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**HOW TO MANAGE INDIVIDUAL PERFORMANCE --
UNITED KINGDOM COUNTRY REPORT**

Governing for Performance in the Public Sector

OECD-Germany High-Level Symposium, Berlin 13-14 March 2002

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Governing for Performance in the Public Sector
OECD-Germany High-Level Symposium, Berlin 13-14 March 2002

HOW TO MANAGE INDIVIDUAL PERFORMANCE
UNITED KINGDOM COUNTRY REPORT

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1. Introduction

1. The British Civil Service has a long and honourable tradition of managing individual performance. To ensure equity for each individual, in what is now an organisation of 460,000, is immensely challenging. Individual departments and agencies have authority to determine performance review arrangements for their own staff outside the Senior Civil Service. This authority is conditional, and requires (inter-alia) that departmental systems must take account of any principles of good practice issued (after consultation) by the Cabinet Office.¹ The Senior Civil Service, created in 1996, comprises the (3000) most senior staff in departments and agencies. Although responsibility for management of the Senior Civil Service is principally a matter for departments and agencies, some key terms and conditions are determined centrally. The Cabinet Office assists departments and agencies to develop expertise and promote cohesion across the Senior Civil Service through a common broad management framework and by encouraging mobility between departments and agencies.² A key element of the common management framework is the SCS performance management system. In this paper, I will illustrate how the UK Civil Service manages individual performance by locating performance management in the context of the Civil Service Reform programme launched at Sunningdale by Sir Richard Wilson in 1999. The paper describes the new performance management system in the Senior Civil Service and the new Competency Framework for members of the Senior Civil Service. In the summary, I will relate issues of performance management and behaviour by senior officials to the issues of development, trust, safeguards against systematic bias, and team approaches to performance.

2. The Civil Service Reform Programme

2. In December 1999, Sir Richard Wilson, the Head of the Home Civil Service, launched a programme of Civil Service Reform following on from the Modernising Government White Paper of 1999.³ The ambition of the Blair Administration is to transform public management in the United Kingdom so that an outward-focussed, renewed and citizen – sensitive public service has the necessary integration, skills and incentives to deliver the highest quality public services. There have been a number of phases/elements to this ambitious programme. The Modernising Government agenda addressed the issues of ensuring that policy-making is more ‘joined-up’, of making sure that public service users (not providers) are the focus, and of delivering public services that are high quality and efficient.⁴ The Civil Service Reform programme aims to create a more open, diverse and professional service with emphasis on innovation, creativity, learning, partnership, and the use of new technology. It has initiated wide-ranging changes to policies on Leadership, Business Planning, Performance Management, Diversity, Recruitment and Career Development and Human Resources Management. A central pillar of the Civil Service Reform programme has involved developing new performance management systems for all civil servants, including the Senior Civil Service. The third and most recent phase in the programme to transform public management in the UK is a concentration on delivery in areas of key public service including health, education, crime, asylum and transport. Here, traditional ‘virtues’ of policy advice and management are seen as insufficient unless bolstered by a whole range of leadership, programme and project management, team working and partnership skills. In these circumstances a significant realignment of the skills encouraged by the performance appraisal and Competency Framework systems has been judged imperative.

3. Throughout the 1980s and early 1990s there were consistent concerns about the utility and fairness of the civil service’s performance management systems. It was suggested that performance management had become a routine transaction, no longer (if ever) integral to the management of people and business; that there were inconsistent standards of assessment, and no clear line of sight to departmental objectives. It was also suggested that the system itself was unfair in its perceived bias against

minorities and that the system was a failure as a development tool. These criticisms took their toll. In a study of one central Department in 1995, only 44 per cent of respondents in an anonymous, structured, survey reported the current reporting system as fair and bias free.⁵ If advancement on the basis of ability is part of the civil service ethos and core values which ‘distinguishes the Civil Service from other comparable forms of social organization’⁶ then clearly a great deal of work had to be done to improve systems and recover the confidence of civil servants.

