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Performance-based Arrangements for Senior Civil Servants OECD and other Country Experiences

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Performance-based arrangements for senior civil servants OECD and other country experiences

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This paper draws on the experiences kindly provided by country respondents across the OECD (see Annex 2), and from discussion at OECD Expert Meetings in The Hague and in Moscow in September 2006 and February 2007 respectively (see Annex 4). It has also benefited from useful comments kindly provided by Randhir Auluck (UK National School of Government), Francisco Cardona (OECD SIGMA), Annie Hondeghem (University of Leuven), Julio Nabais (OECD SIGMA), Yana Pavlovskaya (UK Department for International Development), Peter van der Gaast (Ministry of Interior, the Netherlands) and Philippe Vermeulen (Belgian Federal Public Service for Personnel and Organisation).

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SUMMARY

OECD member countries' approaches to developing performance-based arrangements for senior public servants have, in general, been based on foundations laid in the 19th century. These ensured that the public service in most OECD member countries was significantly (but far from entirely) non-partisan in the manner in which it implements government policy. These foundations have aided in the development of performance management systems, although that is not to say that alternative routes towards performance-based arrangements are not feasible. This history does however suggest that thought may be necessary when implementing or transferring some of the more recent reforms – particularly the more elaborate managerial uses of performance targets – without a similar historical foundation.

The motive for performance-related reforms in OECD member countries arises from some very specific pressures. The economic context has led to a growing emphasis on efficiency, associated with the distinctive OECD challenge of an ageing public sector workforce requiring a focus on labour productivity. The opportunity to introduce such arrangements has generally been based on the distinctive ability of some OECD member country governments to *require* reform from their ministries and agencies, and partly by flexible institutional arrangements in some countries which *allow* reforms. Such motives and opportunities are not universally present.

The rise of performance-based arrangements for senior civil servants in the countries reviewed in this report has not been without problems. Practitioners have stories to tell about "gaming", in which outputs are manipulated or the data massaged in order to trigger a reward. These stories do not amount to a proposition that performance measurement or performance management should be abandoned. Rather, it is a plea for caution and pragmatism. Moreover, it signals that there ought to be less certainty that *any* moves towards the measurement of results and the creation of new incentives to achieve them are automatically a step forward.

The key questions put to practitioners in developing this report concerned the arrangements for senior civil servants that are, first, most useful in ensuring that senior staff meet their own performance standards and, second, that improve the contribution of their agencies and departments/ministries to meeting wider (government) standards. The responses on how to enable performance fell broadly under three headings: appointment and promotion arrangements; retention of competent staff; and managerial approaches entailing the use of specific targets with linkages to performance regimes in the public sector.

Appointment and promotion arrangements as an enabler of performance:

1. Selecting the right staff in the first place is an absolute precondition for subsequent performance. This does not mean deterring any political involvement in appointment – but it does require that political involvement is tightly managed, and where there is greater political involvement in staffing there must also be greater external oversight of the recruitment process and stronger constraints on civil servants acting in party political ways following appointment.

2. Senior civil servants are likely to be as motivated by promotion and by recognition from their peers and the public as by financial rewards. These tools may provide more practical approaches as the incentives to "game" are lower in the case of promotion and recognition. In any event, the

results of performance measurement of senior civil servants should be included in promotion decisions and in recognition of results.

3. The use of fixed-term position-specific contracts can be a tool to increase incentives for performance within a career-based system. While practitioners noted that there had been very limited increase in the use of short-term contracts for senior civil servants, there is an increasing use of arrangements in which civil servants have an open-ended employment "contract" within the public service, but are appointed to a specific position for a limited period prior to returning to their prior position. These fixed-term appointments to specific positions can be linked with performance criteria and targets.

Retention of competent staff as an enabler of performance:

1. Motivating individual senior civil servants to achieve targets is likely to have less impact on public sector performance overall than ensuring talented staff remain. Retaining good staff through adequate compensation, terms and conditions is a significant driver of performance.

2. In addition to adequacy, predictability in remuneration encourages competent staff to remain in a secure position. Base salary and guaranteed benefits should provide the majority of total compensation.

3. Adequate pay within a centrally managed pay determination system requires that the tension between the agency's responsibility for creating new positions and the budgetary envelope set by the Ministry of Finance is managed within the budget preparation process and that budgetary constraints are respected when sanctioned posts fall vacant.

4. Other aspects of the compensation package are equally significant to retaining good staff, very particularly including non-contractual/intangible benefits such as job security, prestige, social privileges and reputation.

Finally, practitioners have noted several managerial approaches which can motivate civil servants' performance:

1. Given the complexity of the linkages between individual and wider (government or ministry) performance targets, it is important that there is a clear "line of sight". Documentation and briefings should be adequate to ensure that senior civil servants can see the linkages between their targets and the higher level (and ultimately political) performance targets.

2. The most productive use of performance measurement is dialogue. Although in some cases, control mechanisms (including parliamentary oversight) can require that action (reward or sanction) is taken automatically if performance targets are not met, this is the exception rather than the rule.

3. When action – in terms of either a reward or a sanction – follows automatically from performance measurements, the risks of gaming are higher.

4. For individual senior civil servants, clarity in performance expectations and regular opportunity for dialogue with the minister or Secretary General about obstacles or progress are the essential underpinnings of an effective focus on performance.

INTRODUCTION

This report details the findings of a study, commissioned by the Organisation for Economic Cooperation and Development (OECD) into how performance-based arrangements at the individual level are related to performance management arrangements at higher levels such as the agency or programme level. The report aims to provide practical lessons and insights into performance-based arrangements for senior civil servants, derived from country and practitioner experiences, into how to place senior staff within what might constitute an integrated performance regime. It is meant to be applicable to countries starting to work with such arrangements, as well as to countries wanting to improve their existing systems.

The context is that, although performance management within government is widely discussed (OECD: 2005a), there is something of a gap in the guidance available to managers and practitioners. Advice seems to be available at the rather micro level of specific approaches and techniques (for example defining achievable targets for individuals or reporting requirements for agencies), or at a somewhat aggregate or academic level (for example concerning the degree to which a particular public sector has achieved an orientation towards performance rather than a more traditional concern with compliance and input control). There is, however, little guidance on how various performance-based arrangements for (senior) civil servants, agencies, programmes and sectors might be integrated across the public sector, or the significance of not doing so.

With this in mind, this study seeks to set out a practical approach for thinking about performance-based arrangements for senior civil servants, within the context of a government's overall performance management framework. The starting point is the arrangements which measure results and provide incentives for senior civil servants, but it also focuses on the relationship between these and other performance targets which can be found within the public sector, such as those set for a department/ministry during the budget process or set by a ministry for a public sector programme.

The study draws on interviews with human resources management (HRM) officials, OECD surveys and document reviews. The key question put to practitioners in developing this report was what sort of performance-based arrangements for senior civil servants are most useful in ensuring that senior staff meet their own performance standards, and that they use the potential of their own performance-based arrangements to improve the contribution of their agencies and departments/ministries to meeting wider (government) standards.

The OECD member and non-member countries included in this report are:

- Belgium
- Brazil
- Canada
- France
- Netherlands
- South Africa
- United Kingdom
- United States

These countries are included on the basis that they provided a useful diversity of experiences and because senior officials generously offered time to provide details of their current approaches, among others during an OECD Expert Meetings in The Hague and in Moscow in September 2006 and February 2007 respectively (see Annex 4). Other countries are also referred to in this report on the basis of information provided in recent OECD surveys on HRM issues.

This report first addresses some of the origins of performance management and civil servant performance-based arrangements in the OECD. Subsequently, a set of practical issues encountered with performance-based arrangements for senior civil servants are discussed. It is important to note here that

senior civil servant is understood to refer to the group of civil servants belonging to the top management category. This is a mobile cadre of senior executives with broad management expertise and an overview of public sector values and responsibilities. Following on from the practical issues, the report highlights several key lessons for enabling performance of senior civil servants in any institutional system. In the fourth and final key section of the report performance-based arrangements and performance management systems of the countries mentioned above are presented. The list of country contacts and a list of documents reviewed are presented in the Annexes.

1. An emphasis on public service performance within the OECD?

1.1. Definitions

"Performance" is now a very popular word within any discussion of public management within the OECD (Schick: 2005). Generally, the term is used to indicate that measurement of results (outputs/outcomes) and development of incentives for individuals and agencies have in some way been brought together. However it became clear from the discussions in preparing this paper that, for many practitioners, the term has become somewhat drained of meaning through excessive and rather liberal usage. This is not to suggest widespread cynicism amongst practitioners within or outside the OECD (although there is some) but there is a concern that sometimes "performance" is associated with a somewhat rhetorical reform to signal a new approach, rather than to indicate exactly what the approach is.

This paper uses the following terms:[1]

- *"Performance"* refers to any measurable outputs, outcomes or other results from public sector activities.

- *"Performance measures"* are any metrics for tracking: business processes (such as compliance to formal rules); results (such as use of inputs, outputs produced or policy goals achieved); or more complex ratios (such as efficiency, productivity, effectiveness, or cost-effectiveness). See Box 1 concerning types of performance measure.

- *"Performance management"* is typically used to refer to a set of procedures for defining performance, measuring it, and linking it to incentives or sanctions provided by a superior agency or person to a subordinate one, generally coupled with some increased degree of managerial autonomy for the subordinate.

Practitioners note that, whether it is at the individual, agency or any other level, the way in which performance measures can be linked to incentives or sanctions can vary significantly. Measurements can be linked to *control*, or to *dialogue*, and these have very different implications.[2] Where control is emphasised, performance measurement leads to action being taken in a direct way, with decisions about, for example, individual rewards or agency funding driven mainly by the measurement and with other sources of information playing a negligible role. For an agency or department/ministry, this may also include control by Parliament. In the arrangements which emphasise dialogue, performance measurement is just one source of information to be combined with others in determining an individual senior civil servants', agency's or ministry's performance. Other sources of information are used to interpret the measurement data and these are incorporated through formal or informal discussions.

This report uses the term "*performance-based arrangements*" rather than "performance management" in order to emphasise that performance measurements are not always formally or directly linked to the possibility of incentives or sanctions. It refers to any practices which entail the measurement of performance and the subsequent use of those measurements for planning or accountability purposes.

Although not used in this report, for completeness, it should be noted that "*performance contracting*" refers to arrangements in which the performance achievements are (more or less) purchased from a supplier under something approaching commercial contract terms, with the implication that failure to deliver could result in alternative suppliers being sought or other penalties imposed.

Finally, in this report, we talk about "gaming". Gaming is understood to be a conscious action/reaction to measurement and occurs when outputs or data are manipulated.

Box 1: Types of performance measure

Relatively simple measures	**Business process measures**	Compliance with delegated authority	All regulatory and legislative responsibilities complied with	
		Leadership style	Strength of internal governance and leadership, and maintenance of good working relationships	
		Facilitating learning and change management	Effectiveness of arrangements for staff learning, fostering innovation and change management	
		Human resource management	Good recruitment and retention decisions, and productive working environment	
		Stewardship	Operating resources, capital assets and IT infrastructure are well managed	
		Promoting/ preserving values	Effectiveness of mechanisms to promulgate public service values	
	Single results measures	Input usage	What goes into the system? Which resources are used?	
		Outputs produced	Which products and services are delivered? What is the quality of these products and services?	
		Policy goals achieved	Intermediate outcomes (direct consequences of the output)	These measures are valid for performance only to the extent that there is a clear causal relationship between the individual or agency outputs and the measure[3]
			Final outcomes (significantly attributable to the output)	
	Ratio measures	Efficiency	Costs/output	
		Productivity	Output/input	
		Effectiveness	Output/outcome (intermediate or final)	
Complex measures		Cost-effectiveness	Input/outcome (intermediate or final)	

Source: developed from (Sterck, Van Dooren et al.: 2006; Van Dooren, Manning et al.: 2006a) and material from the Canadian Treasury Board Management Accountability Framework http://www.tbs-sct.gc.ca/maf-crg/.

1.2. Pressures to focus on performance within the OECD

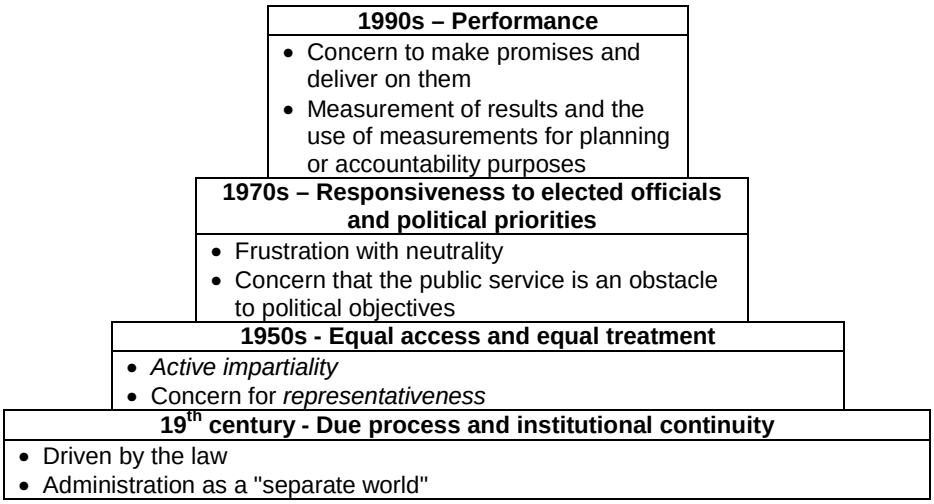
Performance management and performance-based arrangements for senior civil servants exist in most OECD member and non-member countries, and are indeed used in all countries under review in this study. Public service reforms during the past decades have focused on improving output, service delivery and efficiency through, for example, the introduction of output oriented budgeting and (increased) use of contractual mechanisms with service deliverers and agencies. These reforms have (usually but far from universally) been extended to senior civil servants, who have in many countries become subject to various forms of performance agreement, which specify targets that they are expected to achieve and which, to varying degrees, contribute to decisions about their financial or career rewards.

There are two broad explanations for the rise of performance-based arrangements for senior civil servants within the OECD member countries in particular. The first is historical and the second is somewhat more economic. Moreover, structural and institutional contexts have determined the success of reform implementation throughout the OECD member countries.

1.2.1. Changing expectations of the public service[4]

Over time, public and political expectations concerning the style with which public servants must approach their tasks have evolved in OECD member countries. Stylistically, the developments of a public service that emphasises performance rests on three preceding stages (Figure 1), with the foundations laid in the 19th century concern that the public service is expected to – as much as it is possible, being a tool of politics and made up of (partisan) individuals – serve as an apolitical bulwark of *institutional continuity*. This foundation has led to a certain stability and continuity in the civil service, aided by long-term budgetary sustainability and a substantial (though mostly not absolute) legal protection against arbitrary treatment. These circumstances put the bureaucracy on a small but decisive distance from politics, enabling them to develop professional standards for managerial executive functions and realise responsibilities clearly distinguishable from purely political functions. This has enabled civil servants in many OECD member countries over time to serve governments of different colours – or even during temporary absences of a government – providing stability, continuity and, it is widely thought, engendering trust in state institutions.

Figure 1. The historical foundations of the performance movement in the OECD



Source: Based on (Blum *et al*: 2007).

At the same time, it must be noted that OECD member countries clearly differ in the degree to which they managed to separate administrative civil service responsibilities and the political ones. Significant differences are found between countries in the degree to which they permit or forbid party political actions by civil servants and reserve certain categories of posts for political appointments.

Table 1. Principle of political neutrality in administrative actions in the OECD

	Principle of political neutrality spelled out in constitution, law or regulation	Administrative law places limits on political involvement in public service administration
New Zealand	Yes	Yes
Korea	Yes	--
Belgium	Yes	Yes
United Kingdom	Yes	Yes
Denmark	No	Yes
Sweden	No[5]	Partly[6]
France	Yes	Yes
Poland	Yes	Yes
United States	Yes	Yes
Mexico	Yes	Yes
Italy	Yes	Yes

Note: Bold = strong public or customary support of the principle of political non-partisanship

Note: For Poland, valid until the end of 2006. Since the end of 2006, new regulations regarding the civil service entered into force together with a new law on state staffing pool and high-ranking posts.

Source: OECD (2007).

Building on these historical foundations, as (Schick: 2005) has pointed out, OECD governments must now increasingly earn their legitimacy through delivering on their service delivery promises. As many have noted, the notion of performance is seen as fundamental to the modern state (OECD: 2007; Schick: 2005). This has led a deluge of managerial and political rhetoric about the measurement of performance (Pollitt and Bouckaert: 2004).

The broad separation of politics and administration is a proven foundation for the current performance management reforms. Where political and administrative tasks cannot be distinguished from each other, efforts are re-directed towards influencing the selection of performance targets rather than achieving them.

