, performance management of public personnel, performance related pay, career linked to performance, appraisal procedure of European Union officials', Lithuanian public officers' appraisal system.**

### **Introduction**

The performance of staff is crucial to the success of any organization. Performance measuring in public institutions became as much popular as in private organizations because of the competition between these sectors attracting qualified employees. Adopting appraisal policy, which is one of the main factors motivating staff, helps to maintain competent personnel and to attract new qualified people.

Regarding to annual performance measurement of public officers, employees can comprehend corresponding outcomes: the connection between his good performance and motivators, such as increased salary, promotion, increased respect and recognition. Because of this linking outstanding performance to rewards, performance measurement policy is a good tool for improving public service.

**Research problem** – indetermination of the appropriate reward tools in different appraisal policies seeking to promote commitments for performance within the public workforce.

**Research purpose** is to answer mainly these key concerns: how performance-orientation of the public workforce can be realized to motivate officials, what are the main rewards for effective assessment appraisal in practice, what are the examples measuring performance of public personnel in European Union and Lithuania?

This article concentrates on following **goals** in order to understand performance assessment managing public personnel:

- to describe appropriate concepts and tools of HRM for performance management orientation, to identify the main methods of performance assessment,
- to analyze 2 types of rewards related to performance: performance related pay and performance related to promotion,
- to verify how performance appraisal is being applied in Lithuanian civil service personnel management
- to clarify European Union performance-based career structure.

**Research object:** assessment of officials' individual performance.

### **Research methods:**

- analysis of nonfiction literature;
- analysis of juridical literature;
- analysis of statistical data.

### **The main concepts of performance assessment managing public personnel.**

Very often performance is related with famous "3 E" (economy, efficiency and effectiveness) definition: the relation between minimal and effective cost ("economy"), between effective cost and realized

output (“efficiency”) and between output and achieved outcome (“effectiveness”).

The main purpose of implementing performance-orientation into public sector officials’ management is to promote commitment for “performance” within the public workforce. Public servants are expected to achieve high performance for positive results of their activities with regard to economy, efficiency and effectiveness and to achieve the performance targets set by their superiors.

Advanced performance management focuses on 3 main lines [2]:

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

The performance orientation of public servants can be described by the two adequate factors - ability of an individual employee and on his/her willingness to show performance.

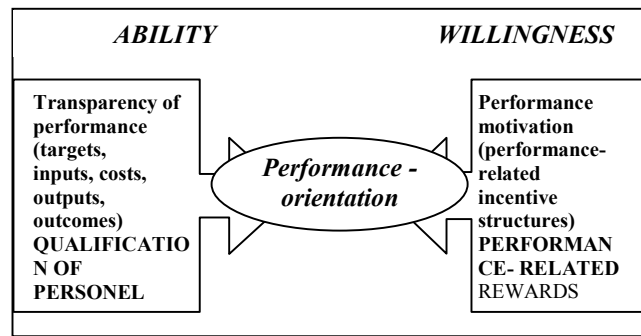
Such a performance-orientation of the workforce can be realized by appropriate concepts and tools of human resources management policy [1]:

*tools for ability:*

- effective recruitment and selection procedures (attracting and selecting “high performers”);
- education and training concepts and instruments, including management development and leadership training for building necessary skills and attitudes of performance management;
- adequate job placement which allows the utilization of existing potentials and capacities of personnel (including regular rotation etc.);
- frequent performance-based reviewing and appraisal of task-fulfillment (including feedback to subordinates);

*tools for willingness:*

- attractive motivation and incentive systems which motivate for performance;
- stimulating leadership behavior of managers (including adequate recognition of the performance shown by subordinates);
- rewarding good performance with material and immaterial rewards (including performance-related pay);
- promotion and career development of employees with positive performance.



**Fig.1.** Performance orientation: ability and willingness.

### The main methods assessing performance of officers’

Performance assessment is one of the key tools of public personnel management in developed countries. The main methods of performance assessment are [8]:

1. Rating (assessor assess officer’s performance as outstanding, good, insufficient and ect.).
2. Essay reports (can be open, there supervisor describes officer’s performance, training needs and potentiality, or structural, when assessor answers special questions about officer’s performance).
3. List of control statements (using statements about officer’s performance, which assessor can mark as appropriate).
4. Critical coincidence (supervisor gets positive and negative performance descriptions’ lists and he/she must keep records about good and bad examples of officer’s work).
5. Obligatory option (supervisor gets different work descriptions, he/she assess officer according to them, but supervisor is not informed about the suitable performance description).
6. Levelling (simple levelling – listing employers according to their performance perfection; alternative levelling – listing the best, the worst, second from the best performers and ect., pair levelling – every officer is compared with another one and results are used for final leveling).
7. Obligatory apportionment (special categories are created and officers are apportioned according to these categories, for example, 10 pc. of the best, 20 pc. of outstanding, 40 pc. of good, 20 pc. of sufficient, 10 pc. of insufficient).
8. Management by goals (special goals are set, which are measured quantitatively and qualitatively in officer’s performance).