4. The Civil Service Reform Group of Permanent Secretaries addressing Performance Management, chaired by Sir Michael Bichard, published in 1999 a wide-ranging and critical review of contemporary performance management practice.⁷ This reported that existing arrangements were too complex and produced inconsistent assessments across departments. The arrangements discouraged people from moving between jobs and seeking more responsibility for fear that their current performance marking would suffer. And there was little evidence that they had helped to confront poor performance.⁸

5. The Bichard Report set out some basic design principles which ‘we believe hold good for all departments and agencies at all levels’. These included:

- i. Stretching objectives which link to outcomes required by the business plans.
- ii. Objectives agreed at the beginning of the year.
- iii. Know at the beginning of the year the competences and behaviours they are expected to demonstrate and how these will be measured. Each manager makes a commitment to coaching and support.
- iv. Regular discussions between the individual and the line manager to assess progress against commitments.
- v. At year-end there is a formal meeting between the line manager and individual to record whether the objectives have been achieved, and to agree the levels of competence demonstrated.
- vi. The line manager makes a narrative assessment of overall performance (recording if performance was unsatisfactory), but does not seek to translate this narrative assessment into a box mark based upon absolute performance standards.

6. Many of these principles of good practice had begun to be addressed before the inauguration of the Civil Service Reform programme. For example, the creation of the Senior Civil Service in 1996 opened the way for the development of a service-wide Competency framework to set out more clearly the leadership function of the SCS. And the decentralisation of human resources management functions to Departments and Executive Agencies in the period before 1997 allowed the possibility of a multi-track approach to the challenge of using performance management as an instrument of civil service transformation rather than a routinised transaction. However, the Bichard Report gave focus and priority to what had previously been an incremental development of good practice. It heralded a new performance management and pay system for the Senior Civil Service. It also led to the agreement that every Civil Service organisation would complete a review of its performance management systems for all staff by April 2002.

3. New Performance Management System for the Senior Civil Service

7. During 2000 and early 2001 a new performance management system for the Senior Civil Service was drawn up and subject to wide consultation. The new proposed system continued the practice of establishing a performance agreement in the context of business objectives and the SCS competency framework. It also retained the end of year performance review. There were however, a number of

important innovations. These included a formal mid-year development review, the termination of numerical end of year performance markings, and the creation of a new pay and reward structure to incentivise and reward excellent and successful, objective-related behaviour. The new system was introduced in April 2001 and is currently in its first full year of operation.

3 (i) The Performance Agreement

8. An exemplary performance agreement lies at the heart of the rigorous management of individual performance. The construction of this agreement will be based on dialogue and negotiation between line manager and reportee. It will draw its coherence from the Business Plan of the management unit, the job description of the reportee and the Competence Framework of the Senior Civil Service. At the start of the financial year (April/May) the performance agreement is drawn up with typically five to seven objectives. These will include a number of business-related objectives, one or two development objectives relating to the skills and knowledge that should be developed in the course of the year, and one objective with a strong and explicit diversity element to it.

9. Since 1997 there has been growing clarity in what is called the “line of sight” inside central government departments. This is the direct link between Departmental Objectives at one end and individual performance agreements at the other end (see diagram 2).