It must also be noted that the widespread use of the term performance from the 1990s onwards does not imply – as it often seems to suggest – that previously the public service did not perform. Practitioners who contributed to this study almost universally agreed that their public sector or their agency was indeed performing better (hitting more or more demanding output or efficiency targets) following the introduction of more explicitly performance-based approaches. However they were somewhat dismayed by the proposition that few good things had happened until the term gained widespread currency over the last two decades.

1.2.2. Performance-orientation provides the opportunity to improve efficiency and productivity

The second impetus to a focus on performance in OECD member countries is economic. In 2004, general government expenditure in the OECD varied between 36.2% of GDP (Korea) and 57.3% (Sweden). Typically, general government expenditure is now around 50% of GDP for most countries, following a dramatic post-war expansion of government expenditures.[7] This growth has been driven by the development of the modern welfare state: health, social services, public housing, public transport, and unemployment, old age and disability payments. Even in countries where the government sector is relatively small, such as the United States, the expenditures of central government on services and transfer payments for individuals exceed those on general public services such as defence, law and order, and infrastructure.

Against the context of this growth, during the past 20 years many OECD governments have sought to limit their role, particularly through privatisation of monopolies providing basic household services such as energy, water and telecommunications, replacing ownership with regulation. However, expenditures have not diminished overall as social security, pensions and other transfer payments driven by legal entitlements continue to grow.

At the end of the 20th and the start of the 21st centuries, the pressures for fiscal consolidation are growing with the widespread recognition that it would be undesirable to push borrowing and taxation further. At the same time, OECD projections suggest that the fiscal stresses associated with ageing populations are steadily building up. Without changes in work and retirement patterns, the ratio of older economically inactive persons to active workers will increase from 1:3 in the OECD area in 2000 to just over 2:3 in 2050 (and to almost 1:1 in Europe).

Ageing is also leading to a significant loss of capacity across most OECD public services, with a significant wave of retirements looming (OECD: 2007). This will remove many of the most experienced staff from their positions. It will be impractical simply to recruit to replace these staff as the private sector will be facing its own capacity challenges, with the consequent risk that public sector hiring will force up wage rates for skilled staff. Consequently, labour productivity is also a priority for the public sector.

Thus the economic context dictates a growing emphasis on efficiency, and the ageing of the public sector workforce is requiring a focus on labour productivity. The development of performance-based arrangements has provided an opportunity to set targets and create incentives that focus on these concerns.

1.2.3. Structural reforms present fewer obstacles in some OECD member countries

Structural and institutional settings in OECD member countries have to a large extent influenced the capabilities of Governments to reform. Many OECD member countries have structures which are flexible to adapt, and have therefore had greater potential to push through performance-related reforms. Some governments have had a particular ability to require reform from their ministries and agencies, and by the distinctively flexible institutional arrangements in some countries (Manning and Parison: 2003).

On the first point, institutional arrangements have provided governments with some powerful points of entry to enable comprehensive reform programs. Governments with control over a single strong central agency have often been able to drive through major changes. Single-party majority governments are particularly well positioned to drive through complex reform programs that would create tensions within coalition governments. Indeed, centralisation provides considerable malleability. Governments in states that have divided authority constitutionally between levels of government are less able to drive through comprehensive and uniform reform programs.

On the second point, the basic institutions and structural settings of the public sector can be more or less malleable. As one example, a strong political lead in the United Kingdom was able to produce radical changes in the pattern of public sector employment and reporting arrangements within the public sector, with remarkably few legislative obstacles. That same malleability also facilitated the abolition of an entire tier of government in London and other major metropolitan areas in England – and a subsequent introduction of a variation on that tier of government – in a manner that would have been inconceivable in other European settings.

1.3. The downside

The rise of performance-based arrangements has not been without problems. Practitioners have stories to tell about "gaming",[8] in which outputs are manipulated or the data massaged in order to trigger a reward. These stories do not amount to a proposition that performance measurement or performance management should be abandoned. Rather, it is a plea for caution and pragmatism. Moreover, it signals that there ought to be less certainty that *any* moves towards the measurement of results and the creation of new incentives to achieve them are automatically a step forward (see Box 2).

Box 2: The perverse impacts of performance measurement must be managed

"We considered whether, in the light of the evidence of professional demoralisation, perverse consequences, unfair pressure and alleged cheating, the culture of measurement should be swept away. Should there be a cull of targets and tables to allow the front line to work unhindered by central direction?
This is a superficially attractive prospect, but an unrealistic and undesirable one. The increases in accountability and transparency brought about by the last twenty years of performance measurement have been valuable. Information is now available that cannot and must not be suppressed. Open government demands that people have the right to know how well their services are being delivered, and professionals and managers need to be held to account. The aim must be to build on these developments, while reducing any negative effects."
(UK Public Administration Select Committee: 2003, paras. 97-8)

It should be emphasised that the far from statistically valid set of practitioners interviewed for this report did not conclude from these concerns that the performance management debate was unproductive or that perverse consequences could not be managed. Quite the reverse – they all saw the benefit of well structured performance management arrangements. Moreover, they noted ways in which gaming could be limited, for example by introducing less measurable indicators (qualitative measures) in addition to more quantitative targets. However, the concerns raised suggest that enthusiasm and conviction must be tempered with careful experimentation, piloting and flexibility if implementation is to be effective and sustainable. Indeed, countries, such as the United Kingdom with a history of and relative success with performance management systems for senior civil servants, have continued to adapt, mould and develop their systems to current levels.

2. Performance and senior civil servants

Practitioners consulted for this report note that senior civil servants are particularly implicated in the development of performance-based arrangements for two reasons. First, they are responsible for designing and improving the system itself. Second, their own performance in managing their departments/ministries or agencies, and in achieving the service delivery results or productivity/efficiency improvements, is increasingly a focus for attention.

The key question put to practitioners in developing this report was what sort of performance-based arrangements for senior civil servants are most useful in ensuring that these staff meet performance standards, and that they use the potential of performance-based arrangements to improve the contribution of their agencies and departments/ministries to meeting wider (government) standards.

The responses on how to enable performance for senior civil servants *and* working to increase overall performance fell broadly under three headings: appointment and promotion arrangements; retention of competent staff; and managerial approaches entailing the use of specific targets with linkages to wider performance regimes in the public sector.

2.1. Appointment and promotion as a tool to enable performance[9]

2.1.1. Tightly managed political involvement

Echoing a point made earlier concerning the degree to which performance-based arrangements are built on the earlier foundations of an apolitical administration (Figure 1), practitioners note that performance for senior staff is very much a product of selecting the right staff in the first place. Political involvement in the selection process is generally tightly overseen.

In some OECD member countries, a clear line is drawn between senior staff appointed politically and others appointed using an administrative procedure. In other countries, senior staff are appointed by a hybrid procedure in which administrative selection criteria like merit and experience are combined with political considerations. In the United States, for example, purely politically driven appointments coexist with administratively determined appointments.

Table 2. Who appoints senior civil servants in the OECD?

	Country	Five most senior levels directly below the politically appointed minister[10]					Special political advisers outside normal hierarchy
		Level 1	Level 2	Level 3	Level 4	Level 5	
More political	United States	Political	Political	Political	Political-hybrid	Political-hybrid	Political
	Sweden[11]	Political	Political	Political	Political	Adm.	Political
	Italy[12]	-	-	Political	Political	Adm.	Political
	Mexico	Political	Political	Adm.	Adm.	Adm.	Hybrid
	France	Political	Hybrid	Hybrid	Hybrid	Adm.	--
More administrative	Belgium	Hybrid	Hybrid	Hybrid	Hybrid	Hybrid	Political
	Poland	Political	Hybrid	Adm.	Adm.	Adm.	--
	Korea	Political	Adm.	Adm.	Adm.	Adm.	--
	New Zealand	Hybrid[13]	Adm.	Adm.	Adm.	Adm.	Hybrid
	Denmark	Hybrid	Adm.	Adm.	Adm.	Adm.	--
	United Kingdom	Adm.	Adm.	Adm.	Adm.	Adm.	Political

Notes:

Adm. = administrative.

Hybrid refers to a procedure in which administrative selection criteria are combined with political considerations.[14] The situation in the United States is referred to as political-hybrid as purely politically driven appointments coexist with administratively determined Senior Executive Service appointments at some levels – and in some agencies most if not all senior managers are political appointees.

For Poland, valid until the end of 2006. Since the end of 2006, new regulations regarding the civil service entered into force together with a new law on state staffing pool and high-ranking posts.

Source: OECD (2007).

Political involvement in one dimension of human resource management – appointment – is a strong predictor of political involvement in others. It is more or less replicated in looking at dismissal and promotion procedures.

Table 3. Overview of political involvement in staffing decisions on senior civil servants across the OECD

	Country	Appointment	Dismissal	Promotion
More political involvement	United States	High	High	High
	Italy	High	High	High
	Mexico	Medium	Medium	High
	France	Medium	Medium	Medium
	Poland	Medium	Medium	Medium
	Belgium	Medium	Medium	Medium
	Sweden	Medium	--	--
Less political involvement	New Zealand	Low	Medium	Low
	Korea	Low	Low	Low
	Denmark	Low	Low	Low
	United Kingdom	None	None	--

Note: For Poland, valid until the end of 2006. Since the end of 2006, new regulations regarding the civil service entered into force together with a new law on state staffing pool and high-ranking posts.

Source: OECD (2007).

However, most significantly, where there is greater political involvement in staffing decisions, this coincides with greater external oversight of the recruitment process (*e.g.* senate confirmation hearings in the United States) and stronger restrictions on the ability of civil servants to act in party political ways following appointment. Indeed, as Table 4 indicates, several countries in the OECD place restrictions on the extent to which civil servants can be politically active. Likewise, there are countries which restrict politicians' abilities to become involved in day to day administrative issues.

Table 4. Overview of restrictions

	Country	Restrictions on political activities of public servants	Restrictions on administrative activities by politicians
More restricted	Korea	High	High
	United States	High	Medium
	Poland	High	Low
	United Kingdom	Medium – High	--
	Italy	Medium	Medium to High
	Mexico	Medium – High	Medium
	New Zealand	Medium	Medium
	Belgium	Low	Low
Less restricted	France	Low	Low
	Denmark	Low	Low
	Sweden	Low	Low

Note: For Poland, valid until the end of 2006. Since the end of 2006, new regulations regarding the civil service entered into force together with a new law on state staffing pool and high-ranking posts.

Source: OECD (2007).

Restricting politicians' involvement in administrative duties and restricting the political activities of civil servants is a precondition for making performance-based arrangements work. When political and administrative tasks and processes become indistinguishable, accountability for performance management becomes correspondingly difficult as the focus tends to become influencing the selection of performance targets rather than achieving them.

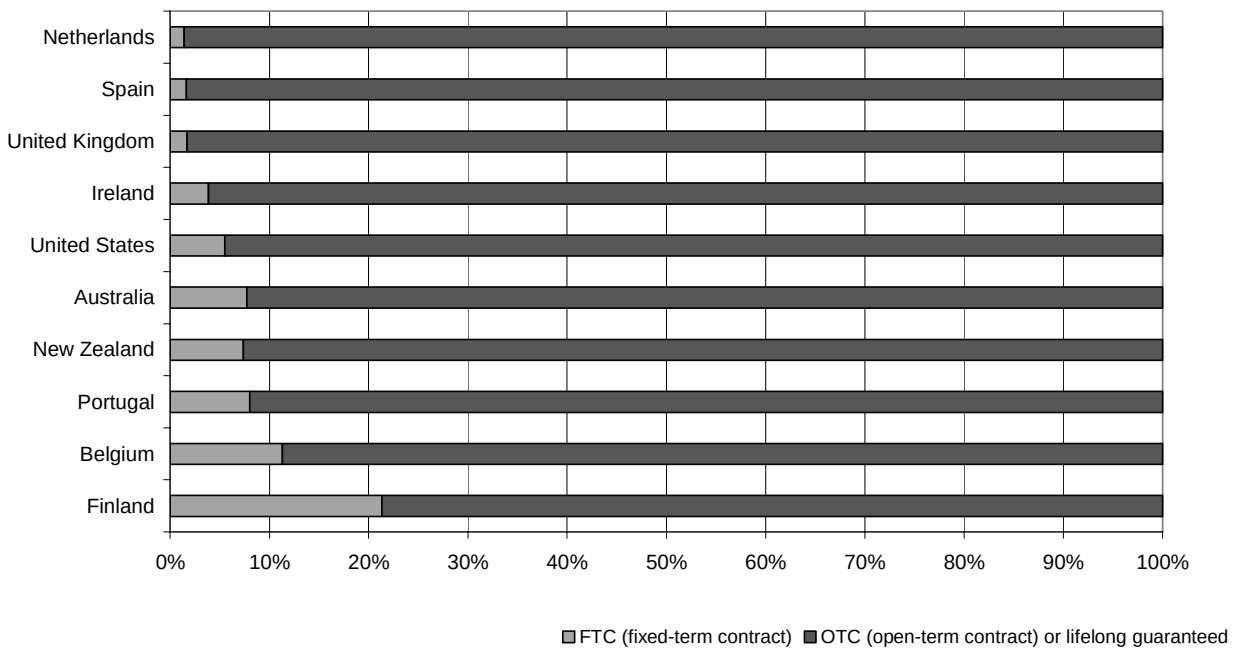
2.1.2. Use of promotion as an incentive

Practitioners emphasized that the results of performance measurement should be included in promotion decisions and in professional recognition of results. Senior civil servants are likely to be as motivated by these as they are financial rewards. They noted that the incentives to game to achieve *reputational* rewards are somewhat lower than the incentives to game in relation to *financial* rewards. This is for the simple reason that if the reward is reputation, a reputation for gaming amongst professional peers undermines the reward itself.

2.1.3. Limited use of short-term employment contracts to stimulate performance

Conversely, it is also important to note that the introduction of performance-based arrangements has not led to a change in dismissal practices. While some OECD member countries have introduced limited term, position specific contracts or agreements (*e.g.* Belgium, the Netherlands), overall the number of short-term employment contracts has not increased drastically. Senior civil servants at the highest levels in Belgium, for example, sign a six-year mandate linked to a specific position, but are often career civil servants with the corresponding civil service status. Figure 2 illustrates the number of short-term employment contracts and life-long or open-ended employment contracts in a range of OECD member countries.

Figure 2. Proportion of fixed term and open term contracts or lifelong guaranteed employment in the civil service at national/federal level in 2004/5



Source: OECD Strategic Human Resources Management survey – 2006.

2.1.4. Key points concerning appointment and promotion arrangements as an enabler of performance

1. Selecting the right staff in the first place is an absolute precondition for subsequent performance. This does not mean deterring any political involvement in appointment – but it does require that political involvement is tightly managed, and where there is greater political involvement in

staffing there must also be greater external oversight of the recruitment process and stronger constraints on civil servants acting in party political ways following appointment.

2. The results of performance measurement of senior civil servants should be included in promotion decisions and in recognition of results, as senior civil servants are likely to be as motivated by these as by financial rewards. The incentives to game are lower in the case of promotion and recognition.

3. The use of fixed-term position-specific contracts can be a tool to increase incentives for performance within a career-based system. While practitioners noted that there had been very limited increase in the use of short-term contracts for senior civil servants, there is an increasing use of arrangements in which civil servants have an open-ended employment "contract" within the public service, but are appointed to a specific position for a limited period prior to returning to their prior position. These fixed term appointments to specific positions can be linked with performance criteria and targets.

2.2. Retention of experienced staff

Practitioners noted that the single largest driver of performance within the public sector is easily overlooked. This regards the retention of skilled and competent staff. A continuing loss of good staff will more than cancel out any gains from performance management arrangements. Thus retaining good staff through adequate compensation, terms and conditions is particularly significant.

2.2.1. Predictable pay

Predictability in remuneration encourages competent staff to remain in a secure position. As Table 5 highlights, in most OECD public services, base salary and guaranteed benefits provide over 95% of total compensation.

Table 5. Components of overall pay

	Basic salary (including seniority premium):	"Guaranteed" supplements/benefits:	Performance-related pay:
Australia[15]	77%	20%	3%
Germany	Currently:99%; planned 92%	-	Currently: 1%; planned to rise to 8%
Ireland[16]	98%	1%	1%
Italy	Basic pay is the most important part of total remuneration, also if in some administrations the "administration allowance", that is different among ministries, can reach 35% of the basic pay.		
Japan[17]	86.6%	13.4%	0%
Korea	48%	51%	1%
Mexico[18]	20%	80%	0%
Netherlands	90%	7%	3%
Spain	The present pay structure for civil servants is as follows: - Basic salary: the same within each administrative group. - Post remuneration: according to the general level of the post. - Specific remuneration: aimed at paying the special difficulty of a determined post. - Performance appraisal system: Nowadays there is only remuneration based on productivity of the employee. In the future, when the Basic Statute of Public Employees is approved, there will be a wider appraisal system.		
Sweden[19]	99.3%	0.7%	0%
Switzerland[20]	94%	0%	increase of 0-6%; on reaching salary class maximum a performance-related bonus of up to 12% may be paid
United Kingdom	Pay systems and settlements are now so diverse that any averages are meaningless or not applicable		
United States[21]	77%	22%	1%

Source: OECD Strategic Human Resources Management survey – 2006.

