

**Public Governance and Territorial Development Directorate
Public Governance Committee**

Network on Public Employment and Management

Discussion notes: Public Employment and Management Expert Meeting

Senior Civil Service: Performance, Accountability and Organisational Success

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This document presents the Discussion notes for the PEM expert meeting on Performance and Accountability of the Senior Civil Service, to be held on 26-27 November 2015.

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SENIOR CIVIL SERVICE: PERFORMANCE, ACCOUNTABILITY AND ORGANISATIONAL SUCCESS

Introduction

1. Organisational objectives in the public sector today are increasingly complex, multi-dimensional and wicked. For example, full employment, job satisfaction, health outcomes and educational opportunities are key elements of inclusive economic growth, and relate to public services' quality, accessibility and responsiveness. More than ever, governments are expected to demonstrate better performance against societal outcomes, and prudent management of available and limited resources. This has become especially important because of widening inequality and citizens' rising expectations in the aftermath of the economic and financial crisis.

2. In this regard, analysing the role of government in addressing complex challenges like inclusive growth requires a new look at what we know about government performance management and accountability. Senior Civil Servants' (SCS) performance and accountability have a major impact on the organisations they lead and on the people they manage. They are located at a critical junction between strategy making and strategy execution in government. An OECD study in 2007 identified three main instruments used to enable performance of SCS (Ketelaar, Manning and Turkisch, 2007):

- Selecting the right managers is an absolute precondition for subsequent performance.
- Retaining Senior Civil Servants through adequate compensation, terms and conditions is a significant driver of performance. Promotion and recognition from peers and the public can be as important as, or more influential than, financial rewards in retaining talented people.
- Fixed-term position-specific contracts can be a tool to increase incentives for performance of SCS within a career-based system, for example through appointment to a specific position for a limited period, prior to returning to the regular SCS position. These fixed-term appointments to specific positions can be linked with performance criteria and targets.

3. The expert meeting in 2015 brings together OECD member countries to explore what has changed in recent years regarding our understanding of senior civil service performance and how it supports organisational performance. All-encompassing, technocratic performance monitoring systems and contractual arrangements have had mixed results; as have performance-related pay reforms. This may be, in part, because they are by nature top-down and cannot anticipate all contextual variables, shifting priorities and human gaming. They are also subject to information gaps and asymmetries. Finally when performance monitoring systems give all government activities equal weight and coverage, they fail to recognise that leadership involves setting priorities. Prioritisation of top level objectives seems to be a necessary component of SCS accountability systems.

4. Recent OECD work on leadership for employee engagement suggest another dimension of senior civil service accountability that needs to be explored. Tacit organisational knowledge and employee engagement matter when it comes to performance, and so there is a need to align senior executive

incentives around top priorities, while devolving decision-making to those who are in a position to respond, adjust and manage for results. This means that management matters, but that top managers need to have the right mix of guidance/objectives, incentives and accountability to focus on the right priorities, along with the skills, tools, information, and flexibility to deliver.

5. Sharing existing good practices in these areas is a mechanism to provide guidance and inspiration, and also to identify characteristics that are common to successful policies and practices. This Public Employment and Management (PEM) meeting aims at sharing knowledge and experience of what has been more effective in improving SCS' performance and accountability, and what were the main challenges faced. It seeks to address the following questions:

- How can performance systems be designed to encourage greater use of performance information in decision making? In particular information gathered through performance-based budgeting and evaluation systems?
- How can performance information be used to incentivise ambitious goal-setting and accountability in a politicized system?
- What types of motivational instruments are available to drive more effective use of performance information and what effects might these have on the performance of civil service systems as a whole?

Why focus on Senior Civil Servants?

6. Governments are increasingly adopting goals and measures as a way to align activities in support of improved societal outcomes and enhance accountability.

7. As SCS are responsible for the overall mix of organisational outputs (and managing inputs and processes), it is easiest to align their objectives with those of the organisation. This is much more difficult, if not impossible for staff responsible for individual, isolated outputs. This is why SCS tend to have different performance and management regimes than the rest of the civil service.

8. SCS Performance and accountability regimes ideally help to translate the outcomes that are set in strategic planning and budgeting into implementable objectives for Senior Civil Servants and provide them with the guidance to in turn set strategic planning and performance management objectives that support their own objectives.

Some key issues:

- Many organisational objectives are difficult to measure and to attribute to specific activities of single government entities. How to hold SCS accountable in such cases?
- Cascading performance objectives can help to align activity but don't necessarily have a linear relationship in terms of ensuring impact. What more is required?

- Given the myriad objectives functioning at multiple organisational levels, how can one prioritise operationalising high level strategy vs. managerial efficiency;
- Managing the political-administrative interface (performance discussions).

What are we trying to achieve?

9. SCS control the managerial levers and exercise leadership to influence organisational behaviour. If their performance objectives and incentives are correctly aligned, they should in theory manage to those objectives, while also adjusting to changes in context and political guidance that cannot always be anticipated.

10. Proposals to link individual or organizational performance to extrinsic incentives have been part of many of the public management reforms undertaken by OECD countries. There are, however, a few issues which need to be considered when implementing financial incentives mechanisms; for example, financial incentives may have a negative impact on intrinsic motivation; linking incentives to goal attainment may also be counterproductive if the individuals or organisations lack the necessary skills or when they depend on external factors. Furthermore, linking such incentives can result in gaming and in setting less ambitious goals and objectives.

Some key issues:

- Innovation requires experimentation and some risk. How can performance regimes be flexible to give some space in such cases?
- External risk factors such political cycles or economic situations should be kept in mind as they are crucial for the success of accountability and performance management.
- Strategic ability: Setting too many or overambitious strategic goals can create anxiety and discouragement, especially when resources or human capacities are inadequate.
- Performance information: how quickly are goals measured, and what about the long range impacts that cannot be measured in short-term performance cycles or political cycles?
- Aligning performance levers: how to align the objectives and information sources, as well as the incentives across different strategy setting and performance management mechanisms (strategic planning, performance budgeting, senior civil service accountability, performance management, ex ante and ex post evaluation, audit, social accountability)?

How do we get there?

11. While attracting and retaining the right people is clearly critical for good SCS performance, career opportunities and progression are also a critical element of the mix of financial and non-financial incentives that influence SCS behaviour. Integrating and aligning these incentives into the SCS development programme is critical for performance orientation (motivation), and is also an important tool

to ensure that the right enablers are in place (ability and opportunity) and can be developed and shared through mobility and succession planning policies.

Some key issues:

- SCS performance and accountability depends on a highly skilled SCS cadre with not only technical skills, but transactional and, increasingly, transformational leadership skills. Interpersonal skills and the management of diverse teams have taken on more importance with the spread of more flexible, team-based working practices and the need to be more responsive to the requirements of citizens and users of services.
- Core public sector values are essential and a focus on these reflects the requirement to balance a results orientation with a focus on how results are produced and the importance of core values, ethics and probity.
- SCS design and mobility (cross public sector career opportunities) can help to build a common culture and improve SCS capabilities, but what are the challenges for management accountability?
- How does senior civil service performance and accountability look in a World Class Civil Service?

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