

# PERFORMANCE APPRAISAL IN THE EU MEMBER STATES AND THE EUROPEAN COMMISSION



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SLOVENSKEJ REPUBLIKY

## PERFORMANCE APPRAISAL IN THE EU MEMBER STATES AND THE EUROPEAN COMMISSION

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# INTRODUCTION

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This comparative study on the individual performance appraisal systems in the EU member states, the European Commission and associated countries comes 10 years after the review of the performance appraisal under the German EU Presidency in 2007 (Demmke 2007). At that time, countries were implementing the new system or revising the old one based on the new reform frameworks of attaching performance appraisal to career advancements and remuneration. The 2007 study, at the time, already showed keen interest among the EU countries and the European Commission in exploring the elements of the performance appraisal discourse and linking half of them to performance pay systems as well. Nevertheless, the level of satisfaction among the managers was not that high and the study concluded with a warning of not creating a new measurement bureaucracy. Since then, classic performance appraisals were reviewed very critically, by both academics and practitioners, asking for considering the contextual factors in the set-up of the overall performance appraisal systems.

Some experts (e.g. Antonioni 1994) argue that rather than throwing out the entire performance appraisal systems and process, we should try to improve it. And many of the EU member countries did exactly that. Thus, in the past decades the performance appraisal research has

examined the effects of the social context (e.g. Levy, William 2004) within which the performance appraisal operates, motivational basis of the civil servants (e.g. Perry, Hondeghem and Wise, 2010), work approaches of millennials (e.g. Twenge and Campbell 2012), perceptions of fairness (e.g. Choon, Emli 2012) and most importantly the various uses of information from the performance appraisal (e.g. Moynihan, Pandey 2010). This has widespread implications for practical application. And since performance appraisals play an important role in individual careers of civil servants and public organisations, it is important to understand the process and design of the instrument in individual EU member states and the European Commission vis-à-vis the latest developments in performance appraisal research.

To obtain the information a survey was conducted in the form of a questionnaire regarding performance appraisal in EU member states, the European Commission (EC)<sup>1</sup> and associated countries. The prepared survey was sent via e-mail to the members of the EU Public Administration Network (EUPAN) – to representatives of

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<sup>1</sup> The appraisal system of the European Commission is also applied by the European external action service and the executive agencies. But other institutions such as the Council and the European Parliament implement appraisal mechanisms in different ways.

public administration institutions of all EU members, the European Commission as well as to Norway, Switzerland and Serbia, which are EUPAN members with observer status and had demonstrated interest to participate in the survey.

The purpose of the survey was to collect data from all EUPAN member states and EC **on performance appraisal of civil servants working in central public administration** and to provide a comprehensive overview of different trends in performance appraisal. Thus, the nature of the study is exploratory and descriptive. The data were used to prepare a workshop for working-level meeting of Human Resource Innovation and Organisational Development (HRIOD) of EU Public Administration Network, which was held in October 2016 in Bratislava, Slovakia. The survey collected data on:

1. General information on performance appraisal
2. Structural aspects of performance appraisal
3. Procedural aspects of performance appraisal
4. Uses of performance appraisal information

**By civil servants in central public administration**, we mean employees of public institutions located in *the core of the government*<sup>2</sup> organisation with

nationwide competencies. These organisations perform an executive function and are normally responsible for policy formulation. The rules related to employment of their employees are distinct from the rules of employees working in the private sector and are usually regulated by a specific law or legal measures. This category of civil servants in core public administration was chosen because it is narrow enough to enable comparison in performance appraisal across different national public administrations. Still, there might be problems related to the challenges involved in comparing different national concepts and definitions of civil services. For example, some member states apply a narrow concept of the national civil service (e.g. Ireland, Poland, Slovakia), others use a broad definition (e.g. France, the Netherlands, Slovenia).

The surveys were sent in electronic format on 14<sup>th</sup> of July 2016 from the electronic mail address of the Government Office of the Slovak Republic. In the cover letter, the respondents were asked to send the filled survey by 12<sup>th</sup> August 2016. A total of 30 surveys was received, three of them from Norway, Switzerland and Serbia, one from the European Commission. In addition, we received also a note from Austria explaining the context of non-usage of the performance appraisal. The results were discussed in the network of

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<sup>2</sup> This is defined by the EU (regulation No. 549/2013) as “government bodies exercising national executive and legislative power. This encompasses ministerial departments, agencies,

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boards, commissions and legislative independent statutory bodies (excluding non-market non-profit institutions controlled by government units such as the social security system) at all government levels.”

EUPAN Working Level Meeting of human resources experts which took place in Bratislava on 13<sup>th</sup> and 14<sup>th</sup> October 2016 and subsequently in the workshops where the results were discussed in more detail. The results were presented during the 67<sup>th</sup> EUPAN Directors General meeting which took place in Bratislava on 15<sup>th</sup> and 16<sup>th</sup> December 2016. In the discussions, much insight was gained from the experience, practical cases and problems encountered by individual member states which allowed for learning from each other. In addition, many member states supplied additional comments, interesting material and documents during two rounds of the review process on earlier versions of the study.

I hope this study will contribute to a productive debate among practitioners and HR experts in the EU member states, European Commission as well as Norway, Serbia and Switzerland. At this point, I would like to thank all participants in the EUPAN network for the time and energy spent in filling out the surveys and active participation in the workshops. Thanks also go to Slovak EU presidency who commissioned this study. In Government Office of Slovakia, Andrea Dlesková in particular supported me in writing this study. Last but not least, my thanks go also to Nick Thijs from the European Institute of Public Administration for his valuable comments on earlier version of this study.



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# 1 SIGNIFICANCE OF PERFORMANCE APPRAISAL

## 1.1 FRAMING THE TOPIC

One of the most spread reforms in public administration in the past decades has been the requirement for public organisations to set, **track and measure strategic goals, targets and achievements** or so-called result-based reforms (Pollitt & Bouckaert 2004, Moynihan, Pandey 2010). EU member countries are not immune to such trends and as a consequence, we can observe reforms in the public sector where management practices and techniques, including performance appraisal, are being introduced on both central and local levels. Hence, the performance orientation in public organisations has been acknowledged by the European Commission's report on *Excellence in Public Administration for Competitiveness in EU Member States* and in recently updated and published *Public Administration Thematic Fiche*. These developments have been characterised by an attempt to systematically incorporate organisational performance objectives and indicators into human resources management and budgeting with an increased focus on defining and achieving organisational objectives and targets. Performance management (and appraisal) is believed to be beneficial for

organisations and employees to understand the organisation's mission and its most relevant priorities and objectives. Thus, civil servants are to have a more sharply focused picture of what the organisation is to achieve (and ideally how they are contributing to it).

In the *Performance management discourse* a common distinction is made between organisational performance and its review (often referred to as performance assessment) and individual performance, but a whole spectrum of PM instruments has been developed and the most conventional ones are outlined below (EC Toolbox Quality of Public Administration, 2017 upcoming). Sometimes, these techniques are simply replicated across countries, but there are also many variations in their application. Each one can be understood in its own terms, and yet there is also a common thread running throughout – performance information.



TABLE 1: SPECTRUM OF PERFORMANCE MANAGEMENT INSTRUMENTS

INSTRUMENT	DESCRIPTION
Performance budgeting	Allocating resources to public entities based on the link between the funds provided (inputs) and their expected outputs and/or outcomes, using objectives and performance information for decision-making during budget preparation.
Performance agreements	<p><b>Organisational performance agreements</b> are usually negotiated by ministries with their executive agencies or contracted service providers, and signed by the minister or state secretary for one party and the chief executive or top manager for the other. They set out the expectations from the agency/provider in delivering the strategic goals of the ministry, often on the basis of detailed performance targets for operations and outputs, which are linked to a review process and payments.</p> <p><b>Individual performance agreements</b> can form part of the negotiation of an employment contract, setting out the expectations for the coming year, or can be a written agreement within an annual performance appraisal, evaluated as part of that process.</p>
Performance indicators	Data and information are usually collected in the form of performance indicators, in order to monitor, evaluate and audit performance
Performance targets	Giving extra weight to performance indicators in the assessment of success, by either setting an end-value that should be achieved by a pre-determined deadline (e.g. certain % of students achieving grade C or higher, or fall in crime rates by X%), or defining the minimum parameters for success in ongoing processes (e.g. patients to be treated within X time period, or court cases to be completed within X weeks of trial starting).
Performance appraisal	Within human resources management, a set of procedures for assessing the work performance of individual employees, according to pre-determined criteria, usually including personal objectives and, where existing, competency frameworks. Performance appraisals usually also consider the official's learning and development needs, in the context of their performance, prospects and ambitions
Performance-related pay (PRP)	In administrations with PRP schemes, this is the element of an employee's remuneration which is adjusted according to the performance of the official, and sometimes his or her administrative unit and/or institution. Typically, income comprises up to 3 components: base pay is the wage or salary income that every official receives regularly (usually monthly) to reflect their position; additional allowances may be allocated on a regular basis in addition to base pay to reflect specific competences (such as language skills) or requirements (such as travel); PRP is a variable bonus that is typically awarded annually (or possibly bi-annually), following a performance appraisal.

SOURCE: EC Toolbox Quality of Public Administration 2017 upcoming

This study focuses solely on the individual level of performance appraisal.

**Individual performance appraisal** is a function of the human resource management (HRM) that became very

popular among both practitioners and academicians in the wave of New Public Management and is regarded as one of the most powerful human resource practices (Murphy and Cleveland 1995). It provides a justification for human

resource decisions, such as career planning, training, rewards, transfers, termination of employment, counselling, etc. At the same time, performance appraisal provides the opportunity for the employer to communicate to and with the civil servants the values, mission, vision and the objectives of the organisation and it personalises the organisational strategy into individual performance criteria.

The interest in performance appraisal can be attributed to the acclaimed increase in **motivation** of the public servants, although there is an ongoing debate among academics about true motives of public servants which are believed to be “unique” or at least different from regular employees in the private sector (Ketelaar et al 2007). The debate focuses on internal vs. external motivating factors. The arguments of proponents for internal motivation rest on the notion that public type of employment intrinsically motivates individuals because of the attributes of such job, such as high task significance and the creation of or commitment to public value. Researchers in social and economic behaviour propose a positive relationship between external – incentive system - factors on actual motivation and thus the performance of civil servants with the main argument being that motivation can be socially constructed by various tools, including performance appraisal (Ketelaar et al 2007).

Regardless of the motivation of the civil servants to work in public sphere, the institutionalization and utilization of the performance appraisal as a tool is on the

increase in all OECD countries. Many public organisations rely upon some form of performance appraisal system to provide employees with feedback about their individual performance and to help the organisations make decisions about pay increases and/or promotions (DeNisi, Pritchard 2006).

Individual performance appraisal systems often involve **multiple, even conflicting goals** (Cardona 2006). These can include the monitoring of the employees, the communication of the organisational values and objectives to the civil servants, the evaluation of the hiring and training strategies, and the validation of the training practices (Baron, Kreps 1999). Another function of PA is linked to the theories that employees are developmental. In other words, HR practices can increase the value of human capital through development (training, coaching, job rotation, etc.) and PA is a tool for guiding such development. Yet, another function of PA is to use PA as a tool for making promotion-related decisions where the comparison among individuals is of particular importance in contrast to developmental or remuneration function where the comparison is intra-individual.

In addition, Cleveland et al (2006) suggest that **multiple uses of performance appraisal information** raise a question, whether a single performance appraisal system should be in place, since different uses may demand different types of information which can affect the accuracy in distinguishing these, for example in utilizing ranking schemes. Increasingly,

**top managers** are subjected to different performance appraisal systems than the rest of the civil service, regarding the achievement of strategic organisational goals and their managerial and leadership skills. This trend is also seen in the most recent study on top public managers in Europe (Kuperus, Rode 2016).

## 1.2 THE FIELD OF INDIVIDUAL PERFORMANCE APPRAISAL

Individual performance appraisal is one of the most complex and at the same time controversial techniques in human resource management in relation to the motivational value of civil servants. Not that long time ago, nearly all civil servants were paid and advanced in their career more or less automatically based on seniority and thoroughly designed career paths, or even guaranteed lifelong employments (tenures). Under such circumstances, performance appraisals did not have a real effect on everyday administrative life. However, this has changed due to various economic, societal and demographic factors and public sector now reflects the influence of the private sector management practice epitomized as New Public Management (NPM) movement. NPM movement has led to major changes in the organisation and management of the public sector in order to boost organisational performance. As Kettl and Kelman (2008) note, performance management both preceded and outlived New Public Management and continues to be viewed

as a central concept in the future of governance. The introduction of the individual performance appraisal within the realm of performance management in public service is only one facet of a wider movement towards individualization and an attempt to collect data as well as enhance participation in goal setting and feedback to achieve effectiveness in public organisations.

Both academics and practitioners are divided on the perceived effectiveness and usefulness of the tool. Advocates think that performance appraisal brings benefits that offset costs related to the design and implementation of the tool. These benefits may include a lower turnover rate among high performers, possibility to identify poor performers and utilize measures for tackling the problems, increase in productivity and well-being of civil servants associated with their motivations. But most importantly, PA systems generate information and evidence for both civil servants and the organisations on how they are doing and where they stand. The biggest argument of the advocates is that anyone is observing and assessing everyone's performance, formally or informally. PA formalizes the process, makes it open, transparent and people are aware how PA is done, when and what are the results.

Critics view PA as dysfunctional since the very process can produce intentional or unintentional errors (see examples in Box 2), which can occur at any stage of PA, resulting in information not being accurate. Consequently, results are perceived to be subjective and not fair

which may lower the morale, reduces teamwork and creates obstacles between superiors and regular civil servants. Even worse, it may allow for intentional manipulation of results to be higher or lower than the civil servants deserve or it may allow for “gaming” on the side of civil servants, e.g. deliberately focusing only on such tasks which bring positive evaluation. Probably one of the most significant

attacks against appraisals claims that it is the work situation rather than individual him/herself which determines the performance. Consequently, the performance appraisal was perceived by both managers and civil servants as adding little value and there was a high risk of box-ticking. Obviously, there are financial costs related to all the problems named.

TABLE 2: COMMON ERRORS ASSOCIATED WITH PERFORMANCE APPRAISAL

<b>Halo error</b>	One element from the performance favourably determines the overall perception of the performance
<b>Horn error</b>	The opposite of halo error. Downgrading a civil servant across all performance dimensions exclusively because of poor performance in one dimension
<b>First impression error</b>	Developing a negative/positive opinion of an employee early in the review period allowing to influence later perceptions of performance
<b>Recency error</b>	The opposite of first impression error. Allowing performance (good or bad) at the end of review period to play too large a role in determining the entire period
<b>Leniency error</b>	Consistently rating someone higher than is deserved
<b>Severity error</b>	The opposite of leniency error. Rating individuals consistently lower than is deserved.
<b>Central tendency error</b>	Avoiding extremes in ratings across employees.
<b>Clone error</b>	Giving better ratings to an individual who are like the rater in behaviour and/or personality.
<b>Spillover error</b>	Continuing to downgrade an employee for performance errors in prior rating periods.

SOURCE: Milkovich, G. – Newman, J. – Gerhart, B. (2014), p. 388 and Berman et al (2016), p. 405-408

In many EU countries and European Commission, the performance appraisal remains a challenging task which with

time became even more intense and demanding. Therefore, this study explores

how the countries tackled the new challenges at hand.