2.2.2. Adequate pay[22]

Senior civil servants contributing to this report noted that levels of remuneration, which are regarded as essentially fair under all the circumstances, are also likely to be a significant contributor to performance.

There is little comparative data available on total compensation for senior staff within the OECD as most surveys do not cover in-kind benefits and pensions. As Table 6 indicates, other aspects of the compensation package are equally significant in retaining good staff.

Table 6. Key components in civil servants' compensation and rewards

		Contractually-provided		Non-contractual/ intangible
		Monetary	In-kind	
Current rewards	**Base rewards**	Base wage/salary	Health insurance	Job security, prestige, social privileges
	Allowances	Transportation, housing, meals, telephone, travel, cost-of-living	Transportation, housing, meals, travel	Trips abroad, training
Future expectations		Pension	Housing, land, etc.	Reputation, re-employment after retirement

Source: Developed from ("The World Bank's Administrative and Civil Service Reform Website": 2007).

In regards to current monetary rewards, there are some data available on the institutional arrangements that determine monetary remuneration within the aggregate budget constraints. In essence, there are two broad arrangements, centralized or decentralized, although in practice combinations of these arrangements are found.

Centrally-managed, unified pay structures provide common terms and conditions across the public sector. They are often regarded as fair, as they are easy for staff to understand. There is an argument that such arrangements provide for low transaction costs at the centre, but that the price is limited efficiency in the line departments as there is a tendency to pay above market rates for lower graded staff and the reverse for specialist skills.

There is an additional risk in centrally-managed systems. If a central agency is responsible for creating sanctioned positions, other than the Ministry of Finance, and if the tradeoffs between the numbers of staff and their levels of pay are not carefully managed, growth in staff numbers will inevitably lead to lower levels of pay. This tension between the agency responsibility for creating new positions and the budgetary envelope set by the Ministry of Finance is traditionally managed at two levels. First, and most strategically, new posts are created only within the budget preparation process. Second, and more tactically, when sanctioned posts fall vacant, Finance generally has to confirm that there are funds that allow recruitment to take place. This prevents base pay reaching unacceptably low levels.

When pay determination is decentralised to the agency or sector level, this can provide sufficient flexibility to be responsive to the specific business challenges faced by agencies. In a decentralised system, the public sector can, in principle, compete for skills without overpaying as agencies can use their specialist knowledge about labour conditions within their particular labour markets – allowing the public sector to offer different remuneration levels for different skills. However, this is a demanding system to operate as it requires strong capabilities within government, most particularly an apolitical budget office able to ensure credible and binding fiscal envelopes, and absolute separation between budget appropriations and pay bargaining as decentralised pay setting must take place within a stable and credible "affordability" restriction. Second guessing – or re-entering the budget negotiations – in decentralised pay-setting is disastrous. It also requires a willingness to invest in the short term as decentralisation initially increases transaction costs, requiring a corps of professional public managers with skills adapted to the public sector. A decentralised system can, in principle, lead to an increased competition between agencies within the government as they each seek to attract and to retain scarce skills – although views differ on the implications of this. Some argue that this is inflationary and leads to the absurd position of one public sector agency poaching staff from another, at an overall cost to the taxpayer. Others argue that this provides a useful corrective to low pay for such skills, and that the higher remuneration will lead to larger numbers of people seeking relevant training. Decentralised systems, leading to significant differences in agency pay scales, can create difficulties in subsequent mergers or restructurings and in reallocating staff across agencies or departments if needed.

Ensuring that pay (and the wage bill) is both adequate and predictable is a precondition for public administration systems retaining their staff and enhancing performance of (senior) civil servants.

2.2.3. Key points concerning retention of competent staff as an enabler of performance

1. Motivating individual senior civil servants to achieve targets is likely to have less impact on public sector performance overall than ensuring talented staff remain. Retaining good staff through adequate compensation, terms and conditions is a significant driver of performance.

2. In addition to adequacy, predictability in remuneration encourages competent staff to remain in a secure position. Base salary and guaranteed benefits should provide the majority of total compensation.

3. Adequate pay within a centrally managed pay determination system requires that the tension between the agency's responsibility for creating new positions and the budgetary envelope set by the Ministry of Finance is managed within the budget preparation process and that budgetary constraints are respected when sanctioned posts fall vacant.

4. Other aspects of the compensation package are equally significant to retaining good staff, very particularly including non-contractual/intangible benefits such as job security, prestige, social privileges and reputation.

2.3. Managerial approaches

Practitioners have also raised some key managerial approaches which can enable performance improvements for senior civil servants. The country case studies provided below provide some insights into the way in which targets are set and used to provide incentives for staff to reach demanding standards of performance. Here the main findings are summarised.

2.3.1. Simple targets are generally used

There are specific areas in which senior civil servants objectives seem to be set most often, and for which achievements are measured. Detailed examples are given in the country cases. These areas are:

1. Single results areas

   – Policy goals

   – Input usage (*e.g.* expenditures on labour or procurement of goods and services, use of subsidies) per policy goal

2. Business processes

   – Promoting/preserving values (particularly in a contribution to the larger civil service)

   – Leadership effectiveness and impact (particularly relationship management)

   – Facilitating learning and change management

Ratio measures of efficiency or productivity seem to feature rarely in senior civil service performance agreements. Box 1 provided a more exhaustive list of possible areas of performance measurement. All areas of potential measurement are difficult to determine and monitor. Very often they require very qualitative approaches. The measures of the achievement of policy goals are often particularly loose. Targets in these cases are often described in terms such as "will commit to" or "will support". A rigid system comprising only quantitative measures is rarely applied.

2.3.2. Contract-like arrangements are used increasingly – but with limited impact

It seems that, for senior staff, performance measures and targets are often used within agreements that are structured as contracts or quasi-contracts (Laegreid: 2002). This means that more traditional, unspoken and "soft" notions of trust and collaboration among the actors involved are supplanted by

"harder"concrete, formalised and targeted specifications, linked to incentives.[23] This has the consequence of moving towards the *ex ante* specification of anticipated performance with an accompanying change from the traditional status of public servant towards an ordinary employment contract. However, there are also instances where there are position-specific quasi-contracts (position agreements) in which targets for that particular position are linked to incentives and sanctions, while an underpinning security of employment is provided by the general civil service statute or an open-ended contract. Table 7 highlights the key features of position specific, performance contracts or quasi-contracts for senior staff in three countries reviewed for this study.

Table 7. The use of performance agreements, contracts or quasi-contracts in three countries

	Belgium	Netherlands	United Kingdom
Is a position specific agreement/contract obligatory?	Yes	Yes	Yes
Who is the contract/agreement between?	Between Minister and most senior official ("president"), between the "president" and immediate subordinates ("level N-1"), and similarly for some levels down	Between Minister and most senior official (Secretary General/SG), between the SG and immediate subordinates (Director Generals/DGs)	Between the member of the Senior Civil Service and their line manager
Duration of the contract/agreement	Duration of the "mandate"[24]	1 year	1 year
Content of the contract/agreement	Strategic and operational management objectives	Policy and management objectives; collaboration; and personal contribution	Organisational objectives; objectives with regard to competency development
Reporting on performance	Approximately yearly	Approximately twice a year	Yearly
Timing of performance appraisal	Every two/three years	Yearly	Yearly
Evaluator	External and internal evaluation	Minister and SG; SG and DG	Performance appraisal by hierarchy
Link with other performance-based arrangements	Link with policy letter of minister and budget	Possible link with organisational plans and budget	Link with organisational plans such as Public Service Agreements and/or business and unit plans

Source: Annie Hondeghem – presentation at the OECD Expert Meeting on Performance-based Arrangements hosted by the Government of the Netherlands on 15-16 September 2006 in The Hague.

It is not clear what difference the existence of performance agreements and contracts makes in practice – whether, for example, there is now a greater turnover in senior staff as some fail to meet their targets and are replaced with others who are deemed more likely to succeed. While it is widely held that the general move towards performance-based arrangements has changed the culture and mindset of many senior staff – including, some argue, a significant bias towards short term actions and results – it is possible that the adoption of contracts or quasi-contracts at this level has not in fact achieved much more than a minor change in attitude.[25]

Senior civil servants' performance agreements are always "incomplete" in that performance targets are not, and probably could not be, fully described at the time of initial agreement. This allows the principal (the minister or Director General, etc.) to intervene during contract execution and further specify the performance required within broad conditions established in the initial contract (Williamson: 1975). Despite moves towards "harder" specification of targets, trust seems likely to remain the major determinant of continued employment at this level in the civil service. The principal may maintain trust in the agent, despite unfavourable performance information, and he/she may lose trust in spite of favourable performance. Performance information is likely to be just one factor among others which determines assessment and sanctioning.

Finally, in relation to managerial approaches, practitioners bore out the conclusions of recent reviews of the use of performance-based pay (Cardona: 2006; OECD: 2005b). Performance-related pay (PRP) acts as a weak incentive for staff to change their behaviour (although it is not without some incentive effects) but its introduction can serve as a catalyst for other managerial changes. As Table 5 shows, PRP rarely amounts to more than 5% of total pay.

2.4. Beyond the individual – the wider performance regime

2.4.1. Targets are increasingly set at many levels

Looking beyond the performance-based arrangements for senior staff, there are some key documents developed during the annual policy cycle which commit agencies, sectors or even the government as a whole, to the achievement of particular performance standards, output etc. Examples of such documents are set out in Table 8.

Table 8. Performance based targets within the public sector (not at the individual level)

Level at which targets set	Documents which:		How performance information is used
	Set out performance expectations in advance	Show results of performance monitoring	
1. Community/wider public sets targets for government	• Citizen-driven performance measurement	• Citizen-driven performance measurement • League tables, citizens' charters • Output reporting in the National Accounts (see point 3)	The use of output measures in the relationship between government and the public is most readily associated with "naming and shaming" through "league tables", "citizen charters" and the like. Examples include information on waiting lists of hospitals or exam scores for schools. Agency output measures which attract public attention are those that are the most consistent with the idea of citizens' or customers' rights to a particular level or quality of service. In general, this is most common in relation to the Anglo Saxon countries (Ammons: 2003; Dubnik: 1998.).
2. Parliament sets targets for line ministers and for programmes	• Estimates in appropriation bills • Policy statements • Public service agreements and commitments	• Public accounts • Public service delivery reports (*e.g.* GPRA reports in the United States, "statements of ministerial responsibility" within Public Service Agreements in the United Kingdom)	Ministers make plans for their ministries partly in terms of outputs and can be held accountable for them in Parliament. These are stated as the basis for Appropriation Acts, Budget Bills, Budget Statements or any Public Service Agreements on which ministers report to Parliament. Failure to deliver output targets generally forms the basis for a discussion which, however ominous, would not amount to an automatic sanction.
3. Minister of Finance/the government set targets for line minister	• Estimates in appropriations bills • General policy lines attached to budgetary programs • Public service agreements and commitments	• Public accounts • Public service delivery reports • *Ex post* reports from the Auditor's Office	Within public accounts, performance measures have an accountability purpose. Again, despite the current emphasis on "performance" within the budget process, in practice output measures provide little or no basis for automatic budgetary rewards or sanctions. In this case – in addition to the conceptual problem of whether under-performance requires more or less funding – any such usage would also presuppose a very strong Minister of Finance able to "punish" in some way defaulting ministries. Governments in OECD member countries generally do not provide the Minister of Finance with this degree of authority (Hallerberg and von Hagen: 1997; von Hagen: 1992). In general, the only thing that the Minister of Finance can realistically sanction is budgetary effects of policy changes which are incompatible with the budget or prevailing multi-year envelopes.
4. Line minister sets targets (a) for programmes or (b) for work unit/agency	• Strategic plan/corporate plan • Business plan • Unit performance plan • Service level agreements	• Annual reports • Quality control and inspection	At the level of the work unit or agency, output measures inform business plans. However, it is generally recognised that these plans must take into account other unmeasurable or unpredictable factors, such as policy changes, changes of government, etc. Various types of service level agreement entail output measures and contribute to planning and budgeting discussions. All are duly offered for ministerial and wider review in forms of annual reporting. While it is taken seriously, failure to deliver the performance results indicated in the plans and/or service level agreement does not form the basis for any automatic budgetary rewards or sanctions.

Source: Developed from (Van Dooren et al: 2006a) with additional comments provided by country respondents.

2.4.2. Government-wide performance management is not a return to central planning

In principle, at each of the levels mentioned in the previous table, the degree to which performance targets have been achieved can drive subsequent decisions on reward or sanction. However, action is rarely found in practice.

Performance budgeting rhetoric often aspires to the notion that performance will directly drive the allocation of resources in budgetary planning processes. In practice this is difficult to implement for several reasons. First, many government objectives are not easily measurable (foreign policy, defence, etc.). Second, there is a risk of losing important input information (wages, various forms of intermediate consumption, etc.), as has sometimes been the case. In Australia, for example, performance budgeting reforms were initiated in order to facilitate discussions on output and even outcome in Parliament. Yet, the output and outcome information that was provided by the departments was very broad and input information was reduced. As a result, Parliament felt that it lost some control over the executive branch (Van Dooren and Sterck: 2006b). Third, and perhaps most significantly, to the extent that the performance measures directly affect real resources, strong incentives for gaming are created. Therefore, performance-based arrangements in planning are not mechanically linked to action, but a contribution to a structured dialogue.

In addition, performance management could be linked to accountability and control. A tighter relationship between performance measures and consequences – *i.e.* reward or sanction as an automatic result of good or underperformance – is theoretically possible. Although in some cases such an automatic tight relationship may exist, in practice other considerations also tend to come into play if results are manifestly below expectations. In performance contracts and service level agreements, the provider is evaluated based on whether the promised performance is achieved or not. Organisations often feel that they are treated unfairly as a result, because other sources of information, such as external influences on inputs or outputs, are not included in this accountability decision.

Even when considering accountability, much performance information is used in practice as a contribution to a dialogue rather than control – whether by Parliament, government or other principals. The risk, of course, is that accountability in terms of reviewing spending versus outputs/outcomes can become little more than a professional conversation with few incentives or sanctions. This is the explicit intention of benchmarking circles in Germany, the Netherlands, and Canada. In these initiatives, performance measurement is used to feed into an intentionally *general* discussion on how organisations are doing. Ideally, the organisations formulate trajectories for improvement at the end of the process.

2.4.3. Key points concerning managerial approaches to motivate performance

1. Given the complexity of the linkages between individual and wider (government or ministry) performance targets, it is important that there is a clear “line of sight”. Documentation and briefings should be adequate to ensure that senior civil servants can see the linkages between their targets and the higher level (and ultimately political) performance targets.

2. The most productive use of performance measurement is dialogue. Although in some cases, control mechanisms (including parliamentary oversight) can require that action (reward or sanction) is taken automatically if performance targets are not met, this is the exception rather than the rule.

3. When action – in terms of either a reward or a sanction – follows automatically from performance measurements, the risks of gaming are higher.

4. For individual senior civil servants, clarity in performance expectations and regular opportunity for dialogue with the minister or Secretary General about obstacles or progress are the essential underpinnings of an effective focus on performance.

2.4.4. Three stylised cases

The conversations with practitioners suggested three stylised situations of how individual performance agreements of senior civil servants might be linked to wider (government) arrangements and systems:

1. performance-based arrangements for senior staff, with a weak or absent wider performance regime;

2. a wider performance regime, with weak or absent performance-based arrangements for senior staff;

3. performance-based arrangements for senior staff within the context of a wider performance regime.

2.4.4.1. Performance-based arrangements for senior staff, with a weak or absent wider performance regime

The country cases suggest that this situation can still be found in practice. A comprehensive performance regime across the public sector is not, seemingly, a prerequisite for performance-based arrangements for senior civil servants.

Historically, many public sectors have been structured with input-focused budgets and few performance targets beyond some rather general statements of policy intentions, set out in the announcement of the government programme. Clearly, in the absence of some larger performance infrastructure, stand-alone performance-based arrangements for senior civil servants will have a distinctly narrow focus. They concentrate on the quality of outputs from agencies and not on responsiveness to changing policy priorities for government. The performance arrangements in such cases tend to emphasise a rather more traditional view of performance, emphasising compliance with legal and procedural requirements. Such situations are not associated with any significant degree of delegation.