Diagram 1

Overview of Performance Management System in SCS

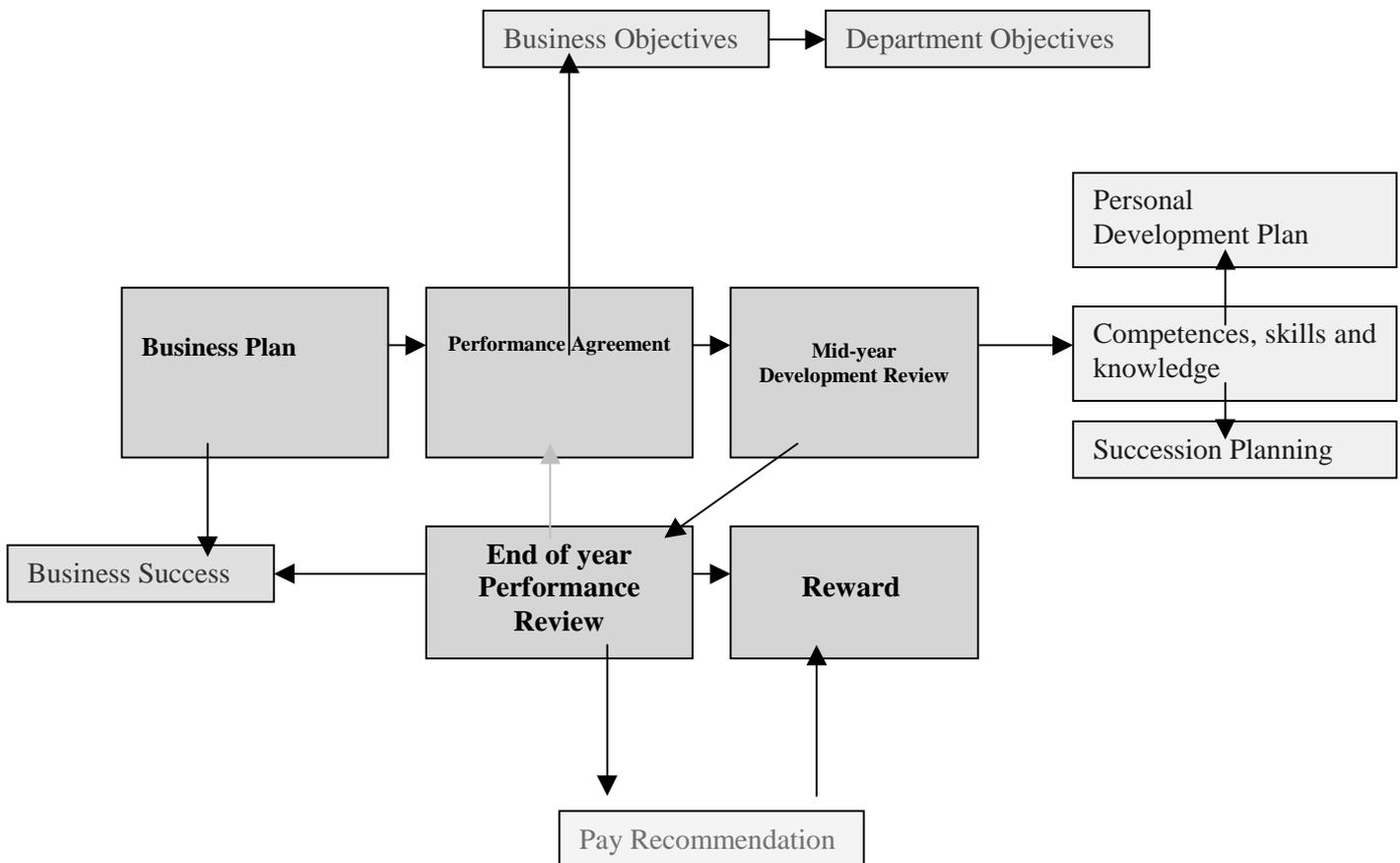
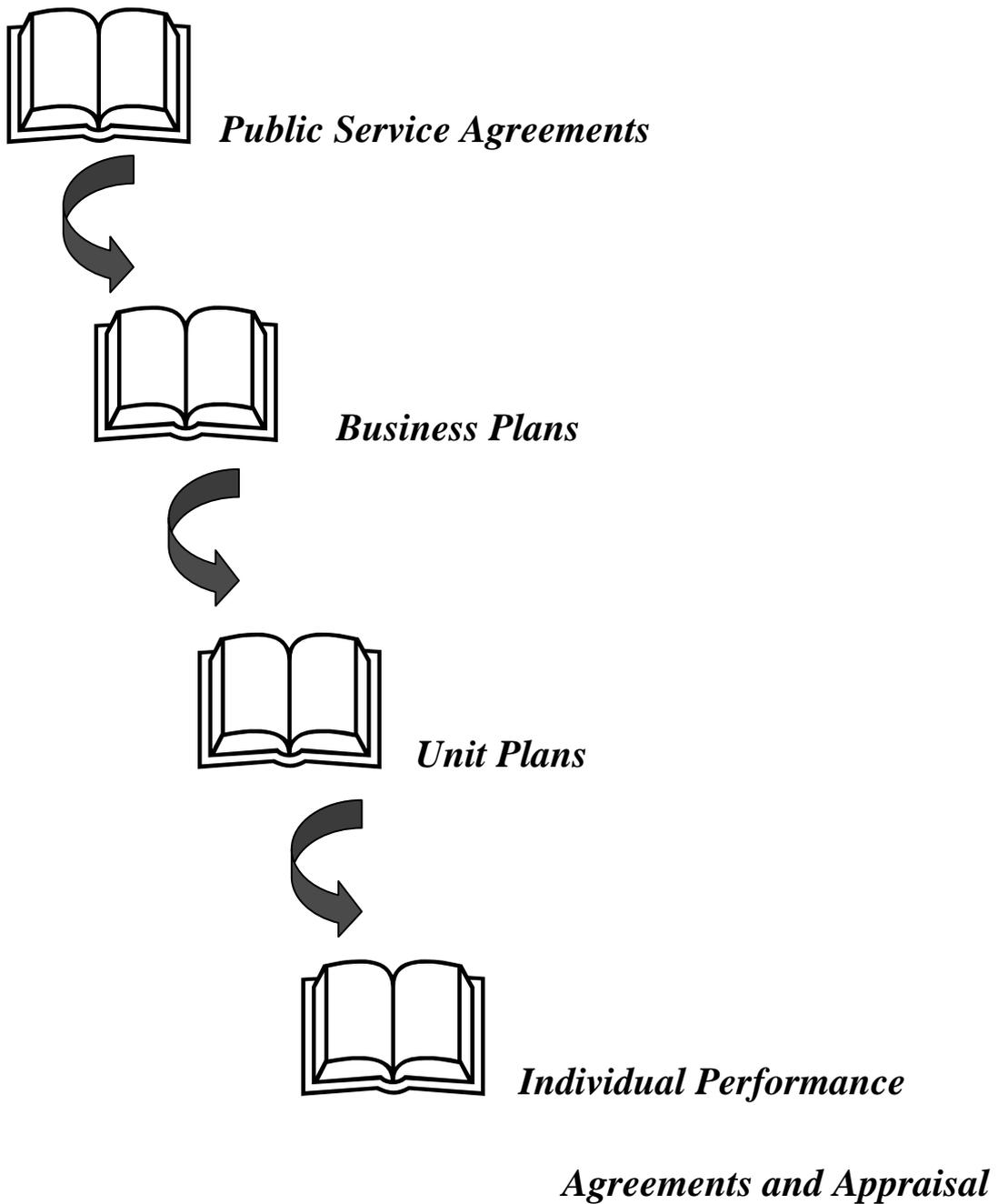