### 1.3 DEFINITION OF PERFORMANCE APPRAISAL

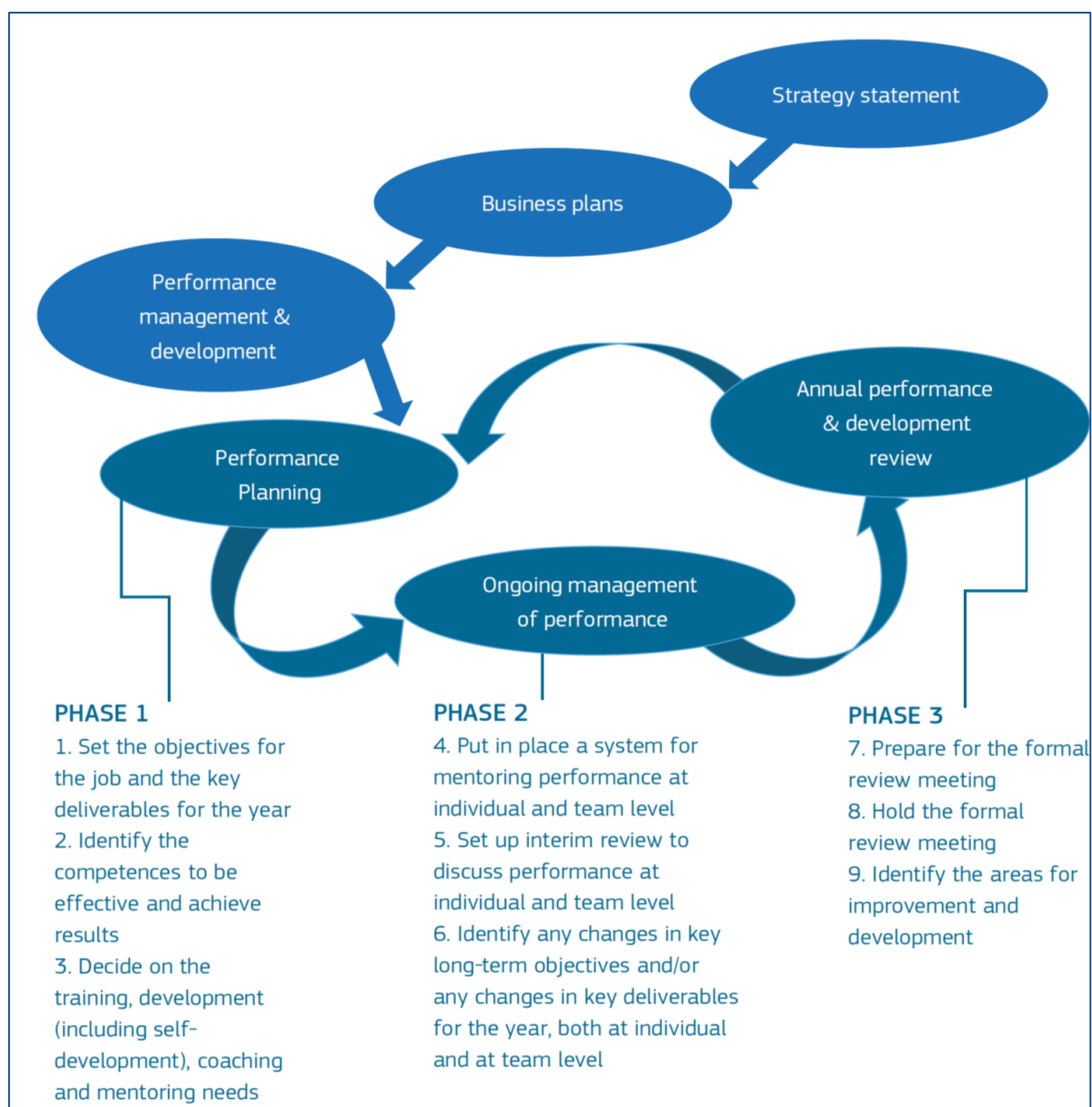
Before going into the results of the survey, it is important to define the key terms. *Performance appraisal* is a discrete, formal, organisationally approved event which states performance dimensions and or criteria that are used in the evaluation process (DeNisi and Pritchard 2006). According to a definition by the Organisation for Economic Co-operation and Development (OECD) performance appraisal is an: *“assessment against a set of predetermined criteria of the economy, efficiency and effectiveness with which an organisation or an individual carries out a particular activity or range of activities. Organisations or individuals may set regular targets on particular aspects of their performance – financial returns, efficiency, quality of services supplied, etc. – against which their performance is monitored and evaluated”*.

At the same time, many authors (e.g. Murphy and Cleveland 1995, Demmke 2007, European Commission 2015) note that performance appraisal should not be

viewed as sole measurement instruments to simply give a numerical estimate of a civil servant's performance. Rather, performance appraisal should reflect a complex web of relations between all the actors in the organisation achieving organisational goals and take into consideration contextual factors. In such a system, performance appraisals are used to agree on targets and goals to be achieved in the following year by individual civil servants but also collectively as a team. Therefore, most practitioners and academics today agree that performance appraisal is not only about the measurement of job performance but also about motivation, communication and overall relations within the organisation and performance appraisal plays a strategic role in the overall organisational framework.

The ultimate goal of performance appraisal is to generate and utilise information that assists the decision makers in taking human resource decisions that would improve the individual performance and motivation of the civil servants, as part of the larger organisational performance management system.

FIGURE 1: STRATEGIC PERFORMANCE FRAMEWORK



SOURCE: Quality of Public Administration. EC Toolbox for Practitioners (2015)

# EMPIRICAL RESULTS

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## 2 GENERAL INFORMATION ON PERFORMANCE APPRAISAL

### 2.1 MANDATORY NATURE OF PA

As of July 2016, performance appraisal is mandatory in 30 countries out of 31 surveyed countries (including European Commission). Nevertheless, some countries have introduced this instrument only recently and are still either in an experimental phase or PA has not yet been fully implemented. This is the case of Greece and Slovakia<sup>3</sup> and to a lesser extent also Spain and Luxembourg. In Greece PA was only introduced in 2016 and thus it has not yet been implemented. Similarly, Spain and Luxembourg had their PA processes introduced in 2015 and both countries are in an experimental phase evaluating the whole process at the time of writing. Italy<sup>4</sup> and Malta have a

mandatory performance appraisal for middle/top managers and headships, respectively, while PA is not regularly implemented for regular civil service where there is the flexibility of choice and it depends on the internal regulations of administration. In Ireland, a new performance management process for Secretaries General (Heads of Government Departments and Offices) was only launched in 2016 in addition to the existing PA for regular civil servants and senior civil servants.

The only country where performance appraisal is not in place is **Austria**, where due to the principle of Outcome Orientation performance of public administration in Austria, the performance is evaluated on the results of the organisation as a whole rather than on individual results since 1<sup>th</sup> of January 2013. Concrete objectives and outcomes are defined and made measurable through the use of indicators. Two instruments have been developed for this new approach: strategic priorities are defined by means of performance management, i.e. via outcome objectives

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<sup>3</sup> Slovakia passed its new Civil Service Law in February 2017 which also re-introduces the performance appraisal as of 1st of June 2017 and which is made mandatory after eight years of absence. Mandatory performance appraisal scheme was abolished in 2009 reform and was made voluntary when each agency could decide on its own if PA was being utilized.

<sup>4</sup> In Italy, mandatory performance appraisal was recently extended also to regular civil servants. The performance of an individual is assessed through the prism of his/her contribution to overall objectives (for managers) and to the unit's objectives (for other civil servants). The evaluation

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framework is part of a wider set of norms that defines a performance management cycle for all administrations.



and the corresponding output (i.e. public administration action) which are brought in line with this overall strategy by means of regulatory impact assessment. In addition, an obligatory **staff appraisal interview** has to be carried out annually involving all superiors and each of their staff members. As the appraisal interview is a tool of management by objectives a set of maximum five objectives is stipulated within the run of the interview. The outcome will be evaluated and discussed within the next interview. However, there is no formal assessment or rating of individual performance. Career development is not linked to the evaluation. Financial rewards are not used for fostering performance improvement, and evaluation has also no impact on non-financial rewards and benefits. Therefore, in the subsequent discussions of the performance appraisal design, we have not included Austria.

The countries differ significantly in the way how the **performance appraisal is being mandated** depending also on public administration culture. The most common way is to have a central regulation (Civil/Public Service Law), supplemented by secondary legislation where details of the procedures, criteria, etc. related to performance appraisal are set out. Two countries have the mandatory nature anchored in Royal decrees: Belgium and Spain. In Spain, performance appraisal is regulated in a primary law, which is the Royal Legislative Decree 5/2015, of October 30th, which approves the

consolidated text of law for the Basic Statute of Public Employees. Five countries have collective agreements between civil service management and staff unions in place as a way of setting a general frame for performance appraisal: Denmark, Finland, Ireland, Norway and Sweden. Central collective agreement allows for higher flexibility in local adaptations by individual agencies, for instance in the form of a specific design of annual development interviews between management and staff (Denmark) and we will look at this factor in this study in the actual design of performance appraisal.

## 2.2 SANCTIONS

Six out of 30 respondent countries do not have any sanction mechanisms in place if performance appraisal was not undertaken. These include: Bulgaria, Estonia, the Netherlands, Norway, Romania and Spain.

The 24 countries that sanction non-compliance with the mandatory obligation of PA, utilize a range of sanctions, including PA itself for the managers who did not undertake the PA and which is negative with further consequences, such as possible hearings because of the violation of the collective agreement (Sweden) or delays in salary progression (Belgium, Latvia).

TABLE 3: EXISTENCE OF SANCTIONS IN CASE PA WAS NOT UNDERTAKEN (N=30)

SANCTIONS (TYPE)	COUNTRIES	ABSOLUTE NUMBER	%
No	Bulgaria, Estonia, the Netherlands, Norway, Romania, Spain	6	20%
Yes		24	80%
Reflected in PA (negative) of respective manager	Belgium, Croatia, Sweden	3	10%
Disciplinary measures for not fulfilling duty	Cyprus, Czech rep., Greece, Hungary, Ireland, Italy, Lithuania, Luxemburg, Poland, Slovakia	10	33,3%
Appeal procedure before Joint Administrative Committee + admin. Law procedure	France	1	3,3%
Violation of collective agreement (possible hearings)	Denmark, Sweden	2	6,6%
Salary progression delayed	Belgium, Latvia	2	6,6%
Salary bonus blocked / performance related pay blocked	Latvia, Malta Italy	3	10%
Promotion blocked	European Commission	1	3,3%
Compensatory fine	Finland (possible), Slovenia	2	6,6%
Termination of respective function	Portugal	1	3,3%

SOURCE: Staroňová, K. (2017) Performance Appraisal Information in the EU Member States and EC

The most utilised type of sanctions are disciplinary procedures for not fulfilling the duty and these occur in ten of the countries (Cyprus, the Czech Republic, Greece, Hungary, Ireland, Italy, Lithuania, Luxemburg, Poland and Slovakia). Nevertheless, sanctions can also block promotion (European Commission), block bonuses (Latvia, Malta) or block performance-related pay (Italy), give compensatory fine (Finland, Slovenia) or

even lead to the termination of the respective function (Portugal).

## 2.3 SCOPE OF PERFORMANCE APPRAISAL

Most of the countries have the obligation to conduct PA for the entire civil service. Still, there are countries where certain specific categories either have special provisions for PA (in addition to existing

regular civil service) or special provisions on the frequency of conducting performance appraisal. Some categories are even exempted from performance appraisal all-together.

Typically, civil servants on probation, or those who worked for less than six months, are being exempted from the

obligation to conduct PA (Croatia, Portugal, Slovakia, Serbia, Slovenia and if seen appropriate also in Germany). Belgium and France delay performance appraisal for those who are physically not available. Also, civil servants who are employed for a fixed term are exempted from performance appraisal (Serbia).

TABLE 4: EXEMPTED CATEGORIES OF CIVIL SERVICE FROM PA (N=30)

REASONS FOR EXEMPTION FROM PERFORMANCE APPRAISAL	COUNTRIES
On probation Worked for less than 6 months Worked for less than 1 year	Germany Croatia, Serbia, Slovakia, Slovenia Portugal
Physically not possible to conduct (PA is delayed)	Belgium, France
Fixed term employment	Serbia
Top civil service managers/ Key senior management	Luxembourg, Malta, Poland, (Germany - can be exempted)
CS with political confidence	Lithuania
CS in “public functions” (political nominees in top functions)	Slovakia
Advisors to political nominees	Slovakia
Permanent secretaries of ministries, deputy minister to president, secretary of the Council of Ministers	Cyprus

SOURCE: Staroňová, K. (2017) Performance Appraisal Information in the EU Member States and EC

NOTE: Top Civil service managers and key Senior Management in Malta are exempted from the normal performance appraisal system, but are subject to a performance assessment, in view that this category is entitled to a performance bonus.

## 2.4 PERFORMANCE APPRAISAL OF TOP MANAGERS

A specific category seems to be **top civil servants/top managers**. In this study, we have not focused specifically on this group. Top managers are the sole focus of the 2016 study under the Dutch Presidency (Kuperus, Rode 2016), including the performance appraisal function. In this study, we highlight some

interesting specific approaches which countries employ particularly towards the top managers vis-a-vis regular civil service. Kuperus and Rode (2008, 2016) argue that it is enough to utilize only one of the special conditions in any of the HR functions that differs from regular civil service, such as recruitment, entry exam or education, employment system, the length of contractual basis, support or remuneration. Though top management is not formally recognised by law, it still qualifies as senior civil service. In fact, their recent study (Kuperus, Rode 2016)

found out that there is a clear development towards more formalized top civil service with special status and special conditions which shows acknowledgement of the differences in their work, and therefore necessity to also differentiate other organisational matters from that of regular civil service.

Existing convergence to acknowledge top managers as a specific group in contrast to regular civil service would suggest a similar general approach to the design of specific performance appraisal of such specific group. To the contrary, from the surveys we can differentiate several general approaches to this category which differ or even contradict each other:

- Mandatory performance appraisal for top/senior management as opposed to regular civil service (Italy, Malta)
- Exemption of key senior managers or top managers from performance appraisal altogether (Luxembourg, Poland and Germany, if seen appropriate).
- Parallel system for leaders/top/senior management in addition to regular performance appraisal (most of the countries, e.g. Estonia, Finland, Ireland, Latvia, France, Portugal)

Parallel systems of performance appraisal with a specific one or more elements of the performance appraisal process/design are the most utilised ones. An earlier survey on Measuring Individual and Organisational Performance, commissioned by the Portuguese

Presidency (Demmke et al 2008), has given evidence that in 41.7% of all countries specific/parallel systems of performance appraisal were introduced for senior/top managers. A Recent survey on Top Public Managers in Europe, commissioned by the Dutch Presidency (Kuperus, Rode 2016), suggests that all member states except for Luxembourg, Spain and Slovakia have a regular performance appraisal for top public managers. Each member state has developed its own system of performance appraisal for top civil servants with a different scope and focus on individual PA structural design components, such as frequency of PA, rating framework, appraisal components, appraisal method, involvement in the appraisal process or information use.

Some of the individual nuances are also apparent in this study and are going to be discussed individually at a relevant place. For example, the **frequency of performance appraisal** of top managers changes in Latvia and France. While the frequency of PA is higher for top managers in France, it is lower in Latvia where PA for managers is once in two years, whereas for all the other civil servants once a year. In terms of **involvement** in the PA process, some countries increase the number of actors for top managers as opposed to regular civil service, i.e. Latvia, Ireland, France. In Latvia, the process of PA for top managers requires setting up a committee as opposed to only one actor – immediate superior – for regular civil service. Similarly, the number of actors as a **source**

**of information** for the appraisal is increased for top managers in Estonia, France and Ireland where degree PA form is utilised for the group of top/senior civil service (as opposed to immediate superior in regular civil service). In several countries, **performance agreements** are made upon the appointment to a managerial position, such as in Finland.

Portugal as of 2007 integrated a system for management and performance appraisal in the public administration under the name of SIADAP. However, it created three subsystems for:

- PA services,
- PA managers,
- PA workforce.

*Ireland, for example, committed to the design of new performance management process for senior civil servants in the Civil Service Renewal Plan, a broad reform plan for the civil service, published in 2014. The process, which includes 360 feedback and an emphasis on development, launched in 2016, following a pilot process involving senior civil servants in 2015. In addition, preparatory work for a new performance management process for Secretaries General (Heads of Government departments and offices) took place in 2016. Preparatory work, including the setting of objectives by Secretaries General, took place in 2016 and will inform the finalisation of the performance management system for full implementation in 2017. This process is being overseen by a Performance Review Group comprising of the Secretary General to the Government and the Secretary General of the Department of Public Expenditure and Reform and an external member.*

# 3 STRUCTURAL ASPECTS OF PERFORMANCE APPRAISAL

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Structural aspects of performance appraisal are those aspects of the system that make up the design of the performance appraisal. Typically, it relates to the frequency of the appraisal, performance dimensions that are rated, sources for the performance information, and the like.

## 3.1 FREQUENCY OF REGULAR PERFORMANCE APPRAISAL

The value of performance appraisal (and the information use from performance appraisal) is highly dependent on the frequency of the measurement effort. Research shows that effective PA should be fairly frequent and ideally on an ongoing basis, rather than in annual or semi-annual frequencies, so that the obstacles in achieving goals or development can be immediately addressed and useful. Recent research indicates that “Millennials” like to have feedback frequently – annual review is not

sufficient for most younger civil servants and their preference is quarterly, monthly or even weekly feedback sessions (Twenge and Campbell 2012).

Out of 30 countries included in the study, 22 utilise performance appraisal annually. In order to ensure more accuracy in appraisal, Serbia prepares performance appraisal for each quarter of the year and based on these the actual annual performance appraisal is being prepared.

There are countries which conduct performance appraisal on a semi-annual basis (Hungary, Ireland and Malta) but also on a 24-months basis (Poland, Portugal). Luxembourg is the only country with even less frequency, only 2-3 times in a career of a civil servant. Denmark, the Netherlands and Germany have laid down either in the law or in collective agreements only minimal framework for the frequency of performance appraisal and the actual frequency (usually more frequent than the framework suggests) is set on organisational level and thus varies across individual organisations.

TABLE 5: FREQUENCY OF REGULAR PERFORMANCE APPRAISALS (N=30)

FREQUENCY	ABSOLUTE NUMBER	%
<b>Once a year</b> Belgium, Bulgaria, Croatia, Czech Republic, Cyprus, Estonia, European Commission, Finland, France, Greece, Italy, Latvia, Lithuania, Norway, Romania, Serbia, Slovakia, Slovenia, Spain, Sweden, Switzerland	21	70%
<b>Twice a year</b> Hungary, Ireland, Malta	3	10%
<b>Every two years (24 months)</b> Poland, Portugal	2	6%
<b>Frequency differs at organisational level (decentralized)</b> At least once a year – Denmark, the Netherlands At least once every three years - Germany	3	10%
<b>2-3 times in a career of a civil servant (progression in career)</b> Luxembourg	1	3%

SOURCE: Staroňová, K. (2017) Performance Appraisal Information in the EU Member States and EC

Seventeen of the 30 countries recognise certain categories of civil service or occasions, in the design of the appraisal process, where **a change of the frequency in performance appraisal** is required as opposed to the standard frequency of PA of regular civil service. The three dominant reasons to either increase or decrease the frequency of performance appraisal are (see Table 5): a) previous performance was not satisfactory b) during the civil servant's first months in post and/or serving under probation c) top/senior civil service mentioned above. Other, less frequent reasons are mobility, promotion and leaving the organisation.