In Lithuanian and European Union public personnel performance assessment rating method is used.

### Relating performance to rewards

Developing performance indicators at the level of the individual raises the issue of relating performance to rewards. Rewards may be non-monetary, such as recognition and increased work flexibility in exchange for more accountability, or monetary, including linking pay to performance.

A lot of countries have developed a performance appraisal system for public sector employees, at least in formal terms. In countries where no reforms of the pay system have taken place, priority is often given to promotion policies, position re-classification and other non-pay instruments.

**Table 1.** Different emphasis in initiatives by country [7]

<i>Relatively more emphasis put on monetary incentives</i>	<i>Relatively more emphasis put on promotion-career opportunities</i>
Australia Canada Denmark Finland Italy Korea New Zealand Sweden Switzerland United Kingdom United States	Austria France Poland Portugal

A detailed analysis of the emphasis of different HRM systems shows that in spite of the fact that most countries are developing performance related-pay schemes, and despite a few exceptions, the emphasis on monetary incentives for good performance is relatively stronger in position-based systems, while the emphasis on career or promotion is stronger in career-based systems [7].

### Performance related payment

In public sector performance related payment (PRP) system comes more and more popular, which is widely used in private sector. Studies have identified various positive and negative factors for implementing performance related payment.

**Table 2.** Performance related pay: positive and negative factors [2]; [3].

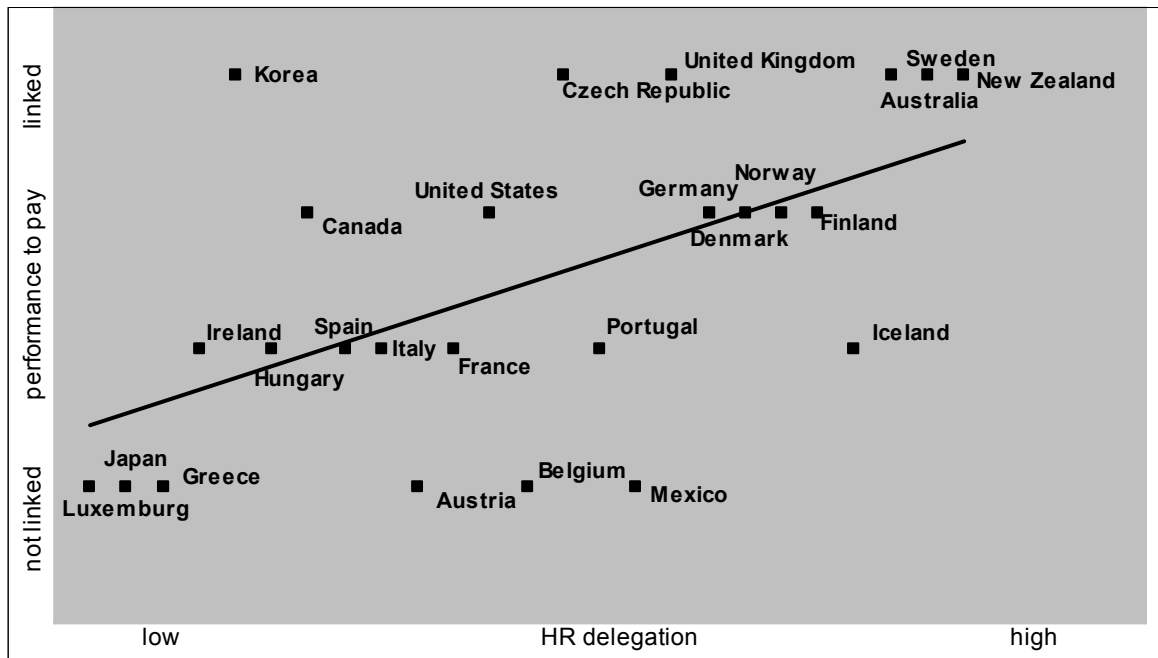
	<b>POSITIVE</b>	<b>NEGATIVE</b>
<i>Motivation</i>	It can foster individual motivation, by recognizing effort and achievement and rewarding it in a concrete way	It is only one element in the staff management system and cannot make up for serious deficiencies elsewhere. If pay is perceived by staff to be inadequate, performance bonuses of a few per cent are unlikely to motivate employees and may simply be seen by them as a minor pay supplement.
<i>Competitiveness</i>	Introducing PRP is seen as necessary to compete effectively with the private sector for the most talented employees.	Performance payments tend to be small by comparison to normal pay owing to budgetary constraints
<i>Accountability</i>	Political reason: it refutes any idea that civil service employees are unaccountable and overpaid, by showing that their level of performance is monitored	There is often a large time-lag between the end of the appraisal period and the payment of the related reward
<i>Level of payment</i>	Governments may see PRP as a way of containing salary costs by reducing automatic progression through salary levels, or on the contrary as a way of lifting an overall salary ceiling, with non-pensionable financial rewards.	Even where performance-pay schemes allow for variable payments, most employees tend to receive similar ratings: managers appear unwilling to differentiate among their subordinates