Diagram 2

**Performance Appraisal in the UK Civil Service
- The “Line of Sight”**



10. The elucidation of clear and measurable objectives accelerated with the creation from the late 1980s of the 140 Executive Agencies inside central departments responsible for service delivery. Their Framework Agreements and annual, Ministerial-set, performance targets did much to de-mystify and make transparent the purpose and activities of civil servants. The establishment of Public Service Agreements (PSAs) by the Government in 1999 took the process of objective-based activity one decisive step further. PSAs are three-year, published, agreements negotiated between individual departments and HM Treasury (Finance Ministry). They set out Departmental Aims and Objectives, and Resources, fixed for three years, broken down by programme and performance targets including improved productivity targets. PSAs are therefore critical mechanisms for setting the strategic direction of entire departments, and therefore of removing the crippling ambiguity associated with a goal-less, Oakeshottian⁹ disposition.

11. Alongside the Unit Business Plan, the job description and the SCS Competency Framework are essential reference points for the construction of the Performance Agreement. Where the job description (which every civil servant should possess and be aware of) sets out the key components of the role to be performed, the Competency Framework sets out, in structured fashion, the key **behaviours** that people in the SCS need to demonstrate in their roles as leaders of the Civil Service. The framework contains the competences and behaviours that have been identified as critical for high performance (see below Section 4).