**Underperformance.** The first reason for frequency change is that of detected underperformance in the last performance appraisal. The next re-evaluation is initiated sooner – usually after six-month period - which is either in the mid of the annual evaluation period (Belgium, Czech Republic, Lithuania and Slovakia) or in the first quarter of the bi-annual evaluation period (Poland). Some

countries, though, initiate re-evaluation even sooner than within the first half of the annual evaluation period, after the first three months (Latvia and Switzerland). In Serbia, an extraordinary procedure is initiated already 30 days after the “unsatisfactory” performance appraisal.

*Ireland has, since 2011, launched Guidelines for the Management of Underperformance with the view of an improvement of the performance by the use of a Performance Improvement Action Plan, during which assessments take place no later than every two months. Recently, changes have been made to both the Underperformance policy management and Disciplinary Code where the latter came into effect in September 2016 and Underperformance Policy is coming into effect in January 2017.*

**Probation.** Newly appointed civil servants serve a certain time in a probationary



period, whose length differs from country to country. Nevertheless, those countries (4) that do assess their civil servants during the probationary period, do so more often than with regular civil servants. In Ireland, a newly appointed civil servant is assessed at 3, 6 and 9 months of a one-year probationary period. In Cyprus, newly appointed civil servants are on probation for the first two years during which performance appraisal is conducted on a semi-annual basis. In Finland, performance appraisal is conducted after first six months and then regularly on annual basis. New civil servants are usually assessed more frequently also in Norway, nevertheless, this approach is not a mandatory one.

**Top/senior management.** Four countries change the frequency of PA for top managers. France and Malta change from annual to semi-annual basis. In Portugal, PA is carried out at the end of the

executive tenure of the top manager, but annually there is a midterm assessment. Latvia, on the other hand, decreases the frequency from annual to 24 months frequency. This is quite an unusual procedure since top managers are usually exposed to stricter accountability mechanisms.

**Other reasons.** The mobility of the civil servants is another reason for conducting a performance appraisal, particularly if bounded with a substantial change of duties. This is the case of Poland and Slovakia if a change of a position occurs and the Czech Republic when leaving for another public organisation (exit performance appraisal). Romania conducts performance appraisal with a promotion in the professional grade and/or upon leaving the institution. In Belgium, tenure track has four moments during the stage year when performance appraisal is conducted.

TABLE 6: CHANGE IN FREQUENCIES FOR PA BASED ON SPECIFIC REASONS (N= 17)

REASONS FOR FREQUENCY CHANGE	FREQUENCY AS OPPOSED TO REGULAR PA	COUNTRIES	ABSOLUTE NUMBER	%
Underperformance	More frequent	Belgium, Czech Republic, Finland, Ireland, Latvia, Lithuania, Poland, Slovakia, Serbia, Switzerland	10	59%
Probation	More Frequent	Cyprus, Finland, Ireland, Norway	4	23,5%
Top / senior management	More frequent Less frequent	France, Malta, Portugal Latvia	4	23,5%
Mobility		Czech Republic, Poland, Slovakia	3	17,6%
Promotion	Upon promotion	Romania, Slovakia	2	11,7%
Exit PA	Upon exit	Romania	1	5,8%
Tenure	4 moments during stage year	Belgium	1	5,8%

SOURCE: Staroňová, K. (2017) Performance Appraisal Information in the EU Member States and EC



## 3.2 COMPONENTS OF PERFORMANCE APPRAISAL

In terms of the span of the components evaluated during the performance appraisal, the academic literature indicates broad multi-dimensional systems which may range from

mechanistic checklists to listing general criteria based on structures, or competency models to qualitative result discussions. In general, there are two ways how to approach individual performance appraisal in terms of its components. Traditionally, performance is rated on the basis of a set of criteria and indicators and scored on a scale.

TABLE 7: PERFORMANCE APPRAISAL COMPONENTS (N=29)

COUNTRY	PAST RESULTS	PAST BEHAVIOUR	STRENGTHS	WEAKNESSES	JOB KNOWLEDGE	COMPETENCIES	PAST PROGRESS	OVERCOMING MISTAKES FROM LAST PA	FUTURE DEVELOPMENT	FUTURE GOALS/TARGETS	MONITOR CS GOAL/TARGET	MONITOR UNIT GOAL/TARGET	IMPROVEMENT RECOMMENDATIONS	OTHER
Belgium	•	•				•	•			•	•			
Bulgaria	•	•	•	•	•	•			•				•	
Croatia	•	•			•	•				•	•	•		•
Czech R.	•	•			•	•	•			•	•		•	
Cyprus	•	•	•	•	•	•			•					•
Denmark	•	•	•	•	•	•	•	•	•	•	•	•	•	•
EC	•	•	•	•	•	•	•	•	•	•	•		•	•
Estonia	•		•	•		•		•	•	•	•			
Finland	•	•	•	•	•	•	•	•	•	•	•	•	•	
France	•	•	•	•	•	•	•	•	•	•	•		•	•
Germany	•	•	•		•	•			•	•			•	•
Greece			•	•	•	•		•	•	•	•	•	•	
Hungary	•	•			•	•			•	•			•	•
Ireland	•		•		•	•			•		•		•	
Italy	•	•				•					•	•		
Latvia	•	•	•	•	•	•			•	•	•	•		•
Lithuania	•										•		•	
Luxembourg	•	•			•	•								•
Malta					•	•			•	•	•	•	•	
Netherlands	•	•	•	•	•	•	•	•	•	•	•	•	•	•
Norway						•	•		•	•				
Poland	•		•	•	•	•			•	•			•	
Portugal					•	•			•	•	•		•	
Romania	•	•			•	•				•	•			
Serbia	•	•									•			•
Slovenia	•	•			•	•		•			•			
Spain	•	•			•	•				•				
Sweden	•	•	•	•	•	•	•	•	•	•	•	•	•	•
Switzerland	•	•	•	•	•	•	•	•			•		•	
<b>TOTAL</b>	<b>25</b>	<b>21</b>	<b>15</b>	<b>13</b>	<b>22</b>	<b>26</b>	<b>10</b>	<b>10</b>	<b>17</b>	<b>20</b>	<b>21</b>	<b>9</b>	<b>17</b>	<b>12</b>

SOURCE: Staroňová, K. (2017) Performance Appraisal Information in the EU Member States and EC

NOTE: Since Slovakia does not have a secondary legislation regulating performance appraisal approved yet, it is not a part of this table.

Alternatively, PA is used to agree on goals, targets stemming from the organisational strategic goals and goals to be achieved by the civil servant within a set timeframe.

The survey has confirmed that all of the countries view performance appraisal (and reporting) as **multidimensional exercise** (Table 7). Only Norway is a country with two components, however, it is also a country where collective agreement allows for flexibility of choice in components to be set by individual organisations. Thus, there is no one way of representing performance.

The present development towards **competency management** and the individual target system is also reflected in the performance appraisal systems of the countries. The survey clearly shows that particularly **competence** has assumed great importance in assessing the civil service – only Lithuania and Serbia have not included competence as a component in the performance appraisal. This is one of the major shifts since the survey conducted by Demmke et al (2008) in 2007 when only half of the countries included competence in the performance appraisal. Thus, at this point, the degree of centralization vs. flexibility does not play a role and more flexibility is given to the raters in the choice of performance components also under career systems. In fact, when we look at the degree of centralization in various procedural aspects of PA (see more in Section 4.2. Centrally standardised procedural aspects vs. Flexibility in choice), we can see that the biggest flexibility in career systems is

given exactly to the choice of the performance components.

*In Poland, there are 14 criteria/competencies set in the regulation: 5 obligatory for all evaluated persons, and maximum 3 of remaining 9 to be chosen by evaluators in line with the specifics of the position. Set of 5 obligatory criteria/competencies differs between managerial positions and regular civil service.*

The results also show that the importance is given to the **past results and past behaviour** appraisal in combination with the monitoring of the fulfilment of the set goals, which are typical traditional components of the performance appraisal, at the same time. Many countries also include job knowledge appraisal. Nevertheless, Greece, Malta and Portugal do not have these past oriented components as a part of the performance appraisal, but rather focus on the development of the civil servants. Only Bulgaria, Cyprus, and Luxembourg do not combine components of past results with goals (either future or monitoring of goal fulfilment). In Belgium, past results are linked with the monitoring of the fulfilment of the set goals.

Second biggest cluster relates to **future development and improvement recommendations for civil servants**. Naturally, those countries that include future development of civil servants into performance appraisal also look into strengths and weaknesses of the civil servants while those countries which do

not have a component of future development do not evaluate strengths and weaknesses.

**Setting individual future goals and targets** as part of the performance appraisal can be found in 20 countries. Thus, from this perspective transformation of strategic organisational goals into individual ones, within performance appraisal, became relatively frequent. Twenty-one countries monitor individual goal and target achievement in the performance appraisal.

Performance appraisal that is also **team oriented or collective**, rather than individual is still relatively rare despite the great influx of team-based work environments. Only nine countries monitor collective unit goal achievement: Croatia, Denmark, Finland, Greece, Italy, Latvia, Malta, the Netherlands and Sweden. However, when we looked into the question of who is the subject of performance appraisal, 27 countries out of 30 evaluate only individual performance. Only three countries evaluate individual and team performance jointly and even that is rather more case dependent than a rule. Bulgaria, Belgium and Sweden also look how individual employees contribute to reaching team objectives. In Denmark, the collective agreement on development interviews allows for evaluating the individual employee's contribution to the collective unit.

Collective/team performance appraisals are not mandatory in a standardised way, however, it exists in some agencies, since

performance appraisal structure is decentralised, in Finland. In France, it can be linked to collective performance related pay.

*As part of the new performance management process for senior civil servants (other than Secretaries General) in Ireland, individuals set objectives under 4 categories – policy, operational, leadership and collaboration – to reflect the full range of challenges faced by the senior leadership. In particular, the inclusion of leadership and collaboration objectives reflects the responsibilities of senior leaders in leading change, contributing to the broader management team within their organisation, and collaborating on a whole of Department and Government projects. Development objectives related to professional development, competency development, and long-term career aspirations are also set. These are informed by 360 feedback, which is an integral element of the performance management process for senior civil servants.*

### 3.3 SOURCES OF DATA FOR PERFORMANCE APPRAISAL

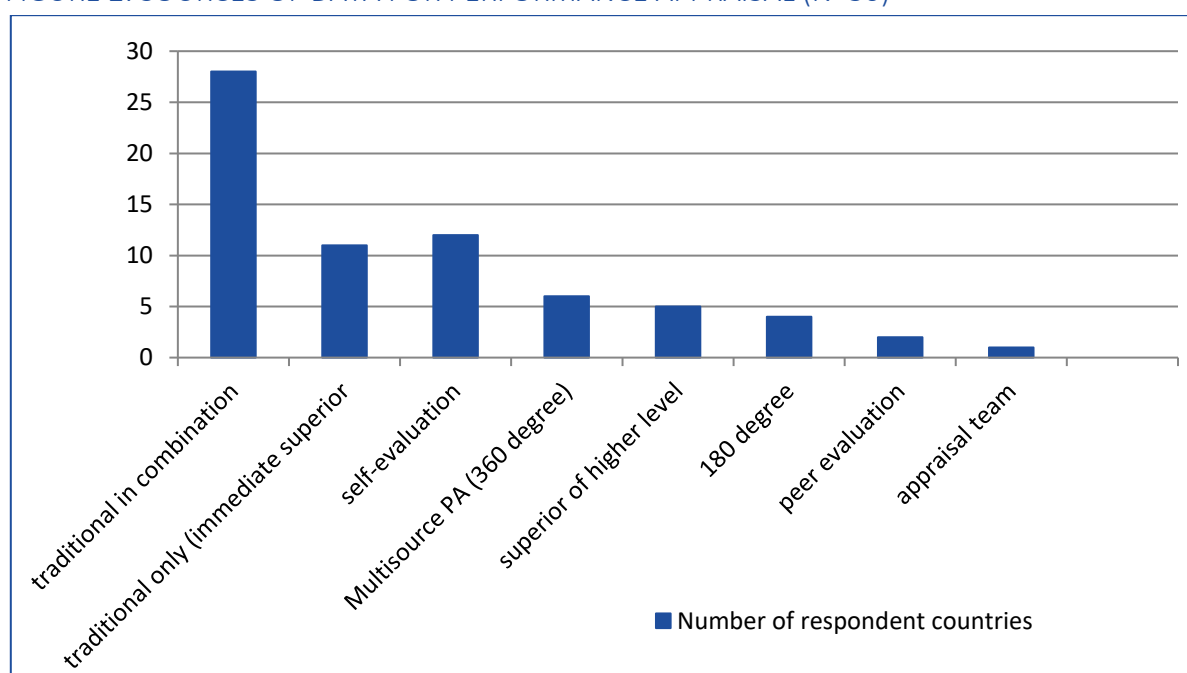
One of the greatest structural changes that has occurred during the past two decades is the implementation of other sources of performance data rather than rely on a traditional source of immediate supervisor: multisource (also called 360-degree) systems, peer ratings, self-

evaluations, subordinate evaluations of their supervisor (also called 180-degree) systems, etc. Particularly, the multisource systems and peer reviews received a big attention in performance appraisal realm (Levy and Williams 2004, Murphy, Cleveland and Mohler 2001). These systems often include input from one or more supervisors, several peers and subordinates and may also include self-assessments or evaluations from others within or outside the organisation. Although the research is still inconclusive on whether inclusion of various sources increases the accuracy, reliability, and validity of appraisals (Murphy, Cleveland and Mohler 2001), the key assumption behind including several sources rather than one is still valid. The evaluations stemming from various sources contain information that is relevant and useful to the individuals being evaluated and such information becomes the basis for civil

servants' future development, training and career planning.

The survey results show that the most commonly used source for performance appraisal continues to be the **traditional immediate superior** who evaluates and rates his/her subordinates (28/30 or 93%). This is a natural assumption based on the simple fact that the superior is presumed to have information about the behaviour and performance of his/her subordinates and is held accountable for accomplishing organisational goals. Nevertheless, many countries started to combine this traditional method with other sources (see Figure 2) and only eleven countries use the traditional method as the sole method of performance appraisal: Croatia, Italy, Luxembourg, Malta, Norway, Poland, Romania, Slovenia, Serbia, Slovakia and Sweden.

FIGURE 2: SOURCES OF DATA FOR PERFORMANCE APPRAISAL (N=30)



SOURCE: Staroňová, K. (2017) Performance Appraisal Information in the EU Member States and EC

Denmark, Finland and Norway have decentralised the freedom to choose the source of data for appraisal to the organisational level. Nevertheless, some countries started to utilise also other types of performance appraisal sources, usually in combination with the traditional one.

**Self-evaluations** are based on the belief that civil servants have important insights about how their jobs should be/are done and thus can provide valuable information. These are considered to be the easiest to obtain with several benefits: a) contribution to the positive civil servants' perception of the appraisal process b) participation in the process (particularly if combined with feedback and participation) c) method for clarifying expectations, requirements and adjustments. Thus, self-evaluations can provide valuable information about the system and contextual factors. Eleven out of 30 countries utilise this simple method of an additional source of data – self-evaluation - which they combine with traditional performance appraisal or even with traditional and other sources of data. The following countries include self-evaluations as a component of PA system: Bulgaria, European Commission, Finland, Hungary, Ireland, Latvia, Lithuania, the Netherlands, Portugal, Spain and Switzerland. In addition, the Czech Republic and Slovakia are introducing self-evaluation as a voluntary tool to be used during the performance interview. Italy utilizes self-evaluation both for managers and top managers.

**Peer evaluations** (also known as team evaluations) are sometimes viewed as superior to other types of sources, in part because they have enhanced reliability as a by-product of aggregated results from the average of several evaluating individuals (Murphy, Cleveland and Mohler 2001). In terms of information value, peers are often in a better position to evaluate job performance than superiors as they may have a better understanding of the factors leading to the performance, particularly in a team-oriented work environment. Nevertheless, the results show that only two countries utilise peer evaluation in their performance appraisals: the Netherlands and Ireland. Peer evaluation, however, is usually part of the 360-degree feedback which is discussed below. For example, in the case of Ireland, peer evaluation for senior civil servants takes place as a part of the 360 feedback that is an integral element of the performance management process.

A broader variant of performance appraisal is also called a **multisource** (360-degree PA) and **180-degree** PA which by definition provides more data than the other approaches. The former method gets information on performance from five points of view: supervisors, peers and subordinates, self and “customers”. Both are administratively complex and time-consuming. The 360-degree PA tool is usually used for top managers and civil service development rather than for administrative decisions on remuneration or promotion. In the 180-degree assessment, the civil servants are given

the opportunity to appraise the performance of the superior. Our survey confirmed that multisource systems are predominately used and designed for the group in top/senior civil service in Estonia, France and Ireland. In addition, Latvia, the Netherlands and Greece utilise the multisource PA – these countries use PA information for the development of civil servants as well. Latvia and Switzerland

utilise **180-degree** performance appraisal where civil servants have the opportunity to comment confidentially on their managers' performance on a voluntary basis.

**Superiors of a higher level.** In five countries (Belgium, Bulgaria, Cyprus, France, Germany) the PA process involves the superior's supervisor as well.

