

**PERFORMANCE-RELATED PAY POLICIES
FOR GOVERNMENT EMPLOYEES:
AN OVERVIEW OF OECD COUNTRIES**

Amman, 20-21 September 2006

presented by Jürgen René Blum, OECD

Structure of the presentation

1. Why PRP? PRP as one facet of a broader move towards increased public sector performance.
2. What are the major PRP policy trends in OECD countries?
3. Why can PRP be difficult to implement?
4. What has been the impact of PRP in OECD countries?

Why have governments turned to PRP?

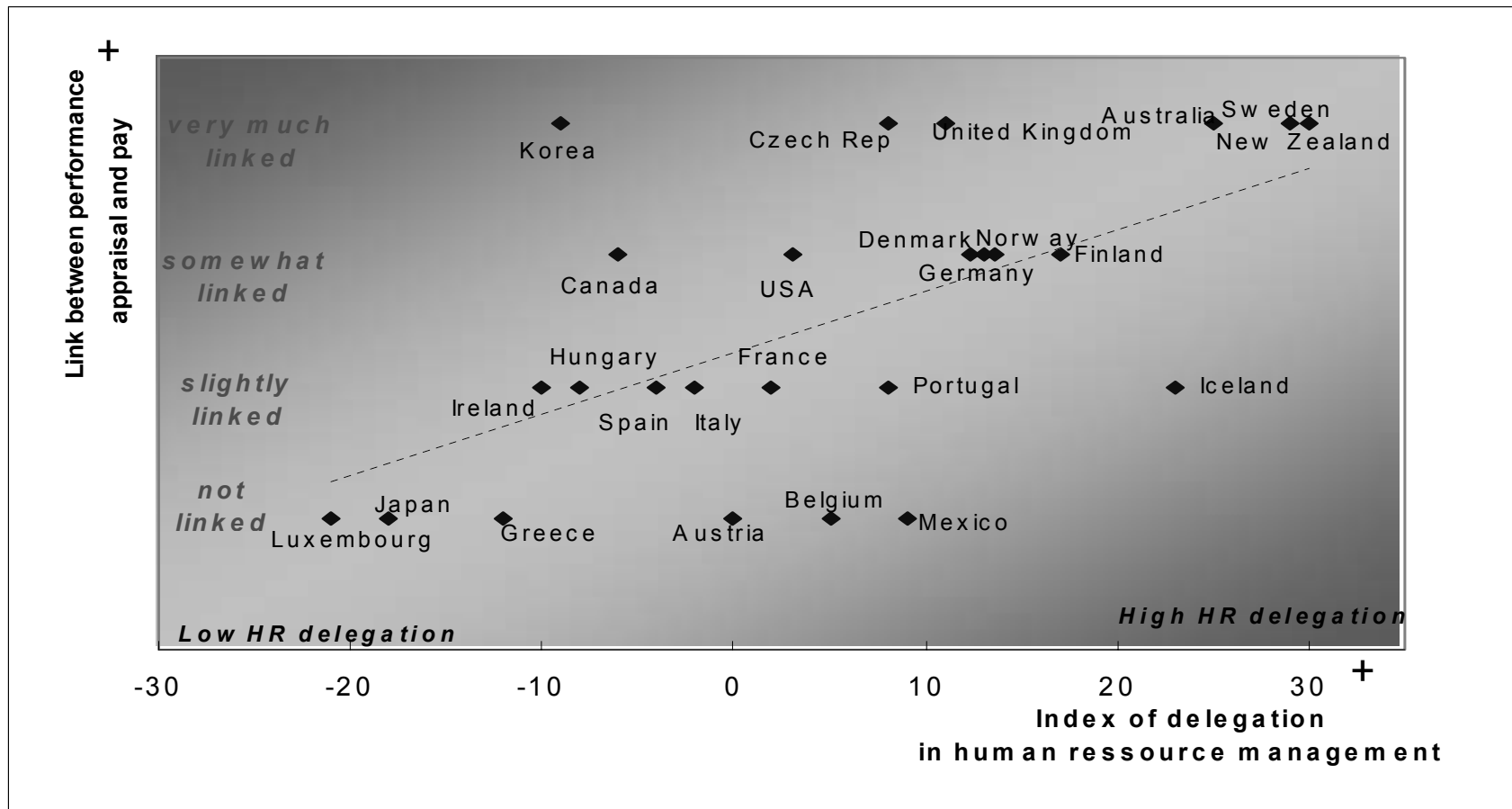
- To foster individual motivation
- To compete effectively with the private sector for the most talented and risk-taking employees
- To limit the wage bill
- To improve the image of the civil service as being overpaid and unaccountable

How widespread is PRP?

- **Most** OECD member countries have an extended formal performance appraisal system for employee
- Continuous extension of PRP policies in the past two decades: **two thirds** of OECD member countries have **to some extent** introduced PRP for government employees
- Only a **handful** of OECD countries have an extended formalised PRP policy

1. PRP as one facet of a broader move towards increased public sector performance

PRP goes hand in hand with delegation of HRM responsibilities



Source: OECD, 2004.

Overview of major trends

- The early standardised PRP schemes of the 1980s have evolved towards decentralisation in the past ten years
- Extension of PRP from senior management to non-managerial staff in recent years
- An increased interest in team- or group-based performance schemes has emerged in the last five years

Trends in performance appraisal systems: from control to dialogue

Performance appraisal systems:

- Tend to rely more on dialogue with line management than on strictly quantifiable indicators
- Tend to use less detailed rating systems than ten years ago
- Are more often combined with quota systems for ratings

Importance of trust, transparency and managerial skills

Performance payments tend to be modest

- For employees: The maximum rewards for top performers is less than 10% of the base salary at the employee level
- For managers: The average is around 20% of the base salary

and bonuses are tending to supplement and even replace merit increments because:

- Countries find that bonuses have a better impact on motivation
- Bonuses do not have a long-term impact on the wage bill and pension liabilities

1. A performance appraisal process that is...

- Transparent
- Based on dialogue with line-managers
- and on clearly defined objectives

...is crucial for success and difficult to achieve.

2. Practical constraints: Resistance and costs

- Resistance from unions, staff and middle management
- PRP is costly to implement both in terms of time and money

4. What has been the impact of PRP in OECD countries?

PRP does not motivate the majority of staff to perform better...

Other types of incentives are more influential

...but the changes required to introduce PRP might:

PRP as an opportunity for the introduction of wider organisational changes:

- An opportunity for an organisational culture shift
- A lever for change in the organisation of work

4. What has been the impact of PRP in OECD countries?

PRP and its impact on performance