3 (ii) The Mid-Year Development Reviews

12. Mid-year Development Reviews take stock of progress towards performance agreement objectives, both business and developmental. This is an opportunity to discuss and agree any necessary changes to the Performance Agreement as a result of changed circumstances. It is also an opportunity (where appropriate) to agree any actions that might be needed if progress to meeting objectives is off-track. The origin of the formal mid-year Development Review is a reported scarcity of informal mid-year reviews under previous systems. This indicated that the dialogue between line managers and reportees about performance has not been as *continuous* as it should be.

3 (iii) End of Year Performance Review

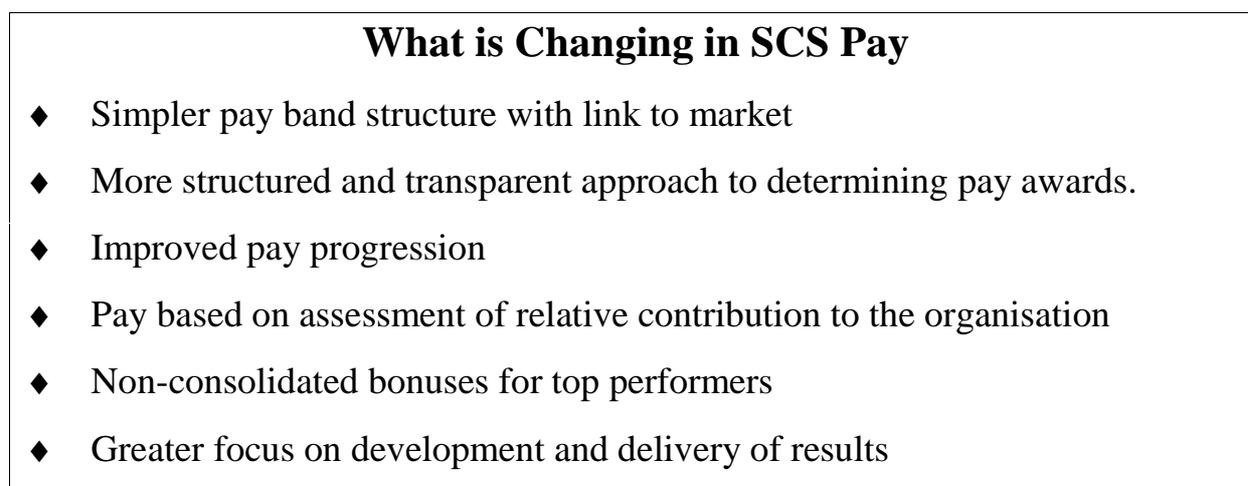
13. The Performance Review is a key meeting where the line manager and reportee discuss *in private* performance during the year. This includes the achievement of objectives and the development and demonstration of competences, skills and knowledge. Both parties come to the meeting equipped with examples and evidence to support their view. The reportee brings along a pre-drafted self-assessment for discussion at the meeting. This records key achievements against set objectives. The line manager's aims for this specific meetings are to: motivate, recognise achievement, counsel or guide; plan ahead; and improve standards of performance. Following the meeting, the reportee finalises the self-assessment, and the line manager records a narrative report of what has been achieved (citing examples and evidence) and what has been agreed. There is no longer a 'box' or numerical performance marking, but a clear indication of whether or not individual objectives were achieved. The reportee is asked to sign the completed narrative and to record any dissenting comments where there is disagreement.

14. The removal of explicit and numerical performance markings is a new departure. It abolishes a convention which saw the vast majority of SCS reports marked at 'Significantly above the level required' (2, 2+) and which saw 'Fully meets the standard required' (3), as a pejorative mark indicative of a performance standard weaker than that described.