TABLE 8: SOURCE COMBINATION FOR PERFORMANCE APPRAISAL (N=30)

SOURCES COMBINATIONS	COUNTRIES	TOTAL NUMBER (PERCENTAGE)
Traditional source as sole method (immediate superior)	Czech Republic, Croatia, Italy, Luxembourg, Malta, Norway, Poland, Romania, Slovenia, Serbia, Slovakia, Sweden	12 (40%)
Traditional source + self-evaluation	Bulgaria, European Commission, Finland, Ireland, Latvia, Lithuania, Hungary, Portugal, Spain, Switzerland	10 (33%)
Traditional + superior of a higher level	Belgium, Bulgaria, Cyprus, France, Germany	5 (16,6%)
Traditional + 180-degree (on voluntary basis)	Switzerland	1
Traditional for regular CS + multisource for top managers	Estonia, France, Ireland	3 (10%)
Traditional + multisource	Latvia, the Netherlands	2
Only multisource	Greece	1

SOURCE: Staroňová, K. (2017) Performance Appraisal Information in the EU Member States and EC

In sum, this survey brings evidence that there is an increase in utilisation of other sources for an appraisal than traditional immediate superior and thus there is an effort to lessen the impact of one reviewer, and in this way to increase participation process. Ten years ago, Demmke et al (2008) noted that other tools (particularly 360, 180-degree assessments) are not widely used in the European Union. This is slowly changing, particularly in relation to top managers and voluntary testing of the tool. Still, almost half of the studied countries rely on the traditional source which decreases the amount of information that can be

generated from the appraisal process for the benefit of the evaluated civil servant. Again, this finding is surprising in relation to teamwork environment where one would expect peer ratings as a source of information on team cooperation, conflict resolution, etc.

### 3.4 TRAINING IN PERFORMANCE APPRAISAL

The academic literature identifies several factors as having a strong influence on culture in which performance appraisal operates successfully. The strongest is the



extent to which the formal appraisal process is taken seriously by the organisation. According to Longenecker et al (1987), it means, first of all, to provide training for the officials who conduct performance appraisal on all aspects of the process, including how to conduct a good interview, how to handle problems, how to coach and counsel. He found out that a “modelling effect” takes place with managers following the practice of the higher-level executives, i.e. they learn from their boss how to conduct the review but also how to game the review.

Despite the evidence of training’s effectiveness at improving the quality of performance appraisal, our survey shows that **regular obligatory training is rather an exception** (see Table 9). In fact, only six countries – 20% (Malta, Slovenia, Portugal, Sweden, Switzerland and Slovakia as of June 2017) formally require regular training on performance appraisal, which became a part of the management training, when a person starts a managerial position. In Slovenia, functional knowledge of human resource management (and thus also performance appraisal) is a part of the mandatory training for senior management. In Sweden, it is a part of the leadership program with involvement of trade unions and is flexible on the organisational level. In Slovakia, new civil service law (in force as of June 2017) requires new civil servants in managerial positions to take managerial training, including performance appraisal. The organisation can choose either from a training offered by the free market or by the Government

Office which will be coordinating and supervising the implementation of the new Civil Service Law. Additional five countries – Greece, Hungary, Ireland, the Netherlands and Spain - had a one-time obligation of training only **when performance appraisal was introduced** but currently do not offer any training on a regular basis.

*In Spain, performance appraisal has been introduced only recently and is still in some units in an experimental phase to test the methodology since it requires a cultural change within the administration. Therefore, there are two different types of training related to performance appraisal: one is geared towards public employees in general, the other one is specifically intended to administrative units in charge of developing pilot programs for performance appraisal. Attendance to those training courses is only mandatory in the latter case. These training courses examine the tools which can be used in performance appraisal, how to hold assessment interviews, make competence profiles, etc.*

63% of all the surveyed countries (20 out of 30) **do not have any obligatory training** in place at all, although seven out of these (23,3%) recommend and even offer training on performance appraisal to their civil servants. Belgium, Croatia, European Commission, Latvia, Luxembourg, Portugal and Serbia or in other words typical career based systems (except for Latvia and with recent reforms also Portugal), have their own specific training, usually in National Schools for Public Administration, which

are highly recommended to take for new managers. In Portugal, such a training is a part of senior training program. The course on performance appraisal is also offered on a regular basis in the State Administration School of Latvia. Serbia also recommends to regularly take part in “relevant” training. Czech Republic recommended to take PA course at the time of introducing the new system in 2015 and the course was offered on a one-time basis by the Ministry of Interior.

Twelve countries (40,3%) do not have a central scheme or obligation to provide

any training of this type. However, Denmark, Finland and Poland, although not having a central scheme or obligation for performance appraisal training, may organise (or require) PA training on a decentralised basis in individual organisations/offices. Bulgaria, Cyprus, Estonia, France, Germany, Italy, Lithuania, Norway, Romania and Slovakia are countries where no training occurs on performance appraisal issues. Surprisingly, these are mostly career based countries (except for Estonia).

TABLE 9: TRAINING IN PERFORMANCE APPRAISAL (N=30)

TYPE OF TRAINING IN PA	COUNTRIES	NO.	%
<b>Raters are OBLIGED to undergo training in PA</b>			
Regular – Link to managerial position	Malta, Slovenia, Portugal, Slovakia, Sweden and Switzerland	6	20%
One-time obligation – when PA system was introduced	Greece, Hungary, Ireland, the Netherlands, Spain	5	16,6%
<b>Raters are NOT OBLIGED to undergo training in PA</b>			
Trainings are recommended and offered in National Schools of PA on a regular basis	Belgium, Croatia, European Commission, Latvia, Luxembourg, Portugal, Serbia	7	23,3%
One- time recommendation - when PA system was introduced (one-time project)	Czech Republic	1	0,3%
No central scheme, but decentralized offices may organize	Denmark, Finland and Poland	3	10%
<b>Raters are NOT OBLIGED and there is no formal recommendation or training scheme in place</b>			
No central schemes for training	Bulgaria, Cyprus, Estonia, France, Germany, Italy, Lithuania, Norway, Romania	9	30%

SOURCE: Staroňová, K. (2017) Performance Appraisal Information in the EU Member States and EC

In sum, seventeen countries either oblige or recommend taking training in performance appraisal. In the survey, we asked in such cases to indicate the overall number of hours dedicated towards PA training and contents of such a training.

In terms of **a number of hours** dedicated towards the training, there is a huge diversity among the countries. Those countries which offer their own performance appraisal training, in their national Schools of PA, have courses that



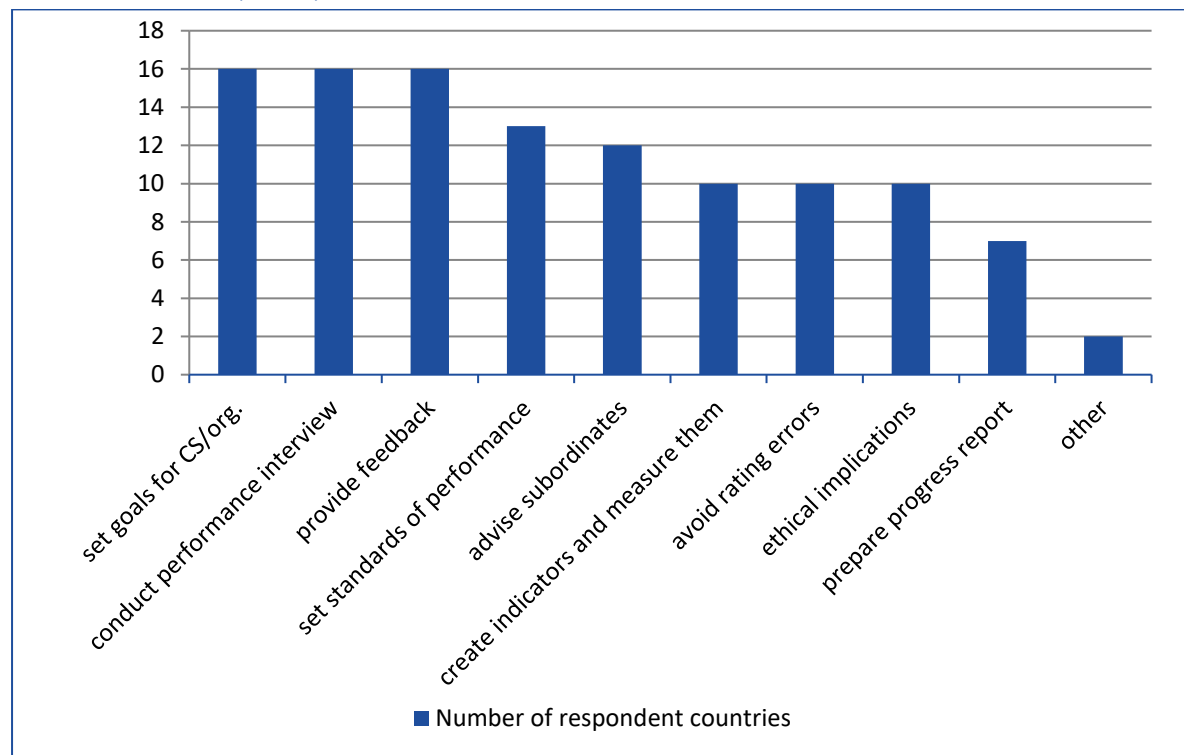
range from one hour (online course in Luxembourg) to 28-hour training in Portugal. In countries, where training was offered as a part of the introduction of performance appraisal into the system ranged, again, from 3-4 hours (the Netherlands) to 30 hours in Ireland and 8 hours in Hungary. The average amount of obligatory training on performance appraisal linked to a managerial position is 7 hours.

**Contentwise**, all of the countries cover topics of goal setting and techniques for conducting performance interview and other feedback provision in performance appraisal training. Similarly, most of these countries also tackle errors and flaws

related to performance appraisal, ethical implications and supervision, but also technical issues of indicators creation. Thus, it seems that when trainings are offered and mandatory, the issues tackled are relatively complex.

There is no pattern, whether the countries offer the training via their Schools of PA or via contracts from the outside. There is no evidence that their own training provides a more substantive input for the trainees since the obligation and number of hours dedicated differ significantly from country to country. Similarly, neither administrative culture provides an answer, since both position and career based systems equally require and/or do not require such a training.

FIGURE 3: TRAINING COMPONENTS WHERE TRAININGS ARE PROVIDED AND/OR RECOMMENDED (N=16)



SOURCE: Staroňová, K. (2017) Performance Appraisal Information in the EU Member States and EC

# 4 PROCEDURAL ASPECTS OF PERFORMANCE APPRAISAL

Performance appraisal is inherently difficult in the public sector and its design and implementation may result in problems with negative effects on staff motivation. Research shows that civil servants often perceive performance assessment as subjective and unfair (Choon and Embi 2012, Kellough and Selde 1997). Therefore, the design of PA should ensure the existence of accuracy, consistency and rationality elements in order to make performance appraisal perceived as a fair process. Several contextual factors appear to be associated with the success of performance appraisal. These include: standards in performance appraisal, two-way communication in performance appraisal process, including participation of civil servants within the process, feedback provision and various accountability mechanisms.

## 4.1 PERFORMANCE STANDARDS AND CRITERIA

In public sector organisations, fairness is about the rules and social norms controlling how outcomes are distributed (if linked to promotion/demotion,

training, remuneration), the standards used for such distribution decisions, how civil servants are treated and how management is communicating the procedural explanations for why something occurred. Any decision or judgment can be made by either comparing the behaviour of others or by comparing organisational standards and criteria. Naturally, the judgment made by evaluators are often influenced by their own cognition. However, formal standards and criteria structure the appraisal process to decrease personal biases and inconsistencies across different evaluators/organisations. At the same time, a system that is too rigid may not take the contextual factors into consideration, which again may result in inaccuracy.

Thus, in this section, we have looked at the degree of standardisation of the performance appraisal and the level of discretion an evaluator has. Informal meetings and discussions among HR departments or raters/managers, that enable early detection of problems and their tackling, are a very effective way for receiving informal standardisation along the formal ways of standardisation.

TABLE 10: PERFORMANCE STANDARDS

STANDARDS AND CRITERIA SET CENTRALLY	STANDARDS AND CRITERIA SET AT ORGANISATIONAL LEVEL	STANDARDS AND CRITERIA SET AT BOTH CENTRAL (FRAMEWORK) AND ORGANISATIONAL LEVELS	CENTRAL COLLECTIVE AGREEMENT ALLOWING FOR LOCAL DIVERSITY
Bulgaria, Croatia, Czech Republic, Cyprus, European Commission, France, Greece, Lithuania, Luxembourg, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Serbia,	Estonia, Finland, Italy, Norway, Spain	Belgium, Germany, Latvia, Malta (central for headships, decentralised for regular CS), Sweden, Switzerland	Denmark, Ireland

SOURCE: Staroňová, K. (2017) Performance Appraisal Information in the EU Member States and EC

*In Switzerland, managers are encouraged to conduct harmonisation talks, a kind of preliminary performance evaluation, which are also collected by human resource managers and discussed on regular managerial meetings. These information and discussions assist in establishing standards within and across the organisation.*

## 4.2 CENTRALLY STANDARDISED PROCEDURAL ASPECTS VS. FLEXIBILITY IN CHOICE

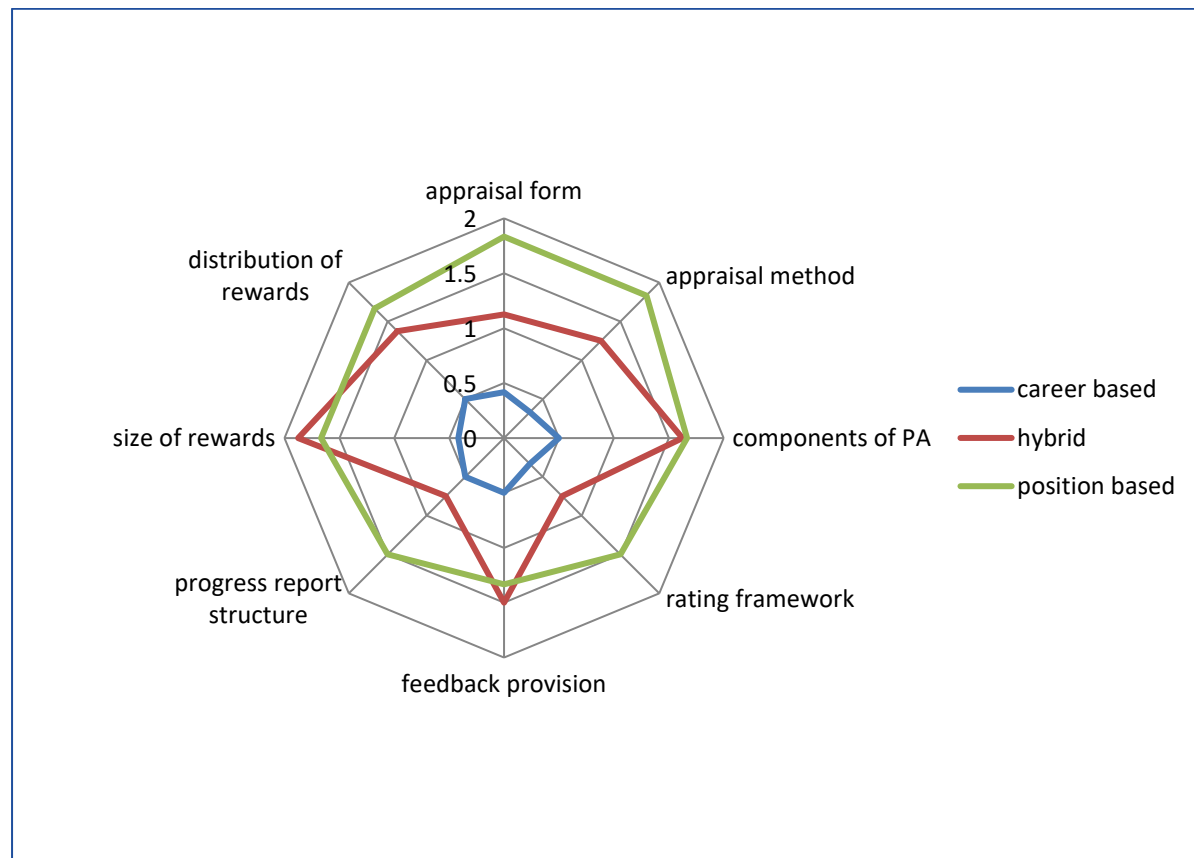
The public sector has traditionally relied on centralised control and decision making. Nevertheless, with the introduction of new standards and rules, in regard to performance appraisal, designated to generate information, the question is to what extent are these flexible towards contextual knowledge and expertise. Naturally, it can be

assumed that performance appraisal that has been adopted as a series of state-level requirements will apply equally to all organisations and countries which introduced performance appraisal in collective agreements will allow bigger flexibility on organisational and rater levels. However, in the survey, we did not look into the degree of flexibility and centralization of the overall performance appraisal system as this had already been done in the past. For example, Demmke's study from 2007 reveals that 50% of all position based systems are decentralised and centralised PA systems are prevalent, from country cluster perspective, in Central and Eastern European countries (75%) and South European countries (57%). Instead, we wanted to see if the same pattern is to be also observed when comparing individual performance appraisal structural and procedural aspects: appraisal form, appraisal method, components of performance appraisal, rating framework, feedback provision, progress report, size and distribution of rewards. The next figures (Figure 4 and

Figure 5) show that when comparing individual elements, we can see that closer they are to the centre more standardisation and coordination across

organisations occur and closer they are to the outer ring, more flexibility and choice can be found in the system.