The first wave of PRP policies were in the 1980s. The governments of Canada, Denmark, the Netherlands, New Zealand, Spain, Sweden, the United Kingdom and the United States were among the first to adopt PRP in one form or another. A second round started in the early 1990s, with the adoption of PRP policies in Australia, Finland, Ireland and Italy. Most recently, countries such as Germany, Korea, and Switzerland, as well as some in Eastern Europe (the Czech Republic, Hungary, Poland and the Slovak Republic), began to put PRP mechanisms in place. In 2004, France started experimenting with PRP for top level civil servants (director's level) in six pilot ministries [3]; [6].

Mostly, countries which have developed the strongest links between performance appraisals and

pay as employee incentives are those which have the highest delegation of responsibility for human resources and budget management – usually position-based systems. However, this has started to change

and PRP policies have now been introduced into some career-based systems such as Hungary and Korea. [3]



**Fig.2.** Connection between performance appraisals related pay and delegation degree in some countries [10].

The form of payment varies considerably across countries. Two main types of system can be identified (in many cases the two are combined in a single policy) [4]:

- Merit increments, which take the form of either a fixed or variable increase which is added to and can become a permanent part of the basic pay. Pay progression is therefore linked, wholly or in part, to individual performance rather than seniority.
- Bonuses, which are one-off payments which are not consolidated into basic pay. They may be expressed in either cash terms or a percentage of the basic pay. They can be distributed independently of the level of salary.

Performance-related pay system has its' positive and negative factors, but for effective functioning it must be seen as fair and equitable by all employees.

#### **Linking performance to promotions: European Union Performance-based Career Structure**

Some have argued tying career advancement to performance is more important than linking performance and pay. There is no doubt of the need to ensure that the best people rise to management levels, but it is not advisable to make performance appraisals the sole factor in promotion decisions. [2]

Still, an effective and reliable performance evaluation mechanism can play a valuable role in promotion decisions. This, incidentally, can help to ensure that the evaluation process retains its relevance and credibility in the eyes of employees.

Good example for linking performance to promotions can be illustrated by the new European Union officials' appraisal system – Career Development Review (CDR). The main idea of CDR system – a variation in career speed depending on the level of performance. To make appraisal more objective the performance of individual officials is now quantified by merit points and priority points.

The annual appraisal of officials is the basis for awarding merit points counting towards promotion. Officials changing jobs will take their accumulated points with them to their new post. Key indicators - conduct, performance and abilities - are evaluated using a new standard appraisal form [5].

Merit rating of officials expressed in terms of points:

1. Above average: 17-20 points
2. Average: 12-16 points
3. Below average: 10-11 points

If performance is insufficient, the official will receive a low score or zero points.

The overall performance of jobholders is expressed in merit points awarded in the appraisal procedure and in priority points awarded in the subsequent promotion procedure.

*The appraisal procedure.*

Performance in the post is ranked with up to 20 merit points on three criteria (up to 10 for performance, up to six for ability and up to four for conduct) by the line manager in the light of a dialogue on the agreed job description, task assignment and objectives.

**Table 3.** Performance measurement form [5]

Performance rating		Ability rating		Conduct rating	
9-10	Outstanding	6	Outstanding	4	Very good
7-8	Very good	5	Very good	3	Good
6	Good	4	Good	2	Sufficient
5	Sufficient	3	Sufficient	1	Poor
3-4	Poor	2	Poor	0	Insufficient
0-2	Insufficient	0-1	Insufficient		

*The promotion procedure.*

Priority points are awarded in a "second round", the promotion procedure, which starts at the beginning of April every year, after completion of the formal stages of appraisal [5]:

1. The Director-General is able to award up to 10 points for special services to the Directorate-General.
2. Up to two additional priority points per official may be awarded by the Promotion Committees. The Promotion Committee assesses activities performed in the interest of the Commission.