3 (iv) Pay Recommendation

15. The next stage is for the line manager to make a recommendation on performance pay and level of bonus for review by the departmental SCS Pay Committee. Although the new system leaves it to the discretion of each Department whether or not to use a counter-signing officer to validate individual reports, Departmental Pay Committees are innovations and they are mandatory. They consist of a representative group of the most senior managers in each Department and include some independent element such as Non-Executive Directors from Departmental Management Boards. The judgements required of the Pay Committee are based on a broad assessment of contribution compared to other individuals operating at the same level. The introduction of the Pay Committee makes more transparent, rigorous and equitable judgements previously made on an *ad hoc* basis. The new pay 'bands' are simplified by replacing nine overlapping bands with three non-overlapping bands. Allocation into the three bands is determined by the (JESP) score – or numerical responsibility weighting – of each post. To avoid the problem of large numbers of above-average, largely undifferentiated, SCS performance markings automatically activating (consolidated) performance related pay awards, there are new indicative percentages for contributions at top level (25 per cent), medium level (65-70 per cent) and bottom level (5-10 per cent) performances. Here, the aims are to provide real (non-consolidated) pay recognition to a significant group of top performers, to confront poor performance where it really exists, and generally to try and ensure that rewards are linked to a demonstration of the behaviours and skills that are judged necessary to encourage.

Diagram 3



4. The New SCS Competency Framework

16. A new competency framework for the Senior Civil Service was introduced in 2001. The framework was developed through an extensive programme of research and consultation. Overall the consultation process received direct input from about 900 people including:

- One-to-one interviews with key stakeholders, SCS members and broader public and private sector experts.
- Workshops with members of staff from a wide variety of Civil Service Departments and agencies.
- A survey of all members of the SCS.

- Fifteen pilots of the draft framework in different HR processes in a number of departments and agencies.
- An inter-departmental steering group.

17. The purpose of the new competency framework is to ‘define the kind of behaviour top managers need to show to deliver cultural change’ against which their performance will be assessed.¹⁰

18. The quality of leadership provided by the SCS is central to the task of reforming the Civil Service and ensuring the delivery of high quality public services. The SCS are responsible for leading the Civil Service and ensuring the delivery of Government objectives. They are a corporate cadre whose aim, both individually and collectively, is to give a clear sense of direction to policy formulation and effective delivery of services, both within and across departmental boundaries.

19. The new competency framework is a key sign-post for the development of explicit behaviours commensurate with the delivery of Government objectives. As such it is a critical pillar of the new SCS performance management system, acting both as a lever for strategic and cultural change, and as a concrete guide to individual leadership behaviour.

20. As the former, it addresses the historic bias of Senior Civil Servants towards a “mandarin” style which judges excellence in terms of policy advice to Ministers sometimes at the expense of both delivery of public services and sensitive interaction with colleagues. As the latter it is a detailed map of appropriate behaviour setting out examples of both effective and ineffective behaviour. The new framework is significantly different from the old one. The number of competences has been reduced from nine to six and the number of supporting effective behaviours from sixty-seven to fifty-three. The new framework is also entirely behavioural since a key objective of the Civil Service Reform programme is to develop the culture of the Senior Civil Service.