FIGURE 4: CENTRALIZATION VS. FLEXIBILITY I (N=27)



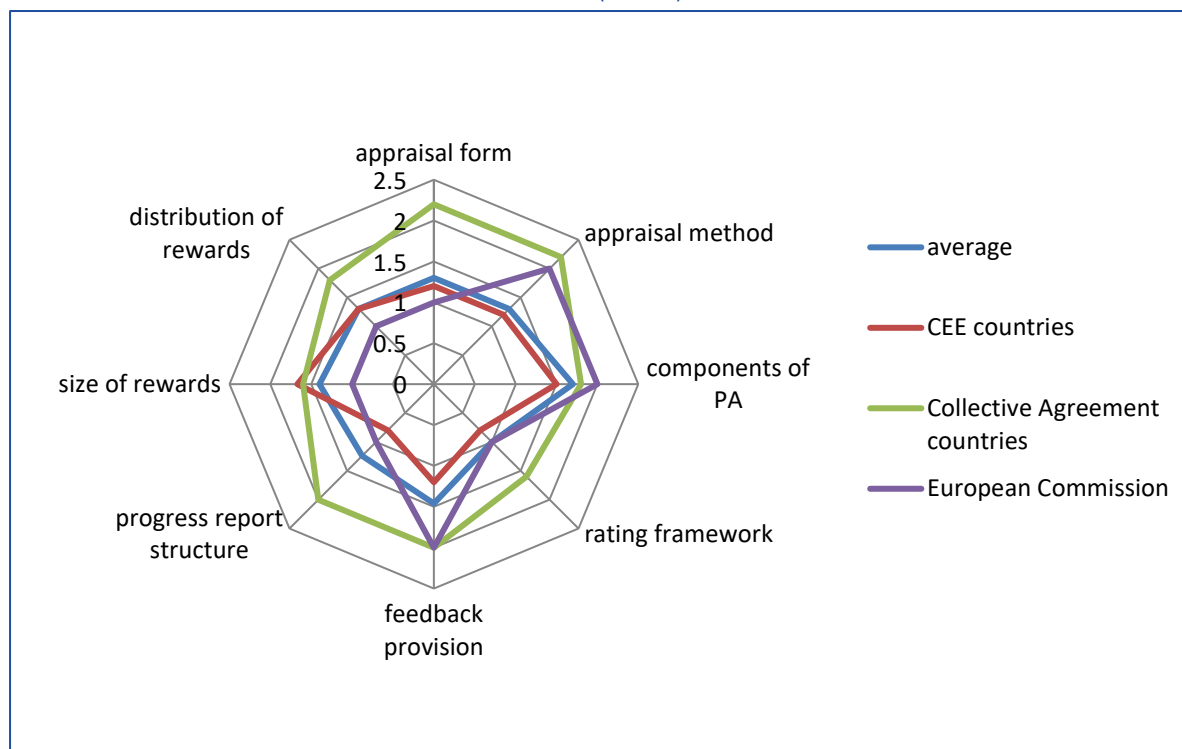
SOURCE: Staroňová, K. (2017) Performance Appraisal Information in the EU Member States and EC. Division of countries based on Kuperus, Rode 2008, 2016.

NOTE: Position based system: CZ, DK, EE, NL, FI, SE. Career based system: BE, DE, IE, EL, ES, FR, CY, HU, LU, AT, PT, RO, EC, Hybrid systems: BG, IT, LV, LT, MT, PL, SI, SK.

The evidence from the surveys shows that there are huge differences among the country cluster comparisons on the degree of (de)centralization, however, there is also a difference in the degree of centralization of the individual structural and procedural aspects. The first Figure (Figure 4) adds to the findings of the previous studies, which noted that career based systems are more centralised, while position based systems are more

decentralised. Hybrid systems have elements of both career and position systems and are somewhere in between. However, one particular element – size of rewards – is even more decentralised in hybrid systems than in position systems. If we look into the countries that are in the hybrid system, these are particular CEE countries (look also into Figure 5 where CEE countries were specifically taken as a separate cluster).

FIGURE 5: CENTRALIZATION VS. FLEXIBILITY II (N=30)



SOURCE: Staroňová, K. (2017) Performance Appraisal Information in the EU Member States and EC

NOTE: Evaluation of the degree of flexibility in procedural aspects of PA on a scale from 1 to 3, where 1 is not at all flexible, 2 is partially flexible and 3 is fully flexible. Collective Agreement countries: Denmark, Finland, Ireland, Norway and Sweden.

The Figure 5 shows that countries which have collective agreements are the most flexible ones with letting the agencies and raters choose the concrete way within the individual aspects of performance appraisal except for one aspect – size of the rewards and the distribution of rewards. The biggest freedom is provided in the choice of appraisal form and method, followed by choice in feedback provision and progress report structure. CEE countries, in contrast, are the most centralised (set by central law and ministerial decree), particularly in the appraisal form, method, rating framework and progress report, but are the most flexible countries (more than collective agreement countries) letting the rater determine the size of rewards. If we take

European Commission as a benchmark, the Figure shows that EC is the most centralised in determining the size of rewards, but most flexible in the choice of performance components.

### 4.3 PARTICIPATION OF THE CIVIL SERVANT IN THE APPRAISAL PROCESS

Recent academic literature (Roberts 2003, Perry et al 2006) identifies the significance of **participation** in the performance appraisal. One group of literature relates the benefits of participation to the increase in motivation of civil servants due to the enhancement of fairness, justice and ethics. The other literature on

organisational learning (Moynihan, Pandey 2010) sees high employee empowerment, participation and discretion as conducive to learning, including learning from performance appraisal. Accordingly, involving civil servants and their superiors in designing the performance appraisal instrument inculcates a sense of ownership and assures a higher degree of sustainability.

Critics of performance appraisal show a multitude of arguments against its usage. One of the elements that can mitigate the flaws of traditional performance appraisal seems to be a so-called *participatory* performance appraisal (Roberts 2003). The conceptual foundation for participation includes motivational value, the expansion of available information and the opportunity to interact with civil servants. Appraisal participation provides an employee with a voice in the PA, in setting goals, ratings, documentation or verbal feedback which they can use to disagree, which as Roberts stresses (2003) increases the legitimacy of the information gained.

The survey revealed that countries try to increase the involvement of civil servants with the appraisal process. From thirty respondent countries, six do not have systems in place that would allow for participation: the Czech Republic, Cyprus, France, Germany, Hungary and Slovenia. Other 23 (or 75%) allow for some type of participation as detailed in Table 9 and which is mostly of voluntary nature and it is recommended to allow for participation. Mandatory talks are to be found in Norway, Finland and Sweden. In

Norway, the upcoming job is a central topic of the mandatory talk, and the civil servant is invited to share her/his view with the manager. In Finland and Sweden, general standards and criteria of the performance appraisal system are discussed with representatives of the trade unions. Two countries have mentioned participation at the design level of the performance appraisal before the appraisal was launched: Malta and Slovakia.

TABLE 11: PARTICIPATION IN THE APPRAISAL PROCESS (N=22)

PARTICIPATION TYPES	COUNTRIES
General standards and criteria of the performance appraisal system	Norway, Finland, Sweden
Individual Goal Setting	Belgium, Croatia, Estonia, European Commission, Finland, Greece, Ireland, Italy, Latvia, Portugal, Romania, Serbia, Spain, Switzerland
Strategic development goals	Denmark
Joint development of annual individual work plan/annual tasks	Bulgaria, Latvia, Lithuania
Competencies	Latvia
Methods of improving performance	Greece, Slovakia
A dialogue throughout the process	Luxembourg, the Netherlands, Poland

SOURCE: Staroňová, K. (2017) Performance Appraisal Information in the EU Member States and EC

## 4.4 FEEDBACK PROVISION

Academic research addressing feedback provision focuses on the behavioural and

learning effects of its function. Some have argued that feedback is an antecedent, others that it leads to increased performance, yet others that it makes civil servants happier with the process. Regardless, of its behavioural function on civil servants (yet to be scientifically tested), it is believed that communicating performance appraisal results increases transparency and legitimacy of the whole process. In fact, the absence of secrecy permits civil servants to identify weaknesses and to challenge undeserved appraisals. Levy and Williams (2004) argue that feedback culture is integral to performance management as well as development and coaching.

Feedback provision, as showed in Table 10, continues to be widely used among surveyed countries, though in various forms. It is only the Czech Republic, Luxembourg and Norway that do not utilise any form of feedback provision. However, although the Civil Service Act and Government Regulation in the Czech Republic do not set the obligation of feedback provision, the Director-General for the Civil Service regulation does which is obligatory for most of the authorities. In this case, the feedback is provided via

interview because the civil servants need to be introduced to their appraisal results properly. Feedback types were used alone or in combination with any of the following: interview, a progress report in a fixed template, progress report with free structure. Finland and Spain are the only countries which do not regulate the feedback provision but rather leave the choice for the type of feedback to each organisation in question. Ten out of 30 countries do not utilise oral feedback but rather written, be it either in fixed or free format.

However, the organisational learning literature suggests that the key characteristic of feedback is to create a dialogue which is considered a precursor to learning. Leavitt and March (1990) emphasise the need for such learning as a routine practice. Performance interview can be considered to be a routine mechanism that establishes a dialogue - where performance information is deliberately examined - rather than only one-way communication which is the case with a progress report.

TABLE 12: FEEDBACK PROVISION (N=30)

MANDATORY FEEDBACK TYPE	COUNTRIES	ABSOLUTE NUMBER	%
Interview (Performance conversation)	Croatia, Czech Republic, Denmark, Germany, Lithuania, Malta, Poland, Romania, Sweden	9	30%
Interview + pre-determined template for progress report	Belgium, European Commission, Latvia, Netherlands, Portugal	5	16,6%
Interview + progress report with free structure	Estonia, Greece, Ireland, Slovakia, Switzerland	5	16,6%
Progress report in fixed (pre-determined) template	Bulgaria, Cyprus, France, Hungary, Italy (only for managers), Poland, Slovenia, Serbia	8	26,6%
Freedom to choose	Finland, Spain	2	6,6%
No feedback provision	Czech Republic, Luxembourg, Norway	3	10%



SOURCE: Staroňová, K. (2017) Performance Appraisal Information in the EU Member States and EC

From this perspective, only little more than half the countries (18) have performance interview in some kind of combination (only interview, or interview with progress report). It is precisely interview that allows dialogue between the civil servant and evaluator to examine their own thinking and create common meaning. Clearly, documentation of the performance is the most important and can be crucial if performance is substandard and sanctions must be imposed.

## 4.5 RATING FRAMEWORK

Studies on performance appraisal are mainly focused on two types of rating

frameworks – absolute and relative. In an absolute rating framework, individual performance is evaluated against a pre-determined standard (*criterion referenced rating*), whereas a relative rating framework determines a relative position of different civil servants by comparing them against each other (*norm-referenced rating*, forced distribution or quotas). There are advantages and disadvantages of both frameworks that are not going to be discussed at this place. A lot has been written about the format of appraisal rating frameworks: what is the optimal number of rating categories (odd or even number), what formats to use so that rater errors and biases can be avoided, scaling of rating categories, format validity and accuracy, etc.

TABLE 13: RATING SYSTEMS (N=30)

		ABSOLUTE NUMBER	%
<b>Rating categories without quota system</b>		<b>16</b>	<b>53%</b>
2 categories	European Commission, Ireland	2	
3 categories	Portugal (managers)	1	
4 categories	Belgium, Czech Republic, Cyprus, Luxembourg, Malta, Netherlands, Switzerland	7	
5 categories	Bulgaria, Croatia, Hungary, Latvia, Poland, Slovakia, Slovenia, Serbia	8	
<b>Quota system for rating categories (forced distribution)</b>	Italy	5	16,6%
Quota for the highest rating category(ies) only	Germany (top two categories), Portugal (general civil service only)	2	
Distributional curve	Latvia, Malta	2	
<b>Decentralized on organisational level</b>	Denmark, Finland, Germany	3	10%
<b>No rating system in place</b>	Estonia, France, Greece, Lithuania, Norway, Romania, Spain, Sweden + Italy (in practice, though forced distribution set by law)	8 + 1	26,6%

SOURCE: Staroňová, K. (2017) Performance Appraisal Information in the EU Member States and EC



In the survey quarter of the countries (Estonia, France, Greece, Lithuania, Norway, Romania and Sweden) do not utilise any rating frameworks at all. Three additional countries (Denmark, Finland and Germany) have decentralised the decision on the rating system utilisation to organisational level. Thus, twenty countries have some kind of a rating system in place: sixteen utilise an absolute rating framework and five utilise relative rating framework with forced distribution/quotas.

Research on performance appraisal effectiveness has revealed significant shortcomings in its application that include different types of accuracy flaws as well as rater errors and biases (Levy and Williams 2004, Lefkowitz 2000). In addition, research revealed that the managers did not regard accuracy in assessment as a primary concern (Longenecker et al 1987). Rather, they were much more interested whether their ratings would be effective in maintaining good relations and other non-performance related goals and therefore manipulated the results.

One of the most frequent complaints in regard to **ratings is that they are inflated** (Murphy and Cleveland 1995) which in practice means that majority of all civil servants receive extremely high ratings. Raters typically do not differentiate enough between high and low performers so the ratings tend to be compressed relative to the distribution of the true performance outcomes which disrupts the whole performance appraisal system. Thus, raters become too lenient and

reluctant to use the lower spectrum of possible performance ratings which is typically treated as evidence of rater errors. In order to avoid potential negative consequences of rater biases, some organisations have introduced a quota system where raters are restricted in their rating behaviour to a **forced distribution** in which they have to assign differentiated grades. However, the use of these systems is still considered controversial and there is still lack of evidence on the consequences of such a system on motivation and/or performance.

In our survey, formally five countries have **forced distribution** in place, either by utilising quotas or distributional curve: Germany, Italy, Malta, Portugal and Latvia. Germany and Portugal use a quota system for the top performers (or the highest rating categories). Thus, in Germany quota exist for two highest rating categories 10% and 20%, respectively. Portugal has a quota system of 25% only in the case of general civil service (not managers) and only for the top category out of three rating categories.

*In Portugal, there are three existing rating categories: Relevant Performance, Adequate Performance and Inadequate Performance. In the case of “relevant performance” there is a quota system of 25% of the total civil servants that are evaluated in each public service. And from this pool of 25%, only 5% can be rated as “excellent performance”. Managers have a different rating system with*

three qualitative ratings (relevant performance; adequate performance and inadequate performance) and quantitative and no quota system. Thus, quota system applies only to regular civil servants.

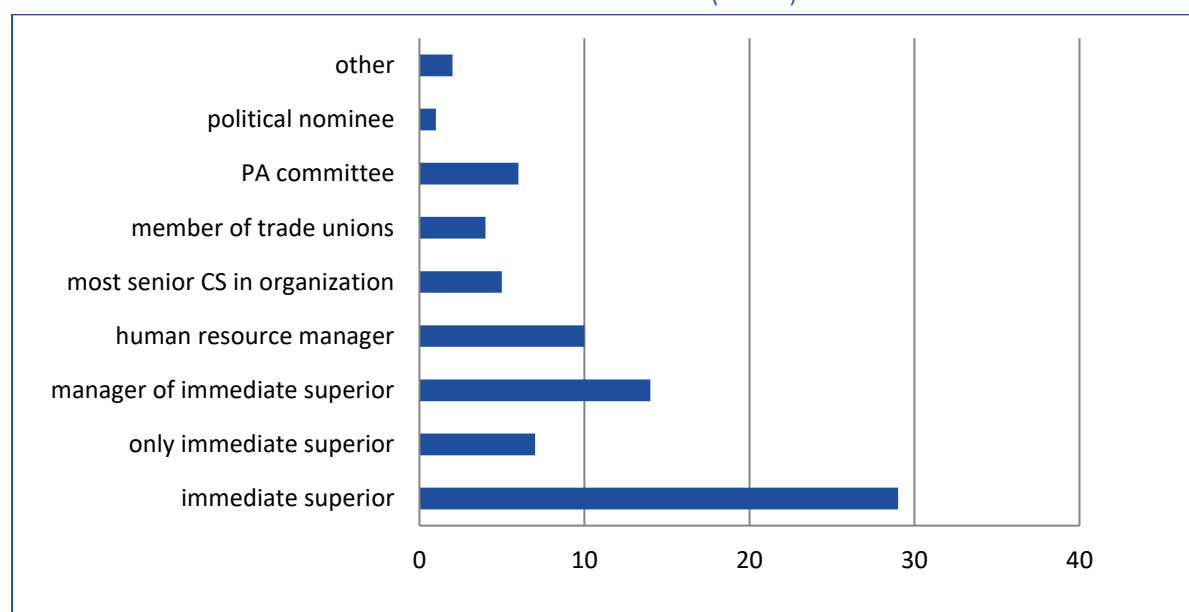
In terms of the distributional curve or fixed percentages linked to all rating categories, Malta and Latvia utilise such quota systems. For example, Latvia has five categories on a distributional curve corresponding to five rating categories: 5% for *excellent*, 15% for *very good*, 70% for *good*, 7% for *should be improved* and 3% for *unsatisfactory*. However, Latvia utilises distributional curve only as a guideline and not strict requirement. In Italy, the quota system of “forced distribution” into three groups according to the performance was introduced in

2009 for all civil servants, yet, in practice it was never fully implemented.