This situation is increasingly rare (*e.g.* Brazil). Discussions with practitioners confirm the now well-known finding that performance concerns – in the sense of seeking to meet service delivery promises and to respond rapidly to changing priorities, are now increasingly prevalent at all levels of government. They are particularly strongly reflected in budget discussions.

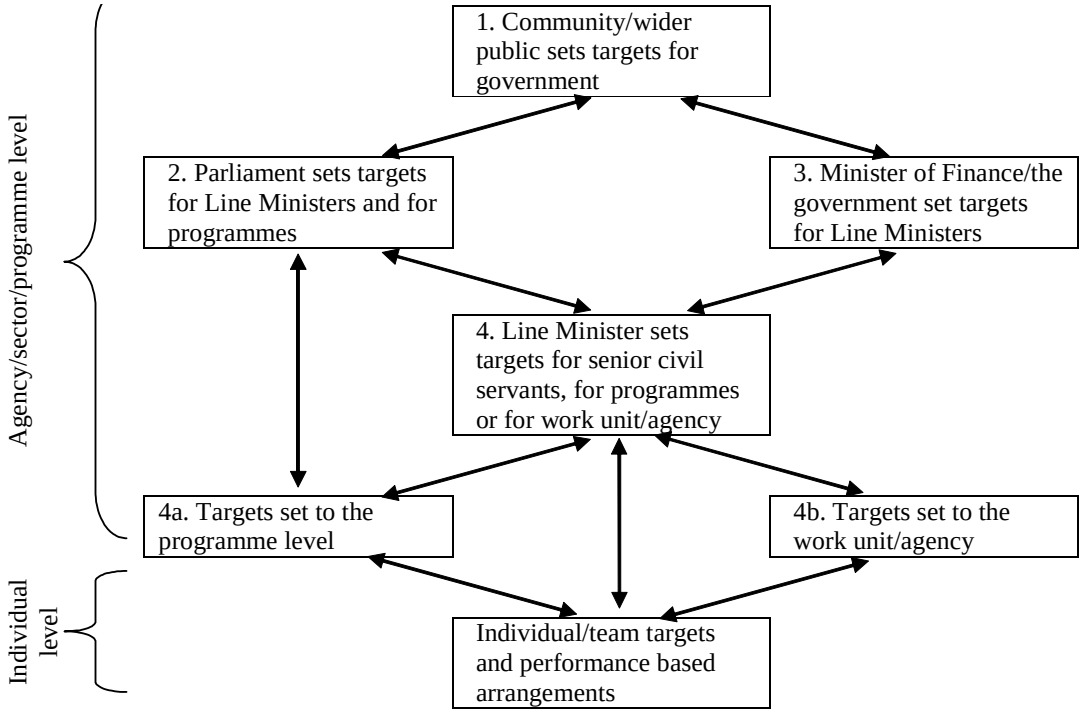
2.4.4.2. A wider performance regime, with weak or absent performance-based arrangements for senior staff

This situation was not identified from the practitioner discussions and country cases – although it is a theoretical possibility. It is difficult to imagine how, in such circumstances, the higher level targets identified in Table 8 would be translated into practical action.

2.4.4.3. Performance-based arrangements for senior staff within the context of a wider performance regime

This seems to be increasingly the situation in which OECD and non-OECD senior civil servants find themselves. In such circumstances, Figure 3 shows what the senior civil servant sees as he/she looks for a route through the maze of performance-based arrangements elsewhere in the public sector. Some or many of these connections may not be present in practice.

Figure 3. Possible linkages between performance targets



Note: Numbering is consistent with that in Table 8.

In a situation where performance arrangements for senior civil servants are set within a wider regime of performance, there can be a cascading effect down to the level of the individual senior civil servant. In the United Kingdom, for example, public service agreements (PSAs) are an important tool for the executive to set objectives for the various departments. These PSAs also influence and form part of the performance agreements of senior civil servants. Indeed, in the performance agreement of the most senior British civil servant, the Permanent Secretary, a PSA target (or objective) may be reiterated and he/she will be held accountable for attaining that target. The Performance Partnership Agreement (PPA), a document signed between the Permanent Secretary and the Cabinet Secretary (the head of the civil service), will outline these targets and other personal objectives for the Permanent Secretary. For example, the Permanent Secretary for the Department for Constitutional Affairs has, among others, the following PSA targets written in his 2004 – 2006 PPA (with the PSA target numbers mentioned):

- Improve the delivery of justice by increasing the number of crimes for which an offender is brought to justice to 1.2 million by 2005-06; with an improvement in all Criminal Justice System (CJS) areas, a greater increase in the worst performing areas and a reduction in the proportion of ineffective trials (CJS PSA 2);

- Increase value for money from the Criminal Justice System by 3% per year, increasing efficiency by at least 2% a year, including the delivery of legal aid. This contributes to a CJS PSA on value for money.

In the United States, strategic and operational objectives and targets for an agency can be directly cascaded down to a senior civil servant. Thus, for a head of department in the Office of Personnel Management (OPM), targets outlined in the OPM strategic plan are reiterated. The strategic plan translates the mission (outcome objective) of OPM – to ensure the Federal Government has an effective civilian workforce[26] – into various concrete outputs and targets, for which a senior civil servant is then made responsible.

Similarly, in Denmark there is a strong link between the objectives of the agency and those of its director general. Around 75% of the director's contract should reflect the targets of the agency.[27]

Whereas the link between agency objectives and individual civil servant targets is rather explicit in the cases of the United Kingdom and the United States, working agreements (*werkafspraken*) in the Netherlands are not always that direct in stating government objectives or targets. Here, the links indicated in Figure 4 are not all present. Secretary Generals (the top civil servant) and Director Generals write their own working agreements, in coordination and agreement with the relevant minister, with explicit or implicit links to budgetary and output targets. In general, the sort of targets set for Secretary Generals and Directorate Generals vary from measurable and concrete to vague and less measurable. The performance-based arrangements for senior civil servants in the Dutch system are very much a tool for dialogue, and are only used marginally for political or managerial control.[28]

As mentioned above, the route through the various targets is therefore not always obvious – and there can be parallel "cascades". For example, referring to Figure 3, programme targets (4a) can be linked to both ministerial performance specifications (4) and to parliamentary targets (2). The nature of the linkages is, of necessity, generally top down. Higher level targets determine the possible performance targets at the lower levels. However, the selection of the subordinate targets is generally not tightly determined at the higher levels. In Belgium, for example, senior staff have some control over their individual targets – although they are in effect restricted in their choice by the requirement that they must be consistent with the targets at the higher level.

3. Overview of the key lessons

All practitioners interviewed saw the benefit of well-structured performance-based arrangements in motivating staff and in ensuring that agencies and programmes are responsive to changing political and managerial priorities. On the basis of discussion, several lessons for those considering implementing or improving systems to stimulate performance emerged clearly:

1. *Selecting the right staff in the first place* is an absolute precondition for subsequent performance. This does not mean deterring any political involvement, but it does require that the political involvement is tightly managed. It also means that performance should contribute to promotion decisions, as senior civil servants are likely to be as motivated by these as by financial rewards.

2. Practitioners noted that *the single largest driver of performance within the public sector is the retention of skilled and competent staff.* A continuing loss of good staff will more than cancel out any possible gains from performance management arrangements. Thus retaining good staff through adequate compensation, terms and conditions is particularly significant.

3. *The use of individual targets, within the context of targets set at other levels in the public sector, can be valuable*. However, it is important that there is a clear "line of sight" through the maze of government performance objectives and targets, and to keep in mind that the most productive use of performance measurement is dialogue rather than control.

Many practitioners noted the potential political risks of placing performance squarely on the table. Promises to improve performance *in the future* can result in a greater level of public debate about any current levels of poor performance *in the present*. They noted other risks – not the least that elaborate performance management arrangements can encourage an unmanageable degree of gaming and disproportionate transaction costs. However, they also noted that pragmatism is more important than purity, and that inaction can also present risks. Caution and modesty in developing a more integrated performance regime for the public sector are necessary, but that at the same time there is also a case for a more determined approach when change is essential.

4. Country overviews

4.1. Belgium

4.1.1. General information

Performance agreements were introduced as part of a major overhaul of the senior civil service in 2000. Mandates, limited term contracts for senior civil servants, were introduced at that time to improve efficiency and effectiveness of service delivery. To achieve these goals, mandates are linked to performance contracts (management and operational plans) for senior civil servants. Mandate holders, who are appointed for a period of six years, are to develop performance plans for the duration of their mandate on the basis of which their performance will be evaluated at regular intervals. Positions covered by a mandate are given in the table below.

Level	*Positions*
N	Chairman of the Board of Directors (voorzitter) of a government agency/department
N-1	Director general or Staff Director
N-2	Director
N-3	Centre Director

Through these changes, the civil service of Belgium has become a mixture of a position-based and career-based system. While senior civil servants are subject to limited term contracts, and have to reapply for renewal of these mandates,[29] the civil service as a whole is based on a career-based principle. The career-based principles is reinforced by the fact that external candidates can only apply to N and N-1 positions[30]

Originally, it was planned to have 481 mandate holders within the Federal Public Service.[31] These mandate holders have control over the budget and human resources. They have some flexibility over how they spend their budget, but still have to stay within the framework of programmes/policies set by the federal government and the control *ex ante* from financial auditors.

Mandate holders have been primarily recruited from within the career civil service. Career civil servants taking up a management or staff function will receive a leave of absence from their career position. Returning to the career position, when the overall evaluation is not unsatisfactory, is accompanied by a "re-integration allowance" which covers the (moderated) difference between the salary of the previously held position and his (new) salary in the career civil service. A mandate holder will need to reapply to the position after the six years have been completed. As mentioned above, only those candidates with an evaluation of exceptional performance do not need to reapply.

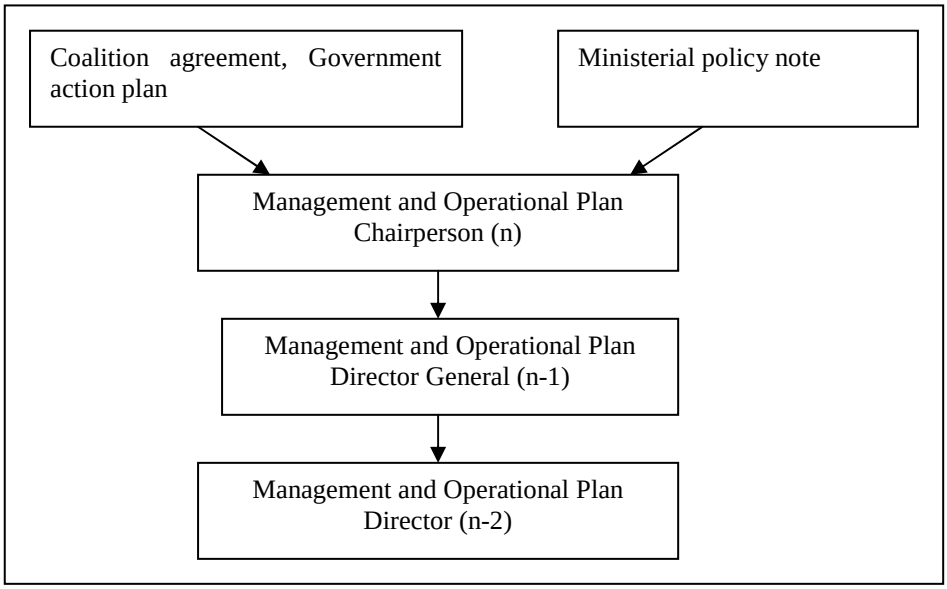
Recruitment of senior civil servants is based on an assessment of performance, through reference checks, diploma checks, tests and interviews. The process is supported and controlled by a government agency, SELOR. Following on from a successful assessment, interviews will take place with a selection committee within the recruiting department/agency. The Minister or the Chairperson of the Board of Directors of a federal agency will take the final decision on appointing a senior civil servant.

4.1.2. The performance management system

Individual senior civil servants' targets are linked to overall governmental objectives through an integrated system of performance management. Chairpersons ("*Voorzitter*") of agencies/departments are to develop management and operational plans, which guide the workings of the department/agency and at the same time act as their own personal performance agreement. They are held responsible for the attainment of the targets mentioned in these plans. Civil servants who are subordinate to the Chairman base their own plans on the Chairman's agreement. Management plans are developed on the basis of strategic plans (policy notes or "*beleidsnota*") of ministers, the coalition agreement and government action plans.

Figure 4 illustrates how performance objectives are developed and cascaded in the federal senior civil service.

Figure 4. Cascading performance agreements in Belgium



In the case of some subordinate (public bodies of general interest) or all of the autonomous agencies (agencies for social security and the like) a management agreement between the agency and the line ministry also influences the management and operational plans of the civil servants.

4.1.3. Agency performance agreements

Performance targets for agencies are therefore found in the management and operational plans of the entity. Targets are based on the departmental strategic plans, which outline the key policy objectives for the next period. A management plan may have a very direct and explicit translation of the key policy objectives (set by the minister) to agency (and then civil servant) objectives. For example, the Programmatic Government Service for Sustainable Development has linked the strategic objectives of the

minister directly to the goals and objectives of the management and operational plan. The management plan includes a time plan for the objectives, which will act as targets.

There has been no formal evaluation of the good utilisation, the degree of compliance to changing political and administrative realities and hence the adaptability and utility of management plans as they are conceived now. A scientific evaluation is to take place in order to take inventory and to give further insights and, in the end, to deliver global recommendations for better management on a contractual basis. It is reported that, in practice, management plans are rarely used after they have been written and adopted by the minister.

4.1.4. Individual performance agreements

The most senior civil servant – the "*Voorzitter*" – has to develop a strategic and operational plan within six months after appointment to the position. These strategic and operational plans are based on the statements of government on strategic objectives and ministerial objectives. For senior civil servants below the Chairman's position, the management plans of their line managers are also guiding documents for their own performance agreements. For staff in agencies or public institutions of social security, performance agreements are based on the management agreement draw up between the agency and the parent minister. These agreements include strategic and operational objectives and outline which indicators will illustrate performance. Mandate holders of staff functions are to develop a support plan, which is to be based on the management plan and the operational plan of their line managers.

Government and ministerial objectives are therefore translated into objectives and targets in their management plans. The "*Voorzitter*" develops his/her plan, which is then agreed with the appropriate minister. For n-1 and n-2 positions, the plans are reviewed and agreed by the "*Voorzitter*" and the minister. The management and operational plans act as performance agreements and contain objectives (inputs/outputs); performance indicators; and norms/targets. The management and operational plans may include such elements as:

- project sheets, including performance indicators;
- necessary personnel to perform the functions;
- financial plans for the directions.

Assessment of performance is against the objectives and targets outlined in the strategic, operational and management plans. The civil servant is assessed by his/her line manager and the manager of the line manager. For the most senior civil servant (chairperson of the Board of Directors of an agency/department), the assessor is the minister, supported by an external agency. Evaluation takes place every two years (three times during the mandate). Additional (informal) review meetings can be organised if so agreed by the line manager and the mandate holder.

Assessment is partially based on a self assessment form, which the senior civil servant is to complete. This form is then discussed during the appraisal meeting. In practice, it has been difficult to motivate the ministers to evaluate their most senior civil servants. The realisation of objectives, the manner in which results have been attained, the personal contribution in attaining goals, and personal development are intended to be the focal points of discussion. The line manager may call upon other staff members to provide feedback on the performance of the civil servant.

Performance evaluations can result in the following appraisals:

- unsatisfactory;
- satisfactory;
- very good.

A guide developed by the central HRM body for federal civil servants outlines the criteria for unsatisfactory, satisfactory and very good appraisals.[32] The appraisal is given in an evaluation report, which is prepared by the assessor and submitted to the mandate holder. There is no link between performance and pay for senior civil servants. Decisions reflected in the report can be appealed against.

If a mandate holder does not achieve his/her performance objectives under his mandate, he/she may be released from the mandated position. If these mandate holders are career civil servants, they will most likely return to their previous positions. A negative evaluation in a mandate position does not necessarily hold any consequences for appointment in a (previously held) career position. Indeed, most mandate holders are career civil servants, who fulfil their mandate on a special leave of absence, during which their old position is "guaranteed".

4.1.5. Benefits and risks

The mandate system, introduced in 2000, saw the introduction of limited term contracts for senior civil servants, coupled to performance. Mandate holders are required to develop performance or management plans on which their performance is evaluated. Although there are no data to confirm this, it is thought that the introduction of performance arrangements, and in particular through introducing performance-based contracts, has somewhat decreased the loyalty of the civil servant to the civil service as a whole. This was a particular concern in Wallonia, and has led to the abolishment of the use of performance-based contracts in that region. It is argued that a career-based system provides more incentives for commitment and loyalty. This has also been visible at a federal level. Indeed, some director functions are planned to be reintegrated into the career civil service instead of being subject to mandates to counterbalance this loss of loyalty.