Diagram 4

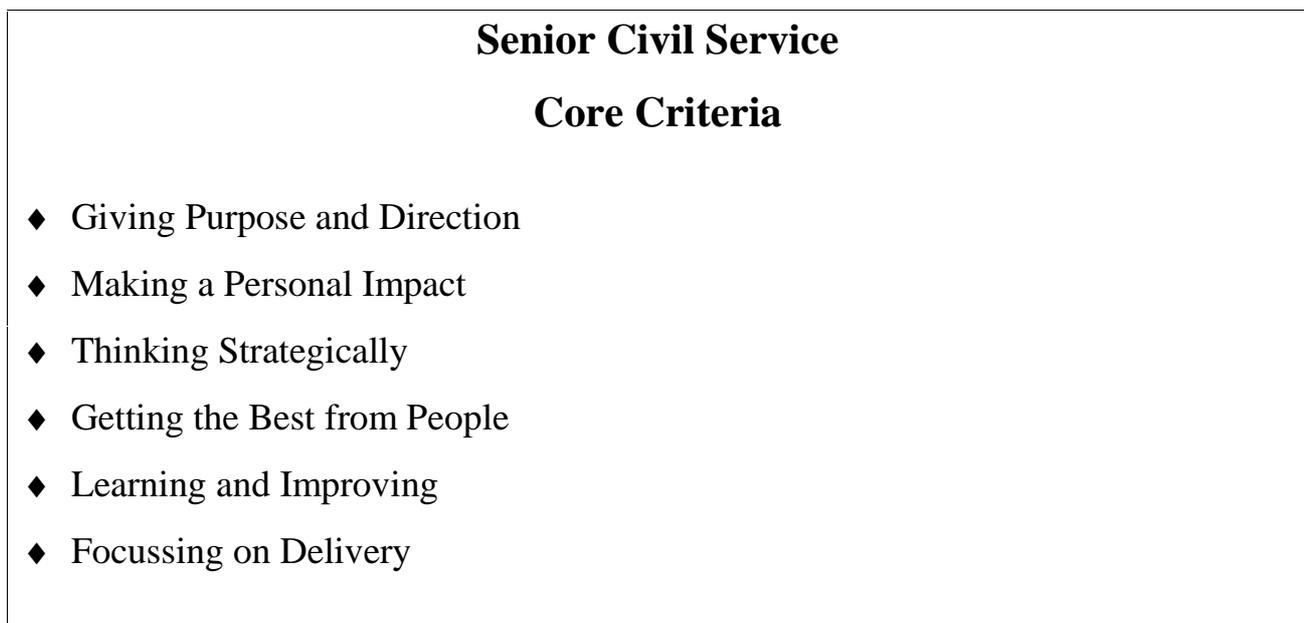
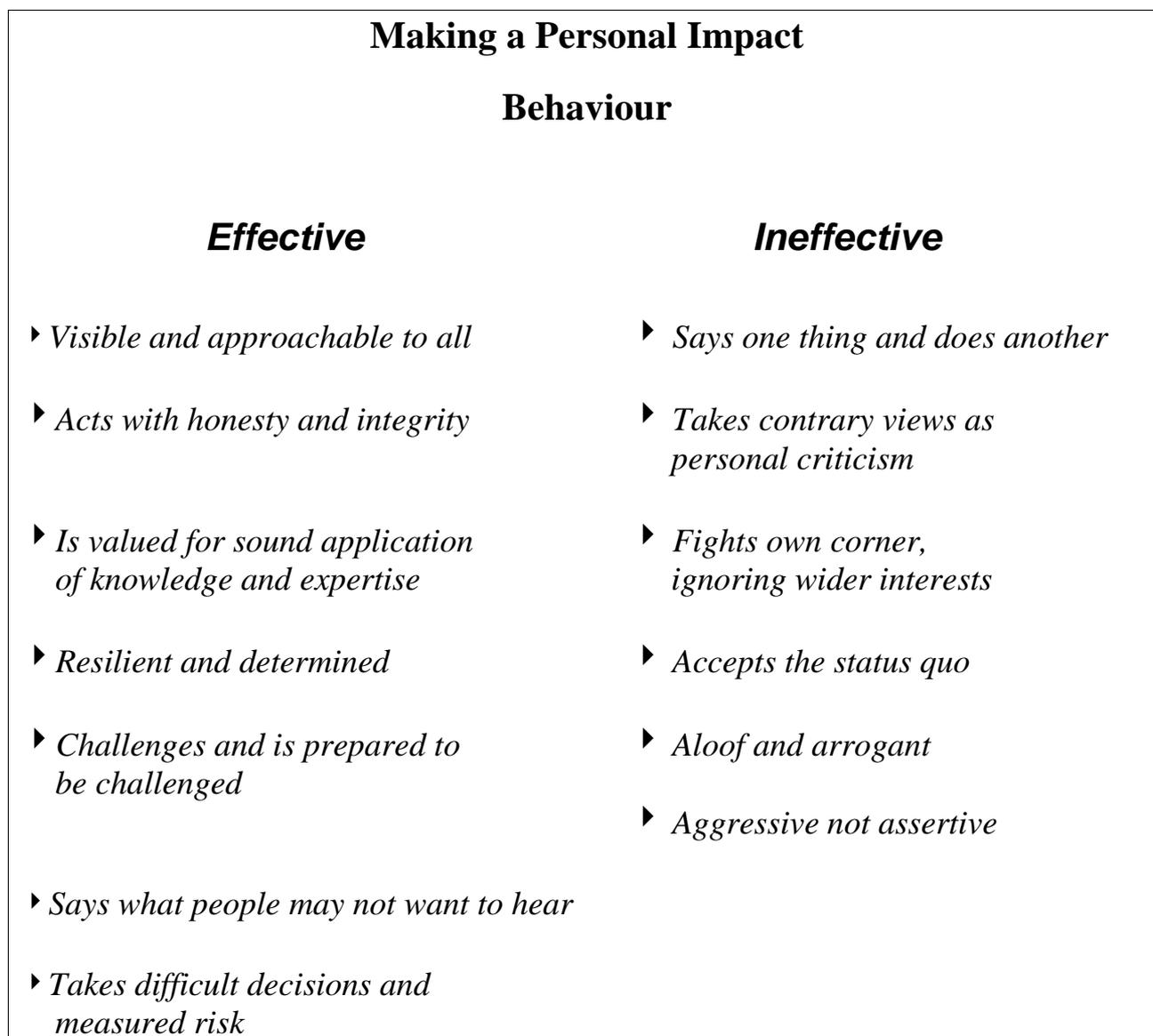