## 4.6 INVOLVEMENT IN THE APPRAISAL PROCESS

A very important question in performance appraisal is who is involved in the actual process. Appraisals are primarily the responsibility of the civil servant’s immediate superior or manager. Our findings also show that all of the countries continue to rely on performance appraisal designs grounded in high involvement and supervisory judgements of an immediate superior (head of the department, line manager), with the exception of the Netherlands where only the manager of the immediate superior is involved.

FIGURE 6: INVOLVEMENT IN THE APPRAISAL PROCESS (N=30)



SOURCE: Staroňová, K. (2017) Performance Appraisal Information in the EU Member States and EC

The second most involved group beside the immediate superior is the manager or supervisor of the immediate superior who

is involved in the performance appraisal, mostly to validate the proposed ratings. This is followed by HR department

representative. In these terms, the results are not surprising and are very similar to those from 2007 (Demmke et al 2008).

However, what has changed since 2007, is the reliance on **the immediate superior as the only actor** who is strongly involved in the process: the number dropped from 43,5% (Demmke et al 2008) to 23% (in Estonia, Ireland, Latvia, Norway, Poland, Slovakia and Slovenia). In Ireland and Latvia, reliance on the immediate superior is only in case of the regular civil service. In case the performance appraisal is conducted for the top managers, the

process is overseen by more actors. In Latvia, the committee needs to be set up, either from other top managers, minister or political advisor of the minister, or in some cases from social partners. In Ireland, Minister to whom the Secretaries General (Heads of Government Departments/Offices) report is part of the appraisal process. Also, a Performance Review Group, comprising the Secretary General Dept. of the Taoiseach, Secretary General, Dept. of Public Expenditure and Reform and an external member oversees the Secretary General appraisal process.

*In Cyprus, the appraisal team must consist, where possible, of up to 3 officers including the line manager and the administrative supervisor of the employee. The third member may be either the Head of the Department where the employee serves or is subject or a person who is hierarchically more senior than the line manager or has a higher paid post in the organisation where the employee serves and has a direct/indirect connection to the employee's job tasks.*

If the **responsibility for performance appraisal is shared**, the immediate superior is assisted either by the manager of their superior (executive level) or the HR department of the organisation. In 2007 (Demmke et al 2008) 41% of the responding countries had an immediate superior plus the top executive level as two actors who are involved in the process. In our survey, this number has dropped to 16% (three countries which have two actors from the immediate superior plus his/her manager and two countries of immediate superior and his/her most senior civil servant in the organisation). Out of these five countries, France involves additional actors if top managers are concerned in the

performance appraisal. Additional five countries instead of involving two actors of immediate superior and the manager (executive level) involve other superiors in the hierarchy and/or representatives from employee level and/or trade unions. In the Netherlands, for example, additional informant from among the ranks of civil servants can be asked for participation in appraisal of another supervisor.

Yet, another increasing trend which was not mentioned by Demmke's study (2008) at all, is the involvement of specific **appraisal committees** (see also Section 3.7. on Accountability Mechanisms). In our survey, six countries have established such specific committees in order to

safeguard the whole appraisal process: Denmark, Ireland, Italy, Latvia, Lithuania, Portugal. For example, in Denmark an appraisal process involves relevant local parties and representatives from both manager/superior and employee/subordinate level, however, in case of alterations in design, framework or substance, the *Joint Consultation Committee* will typically be involved and/or union representative. In Lithuania,

for example, political nominee formally accepts an order of the implementation proposed by the decision of Evaluation Commission that has its findings based on the conclusions drafted in the PA report by the immediate superior. Thus, several actors are involved in the process: immediate superior, senior superior, HR manager, a member of the trade unions and a political nominee.

*In Italy, a central role is played by the “Independent Performance Evaluation Units – OIV” appointed within administrations with the task to ensure the correct implementation of the performance management cycle and focus their attention on the better use of management instruments in the administration. OIV are composed of external experts entered in a Public List at the Department for Public Administration.*

**HR department** is involved in 30% of the countries, a number that rose from only 13% HR staff members involvement in 2007 (Demmke et al 2008). The HR involvement is either as one of the two actors with immediate superior (Sweden) or as an assistance to existing two actors of immediate superior and his/her manager (executive level), such as in Belgium, Finland, Spain, Serbia, Germany, Switzerland and Lithuania. In Germany, the process also involves equal rights representative, staff council representative and representative of the severely disabled persons. In Switzerland, preliminary evaluations that are collected by HR are discussed in so-called *harmonisation talks* in management meetings in order to establish common PA standards.

Trend discussed above indicates an effort of the individual countries to professionalise and standardise performance appraisals across departments in their organisations. To that end, the performance appraisal process includes, to a much bigger extent, professionals from the HR department, lesser reliance on one sole actor of immediate superior. Validation by other actors, such as managers of the immediate superior, members of the trade unions, other employees and/or even creation of committees to safeguard the whole process is another new trend to be seen.

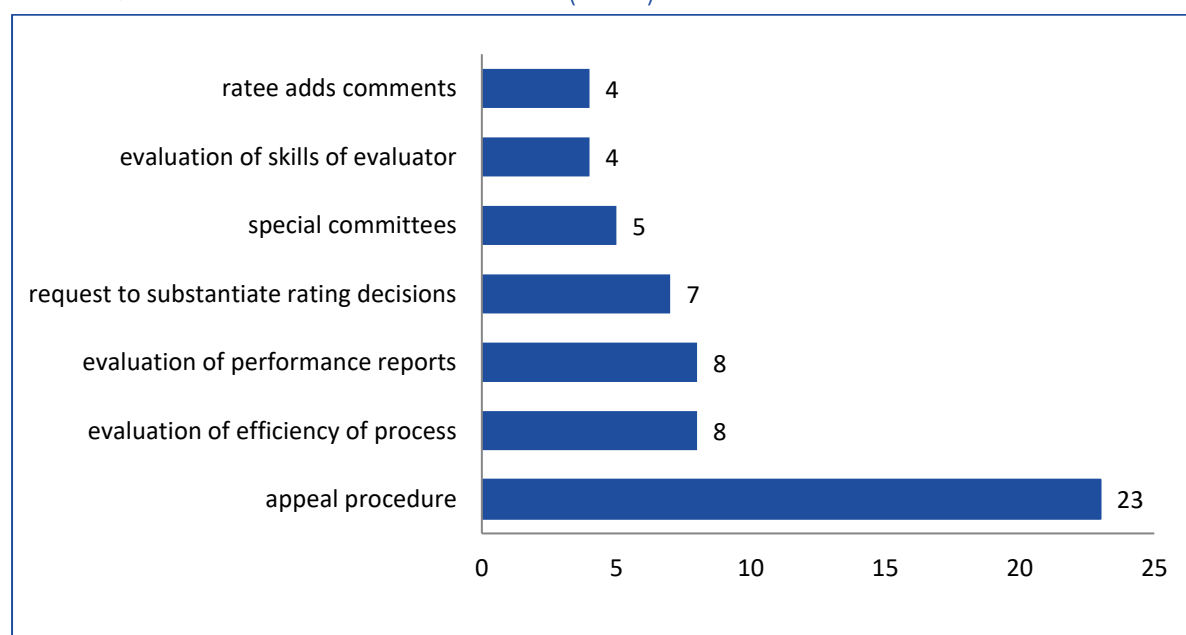
## 4.7 ACCOUNTABILITY MECHANISMS

Some failures of performance appraisal are attributed to poor implementation (Perry, Engbers 2009). In fact, several studies have shown that employees support the idea in the abstract (particularly pay for performance) but believe its implementation in their organisation has created flaws in the system (e.g. Egger-Peitler, Hammerschmid, Meyer 2007). Perry and Engbers (2009) believe that poor implementation masks fundamental deficiency that is rooted in the basic institutional difference between private and public implementation setting – transparency.

Transparency brings with it, first of all, greater scrutiny of performance appraisal

systems, their implementation and performance appraisal related decisions. Longenecker et al (1987) have shown in their research that if superiors/managers believed the assessments would be seriously scrutinised, reviewed and evaluated by their superiors, then the influence of gaming and other political factors was likely to be reduced. This scrutiny can be conducted by civil servants themselves or some external body to ensure that assessments are valid, fair and non-political. Therefore, we have looked into various accountability mechanisms that bring higher scrutiny into performance appraisal systems and decisions. Thus, with respect to performance appraisal, accountability is typically thought of as the extent to which a rater/evaluator is held answerable to someone else for his or her evaluations and ratings of another employee (Levy and William 2004).

FIGURE 7: ACCOUNTABILITY MECHANISMS (N=30)



SOURCE: Staroňová, K. (2017) Performance Appraisal Information in the EU Member States and EC

The survey revealed that almost all countries rely on **appeal procedure** that guarantees the civil servant to appeal to a different body than the rater in order to examine the accuracy of the performance appraisal report and its consequences. All the other mechanisms that relate to the organisational, procedural and structural design of performance appraisal are barely used (Figure 7).

Research shows that with the type of accountability mechanism where **raters are evaluated for their performance appraisal skills**, the actual performance in conducting performance appraisal improves over a five-year period (Walker and Smither 1999). Nevertheless, only four countries – Finland, Greece, Croatia and Sweden – utilise an evaluation of the skills of the evaluator/rater as a part of the performance appraisal of the superiors.

Many countries utilise accountability mechanisms in relation to the **report itself**. We can see a similar improvement in the performance of superiors, as with the appraisal of their skills, when superiors are part of the feedback session in performance interview where they have to meet with their subordinates and **substantiate their ratings** and evaluations. In fact, substantiation of ratings improves performance appraisal accuracy as the accountability pressure on rater to justify rating leads to an increased motivation to better prepare for the task. Still, only seven countries – Bulgaria, Croatia, Finland, Greece, Germany, Latvia and Portugal – ask the raters to substantiate and provide reasoning for

their rating decisions. Additional eight countries, however, **regularly evaluate the performance reports** for their contents and accuracy: Italy, Hungary, Malta, the Netherlands, Portugal, Slovenia, Serbia and Switzerland. Only eight countries evaluate the **efficiency of the overall performance appraisal process** systematically: Belgium, France, Greece, Italy, Hungary, Portugal, Serbia and Sweden. In Estonia, Germany, Latvia and Hungary the evaluated civil servant can add his/her own comments to the drafted appraisal report.

Another way to increase accountability of the performance appraisal is to create a **specific performance related committee** to overlook the whole process. Thus, this committee is not for general civil service management and/or coordination. Greece, Lithuania and Portugal have special committees that take the final evaluation decisions. In fact, the Assessment Coordinating Council in Portugal validates the relevant performance appraisals. In Lithuania, Performance Appraisal Commission prepares findings based on the conclusion in the appraisal form written by the immediate superior and the last decision depends on the formal verdict of the minister. Portugal, Germany and Finland have special committees that coordinate and control ratings. Ireland has two special committees: *Performance Review Group* (comprising of the Secretary General to the Government, the Secretary General of the Department of Public Expenditure and Reform and an external member) and an *Accountability Board for*

*Secretaries General*. The process for those at Assistant Secretary level is overseen by the Senior Public Service Management Committee, which comprises 8 Secretaries General.

The most common accountability mechanism is the **appeal procedure** utilised by 22 countries out of 30. Individual countries utilise different appeal procedure mechanisms ranging from one instance appeal to immediate

manager and/or independent superior body to a panel that is being put together for that particular purpose to two-instance appeal procedures with the involvement of administrative law procedures and the court system. For example, in Poland and/or France there is a two-instance appeal procedure in regard to performance appraisal. The first instance is the Director General of the office, and the second instance – Labour Court.

TABLE 14: APPEAL PROCEDURES, IF THE CIVIL SERVANT DISAGREES (N=22)

TYPE OF PROCEDURE	COUNTRIES
Appeal procedure	Belgium, Romania
<ul style="list-style-type: none"> <li>To manager to whom the rater reports (decision is final)</li> </ul>	Bulgaria, Ireland, Malta, Norway, Switzerland
<ul style="list-style-type: none"> <li>To head of institution (decision is final)</li> </ul>	Latvia
Two-instance appeal: a) to manager to whom the rater reports b) if not successful then court	European Commission, France, Italy, Poland
To an independent/superior body	Czech Republic, Croatia
To a special performance appraisal committee	Greece, Lithuania, Portugal
To a panel appointed	Slovenia, Serbia
Administrative law procedure	France, Lithuania, Luxembourg, Spain
Labour Court	Italy, Poland
Public dispute	Hungary

SOURCE: Staroňová, K. (2017) Performance Appraisal Information in the EU Member States and EC

NOTE: In the European Commission, after the appeal introduced to the manager to whom the evaluator reports, there is also the possibility to introduce an administrative complaint to the appointing authority (before going to the court); however, this is not compulsory and the appraised official can directly go to the court after the appeal introduced to the manager to whom the evaluator report.



# 5 USES OF PERFORMANCE APPRAISAL INFORMATION

The use of performance information is a key factor if we are to develop systematic knowledge about the contemporary and future governance of the organisation and is needed for an evidence-based human resource management. Performance appraisal, and particularly the information stemming from performance appraisal, can fulfil several functions. Originally, performance appraisal was used for feedback and civil servants' development. Only with the spread of management by objectives PA started to be used also for organisational planning and from the 1990s onwards for human resource planning, replacement and pay for performance. Thus, performance appraisal may provide a basis for multiple HR decisions, such as promotions, terminations, development, determining training needs and remuneration.

In our survey, we asked to indicate four decisions or activities for which performance appraisal information is being used in the respective country. Table 15 looks at four different ways in which performance appraisal might be related to human resource management decisions: promotion, poor performance

identification and measures taking, development and remuneration (here we took only direct link between performance and pay and not an indirect link of change in grade via a promotion that affects pay). These four broad categories then have subcategories based on qualitative answers provided in the main category. Thus, it gives a more detailed picture on the four main categories of performance appraisal information use.

Information from performance appraisal has the greatest impact on promotion (25 countries) and development (25 countries), particularly on administrative decisions related to career advancement (23 countries). Nevertheless, performance information use in identifying and taking measures for poor performers (23 countries) and rewarding financially excellent performers (21 countries) is equally important. Within these four main areas of PA information use, the least impact of PA information is in tenure decisions, automatic promotion, mobility, disciplinary process, a decrease of payments in case of poor performance and payment negotiations.

TABLE 15: USE OF PERFORMANCE APPRAISAL INFORMATION (N=30)

COUNTRY	PROMOTION	TENURE	PART CAREER ADVANCEMENT	AUTOMATIC PROMOTION	MOBILITY	UNDER PERFORMANCE ACTION	TERMINATION OF CS	DISCIPLINARY PROCESS	OTHER	DEVELOPMENT	DEVELOPMENT PLANS (GOALS)	TRAINING NEEDS (PLAN)	TRAINING PROVISION	REMUNERATION	FINANCIAL AWARDS	DECREASE	OTHER
Belgium	●	●	●	-	-	●	●	-	-	-	-	-	-	-	-	-	-
Bulgaria	●	-	●	-	-	●	●	-	-	●	●	-	●	●	●	-	-
Croatia	●	-	●	●	-	●	●	-	-	●	-	-	-	-	-	-	-
Czech R.	-	-	-	-	-	●	●	-	●	●	●	●	-	●	●	●	-
Cyprus	●	-	●	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Denmark	●	-	●	-	-	-	-	-	-	●	●	●	●	-	-	-	-
EC	●	-	●	-	●	●	●	●	-	●	-	●	●	-	-	-	-
Estonia	●	-	●	-	-	●	●	-	-	●	●	-	-	●	●	-	-
Finland	-	-	-	-	-	●	●	●	●	●	-	●	-	●	●	●	-
France	●	-	●	-	●	●	-	●	-	●	-	●	-	●	●	-	-
Germany	●	-	●	-	-	-	-	-	-	-	-	-	-	●	-	-	●
Greece	●	-	●	-	-	●	●	-	-	●	-	●	●	●	-	-	●
Hungary	●	-	●	-	-	●	●	-	-	●	●	●	-	●	●	●	-
Ireland	●	-	●	-	-	●	●	-	●	●	●	-	-	●	●	-	-
Italy	●	-	●	-	-	●	●	-	-	-	-	-	-	●	●	●	-
Latvia	-	-	-	-	-	●	●	-	-	●	-	●	-	●	●	●	-
Lithuania	●	-	●	-	-	●	●	-	-	●	-	●	●	●	●	●	-
Luxembourg	●	-	-	-	-	●	●	-	-	●	-	-	●	-	-	-	-
Malta	●	-	●	-	-	-	-	-	-	●	●	●	●	●	●	-	-
Netherlands	●	-	-	-	-	●	-	-	●	●	●	●	-	●	●	-	-
Norway	-	-	-	-	-	-	-	-	-	●	●	●	●	-	-	-	-
Poland	●	-	●	-	-	●	●	-	-	●	●	●	-	●	●	-	-
Portugal	●	●	●	-	-	●	-	●	-	●	●	●	●	●	●	-	-
Romania	●	-	●	-	-	●	●	-	-	●	●	●	-	-	-	-	-
Serbia	●	-	●	-	-	●	●	-	-	●	●	●	●	-	-	-	-
Slovakia	-	-	-	-	-	●	●	-	-	●	●	●	-	●	●	●	-
Slovenia	●	-	-	●	-	-	-	-	-	-	-	-	-	●	●	-	-
Spain	●	-	●	-	-	●	-	-	●	●	-	●	●	●	●	-	-
Sweden	●	-	●	-	-	-	-	-	-	●	●	●	●	●	●	●	-
Switzerland	●	-	●	-	-	●	-	-	●	●	-	-	●	●	●	●	-
TOTAL	25	2	23	2	2	23	18	4	6	25	15	17	13	21	20	9	2

SOURCE: Staroňová, K. (2017) Performance Appraisal Information in the EU Member States and EC

Perhaps it is interesting to look at the multiple uses of performance appraisal information rather than isolated information areas (Table 15). Based on the survey, it is clear that only one-third (10) of the 30 countries utilises performance

appraisal information in all four areas (promotion, development, remuneration and poor performance action): Bulgaria, France, Greece, Hungary, Ireland, Lithuania, Poland, Portugal, Spain and Switzerland.