In addition, the country experts noted during The Hague meeting in September 2006 that the use of management plans has led to the development of huge documents which are often not used actively after the minister has approved them. They are therefore not live documents and are perhaps not that useful. An evaluation of management plans is to take place to give further insights into additional benefits and drawbacks, best practice and opportunities of the Belgium federal mandate and performance agreement system.

4.2. Brazil

4.2.1. General information

The civil service in Brazil is made up of appointees (temporary positions) and career civil servants. Career civil servants are recruited through competitive examinations, specific to each position. Senior civil servants are typically appointed. Appointees are usually found in management and advisory positions. Federal senior civil servants form less than 3% of all federal civil servants,[33] and 25% of the senior civil servants at the federal level are political appointees. The others are career civil servants.

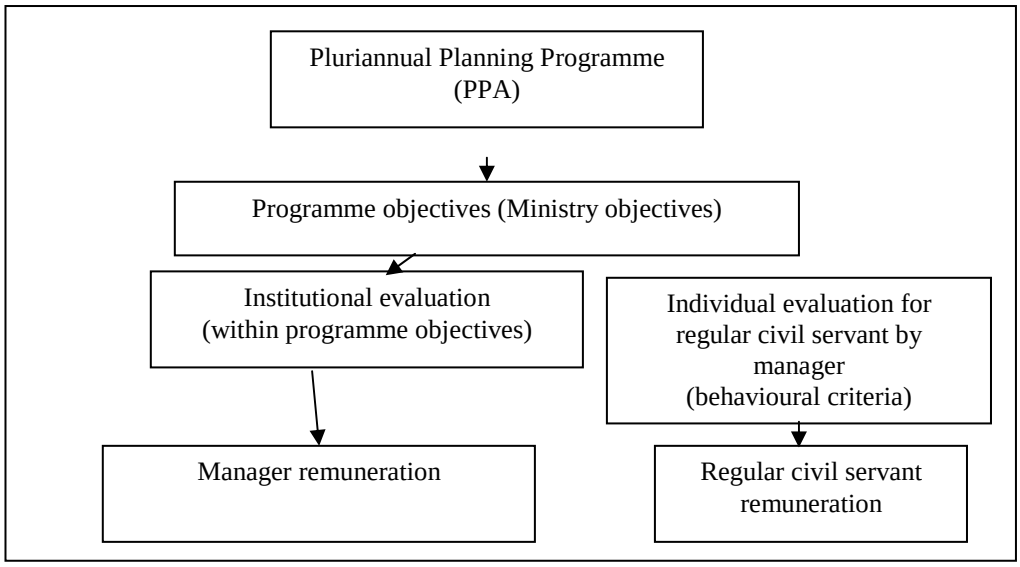
4.2.2. The performance management system and agency performance arrangements

As part of a major administrative reform programme in 1999, the federal government of Brazil launched a new Pluriannual Planning Programme (PPA) which divided all government objectives into almost 400 programmes. Programmes can be cross sectoral and/or cross ministerial. Each programme has its own programme manager, who is a senior civil servant. The names of the programme managers are publicly available and they are accountable for the results of the programme. The targets of the programme therefore become the performance agreement of the senior civil servant. This further impacts on the lower levels in the hierarchy. The objective has been to increase transparency and accountability as well as improve the efficiency and effectiveness of public spending.[34] Moreover, the introduction of performance agreements and evaluation for individual senior civil servants was used as a tool to improve salaries and reward staff.

Federal senior civil servants work towards institutional and individual objectives. Institutional targets are based on the PPA, and therefore reflect the objectives and planning set out by the government, both in terms of policy and finance. There are about 10 to 12 objectives per ministry, which are translated to the individual civil servant by the manager of a "career", of which there are 120 in total.

In addition to the institutional targets, the civil servant has ten individual or behavioural criteria to work towards, such as team work. Senior civil servants who are politically appointed are not subject to a performance evaluations. This means that not all managers are subject to a performance evaluation on their individual targets (institutional targets will be measured), and often do not receive feedback on their competencies. A regular civil servants' (not senior) performance will be measured based on both institutional (50%) and individual (50%) performance. The evaluation is carried out by the manager, and the civil servant receives this evaluation to sign in order to state that she/he agrees. Figure 5 illustrates the origin of evaluation objectives.

Figure 5. Cascading performance agreements in Brazil



4.2.3. Individual performance arrangements

The process of developing performance agreements is rather formal. Evaluation can take the form of a meeting between the civil servant and his/her superior. Alternatively the evaluation can be carried out by the manager. In either case, after this the employee signs to confirm agreement with the evaluation. The frequency of evaluation is dependent on the organisation. There is no formal guidance on this.

The line manager is also responsible for any rewards to be paid out. Team performance assessments are increasingly used in Brazil, implying that if the team has performed well the manager will set a bonus rate for the whole team.

Currently, there is no formal relation between performance agreements and appointment/promotion. Indeed, performance evaluation is not the key motivator for appointments. However, people who perform well will have more opportunities for appointment through informal networks. In addition, although according to the Constitution a tenured civil servant can lose office as a result of a negative performance evaluation (with ample defence being assured), this does not happen often in practice. The main reason that poor performance does not lead to termination is because the constitutional amendment has not yet been regulated.

Although performance evaluations were meant to lead to productivity increase through individual salaries, and indeed the evaluation of individual targets can determine up to 50% of pay, in practice benefits and bonuses are paid automatically. The link to performance has not been made, because of a hasty introduction and a lack of understanding and ownership at managerial and lower levels for the system.

4.2.4. Benefits and risks

The Brazilian performance evaluation system was introduced to reward staff through increasing salaries. This has led to an increase in the overall wage bill, but results in terms of improved performance have not been noted. Indeed, in hind sight, there are several problems in the approach to and design of the system:

- the introduction was not well prepared;
- performance evaluation was used to increase pay rather than as a managerial tool or as a tool to stimulate performance;
- at the managerial and lower levels there was limited understanding of the aims, procedures and benefits of the performance evaluation system.

In addition, the Brazilian government has noticed that it is difficult to pinpoint the contribution made by individuals to a larger objective. A current reform of the performance evaluation system will therefore look at the development of more team-based performance indicators. Team-based performance indicators are already used in the republican health sectors, where individuals are appraised on their individual work and attitude, as well as the team performance. Team performance is measured through indicator targets and through client/customer satisfaction surveys. In the republican health sectors, this method has stimulated team work and also has managed to set clearer priorities.

4.3. Canada

4.3.1. General information

Canada has approximately 4 500 federal senior civil servants. This includes civil servants in the following positions:

- deputy minister;
- assistant deputy minister;
- director general;
- director;
- deputy director.

These positions are covered by grades of executives and deputy ministers, and in general the positions are known as executive positions. Internal and external candidates can apply for these positions.[35] However, for deputy ministers and assistant deputy ministers, recruitment is often from talent pools specifically created from amongst the executives. Selection to the "fast track" to these positions is based on performance, based on references provided by line managers which in part will be take into account the attainment of objectives outlined in a performance agreement. The fast track programmes are managed by the Public Service Human Resources Management Agency of Canada (PSHRMAC).

4.3.2. The performance management system

Ministerial strategies and corporate priorities set by the Clerk of the Privy Council (the Cabinet Secretariat and Prime Minister's Office of Canada) are translated into individual performance agreements. The performance management cycle is linked into the annual business planning cycle of an agency or ministry, in which expenditures for policy programmes are planned and reported on. Through the Management, Resources and Results Structure (MRRS) resource expenditures and results are managed and planned. The MRRS is also used to present information to Parliament on expenditure and results. Agencies use a Program Activity Architecture system to help to outline strategic objectives and link these with activities and costs for their organisations.

The main linkage between individual executives' performance agreements and the organisational plans are the Deputy Head (Deputy Minister) and Assistant Deputy Head (Assistant Deputy Minister) performance agreements. The Deputy Head takes a lead role in establishing how all the different elements of performance agreements for agencies and of the planning process of the government are brought to the fore. For example, the Deputy Head may wish to align more with the Management Agreement Framework or the Planning Activities Architecture, and decide what the most important priorities are this year. Performance plans for the agency are agreed with the Treasury Board and Parliament. The Assistant Deputy Head develops a business plan for his area of responsibility (linked to the Deputy Head/Minister's performance agreement and the agency's targets), the objectives and targets of which are further cascaded down the hierarchical line.

Examples of objectives from Assistant Deputy Ministry downwards include:

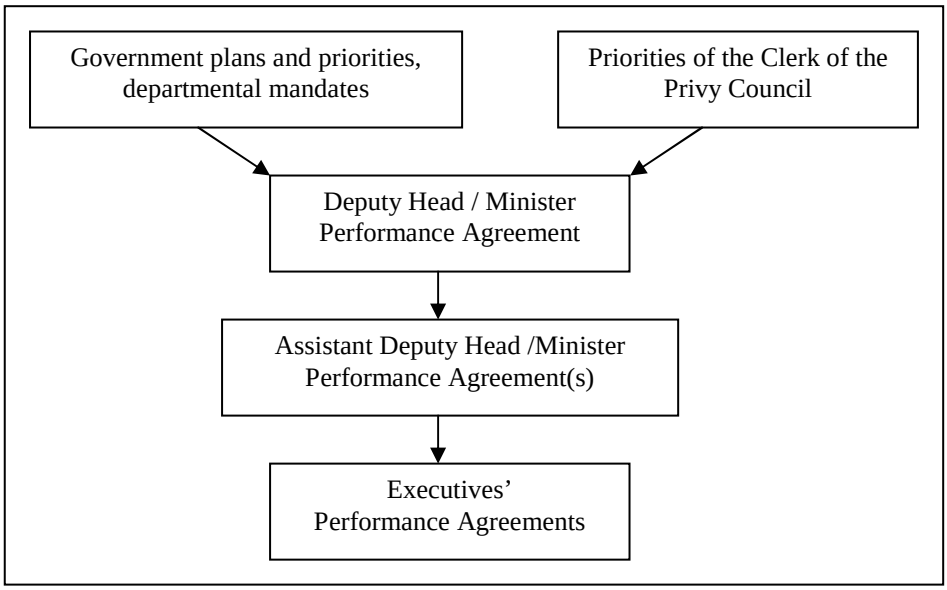
- EX 5 (Assistant Deputy Minister): Lead the development of a comprehensive strategy to support implementation of the Resource Allocation Initiative within the department.

- EX 3 (Director General): Implement within the Branch the new Resource Allocation Initiative in line with the corporate strategy.

- EX 1 (Director): Design and deliver effective training to support the implementation of the Resource Allocation Tool.

Figure 6 illustrates the cascading of agreements through the government system.

Figure 6. Cascading performance agreements in Canada



Information on the performance of an agency is fed by information on the performance of individuals within the agency. There are therefore explicit and clear links between agency objectives and targets and individual targets and objectives.

4.3.3. Agency performance agreements

Departments and agencies outline their strategic outcomes and key areas of programme activities in their reports on plans and priorities, which are discussed by Parliament. These documents outline the key policy objectives, activities, the related finances and new regulations. The broad outline of the reports on plans and priorities is:

- Context and strategies: mission and mandate of the organisation, the objectives of its programmes and services, the major strategies used to achieve these objectives and the related environmental context.

- Performance expectations. The performance information should contain key performance expectations with a focus on outcomes/results in terms of objectives.

- Performance accomplishments against expectations. The performance information should report key accomplishments in relation to expectations.

Targets or indicators for successful programme implementation are not necessarily outlined in this report.

Strategic outcomes of policy programmes are set through the Programme Activity Architecture (PAA) structure, and approved by the Treasury Board. The PAA helps government departments and agencies to determine outcomes and activities of an organisation and reflects and establishes the information framework for budgeting and reporting. The attainment of the results and outcomes is monitored through the Management, Resources and Results Structure (MRRS), which is a government-wide system of financial management. In addition, departments/agencies public departmental performance reports, which outline the results obtained and finances spent. These are also presented to and discussed by Parliament. Individuals' contributions and performance agreements directly feed into this system through management meetings, planning meetings, performance evaluations, etc.

Key documents for the agencies/departments which guide the setting of and/or outline objectives therefore include:

- the MRRS;
- the PAA;
- the Management Accountability Framework;
- the departmental performance plan;
- the departmental report on plans and priorities.

4.3.4. Individual performance agreements

For executives, the Performance Management Programme (PMP) was introduced in 1999 as a management tool to support the achievement of business results (encourage productivity) and as a tool to be used in determining changes in the compensation of executives. The latter is seen as important to enable the public service to attract and reward private and public sector executives to assume leadership positions. The PSHRMAC coordinates and manages the PMP. The organisation also is the policy coordinator for the public service, providing guidance on diversity, human resources planning, ethics, etc. The PSHRMAC also oversees the performance management processes in each agency and is responsible for authorising payment of performance-related bonuses.

The PMP is used to link individual actions to corporate business plans. In this way, ministerial business plans and goals are linked to the individual's performance. Every executive in the organisation is obliged to have a written performance agreement.[36]

On the financial side, part of the pay of an executive has become subject to performance on basic requirements of their jobs. Executives earn a base salary for the accomplishment of ongoing commitments, which represent the basic requirements of the position. The achievement of commitments and how these were achieved affect progression through the salary range for the position (in-range movement). Over and above base salary, executives can be eligible for lump sum payments if key commitments have been achieved. Lump sum payments must be re-earned each year and do not affect base pay. There are two sorts of lump sum payments: at-risk pay and bonuses. Neither of which will be paid if the executive does not meet ongoing commitments; the amount of lump sum pay is dependent on the overall assessment of performance on both ongoing and key commitments.

Only those executives who receive the full at-risk pay are eligible for the additional bonus. At-risk pay can be up to 11% of total pay. This system is a significant departure from the previous performance system (1981 to mid-1990s) when performance determined movement through the salary ranges but

bonuses were only available to those at the maximum of a range and performance was evaluated against general criteria.[37] In 2000, the performance pay to senior civil servants was stabilised at 7% of the budget. Departments/agencies are funded centrally for the payment of performance awards – 7% of the departmental wage bill. Departments/agencies have also been active in adjusting the overall PMP guidelines to fit departmental circumstances.

As mentioned above, the individual performance agreements are linked vertically to government plans and ministerial objectives (outlined in business plans). The basis for the performance agreements are:

- priorities of the government;
- priorities of the Clerk of the Privy Council;
- priorities and plans of individual departments and agencies;
- individual development needs.

Any adjustments made to the agency/department business plan will affect the individual performance contracts and result in changes there as well. Changes to the business plan can occur if there are unforeseen circumstances, for example as a result of SARS or bird flu outbreaks or government reshuffles such as occur with the election of a new government. Changes to performance agreements can also occur when the line manager changes or the executive changes jobs.

This agreement should outline what (results) and how (competencies) the executive will perform over a defined period of time. The agreement is signed by the executive and his/her line manager. Departments and agencies can develop their own templates and systems for performance agreements to best suit the organisation. In general, the agreement should include the following components:

- *Ongoing and/or key commitments*

  Ongoing commitments are principal results expected to enable the department can achieve its business mandate and are linked to the departmental business plans and/or priorities. These commitments are part of the continuing responsibilities of the position that do not normally change from year to year. A minimum of 4 and maximum of seven ongoing commitments should be established per performance cycle.

  Key commitments can change from year to year and reflect change initiatives of the business plans. A minimum of one and maximum of two key commitments should be established per performance cycle.

- *Performance measures for achieving commitments and leadership competencies*

  Performance measures describe the achievement of results and the standards for the expected level of achievement of these results. It implies quantifiable data will be available. Each commitment should have between one and three measures.