Diagram 5



5. Summary and Conclusions

21. The Civil Service Reform Programme has seen considerable concentration on and development of performance management in the UK Civil Service. The introduction of a new SCS performance appraisal system, and the introduction of a new SCS competence framework have done a great deal to develop and encourage the kind of leadership behaviour the Government expects from its senior civil servants. There are not stand alone measures. All members of the SCS will have undergone 360 degree appraisal by the end of March 2002, a chastening and constructive experience designed to stimulate self-awareness. Furthermore, there has been an increasing emphasis on development. This is not just about the introduction of the Mid-year Development Review, or indeed the very significant increase in the numbers

of senior officials taking development opportunities at the Cabinet Office's Centre for Management and Policy Studies (CMPS). The fact that the vast majority of senior civil servants now work inside recognised Investors in People accredited organisations means that the cultural climate in the Civil Service is increasingly sensitive to the importance of fitting personal development into organisational business planning, and ensuring that line managers are vigilant in seeking to provide opportunities for the development of people who report to them. But there is no room for complacency, and for a number of reasons. The Chartered Institute of Personnel and Development's 2001 Survey of 2000 respondents from central government, local government, the health services and industry makes important reading. Significantly more staff in the civil service than any other sector report that they received a formal performance appraisal during the past year.¹¹ This is encouraging, as is the finding that more than three-quarters of civil servants respondents described the organisational climate as 'fair-minded'.¹² However, there is pronounced scepticism about whether the civil service fully keeps its promise to ensure fair treatment by managers and supervisors, and insufficient reported trust in senior management 'to look after your best interests'.¹³

22. Secondly, it is important to move forward with a clear understanding that no performance management system is perfect, and that little will be achieved without the training and development of the people who will make the system work. Even thorough training is no absolute safeguard against systematic bias. Following concerns expressed in a number of different departments concerning possible imbalances in box markings between different groups of staff, the Cabinet Office in partnership with the Council of Civil Service Unions commissioned a large-scale study. This was undertaken by the Institute for Employment Studies (IES) across thirteen representative departments. The IES report shows a consistent pattern of small but significant statistical differences in performance markings by gender, ethnicity and disability across a very large sample representing nearly half the Civil Service.¹⁴ These research findings emphasise the importance of the Diversity strand of the Civil Service Reform programme. There is considerable work on-going to use performance objectives and development programmes to raise general diversity skills across all organisations in the civil service and to use indicative targets to increase dramatically the numbers of ethnic minorities, women and disabled civil servants in the SCS by 2004/5.¹⁵ Finally, one of the main thrusts of the Modernising Government White Paper has been to promote Joined-Up Government in a variety of ways including the creation of cross-departmental Public Service Agreements to address some of the 'wicked' social policy issues that stretch beyond the confines of one departmental boundary. This has encouraged greater appreciation of 'team' approaches. The new performance management systems underline this approach with explicit encouragement to reward exemplary team behaviour not just individual behaviour. This development is portentous. It suggests a welcome diminution in the traditional individualist culture in the UK Civil Service. The corollary is that managing individual performance now has an explicitly team dimension. We are all team players now.

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NOTES

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