It is far more common that countries do not utilise one of the information areas which is also linked to the overall administrative system they utilise (career based or position based systems). Three information areas are utilised by ten countries. Naturally, countries which are more position based do not use performance appraisal information for promotion (Czech Republic, Finland, Latvia

and Slovakia) but do so for the other three areas. Similarly, more career based countries (Croatia, Luxembourg, Romania and European Commission) do not utilise performance pay systems but do the other three areas. Malta and Sweden do not take severe action for poor performers and Italy does not use within-person information for development.

TABLE 16: MULTIPLE USES OF PERFORMANCE APPRAISAL INFORMATION

	PROMOTION	DEVELOPMENT	REMUNERATION	POOR PERFORMANCE ACTION
Total number (individual areas)	24	25	21	23
All four areas (10)	10			
3 areas (11)	4			
	2			
	4			
	1			
2 areas (4)	2			
	1			
	1			
1 area (2)	Cyprus			
		Norway		

SOURCE: Staroňová, K. (2017) Performance Appraisal Information in the EU Member States and EC

When two areas are being utilised (five countries) all possible combinations can be found with no clear pattern: Belgium (promotion/poor performance action), Germany and Slovenia (promotion/remuneration), Denmark (promotion/development).

## 5.1 PA INFORMATION USE FOR PROMOTION

Career development based on the principle of rewarding merit constitutes the central element of professionalising the civil service and motivating its officials (SIGMA OECD). It is agreed that in order to

reward merit, it is first necessary to put a system, which makes it possible for decisions related to the career development to be based on a fair assessment of qualifications and performance, in place thereby ensuring the promotion of those officials whose competencies can be objectively recognised.

The survey has confirmed that performance appraisal results are consulted when a promotion is considered in 24 countries. Many countries require top ratings in order to be considered for promotion (e.g. Ireland and Poland in the case of appointed/nominated civil

servants) or if on probation to be offered a permanent appointment (e.g. Ireland). In Belgium and Portugal performance appraisal is utilised also for consideration in tenure process as well as for career advancement. Nevertheless, performance appraisal information is only one element to be considered during the promotion process and is not the sole determinant of promotion. The only exceptions are Croatia and Slovenia where a civil servant can be regularly (automatically) promoted upon fulfilling prescribed conditions. In Croatia, a civil servant is regularly promoted if: a) was once rated as “excellent” (1<sup>st</sup> best grade) or at least two consecutive grades “exemplary” (2<sup>nd</sup> best grade) or at least three consecutive grades “successful” (3<sup>rd</sup> best grade). In Slovenia, civil servant is promoted to a higher salary grade if a) fulfils the three-year promotion period and acquires three annual assessments which enable promotion or b) if at least six years have elapsed from the last promotion or initial employment and he/she has achieved an average appraisal in this period of at least good.

## **5.2 PA INFORMATION USE FOR POOR PERFORMANCE IDENTIFICATION**

Performance appraisal systems document performance: good or poor, to provide information and justification not only for promotion, compensation or development but also for identifying poor performers who are then taken for disciplinary decisions or sometimes even

for termination. Identification of poor performers may have various consequences for the civil servant, depending on how the information is being utilised. Nevertheless, research shows that managers prefer to avoid dealing with the problems associated with poor performance, by i.e. giving higher ratings, vague comments or simply ignoring poor performance unless it is extremely bad.

The results of our study reveal, that 23 countries utilise performance appraisal for identification of (and taking action on) poor performers. Seven countries do not take any measures on poor performers: Cyprus, Denmark, Germany, Malta, Norway, Slovenia and Sweden. Nevertheless, poor performance matters also in Sweden as it affects most of the variables under for example Development and Remuneration. Though for the severe actions like Termination of civil service and Disciplinary process it needs special documentation and more evidence than information coming from the performance appraisal.

Since performance appraisal may take many forms, depending on national as well as local circumstances and traditions, Denmark and Sweden have a mandatory requirement to conduct an annual development interview under the collective agreement, but how the interview is conducted and implemented in practice, is up to the local workplace to decide. This includes a decision on whether or not a formal performance appraisal should include any form of sanctions.

The results of the survey show that most common policy involves the application of coercive measures with increasing degrees of severity: informal counselling, verbal warning, written warning that can even lead to termination of the civil service employment which was cited in 18 cases (see Table 15). In some of these countries, the termination becomes automatic after receiving a certain number of consecutive negative performance appraisal. In Belgium, for example, a civil servant receiving two

consecutive lowest grade “insufficient” in a period of three years can be dismissed. Similarly, in Lithuania, if the civil servant’s performance is evaluated twice in a row as insufficient, the performance appraisal commission offers to dismiss the civil servant from the office. Surprisingly, only four jurisdictions (European Commission, Finland, France and Portugal) have mentioned that negative performance appraisal may become an evidence in a disciplinary process against the poor performer.

*In Ireland Guidelines for the Management of Underperformance were provided for the Civil Service in 2011. The guidelines provided for the informal addressing of underperformance in the first instance and where this did not result in an improvement in performance, the use of a Performance Improvement Action Plan was recommended. Should the performance continue to be below standard, the guidelines are provided for the use of the Disciplinary Code.*

*In 2013, Action 11 of the Civil Service Renewal Plan provided for the strengthening of the Disciplinary Code enables managers to take more effective and decisive action as required to tackle underperformance including exits.*

*Following this, the Disciplinary Code and a new Policy for the Management of Underperformance were redrafted. The disciplinary code came into effect on 1<sup>st</sup> September 2016 and the Policy for the Management of Underperformance will come into effect on January 1<sup>st</sup>, 2017.*

*The Policy for the Management of Underperformance initially provides the informal addressing of underperformance. Where this is unsuccessful the policy provides following steps:*

- 1. Prepare for a performance review meeting*
- 2. Performance review meeting*
- 3. Commence a Performance Improvement Plan (PIP)*
- 4. First progress review meeting followed by*
- 5. Progress review meetings 2 – 5*
- 6. Where performance improves the PIP may come to an end*
- 7. Where performance does not improve warnings may be issued equating to warnings under the Disciplinary Code*

*Where the PIP concludes unsuccessfully a level three final written warning will be issued and a disciplinary meeting will be held.*

However, if performance problems (failure to complete assignments or goals) or misconduct issues occur, the performance appraisal (and discipline systems) may be utilised not only for punishment but also to improve behaviour and take positive corrective action. For example, Ireland has developed a specific document *Policy on Underperformance* (see box below) that utilises performance improvement measures.

their job has been given a priority in many countries. Some authors define this type of information use as *within-person use* of information (Cleveland et al 1989, Murphy and Cleveland 1995) since the PA focuses on identification and use of information about individual profiles and characteristics, including identification of individual training needs, strengths and weaknesses. At the same time, academic literature stresses the importance of feedback provision particularly if the information is used for the purposes of civil servant development since the focus is on the satisfaction of individual needs.

## 5.3 PA INFORMATION USE FOR DEVELOPMENT OF CIVIL SERVANT

Investing in people to ensure they have the knowledge, skills and abilities to do

TABLE 17: WITHIN-PERSON INFORMATION GATHERED VS. USED FOR DEVELOPMENT

INFO USED FOR DEVELOPMENT OF CIVIL SERVANTS			
		YES	NO
Strengths / weaknesses identification in PA	Yes	Belgium, Bulgaria, Denmark, EC, Estonia, Finland, France, Greece, Ireland, Latvia, Netherlands, Poland, Portugal, Sweden Switzerland	Cyprus, Germany
	No	Croatia, Czech Republic, Hungary, Lithuania, Luxembourg, Malta, Norway, Romania, Serbia, Spain	Italy, Slovakia, Slovenia

SOURCE: Staroňová, K. (2017) Performance Appraisal Information in the EU Member States and EC

*In Portugal, the individual performance appraisal has the following effects: a) Identification of personal and professional capabilities of the public employee and of those which must be developed; b) Diagnosis of training needs; c) Identification of which competences and professional behaviour need to be improved; d) Improvement of the work post and related processes.*

*The recognition of Excellent performance for three successive years entitles the public employee alternatively to:*

- A probation period in an organisation of a foreign Public Administration or international organisation. A report of such probationary period shall be drawn up and submitted to the top manager.*

- *A probation period in another public service, non-governmental organisation or in a corporate entity with activity and management methods relevant to Public Administration. Likewise, a report shall be drafted and submitted to the top manager of the service.*
- *Attendance at training initiatives suitable to the development of professional competences.*

## 5.4 PA INFORMATION USED FOR REMUNERATION – PERFORMANCE RELATED PAY (PRP)

Currently, one of the key functions of the performance appraisal is its formal link to the remuneration system. Most proponents of the performance appraisal systems argue that the main objective of PA is to identify and motivate strong performers, provide them with the abilities and confidence to work effectively, monitor their progress toward the required performance targets, and reward staff appropriately for meeting or exceeding these. The rationale behind this thinking is very simple: performance appraisal and performance related pay can be used for achieving desired behaviours by creating consequences for such a behaviour (Cleveland, Murphy, Williams 1989) and in this way, boost the efficiency of the organisation. These proponents draw on standard economics, particularly the principal – agent view as proposed by Jensen and Murphy (1990).

Recent evaluations of experience with performance appraisal tool (e.g. Moynihan, Pandey 2010) indicate that the success of PA in the public sector was

limited or at least that the empirical evidence is inconclusive in relation to a proposition that such an approach has improved motivation and performance within the public sector (Cardona 2006). The opponents of the PA system argue that the economic theories based on self-interest simply cannot be applied in the public-sector scheme where the motivation of the employees is different (Katelaar et al 2007). Anecdotal, personal but also empirical evidence reflect a wide range of problems with both design and implementation of the performance appraisal that affects the validity of information gathered. Measurement accuracy, dysfunctional employee competition, under-emphasis of team work on account of individual assessment, gaming the system (e.g. employees take turns in receiving bonuses), etc. can be listed among such problems. Past experience has been mixed with a variety of flaws, such as poor discrimination among performance levels, inadequate funding and little demonstrable evidence that the system improved performance or motivation (Perry, Petrakis and Miller 1989).

Despite potential flaws in linking PA with remuneration, many OECD countries started experimenting with performance



related pay (PRP) several decades ago, formalising their policies (OECD 2005). In fact, OECD (2005) shows that twenty years ago civil servants in OECD countries were paid according to the service-incremental salary scales where seniority was the main criterion. By the turn of the millennium, two-thirds of OECD countries started utilising performance appraisal and performance related pay schemes (OECD 2005). The study conducted under German Presidency for the EIPA in 2007 by Christopher Demmke identifies 15 EU countries with performance related pay. Within a ten-year timespan seven additional countries which did not have

performance related pay before introduced a system that utilises information from performance appraisals for remuneration (Czech Republic, Greece, Ireland, Netherlands, Poland, Portugal and Slovenia). Additional two countries belong to this group as well, however, we did not have data on them in the Demmke's study (Latvia, Switzerland). Interestingly enough, one country went against the trend and abandoned performance related pay scheme: Denmark. Unfortunately, the scope of this study did not allow for more in-depth investigation of the reasons for such a decision.

TABLE 18: DEVELOPMENTS IN THE PERFORMANCE RELATED PAY 2007 - 2017

	STUDY OF DEMMKE 2007	SURVEY 2017 IN THIS STUDY	NOTE
YES performance related pay	Belgium, Bulgaria, Denmark, Estonia, Finland, France, Germany, Hungary, Italy, Lithuania, Malta, Slovakia, Spain, Sweden, UK	Belgium, Bulgaria, <b>Czech Republic</b> , Estonia, Finland, France, Germany, <b>Greece</b> , Hungary, <b>Ireland</b> , Italy, <b>Latvia</b> , Lithuania, Malta, <b>Netherlands</b> , <b>Poland</b> , <b>Portugal</b> , Slovakia, <b>Slovenia</b> , Spain, Sweden, <b>Switzerland</b>	UK was not a part of the 2017 survey.  Latvia and Switzerland were not a part of 2007 survey.
NO performance related pay	Austria, Cyprus, Czech Republic, Greece, Ireland, Luxembourg, Netherlands, Poland, Portugal, Romania, Slovenia	Austria, <b>Croatia</b> , Cyprus, <b>Denmark</b> , <b>EC</b> , Luxembourg, <b>Norway</b> , Romania, <b>Serbia</b>	Croatia, EC, Norway, Serbia were not a part of 2007 survey.

SOURCE: Demmke (2007) and this study - Staroňová (2017) Performance Appraisal Information in the EU Member States and EC

NOTE: Red colour indicates that the country is new in this category in comparison to 2007 (Demmke's study). Blue colour indicates that the country has remained in the same category. Countries which were not part of the original study (or this survey) are marked in green colour and thus we cannot observe any dynamics.

Our survey shows that pay for performance (PRP) seems to be a very attractive idea for many countries which implemented various PRP schemes (21 with direct link between performance and

remuneration and additional six countries with indirect link where excellent/poor performance affects the promotion and indirectly also pay, such as the European Commission or Serbia. The survey has

shown that a full range of PRP designs exists (see Table 17). Yet again, there is a high reliance on traditional merit pay schemes although research suggests (Perry, Engbers, Jun 2009) that pay system designs with direct connection between performance and pay may have greater success than designs relying on supervisory judgements. According to them, group and organisational incentive schemes are rare but may be another path for future experimentation. In fact, OECD (2005) argues for the beneficial effects of team rewards.

In countries where the link between performance appraisal and remuneration is formalised, there are different ways to

determine the remuneration (Table 17). It can be calculated as a percentage of base pay which is either cumulative in nature or is a variable merit increment. Again, these can be either automatically awarded or making the civil servant eligible for the performance reward depending on the decision of the superior and/or regained with each performance appraisal. Yet another option is to grant a lump sum. Some countries differentiate between pay promotion which is directly linked to performance appraisal and regular less direct option which is a change in rank grades (career promotion). Both have an effect on the size of remuneration earned thanks to positive performance appraisal.

TABLE 19: PERFORMANCE APPRAISAL INFORMATION AFFECTING REMUNERATION

		ABSOLUTE NUMBER
<b>INCREASE due to high performance – DIRECT LINK</b>		
Cumulative (as % of base pay)	Bulgaria, Estonia, Netherlands, Sweden	4
Variable component – Merit increment added to base pay (as % of base pay)	Czech Republic, Finland, France, Hungary, Ireland, Lithuania, Slovakia, Slovenia, Switzerland	9
Lump sum bonus	Italy, Latvia, Lithuania, Netherlands, Malta, Portugal, Slovakia, Switzerland	7
Change in a Compensation step (salary progression)	Portugal, Slovenia, Poland (nominated/appointed civil service only which is about 6,5% of all civil service)	3
<b>INCREASE - INDIRECT LINK</b>		
Change in a Career Grade with effect on pay (career progression)	Belgium, European Commission, Germany, Greece, Lithuania, Serbia	6
<b>DECREASE due to poor performance</b>		
Decrease of salary	Hungary, Latvia, Switzerland	3
Merit increment withdrawal	Czech Republic, Slovakia	2
Progression frozen	Belgium, Malta	2
<b>Downgraded</b> (with effect on pay)	European Commission, Greece, Lithuania	3

SOURCE: Staroňová, K. (2017) Performance Appraisal Information in the EU Member States and EC

**Salary progression.** Portugal and Slovenia can promote their civil servants on the basis of positive performance appraisal in two ways: traditional rank grade with effect on remuneration but also a

promotion to a higher salary grade. In Poland, this is possible only for so called nominated (top) civil servants only, who constitute about 6,5% of all civil service.

*In Portugal, the performance appraisal has effects on the compensation pay step change of civil servants and grant of performance bonuses. Each civil servant qualitative mention is entitled to the following No. of points:*

- *Excellent performance = 6 points*
- *Relevant performance = 4 points*
- *Adequate performance = 2 points*
- *Inadequate performance = 2 negative points*

*With the excellent performance rating, civil servant meets requirements to:*

- *Be part of the public employee list that may change pay step for the following one by managerial option;*
- *Be part of the public employee list who may receive a performance bonus.*

*By achieving **two relevant performance** ratings civil servant meets the requirements to be included in a list of civil servants who may change pay step by managerial option.*

*With one relevant performance rating, the civil servant meets the requirements to be set included in a civil servant list who may receive a performance bonus.*

*By achieving three consecutive ratings of adequate performance the civil servant meets the requirements to be included in a list of civil servants who may change the pay step by managerial option.*

*If 10 points are accumulated since the last change of the pay step, civil servant is entitled to change for the following pay step (compulsory change of it).*

**Automatic entitlement** for remuneration based on positive performance appraisal can only be found in Portugal, with senior/top civil service in the Netherlands and so called nominated/appointed civil service in Poland (which is app. 6,5% of the whole civil service and the status is not related to the seniority). In Portugal, a civil servant with excellent performance becomes a candidate in the public

employee list that may change pay step (salary progression) or receive performance bonus that needs to be approved by managerial decision. Nevertheless, if a formally designed number of points is accumulated since the last change of the pay step, a civil servant is automatically entitled to the change for the following pay step.