- *Written assessment of actual results and level of leadership competency*

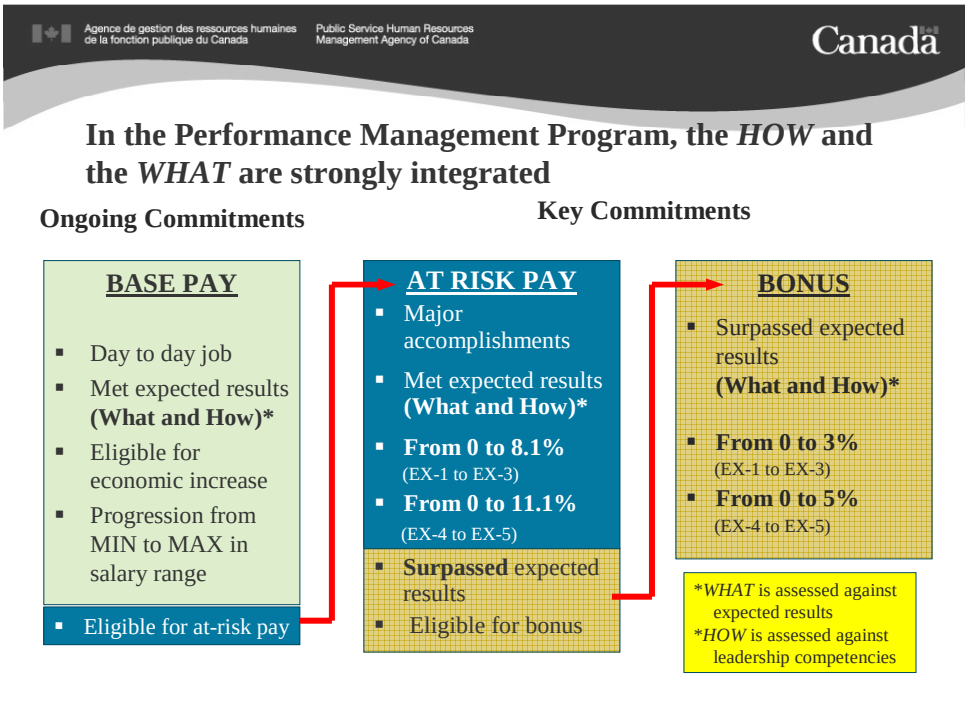
- *Signatures*

The line manager and the executive are jointly responsible for the developing the performance agreement and for the annual formal review and assessment. Executives have been extensively trained in the design and use of performance management agreements. At least every six months, a periodical review of the performance agreement and progress to date has to be carried out by the line manager and the executive. The attainment of ongoing commitments, corporate contribution and competencies are all evaluated.[38] For Deputy Ministers, a self-evaluation assessing achievements against commitments is the end of the performance cycle. The Clerk of the Privy Council is the formal assessor of the Deputy Minister, and the Clerk will seek inputs on the performance from other sources.

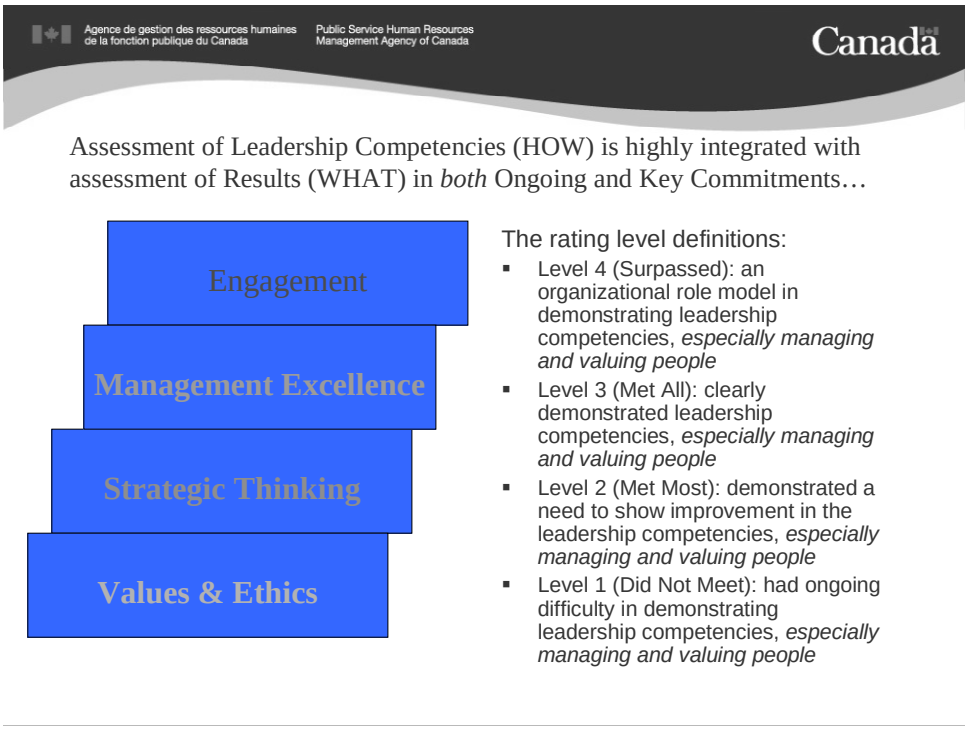
All recommended performance ratings, and the related compensation, are submitted, through the Clerk of the Privy Council, to the Governor in Council. The performance ratings used in the Canadian system are:

	Description	*Comments*
Level 0	Unable to assess	Insufficient opportunity to allow achievement of performance objectives (*e.g.* fewer than three months in position, after long sick leave or leave without pay, etc.)
Level 1	Did not meet	• Performance results below expected standards • Delivered on some commitments but not one or more of the most important • Ongoing difficulty demonstrating departmental/leadership competencies
Level 2	Met most	• Delivered on most important commitments, but not necessarily all • Performance results indicate need for development • Demonstrated need to show improvement in departmental/leadership competencies
Level 3	Met all	• Delivered all commitments • Strong contributor to stakeholder and organisational successes • Clearly demonstrated departmental/leadership competencies
Level 4	Exceeded	• Delivered all and exceeded expectations • Consistently delivers results that provide exceptional value • Is seen as organisational role model in demonstrating departmental/leadership competencies

In some departments/agencies weekly meetings are currently held to monitor performance on strategic and organisational objectives. The information presented at these meetings is based on individual contributions and outputs, and a line manager can use the information as a basis for an informal performance evaluation discussion with those members of staff responsible. The staff have to be able to justify if and why targets and objectives are not being met. Underperformance needs to be noted and discussed as soon as possible.



Source: Lynn Lemire-Lauzon – presentation at the OECD Expert Meeting on Performance-based Arrangements hosted by the Government of the Russian Federation on 20 February 2007 in Moscow.



Source: Lynn Lemire-Lauzon – presentation at the OECD Expert Meeting on Performance-based Arrangements hosted by the Government of the Russian Federation on 20 February 2007 in Moscow.

Senior civil servants have limited tools in hand to keep and reward staff when they perform well. Staff can be moved quickly upwards within a salary range, but cannot exceed the maximum set. In-range salary increases are based on performance only. Reclassification of positions is possible where the role of the incumbent has grown significantly or where a department has been re-structured. Promotion to another function/position can only occur on the basis of application (competition). A small proportion of executives change position every three years – either laterally or upwards. The PSHRMAC has developed various policies to promote upward mobility of the executive groups. These policies focus on recognising talent and developing leadership skills for executives, potential assistant deputy ministers and potential deputy ministers. These programmes use performance evaluation as a basis for selection to the programme.

Senior civil servants who do not perform according to expectations can be dismissed or removed from their positions. Although civil servants can be terminated for the civil service, the appeal procedures mean that termination is a lengthy and complex process. Normally if an executive does not meet the commitments in his/her performance agreements – perhaps several years in a row – he/she will be found a different role or will be demoted.

4.3.5. Benefits and risks

The benefit of using performance agreements, linked to departmental objectives, is that expectations have become clearer for both employee and line manager. This in turn has meant that senior civil servants are more content in their work, as they see what contribution they make to the overall organisational objectives.

A potential risk and indeed a noted disadvantage of the performance agreement system lies in the complexity of it. It is difficult to set objective and SMART objectives *and* indicators is often difficult. Although the PSHRMAC has attempted to simplify the arrangements by stating that only a maximum of 10 objectives (commitments) are required, it has taken a lot of time and training of executives to create awareness and understanding of the new performance arrangements. Time has to be allowed therefore for the system to develop.

From reviews carried out by the Association of Professional Executives of the Public Service of Canada (APEX) in 2000 and 2001, it became clear that executives noted additional disadvantages. These were:

- line managers do not readily share their agreements, which hampers cascading of performance objectives;
- some agreements are not signed off until late in the financial year, which meant that at times key commitments were chosen that had already been met or were certain to be met;
- team efforts were not recognised;
- ratings of performance were not clear enough.

These issues are and have been addressed by the government. They are mentioned here to illustrate that introducing a new performance management system has its problems, both in design and implementation.

4.4. France

4.4.1. General information

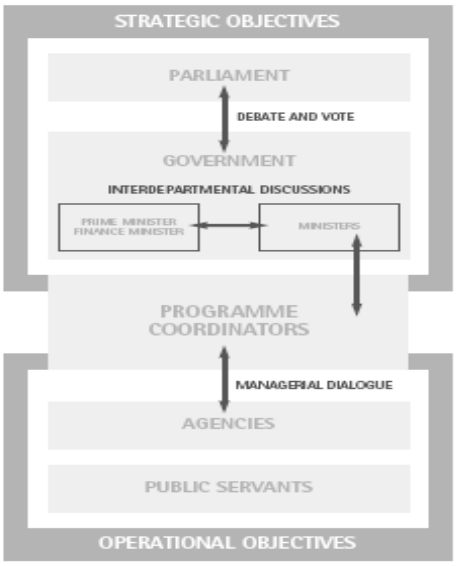
The notion of senior civil service is not legally defined in the French civil service. It most often covers management positions in the central administration and decentralised units, and implies members of the generalist corps recruited mostly from the *École Nationale d'Administration*. It can also be applied to technical experts, as members of the superior technical corps. In addition, the term senior civil servant is not only used for current positions, but also covers talent pools of young entrants to the civil service, who currently do not hold a senior executive position.[39] Because of these overlapping and multiple definitions of senior civil servants, there is no precise number of senior civil servants, with figures ranging from 2 500 to 25 000.

Senior executives are covered under public law, similar to other civil service positions. However, in some aspects their position is different. For example, at the very top level, directors general, directors of central state administrations and other positions listed in a government decree are appointed by government. These appointments, numbering approximately 800, are revocable and the positions are also open to non-career civil servants. In practice, however, this is extremely rare – of the 180 directors of central state administration, less than five are currently non-career civil servants.

4.4.2. The performance management system

Since 2006, senior civil servants are subject to appraisal on the basis of a new system of performance-based arrangements. Performance-based arrangements for senior civil servants are tied to the development of Result Oriented[40] Budgeting in 2001 in France, a system which was fully implemented in 2006. The overall aim of introducing performance-based arrangements and more widely Result Oriented Budgeting has been to increase the objective measurement of performance of the state and to increase the efficiency of public spending. The process of integrating individual and agency objectives is described in Figure 7.

Figure 7. Cascading performance agreements in France



Source: *The Performance-Based Approach: Strategy, Objectives, Indicators, A Methodological Guide for Applying the Constitutional Bylaw of 1 August 2001 on Budget Acts*, 2004.

Program performance arrangements

Source: Matthew Woods – presentation at the OECD Expert Meeting on Performance-based Arrangements hosted by the Government of the Russian Federation on 20 February 2007 in Moscow.

The new Constitutional bylaw of 1 August 2001 on budget acts (*Loi Organique relative aux Lois de Finances*, LOLF) stipulates that all departments were to introduce result-oriented budgeting as of 2006. The law requires government departments to set performance objectives on which they and those in charge will be appraised. The new approach to budgeting has seen the creation of 40 cross-cutting policy programmes, 150 policy implementation programmes and 500 actions detailing the programmes. This new way of budgeting has of course impacted the management processes and procedures of government departments. Examples of indicators used to govern agencies are given in the table below.

Strategic objective	*Indicator*
To react rapidly to any failure to file tax returns or pay tax	Proportion of income tax and VAT returns filed on time
To encourage taxpayers to comply voluntarily with their tax obligations	Rate of taxpayers' spontaneous payment of tax at the due date
To encourage taxpayers to comply voluntarily with their tax obligations	Proportion of income tax and VAT returns filed on time

The relative infancy of this system also means that there is only very recent concrete experience with the cascading of objectives down the hierarchical lines. In principle, programme coordinators – who are often but not always directors in the central administration – define the operational objectives for an agency in consultation with the budget manager (responsible for the program's operational budget) and are responsible for their achievement These operational objectives are linked to a programme's strategic objectives, as illustrated in the tables above. First, strategic objectives are translated into objectives specific to a given department or activity. Intermediate or interim objectives can be set to aid implementation. Finally, complementary objectives can cover other aspects of the programme which are not covered by the strategic objectives.

The objectives (strategic and operational) are then translated into performance targets and indicators. Strategic objectives are set and measured in terms of efficiency (value for money for the taxpayer), socio-economic effectiveness (meeting citizens' expectations) and quality of service (impact on the user). Targets can be output, process, input and outcome based. The targets will reflect activities as well as concrete outputs and are therefore attributable to both policy makers and service deliverers. Indicators were developed for most departments/agencies during 2005.

4.4.3. Individual performance assessments

Although the objectives for the senior civil servants and programme managers concerned cover more than one year, the evaluation of performance takes place annually, following the terms of the 2002 decree which introduced an annual evaluation and training needs interview for every civil servant. The evaluation interview takes place between the programme manager and the senior civil servant, or at the very top level,

between the Minister and the director of central administration. One can also note that concerning the nominations at the discretion of the government, the "contracts" based on multi-annual objectives are not formalised.

Decree number 2006-1019 of August 2006 introduced an element of performance-related pay for directors of central administration. The decree generalises a pilot phase, which was launched in 2004 with 44 volunteer directors of central administration from six ministries, and then expanded in July 2005 to all directors of central administration from these six ministries.

There are three core elements to the annual director's performance assessment:

1. One tier based on indicator-based objectives. This tier is directly correlated with indicators, and quite directly measurable. The kind of indicators can concern outputs or outcomes. If the director is also responsible for a general LOLF program, his objectives and targets may be linked to those of the general program he is in charge. If the director is not responsible for a program, measurable objectives are also possible.

2. One tier based on the quality of the operation of service and the capacity of the director to organise it.

3. One tier based on the assessment of the hierarchy (which can take into account the environment and the context in which the objectives have been reached or not).

The assessment is articulated around these three axes, and is seen as a tool to improve the discussion on what can be improved in the services. Each tier has the same weight, and the assessment is also used to define the amount of the performance-based reward, which can be up to a maximum of 20% of the total pay package.

To help inform the minister's decision, there is a remuneration committee of at least three members nominated by the minister, including the secretary-general of the department as well as someone exterior to the department, who analyse the performance of the director and suggest an appropriate reward.

As well as impacting the size of the bonus, there are other consequences of poor performance. As directors of central administration are usually senior civil servants on secondment, their period of secondment can be finished at any time. Less dramatically, their term could also not be renewed.

4.4.4. Benefits and risks

The new "*demarche de performance*" can have many benefits for the administration, and introduce a new culture of performance. There are also some risks, in particular if some categories of staff consider this movement to be prejudicial towards them. There are sometimes difficulties in separating individual from collective contributions to achieving objectives. In order to mitigate these risks, it is important to focus on improved dialogue rather than control, to continually monitor and evaluate the process, and to ensure that it is perceived as open, transparent and fair.

This being said, indicators can be seen as a signal and a tool to do improve management dialogue Further benefits include a clearer visibility of objectives and tasks for directors of central administration, and improved communication between the political and administrative levels in terms of strategic priorities.

4.5. Netherlands

4.5.1. General information

Senior civil servants in the Netherlands can be divided into two main groups: top management (grade 19[41]) and the senior civil service (grade 15 to 18). In total, these two groups cover about 800 people and occupy the following positions:

- secretary general;
- director general;
- director.

Appointment to these positions is based on competition and senior executive positions are open to internal and external candidates. Past performance, for both internal and external candidates, is important in recruitment/appointment. Appointments and selection for promotion/recruitment are based on the general objectives of a position and on the job description. The job description outlines specific requirements for the position, such as competencies and objectives.

Senior civil servants in both groups belong to the *Algemene Bestuursdienst* (ABD), which is coordinated by the Bureau ABD (BABD).

Members of the top management group are appointed to a position for five to seven years. During the final years of this "mandate", the senior executive is required to look for an alternative position, and is supported in this by the BABD. If another position is not found, the senior civil servant is placed on a waiting list for two years, after which he/she may be released from the civil service if a position has not been found. Other ABD-civil servants are appointed for five years. If there is no alternative position available, they can stay for a few more years until a position is found.

Specific programmes have been set up and are run by the BABD to develop leadership and other competencies of civil servants in grade 15 and lower to develop talent pools of future ABD executives. Indeed, the ABD was created to ensure greater mobility of senior civil servants.