The maximum score that can be attained in an appraisal and promotion exercise is thus 32 points. An official scoring under ten points is not eligible for promotion.

The new system also ensures that assessors make a clear distinction between the fastest and the slowest careers. Assessors are in turn assessed on the quality of their appraisals. This is designed to ensure that they take great care when writing career development reports.

Promotions thus are based purely on merit and performance over time, expressed in terms of points awarded each year in the appraisal exercise. Officials accumulate points until they reach the promotion threshold. Points accumulated over and above this threshold remain on their account.

### **Performance appraisal in Lithuanian public personnel management structure**

The evaluation system used in Lithuanian public sector is interrelated with remuneration. The interface of the productivity of the public servant's performance, qualification and remuneration induces

the public servant to work more efficiently as he or she will be remunerated for attempts and results achieved. This system also creates a possibility to develop career since one of the encouragement instruments is promotion of the public servant.

Since 1995, after adopting The Law of Officer's, performance assessment was adjusted in Lithuanian public personnel management. The main failing of this law – assessment was more formal thing and it had no motivation effect. After adopting The Law of Lithuanian Public Service in 2002, Lithuanian public officers' appraisal system was improved: officer's performance was linked with promotion and salary: direct relation with the good assessment of the officers' work and promotion opportunity, salary system with motivation affect because of perk and premium use. Depending on assessment of officer's performance officer could get a qualification class (I, II or III, from which the highest is I), or his/her qualification class could be raised. It also affected officer's salary: due to the qualification class officer could get a bonus from 15 to 50 percent of his/her salary. The extraordinary allowance for a very good performance is an instrument for encouragement of the public servant taking into consideration his administrative capacities.

Lithuanian officers' 5 key indicators of assessment [9]:

- performance load;
- performance quality;
- performance complexity;
- abilities to utilize possessed knowledge;
- communication and cooperation skills.

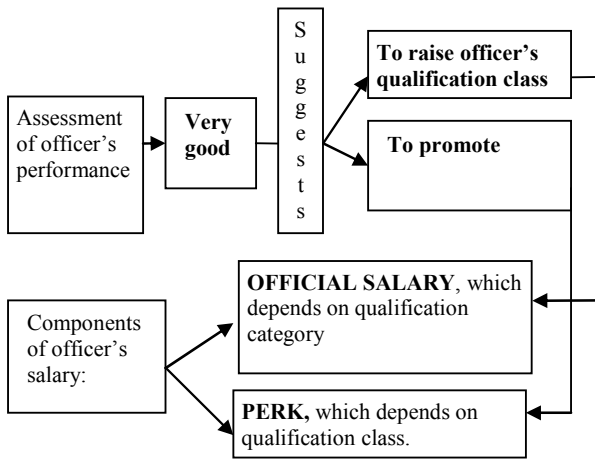
Public officer's work can be assessed by his/her supervisor as very good, good or insufficient. When officer's work is assessed as very good or insufficient, special committee of assessment assess officer's performance again.

When committee of assessment assess officer very good, it suggests to officer's supervisor [9]:

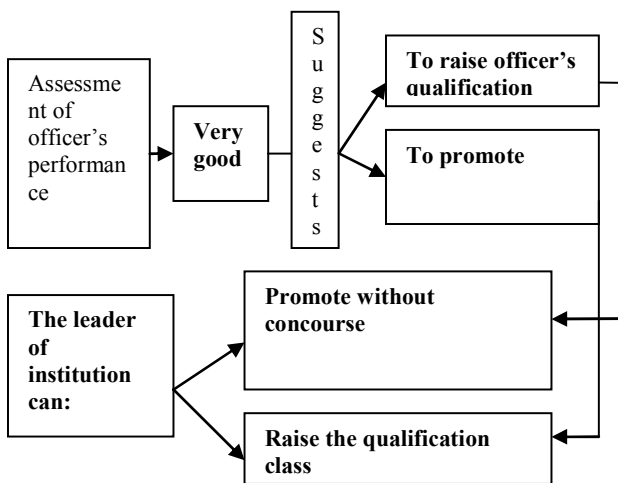
- to raise officer's qualification class [obligatory];
- to promote officer [optional];
- to leave the same (the highest) qualification class and premium, which officer receives for the qualification class, if institution is not able to promote officer [optional].