*If civil servant in Lithuania receives positive performance appraisal, the rater can choose rewards from a list of options: merit increment added to the base pay, promotion to a higher grade with an effect on pay and lump sum bonus.*

*In the first scenario, after positive performance appraisal, a civil servant may be granted qualification class (I, II or III). It means that with the qualification class, he/she also gets a bonus for qualification class of a certain amount (15, 30 or 50 percent).*

*In the second scenario, if the civil servant is promoted to the higher position, it means that his/her basic salary increases accordingly.*

*In third scenario, the positive performance appraisal is the lump sum in the amount of the monthly salary of the civil servant which is paid only once as a bonus for qualification class.*

**Indirect link between performance appraisal and pay.** Six countries (Belgium, European Commission, Germany, Greece, Lithuania, Serbia) utilize the performance information for accelerating career progression based on positive feedback received and which has an effect on the size of remuneration in that particular rank grade. Three of these (European Commission, Lithuania, Serbia) use the information also for the opposite effect. In case of a negative feedback a civil servant is downgraded and thus indirectly loses money based on performance information.

*In Belgium, the performance appraisal rates are linked with the career progression. If a civil servant gets a -very - good grade, he/she will climb in a faster pace in the career ladder (and ultimately gets more money). This 'type' of performance related pay scheme was re-introduced in 2014.*

*Prior to 2014 there existed a 'light' version of a performance appraisal system which was not related to a 'financial reward'. At that time Belgium had a rating system similar to the current one, however, the only consequence was where the servant received two 'bad' grades in the row. In that case, it led to a termination.*

**Decrease due to poor performance.** Hungary, Latvia and Switzerland have built-in mechanisms not only for rewarding good performers but also for financial punishment.

*In Hungary, the base salary of a civil servant can be increased by 30% or decreased by 20% based on the results of performance appraisal, which is quite decisive. This amount is not a part of the base salary and only applies for one year.*

## 5.5 SIZE OF REWARDS IN PRP SCHEME

Performance related pay schemes can be distinguished based on several design elements (Hasnain et al 2012), such as whether the reward is individual or group

performance based, the time horizon of the financial incentive (monthly, yearly), the nature of link between performance appraisal and remuneration (discussed above) and the size of the reward. In terms of the latter, the World Bank study (Hasnain et al 2012) argues that small rewards have little incentive effect, while large rewards can encourage gaming and therefore hurt performance. Also, if the probability of receiving performance reward is either close to 0 (no probability) or 1 (certain probability), the incentive will have no impact (Bruns, Filmer and Patrinos 2011).

The maximum size of the rewards varies considerably, from a low of maximum 3 per cent of base pay in Switzerland to a high of 100 per cent of base pay in the Czech Republic, Lithuania, Portugal and Slovakia. In the latter one, we have to bear in mind that this is the maximum size award which, if awarded, is provided only to “exceptional” performers.

Some countries with such high maximum size of the reward have built-in safeguard mechanisms against personal discretion, such as oversight committee, request for consecutive highest rankings where the size of the reward increases with the number of good performance appraisals, etc. On the other hand, some countries leave such decision entirely on the managerial discretion of an immediate supervisor.

In countries with collective agreements (e.g. Denmark), there is no central rule that defines a maximum size of the financial reward in relation to the base

pay. The individual organisations may choose to stipulate guidelines for the maximum size, but these are not centrally valid or monitored.

TABLE 20: MAXIMUM SIZE OF REWARDS IN PRP SCHEMES (N=17)

COUNTRIES	
Up to 10% of base pay	Estonia, Finland, Ireland, Latvia, Netherlands, Switzerland
11 – 20% of base pay	Bulgaria, Italy, Malta (up to 15% of basic pay)
21 – 50% of base pay	France, Italy, Hungary, Slovenia
51 – 75% of base pay	
76 – 100% of base pay	Czech Republic, Lithuania, Portugal, Slovakia

SOURCE: Staroňová, K. (2017) Performance Appraisal Information in the EU Member States and EC

Literature regards inadequate funding of the plans as one of the key failure of PRP (Perry, Engbers, Jun 2009). In fact, all PRP schemes take place within constraints and thus the level and structure of pay need to be set in such way that it maintains long-term fiscal sustainability (Hasnain et al 2012).

In this regard, there might be two problems associated with low fiscal sustainability:

- The size of performance reward is set high but there is no relevant funding in the budget and therefore it is not realized in the practice (e.g. Bulgaria, see box below).

- The size of base pay is so low that performance reward becomes a fixed part of the salary regardless of the actual performance appraisal results (e.g. Slovakia).

*According to an existing model in the Bulgarian public administration, it is possible for a civil servant who has received the highest possible grade during the annual performance assessment to receive up to 15% increase in his salary. It is not a variable component but after the increase, this will become his/her new salary and if the next year he/she receives the highest grade again his/her salary can be increased by up to 15% once more. However, all of this should be done within the existing budget of the given administration, so if the budget doesn't allow for such increases the salaries will not be changed, no matter what grades the civil servants have received. Furthermore, over the past several years there have been several 10 % budget cuts across all administrations, which have not allowed for a lot of salary increases.*

# 6 CONCLUSION: TRENDS AND RECOMMENDATIONS

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Performance appraisal is inherently difficult in the public sector and its design and implementation may result in problems with negative effects on staff motivation. It is of utmost importance to be aware of the fact that performance appraisal might be ineffective, influenced by contextual factors, including various administrative cultures and behavioural aspects. Therefore, a way to improve performance appraisal is to identify strategies for understanding, revealing and tackling possible negative effects and/or increasing the quality of the process and thus increasing the trust of the civil servants towards the whole performance appraisal system.

One of the main challenges in the performance appraisal is its quality and openness so that both civil servants and managers truly believe in the benefits that the PA system can bring. The study of Demmke in 2007 already mentioned transparency and keeping the civil servants informed about the application and consequences of the tool as a key issue. Thus, the design of PA should ensure the existence of standards in performance appraisal, two-way communication in performance appraisal process, including participation of civil servants in the process, feedback

provision and various accountability mechanisms.

## 6.1 PERFORMANCE ORIENTED CULTURE

During the workshop for working-level meeting discussions, it became clear that performance appraisals cannot be isolated from getting the job done or from strategic organisational planning so that it is supposed to be used as a management tool for both human resources and overall organisational decisions. To that end, support and understanding of the entire civil service and its unions are of utmost importance. Also, top officials need to commit to the PA system publicly by devoting sufficient resources to it and by modelling appropriate behaviour. Managers, particularly human resource managers, need to be convinced that the system is relevant and operational.

The study has shown that on an individual level, there is an increase in usage of PA for future-oriented goals and targets as well as overall competencies and development planning. Still, team-based performance appraisals are relatively rare. On the organisational level, a significant change occurred since 2007 with



increasing professionalisation and standardisation of performance appraisals across departments in the organisation. To that end, the performance appraisal process includes, to a much bigger extent, professionals from the HR department, lesser reliance on the sole actor of immediate superior and validation by other actors.

- Organisational culture frames whether PA is welcomed and supported. Therefore, setting aside time to collectively consider performance appraisal design, use of performance information and possible learning routes can combat the image of pointless PA exercise that distract civil servants from “real” work.
- Bigger alignment of individual and organisational goals/targets.
- Incentives to increase awareness among staff of organisational goals and increase the link between organisational goals in individual performance appraisal, e.g. by institutionalizing regular discussions of performance between management and staff (or across management)
- Encouragement to foster “team work” (and team performance appraisal)
- Involvement of HR departments (and other professionals) in tackling day-to-day problems with PA and relating the tool to overall strategic management of the organisation.
- Investment of resources, including specialised staff in HR.

## 6.2 LEARNING IN THE FIELD OF PERFORMANCE APPRAISAL: TRAINING

Performance appraisal skills and motivation are critical to effective and valid appraisals. Communication, measurements of performance, achievement of objectivity and fairness, avoidance of evaluation errors, management of underperformance and dialogue-style of performance evaluation all requires a specific set of competencies from managers. To that end training for the raters and managers, including interpersonal skills, conflict management, assertiveness, etc., is of utmost importance.

The study has shown that many countries have reformed the performance appraisal system in order to make it more effective. Yet, the individual countries devote insufficient attention to the issue of training the individuals who are to conduct performance appraisal or tackle it as an ad hoc exercise only during the introductory phase. How are we going to hold responsible raters for unprofessional performance appraisal, if we do not provide them with tools to do so?

Raters must possess specific skills such as setting individual targets/goals and their transfer into agreements with the civil servant, coaching, interviewing, feedback provision, information utilisation to be effective raters. In addition, such training can increase the validity of the appraisals simply by making raters aware of

potential rating errors. If the rater conducting any performance appraisal does not possess either the skill or motivation to rate the civil servant, problems will inevitably occur.

Organisations can do much more than they are doing right now. More should be done for the managers conducting appraisals, for executive managers and HR departments overseeing the whole process to support them in the execution of their tasks and duties.

Thus, training in the field of performance appraisal still remains a challenge:

- Human resource trainings, including performance appraisal should be an obligatory part of the managerial competence of a newly appointed line/executive manager.
- Regular trainings and sessions on how to tackle the identified problems by managers, HR departments or any actors involved in the appraisal process and how to improve existing skills is of utmost importance. However, trainings should be highly effective by bringing real life examples, role plays and simulations since it is generally acknowledged that mere awareness of these problems is unlikely to affect behaviour.
- HR departments that provide support need to be a part of regular training to be able to bring innovations into the system and identify potential problems. Ideally, they can be the ones to conduct reviews of the

process (see later point on accountability mechanisms). To that end, they need to understand where potential flaws may occur and how to detect them (how to conduct reviews of the system).

## **6.3 PERFORMANCE APPRAISAL AS COMMUNICATION: PARTICIPATION AND DIALOGUE**

Research shows that when employees have been involved in every stage of developing performance appraisal, their reactions to the actual appraisal and ratings has been more positive, regardless how well they did (Milkovich et al 2014). This relates most importantly to the discussion of appraisal components - criteria upon which they are evaluated - to see how they are associated with the overall goals, mission and strategy of the organisation and where is the place of an individual. Unclear expectations are one of the most significant barriers to good performance and motivation. Therefore, communication and feedback reduces uncertainty and provides information relevant to performance. Inevitably, communication and feedback also builds perceived fairness, trust and respect towards the rater who is believed to have the civil servants' interest in her/his mind and that the appraisals are accurate.

The survey revealed that the countries increasingly try to involve civil servants in

the appraisal process. Still, there are more possibilities on how to encourage a collaborative problem-solving approach in performance appraisal:

- Participation in all stages of the appraisal process - not only for conveying the results of the evaluation but monitoring and discussing performance in the period between plan approval and formal appraisal. When corrective feedback is utilized throughout this period (with the possibility to renegotiate and reformulate goals if necessary), the actual evaluation simply confirms what has already been discussed.
- Transparency and access to results via feedback and dialogue which increases the ownership (employee validation and authentication)
- Keeping all employees informed about the process and system.
- Team work environment requires change in the PA tools, both in setting components for appraisal that are team related but also as sources of information. Self-evaluations and Peer evaluations are tools to be considered as an additional source of information that brings valid data on team work and at the same time increases participation of the employees in the process. However, if peers- and self-evaluations are to be introduced, we have to be aware that usually there is little or no experience in conducting appraisals, leading to mixed reliability.

- Get training on appraisal interviewing to use problem-solving approach rather than one-way technique in which managers just inform civil servants how they were rated and then justify the decisions.

## 6.4 ACCOUNTABILITY AND CONTROL MECHANISMS IN PERFORMANCE APPRAISAL

The problem involving (dis)trust in the performance appraisal system (associated with the quality of one's performance appraisal) on the side of both raters and ratees can have fatal consequences on the effectiveness of the tool. If the civil servants do not believe that performance appraisal is beneficial to them or the organisation, it affects the work motivation and effects the trust towards rewards associated with generated information from the performance appraisal (promotion, financial rewards, development). In general, there are no standards, in the field of performance appraisal, on how to improve the quality of the performance processes, avoid gaming, management shortfalls, identify implementation problems and drawbacks so the information gained is valid and the whole process is motivational for all the parties involved.

The results show that we can observe endeavours to attain improved procedures. This is evident from the increased communication and participation of the civil servants in the process (as discussed above) as well as in

the increased involvement of other actors in the appraisal process, such as the HR department, trade union member, other civil servant. Some countries have even specifically created committees to oversee and safeguard the whole performance appraisal process. This clearly shows that individual countries felt the need to professionalise and standardise the appraisal process.

On the other hand, adequate attention is not paid to the review of the existing practices, either the processes themselves, raters or the outputs of the appraisal process. These are relatively scarce in occurrence. Rather, the main accountability mechanism remains the ex post opportunity of a civil servant to appeal against the result of the performance appraisal.

- Regularly review the process of performance appraisal by collecting archival as well as civil servants' attitudinal data. The existing system should then regularly be revised based on these findings and test new approaches on a trial basis.
- Regularly review the output of the performance appraisal (reports) to see how information is collected/provided (what is the quality of such reports). These serve for revision of the system and/or can be a basis for training as well (e.g. if cognitive errors occur).
- Regularly review the attitudes and opinions of the raters (managers) and civil servants on how happy they are with the process (with no penalisation

for criticism). These reviews can/should be collected and discussed by HR experts collectively which may lead to establishing standards on tackling various situations (or even used for trainings later on).

- Identify guiding principles for performance appraisal that can be exercised by individual organisations

## 6.5 INFORMATION USE IN HUMAN RESOURCE DECISION MAKING

The most obvious purpose of a performance appraisal system is as a decision aid. Moynihan and Pandey (2010) argue that there are various factors in place that influence whether and if the organisation utilises the information from the performance appraisal. Among these factors, as he suggests, are: motivation, leadership role, information availability, organisational culture and administrative flexibility. As such, it provides a basis for deciding who should be promoted, terminated, rewarded or sanctioned. Most of the countries note that PA is not the only basis for such decisions.

The study shows that there is a more professional way of dealing with performance appraisal information which has become increasingly complicated. Only two countries utilise performance information for one area only. Instead, most of the countries use performance information in an array of management functions. Thus, if we want to study the

successes and failures of performance appraisals in the future, we have to study the use of performance information and its impact on the organisation as a whole of government and where learning (from the information) is most likely to occur.

In sum, performance appraisal is central to the strategic importance of the organisation and human resource management. The development of systems to ensure accountability, encouragement of participatory and collaborative approaches are important strategies to foster performance culture and effectiveness of the tool. However, performance appraisal systems will tend to undermine motivation unless they are accompanied by other strategies to enhance trust and validity of the system, such as training.

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# GLOSSARY

**APPRAISAL METHOD** – methods to measure the quantity and quality of performance appraisals

**APPRAISAL FORM** – sources for gathering data for appraisal (subordinates, peers, self, superiors, etc.)

**BASIC PAY** – automatic pay based on job description and categorization

**FORCED DISTRIBUTION** – ranking system that forces managers to discriminate between high and low performers and thus tackle rater biases

**MERIT INCREMENT** - variable payment added to base salary which becomes a permanent part of the total salary

**PARTICIPATORY PERFORMANCE APPRAISAL** – appraisal system where civil servants are involved in its design

**PROGRESS REPORT** – written report where the results of performance appraisal are discussed: written feedback

**PERFORMANCE APPRAISAL** – assessment of individual's performance in a systematic way

**PERFORMANCE INTERVIEW** – a dialogue between a superior and a civil servant where the results of performance appraisal are discussed, together with implications for future (goals, improvements, etc.): oral feedback

**PERFORMANCE RELATED PAY (PRP)** – variety of systems that link performance to remuneration

**PERFORMANCE STANDARDS/CRITERIA** – setting targets to measure both quantitative and qualitative aspects of performance (e.g. checklists for behaviours, characteristics, outcomes)

**QUOTAS** – a formal way to distinguish staff performance, by saying for example that only top 15% are allowed to receive a financial bonus or that only 10% can be top performers. See also forced distribution.

**RATER** – individual doing the performance appraisal (also evaluator)

**RATING CATEGORIES/SCALES** – categories that differentiate between performance, can range between highly detailed ones to differentiating extremes: the very good and very bad ones

**RATING ERRORS** – errors in judgement that occur in a systematic manner when an individual observes and evaluates a person or group. The most frequently described rating errors are halo and leniency errors.

**RATING SYSTEM** – various approaches on how to differentiate each civil servant's performance and compare it with that of his/her peers and generate a rank order from top to bottom (e.g. grids, points, scorecards, etc.)

**SCALING (SCALES)** – determining intervals on a measurement instrument

**TENURE** – life-long guarantee of employment in civil service

**360-DEGREE PERFORMANCE APPRAISAL** – a form of appraisal where not only superior makes the assessment, but also peers, team members, subordinates and/or other actors who come into contact with the civil servant

**180-DEGREE PERFORMANCE APPRAISAL** – a form of appraisal where not only superior makes the assessment but also subordinates confidentially comment on their manager's performance.

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