The BABD plays a role in the recruitment/appointment, career development, training, and mobility of senior civil servants. However, the individual departments have a great level of autonomy in the implementation of centrally set guidelines and are end-responsible for recruitment. This is different for the Top Management Group (TMG). Since 1 April 2006, the BABD acts as the representative of the employer for the TMG on behalf of the Ministry of Interior and Kingdom Relations. The BABD, on behalf of the Minister of Interior and Kingdom Relations, is responsible for incentives/remuneration for the TMG. The TMG positions have different procedures for appointment and alternative legal positions, which are now being put into place.[42]

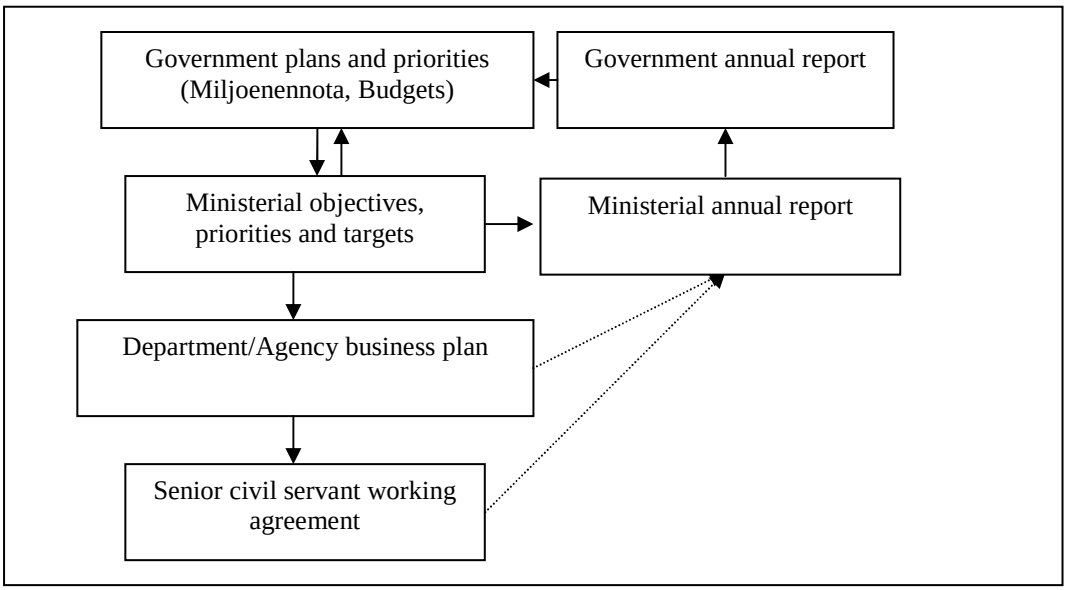
4.5.2. The performance management system

Agency/department performance is regulated through the *Van Beleidsbegroting tot Beleidsverantwoording document* [from policy budget to policy justification]. The *Troonrede* (speech by the Queen) and the *Miljoenennota* (Government priorities and budget) outline the yearly objectives and targets for agencies/departments. The *Miljoenennota* is reflected in and in itself reflects the targets and priorities of ministries/agencies in terms of policy outputs and finances. The budget submissions (including targets/objectives) are discussed by Parliament during autumn. During May of each year,

ministries/agencies need to justify spending and performance through reports to the Parliament. The Auditor General can also monitor and comment on performance (in terms of efficiency, effectiveness) of ministries.

Individual senior civil servants targets may be integrated with this system, though the performance-based arrangements for individuals tend to be flexible and informal, with soft links to termination, promotion and pay rewards. The form and "tightness" of the links between budgetary and policy (agency/department) targets and individual performance targets depend on the department/agency. Some ministries have linked these two quite tangibly, whilst in other ministries the link is not immediately noticeable. Examples are given below. Overall however, targets for senior civil servants, as outlined in working agreements, will link into overall government objectives. Figure _ illustrates this system.

Figure 8. Cascading performance and working agreements in the Netherlands



4.5.3. Agency performance arrangements

As mentioned above, the departmental budget sets out the main targets for each agency/department, and is discussed by Parliament. In addition to these yearly plans, departments/agencies develop four year policy papers or strategic plans, which are operationalised through directions' management year plans (business plans). The business plans are drafted by the head of the division in dialogue with the Directorate General in October of each year for the coming year. In April a mid-term report is produced, which outlines expected deviations from the plans. In September a second mid-term report is produced and in January a conclusion report is produced. These reports are discussed with the directorate, the head of internal control and the director of the division/state service.[43]

For agencies, management agreements between the line ministry and the agency outline objectives and targets. These agreements are firmly linked to the departmental/ministerial budget and the management year plan.

Monitoring of performance during a year is dependent on the agency/department – internal control departments will meet once a month to discuss progress, accounts etc. – whilst end of year accountability and appraisal of performance is reflected in departmental end-of-year reports. These reports (*Jaarverslag*) outline the results – in financial and policy output terms – of each department (ministry). Agencies report

yearly to their line ministry in form of an annual report. In addition to this report, quarterly meetings may be held to discuss performance of the agency against its management agreement.

4.5.4. Individual performance arrangements

Objectives for senior civil servants are set out in working agreements, which were introduced in 2000 to ensure that officials in senior positions would have regular meetings with their line manager (minister or secretary general). Working agreements were introduced, in short, to further structure and support the manager/employee relation at the most senior levels in the civil service. The BABD has developed a model for working agreements, but ministries/departments are not obliged to use this model. This has meant that in practice there are various models, sometimes even more than one model within the same ministry. These models can vary from a list of policy priorities to more elaborate documents which have different sections referring to policy, organisation, working methods and personal development.

The BABD model contains the following main elements:

- specificities of the working agreement;
- policy goals;
- communication and relation management;
- organisational/management goals;
- measurement criteria for appraisal (optional);
- personal development and goals;
- personal contribution to the overall civil service.

As mentioned above, the content and format of the working agreements differ by agency/department, as there is great agency flexibility and autonomy in HR issues. Indicators and objectives also differ, and can be focused on outputs, outcomes or processes. Examples of agreements which might be made are given in the table below. This is one example of a working agreement.

Objective/description	*Measurement*
Advising and contributing to realising policy goals in sensitive policy areas, which includes: ▪ policy development (innovation) and reinstating the relationship with the sector; ▪ development of a policy note and action/implementation plan; ▪ reducing the administrative burden in the policy area of the department	▪ In 2004 the policy note will be finalised.
Active and personal chairmanship of the interdepartmental working group and ensuring: ▪ Adequate preparation of dossiers (content and process); ▪ The goals of chairmanship are met; ▪ Positive running of informal meetings (content and logistics); ▪ Personal participation in international meetings if necessary/required.	▪ Preparation and implementation of chairmanship has been to the satisfaction of ministers.

The working agreements are developed by the line manager and the senior civil servant in their yearly working agreements' meeting. For the most senior civil servant – the secretary general – the counterpart in these discussions is the minister. In addition to the meeting on working agreements, the line manager and senior civil servant will meet to discuss performance. This can be during formal and informal meetings. Attainment of objectives of a working arrangement may also be raised during management meetings, when attainment of overall agency objectives is discussed.

An end of year appraisal meeting is held, during which the overall performance of the individual is discussed. Attainment of working arrangement objectives may be discussed during these meetings, but for most departments this is not the only key deciding factor in performance appraisals. Other issues, such as overall competencies and performance in the day-to-day job,[44] inform the view of the line manager as well. On the basis of the meeting, a senior civil servant may be recommended for in-range salary promotion or a bonus.

4.5.5. Benefits and risks

There is however little consistency between departments in the use and content of working agreements, and the link between termination/promotion and performance on working agreements are not very strong. This is an area which can be improved, and changes have been proposed to ensure this for the Top Management Group (TMG) with a greater oversight role for the *Bureau Algemene Bestuursdienst* (BABD). The changes will also attempt to more explicit the link between performance on working arrangement objectives and pay for the TMG.

4.6. South Africa

4.6.1. General information

The different role of senior management in the public service has been given recognition through the formation of the Senior Management Service (SMS) in 1999 in South Africa. Senior management includes all positions of level 13 to 16. Currently, there are 6 387 senior managers on a total of 1.3 million public servants. The SMS includes the following positions:

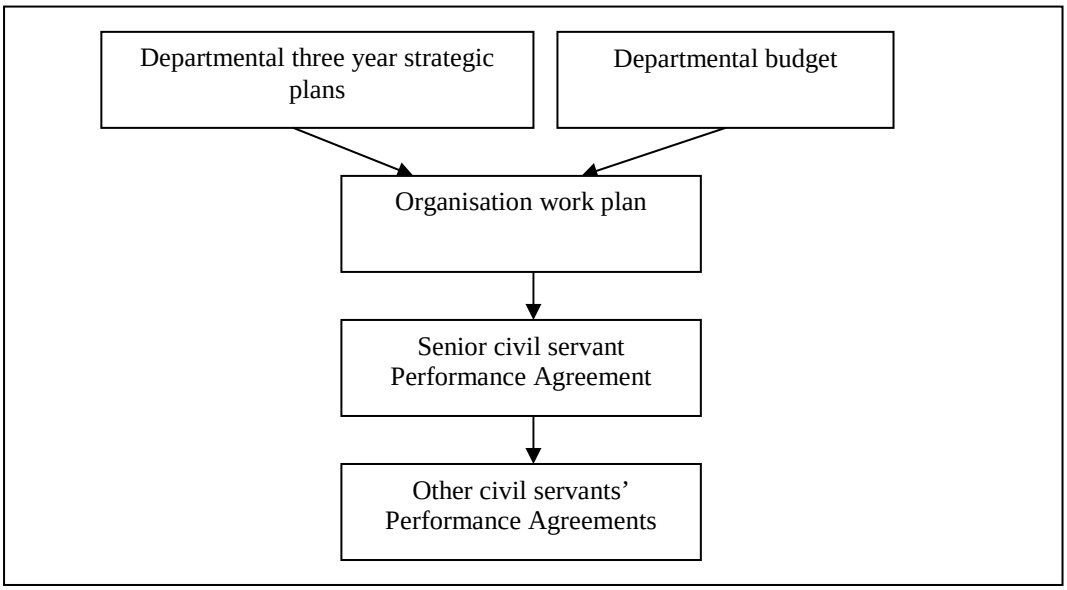
- girector general or head of department;
- deputy director generals;
- chief director;
- directors.

Recruitment for senior management positions is competitive, among internal and external candidates. Civil servants work on the basis of permanent contracts, with the exception of heads of department/director generals who have three year contract. This contract is renewable, but only on the basis of satisfactory performance. The use of limited term contracts can encourage mobility for senior civil servants. At the same time, it can reduce the retention of experience and expertise in the civil service, as heads of department can leave the civil service after their contract has been completed. However, there have been cases of heads of department/director generals applying to positions lower in the hierarchy after contract completion.

4.6.2. The performance management system

The senior civil servants in South Africa are subject to a performance agreement which outlines their yearly targets. These targets are linked explicitly to governmental and ministerial objectives, as well as to departmental strategic plans and budget. The top civil servant and the minister develop the main performance agreement, on the basis of which performance agreements for lower levels of senior civil servants are developed. Performance agreements are used as a tool to hold senior managers accountable, with clear objectives being agreed with and evaluated by their supervisors.

Figure 9. Cascading performance agreements in South Africa



4.6.3. Agency performance arrangements

The department/agency objectives are captured in three year strategic plans, which are then converted into operational and/or work plans for the organisation. The strategic and work plans form the practical basis on which individual senior civil service performance agreements are based. Each strategic plan or work plan outlines the key result areas and measurable targets are included. The strategic plans are presented to Parliament.

Examples of objectives given in the strategic and work plans are given below.

Organisation	*Example of priorities and key focus areas*
National Statistics Agency (Statistics South Africa)	Improving measurement of gross domestic product (GDP) by, among other things, introducing surveys on construction, communication, business and personal services, transport and tourism (from work plan 2006 – 2009).
Ministry of Foreign Affairs	*Priority*: Strengthen the African Agenda *Objective*: Strengthen the African Union *Performance Indicator*: Implementation of Summit Decisions; SA obligations carried out *Programme objectives*: Strengthen the African Union and its structures *Performance indicators*: Operationalise the remaining organs of the AU; Commence the process of the new permanent building for the PAP; Alternative sources of funding identified

Performance on these objectives is monitored through annual reports.

4.6.4. Individual performance arrangements

The performance agreements, which are based on the organisational work plans (and therefore on the strategic plans), include individual evaluation indicators on the objectives. The performance agreement will most likely include:[45]

- job details (location, salary, personnel number);
- job purpose;
- job functions;
- reporting/assessment lines;
- performance appraisal framework;
- developmental requirements;
- time table;
- records of review discussions;
- management of performance (what to do with over/under performance);
- dispute resolution.

The performance appraisal framework describes the key result areas and core management criteria on which performance is to be evaluated. A key result area is the direct translation of the objectives of the work plan/strategic plan of the department/agency. The head of department is responsible for translating these, in consultation with the Board/minister of the executing agency (ministry). The head of department is responsible for the drafting of his/her own performance agreement and for the cascading of this agreement along hierarchical lines.[46] For each of these key result areas the target dates, indicators, resource requirements, enabling conditions and key outputs are outlined in the departmental work plan. Indicators used for the individual are mostly output based, with a movement towards more outcome-based indicators. Indicators are time bound, qualitative and quantitative. This is to reduce perverse incentives. Core management criteria include, for example, strategic capability, financial management and leadership. For each core management criterion the general standards and department specific standards are given, together with a weighting ranging from one to three for each of these. All core management criteria are compulsory for senior civil servants.

Evaluations take place informally and formally. There are two quarterly informal and two quarterly formal reviews. Regulations stipulate that the manager and supervisor must meet on a quarterly basis to assess the manager's performance in terms of her/his performance agreement. In addition, normal day-to-day management discussions also focus on achievement of departmental objectives, which relies on the performance of individuals.

Evaluations of performance for directors, chief directors and deputy director generals are undertaken by the line manager and moderating committees.[47] Heads of department are evaluated by ministers, supported by an independent evaluation panel. This evaluation panel includes a representative of the Public

Service Commission. This panel can recommend promotion or termination. The executing authority (department/agency) retains the right however to deviate from panel's recommendations, providing reasons why.

The performance of the senior civil servant is scored on the key result areas and the core management criteria. A score of 1 to 5 is given (1 = lowest, 5 = highest), and each criteria/area is weighted. The supervisor and senior civil servant set the weights in consultation, although the final decision lies with the supervisor. The scoring on the areas and criteria determines the bonus paid out for performance – *e.g.* if the score is 85% and above, a cash bonus between 6-8% of total package and pay progression is applicable. In addition to the performance-related cash payment, senior managers are eligible for two additional pay increases which are additional to base pay. The first payment will be added after satisfactory performance and one year of service. The amount of this "cost of living" allowance depends on the outcomes of the collective bargaining process. The second payment is a progression pay (in-range pay) on the basis of satisfactory performance and after two years of service.

The secretariat of the Public Service Commission will support in the calculation of the scores and other procedural/logistical arrangements in the evaluation process of heads of department/director generals. All performance agreements for heads of department need to be sent to the Public Service Commission, where they will be reviewed on content, quality and consistency. If they are found to be lacking in any way, they will need to be redrafted.

The results or achievement of objectives affect promotion/termination. Appointments are based on the inherent requirements for the post, which form the selection criteria. Appointments are effected on the basis of demonstrated competencies, qualifications and experience that relate to the requirements of a specific post. Good performance in a previous position that can be demonstrated will influence any appointment/promotion decisions. The Inefficiency Code, included in the Senior Management Service Handbook, deals with poor performance. Application of the Code may lead to dismissal. For senior management, it might not however come to application of the Inefficiency Code. Rather, if there is a case of inefficiency – that is incapacity or poor performance – the person involved may decide to resign rather than be released from service.

4.6.5. Benefits and risks

One of the key advantages of introducing and working with performance based arrangements is that managers can be held accountable for clearly defined key performance areas with outputs and activities measured against clear performance criteria.

One of the areas where improvement is possible is the way in which qualitative criteria are being formulated. Moreover, the move towards outcomes-based evaluations should be strengthened. At the moment, there is no real "impact assessment" of the contributions made by senior civil servants.

4.7. United Kingdom

4.7.1. General information

There are approximately 3 800 senior civil servants in the United Kingdom. These are found in the following positions:

- permanent secretary;
- director general;

- director;
- deputy director.