When Special Committee of assessment assess officers insufficient, it suggests to officer's supervisor:

- to improve officer's qualification [obligatory];
- to reduce officer's qualification class [obligatory];
- to down-grade officer [optional];
- to fire officer, if he/she was assessed as an insufficient twice [obligatory]



**Fig.3.** Officer's performance related to pay.



**Fig.4.** Officer's performance related to promotion

The system of performance evaluation of civil servants in Lithuania is subject for improvement. Today, many public servants do not know what is expected from him, the dialogue between administration and the public servant is not stressed. This dialogue should help each civil servant to discover goals and tasks set for him. Only after the strategic planning system is fully implemented in Lithuania, the performance of the public servant will be interrelated with the goals, strategy and administration culture of an institution or agency.

### Conclusions

The following statements draw inferences from this article:

- The performance orientation of public servants can be described by the two adequate factors – ability of an individual employee and on his/her willingness to show performance.
- There are a lot of methods to measure individual performance of officers'. The most popular of them is rating method, which is

also used in European Union and Lithuanian public personnel assessment practice.

- Developing individual performance in public sector raise the issue of relating performance to rewards, which can be non-monetary or monetary.
- There are number of positive and negative factors of implementing performance related pay in public personnel, but for effective functioning it must be seen as fair and equitable by all employees. Mostly, countries which have developed the strongest links between performance appraisals and pay as employee incentives are those which have the highest delegation of responsibility for human resources and budget management – usually position-based systems.
- An effective and reliable performance evaluation mechanism can play a valuable role in promotion decisions.
- Usage of some reward for individual performance is more advantaged when it is combined with other rewards for good performance.
- The new European Union officials' appraisal system – Career Development Review – a variation in career speed depending on the level of performance. The overall performance of jobholders is expressed in merit points awarded in the appraisal procedure and in priority points awarded in the subsequent promotion procedure. Key indicators – conduct, performance and abilities.
- Lithuanian public officers' appraisal system is inked with promotion and salary: direct relation with the good assessment of the officers' work and promotion opportunity, salary system with motivation affect because of perk and premium use. Still, the system must be improved taking into consideration an issue of the missing dialogue between administration and the public servant, who should know what is expected from him and whose performance must be interrelated with the goals, strategy of an institution.

### References

- Assessing Performance-Orientated HRM Activities in Selected OECD Countries. A Review of Ten Years of Modernisation: The HRM Perspective. Human Resources Management (HRM) Working Party Meeting OECD Headquarters, Paris, 7-8 October 2002.
- Individual Performance Management . Administrative & Civil Reform./ The World Bank. On-line:

<http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTPUBLICSECTORANDGOVERNANCE/EXTADMINISTRATIVEANDCIVILSERVICEREFORM/0,,contentMDK:20133441~menuPK:1828910~pagePK:148956~piPK:216618~theSitePK:286367,00.html#3>

Paying for Performance: Policies for Government Employees. Policy Brief. OECD, 2005.

Performance-Related Pay of Government Employees: Assessing Reforms Across OECD Member Countries. OECD, 2003.

Reforming the Commission: Performance-based career structure. On-line: [http://ec.europa.eu/reform/2002/chapter02\\_en.htm#3\\_5](http://ec.europa.eu/reform/2002/chapter02_en.htm#3_5)

Perspectives on Reforming Pay in Government Organizations: A Short Review in History, Research and Theory So Far, And Main Trends In OECD Member Countries. / Experts meeting, OECD, Paris, 2003

Trends in Human Recourses Management Policies in OECD Countries: An Analysis Of The Result Of The OECD Survey On Strategic Human Recourses Management. / Public Governance and Territorial Development Directorate, Public Governance Committee, Paris, OECD, 2004. On-line:

[http://appli1.oecd.org/olis/2004doc.nsf/43bb6130e5e86e5fc12569fa005d004c/9af0f2e9e8fb0304c125700b003b7a13/\\$FILE/JT00184766.PDF](http://appli1.oecd.org/olis/2004doc.nsf/43bb6130e5e86e5fc12569fa005d004c/9af0f2e9e8fb0304c125700b003b7a13/$FILE/JT00184766.PDF)

Pivoras S. Tarnybinės veiklos vertinimas Lietuvos valstybės tarnybos personalo vadyboje. Politologija N. 1(33). P. 56 – 74.

The Law of Lithuanian Republic Public Service. 2002 m. April 23 d. Nr. IX-855, Vilnius

Performance-related Pay Policies Across 12 OECD Countries: Brief Overview./ Performance-related Pay Policies For Government Employees, OECD 2005.