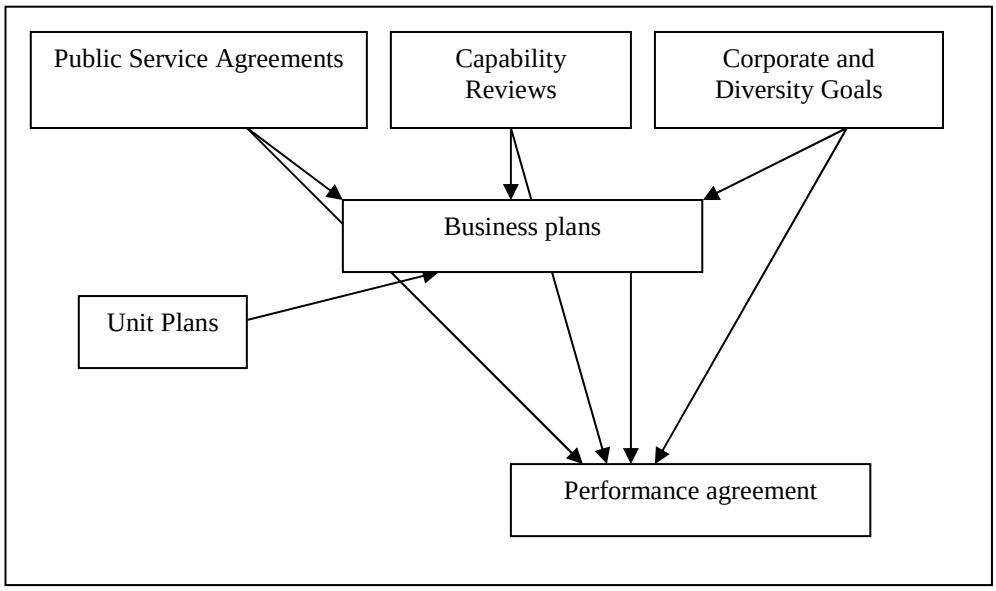
Civil servants in these positions are appointed, as are other civil servants, on the basis of a permanent contract after competitive recruitment procedures. Internal and external candidates can apply. There is also a “fast track” process (Fast Stream), through which young graduates are recruited and who form a talent pool for the executive positions.

4.7.2. The performance management system

Public service delivery for each agency and department in the United Kingdom is in the first place managed through a Public Service Agreement (PSA). The PSAs outline the objectives for the agency/department regarding its services. PSAs include targets and objectives, and are agreed between the agency/department and the Prime Minister’s Delivery Unit.

There are various other documents and processes which manage agency performance and which in turn manage senior civil servants performance and performance agreements. Each senior civil servant will develop an agreement with his/her line manager (in case of the most senior civil servant, the counterparts the Cabinet Secretary, the Head of the Civil Service). In the agreement, targets and objectives are included which reflect the overall agency objectives. However, a selection is often made of objectives to which an individual is to contribute and departments are free to design the content of agreements. Figure 10 illustrates schematically how individuals’ performance agreements are linked to higher level (agency and government) targets.

Figure 10. Cascading performance agreements in the United Kingdom



4.7.3. Agency performance arrangements

A politically elected minister (Secretary of State) sets objectives for the ministry/department in line with government policy. The day to day running of the ministry/department is headed by the permanent secretary (PS), the highest ranking civil servant. The PS is accountable to Parliament for all expenditure falling under his authority. He chairs the Board of the ministry/department, which consists of director

generals of departments, directors of divisions under departments, and a small number of non-executive directors. Non-executive directors are contracted from outside the government on a part-time basis (mainly to attend Board meetings) on the basis of their particular expertise.

Agency/department objectives are described in:

- Public Service Agreement (PSA) – objectives for the agency/department regarding the services to be delivered. PSAs include targets and objectives, and are agreed between the agency/department and the Prime Minister's Delivery Unit. PSAs are influenced by reviews carried out by the Treasury (see below). PSAs set out targets for achieving the strategic objectives for the three following years. PSAs focus on the outcomes which departments are expected to achieve rather than on resource inputs. Delivering the outcomes is the minister's responsibility. Following review by Treasury staff, the final PSA is agreed by the responsible minister and a Treasury Minister and is discussed by a committee of the Cabinet and the Prime Minister's Office. Parliamentary Select Committees make use of the PSA in discussions with ministers and civil servants from a department.[48]

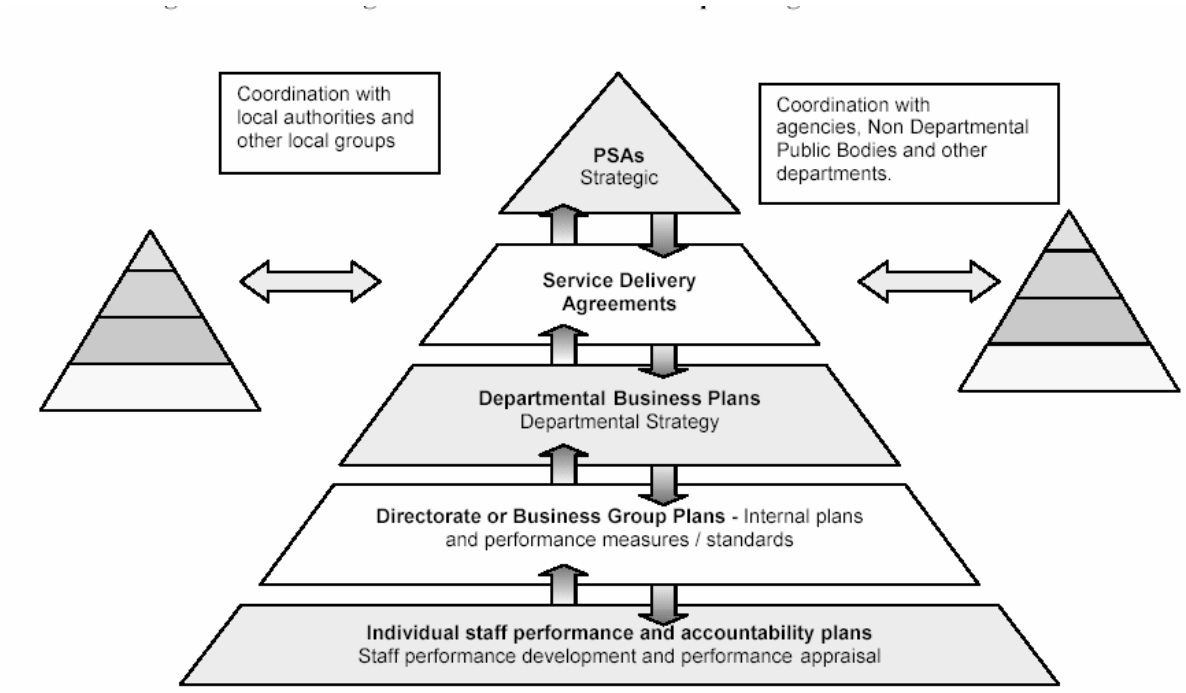
- Service Delivery Agreements (SDA) which underpin the PSAs and which outline the input, output and process targets.

- Capability Reviews – a review (carried out by the Cabinet Office) of departments capability in terms of leadership, strategy and delivery to meet today's objectives and the future's challenges.

- Departmental business plans – these plans, approved by the Board of the department/agency, outline the strategic objectives, monitoring of organisational performance, and resources for the coming year. Business plans reflect the PSAs as well as unit plans.

In addition to the above inputs into performance agreements, the spending review, carried out by the Treasury (Ministry of Finance), can influence the organisational objectives. For example, budgets may be cut as a result of the reviews. Figure 11 shows how PSAs are drawn up and linked to other documents guiding agency performance.

Figure 11. Agency performance measurement in the UK



Examples of PSA and SDA targets for the Department of Culture, Media and Sport include:

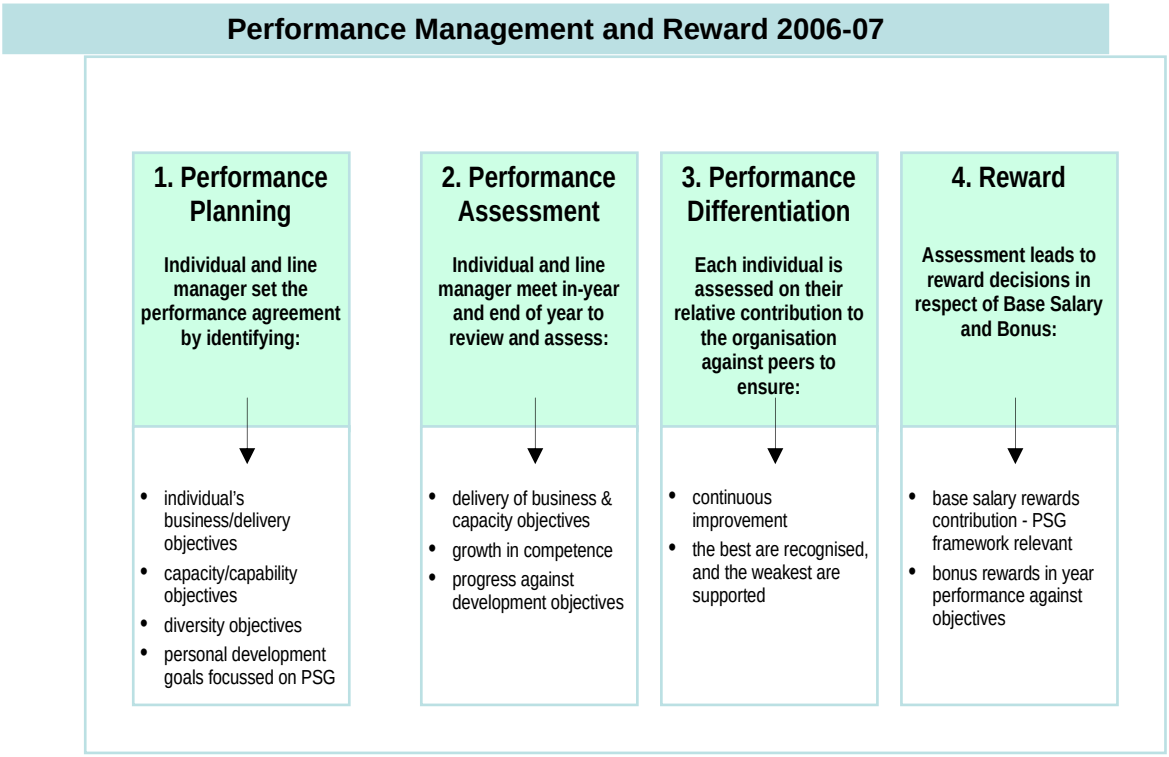
PSA target	*SDA delivery target*
Increase take-up of cultural and sporting opportunities by new users aged 20 and above from priority groups.	1) Build on current work by the Arts Council of England targeting disadvantaged sectors of society (DSS) in order to increase the take-up of cultural opportunities. 2) Increase by 8% by 2005/06 the number of DSS to DCMS-sponsored national museums and galleries. 3) Attract a total of 500 000 visits by the end of 2005/06 to regional museums by new users, predominantly from DSS. 4) Deliver at least 10 Culture Online projects aimed at attracting new users for the arts and culture. 5) Create 3 000 full-time, qualified Community Coaches to help develop sports skills across the country.

Treasury collects information on progress against targets every quarter and presents this to the Cabinet Committee. Progress against PSA targets is reported every spring and autumn in departmental reports. The progress against targets provides a background to decisions on resources in the following budgeting round. These reports are in addition to the standard monthly budget performance reports. At the end of each year, each department is required to produce an Annual Report, including its financial statements and the National Audit Office's opinion of these.

Finally, in order to provide further assurance that departments are providing services consistent with government policy objectives and is providing these as efficiently as possible, the Treasury conducts detailed spending reviews of each department every two or three years.

4.7.4. Individual performance arrangements

Senior civil servants in the United Kingdom will have a performance agreement, covering a period of 12 months, which is developed in consultation with their line manager. There are four basic blocks of activity in the annual performance management process as shown below; the precise timing of each depends on departmental arrangements. The example looks at how the 2006-07 process may be handled.



Source: *Senior Civil Service: Performance Management and Reward Principles*, Cabinet Office, March 2006.

For the most senior civil servant in a ministry (the permanent secretary) the performance agreement is signed between the permanent secretary and the Cabinet secretary, the head of the Home Civil Service.[49] This document, the Performance Partnership Agreement (PPA), will outline these PSAs and other personal objectives for the permanent secretary. For example, the permanent secretary for the Department for Constitutional Affairs has, among others, the following PSA targets written in his 2004 – 2006 PPA (with the PSA target numbers mentioned):

- Improve the delivery of justice by increasing the number of crimes for which an offender is brought to justice to 1.2 million by 2005-06; with an improvement in all Criminal Justice System (CJS) areas, a greater increase in the worst performing areas and a reduction in the proportion of ineffective trials (CJS PSA 2).

- Increase value for money from the Criminal Justice System by 3% per year, increasing efficiency by at least 2% a year, including the delivery of legal aid. This contributes to a CJS PSA on value for money.

Performance agreements focus on two key issues: delivery and capability. The delivery side is linked to the objectives and targets outlined in documents such as the PSAs, while capability (for the individual) focuses on personal development. Capability objectives are linked to the "Professional Skills for Government" Programme, which outlines the four key skills each civil servant should have[50]. The PPA for a permanent secretary of the Department of Constitutional Affairs has, among others, the following capacity and capability targets, including measures of success, for his organisation (2004 – 2006):

Priority outcome (selected)	*Key success measure*	*Key actions (selected)*
Efficiency delivery: delivery of a balanced budget by end of SR02 period (2005/2006).	Achievement of balanced budget, closing spending gap of 271m through internal savings.	Efficiency savings *e.g.*: ▪ Maintain one in one out headcount policy at centre of DCA. ▪ Project purge. ▪ Estates integration. ▪ Improvement in Legal Aid procurement.
Development of Strategies placing the consumer at the heart of all DCA services.	Increase in customer satisfaction performance results (as measured in Delivery Arms' balanced scorecard).	Integrated Monthly Board Pack (Performance, Finance and Risks) identifying headline performance issues with related finance and risk aspects, with effect from Nov 04.

Objectives and targets are then cascaded down the hierarchy of the senior civil service. Most senior civil servants will have five or six objectives, which reflect delivery and capability, in their performance agreement. The targets set for each of the five or six objectives can be output, process- or outcome-based. In addition, some targets may be hard (numerical) while others may be soft. This is dependent on the position of the individual. For the measurement of the achievement of the targets, the same indicators measuring the attainment of departmental/agency objectives may be used. Each department can however develop its own format for performance agreements. For some departments of the Cabinet Office, the agreement and review form includes the following elements:

- personal details;
- key areas of responsibility;
- objectives, including the management[51] and diversity objectives and their performance measurements and targets;
- comments on the achievement of objectives (not met objectives must be commented on);
- competences, skills and knowledge,[52] with room for end of year comments;
- signatures and job holder's comments;
- in-year reviews, which provides space to outline changes made to the agreement during the year;
- personal development plan, outlining learning goals, actions and their evaluation.

The evaluation process of performance is carried out by the two parties who draw up the agreement – the line manager and the senior civil servant. For permanent secretaries (the most senior civil servants) the counterpart in this process is the head of the civil service, the Cabinet secretary.

Evaluation is a two-phased process – with a mid- and end-year review. The concept of a mid-year review was introduced in 2001 as an attempt to ensure continuous feedback on performance.[53] During this meeting, challenges in the attainment of targets will be discussed and any change to the targets – as a result

for example of changes in policy or at the request of the senior civil servant – will be discussed. The end-year review is the performance appraisal meeting.[54] The senior civil servant writes a self-assessment form which records key achievements against set objectives. This is discussed, after which the civil servant finalises the assessment and the line manager records a narrative report of what has been achieved and agreed.[55]

The line manager will then make a recommendation on performance pay and the level of bonus to the departmental Senior Civil Service Pay Committee. The Pay Committee is responsible for the distribution of pay increases and bonuses of all (senior) civil servants. Relative contributions of individuals at the same (hierarchical) level to agency targets and objectives are discussed at the Pay Committee meetings and decisions made on bonus payments. The Pay Committee can distribute up to 6.5% of base pay for bonuses with a minimum of £3 000 per person.

Underperformance will most likely result in the development of a performance improvement plan (PIP) prior to any dismissal. Performance in this instance means both the attainment of objectives as well as the "how" objectives are attained (competencies). The PIP will outline steps to be taken to improve performance. If poor performance is "persistent", the civil servant will eventually be released from service. Termination is not necessarily firing; a civil servant can decide – in consultation with the line manager – to leave office. Good performers are rewarded through pay rewards (base pay and bonuses), but also through other motivational tool, such as increased autonomy.

4.7.5. Benefits and risks

There are no hard data available on the effects of performance agreements. However, a survey of senior civil servants may give some indications on the link between motivation and performance agreements. It has also become clear that managers can manage better through performance agreements.

4.8. United States

4.8.1. General information

At the federal level, there are approximately 7 000 senior executives. Senior managers, managing large projects or units, belong to the Senior Executive Service (SES). SES includes most managerial, supervisory, and policy positions classified above General Schedule (GS) grade 15 or equivalent positions in the Executive Branch of the federal government. Senior executives can be found in career reserved or general positions.

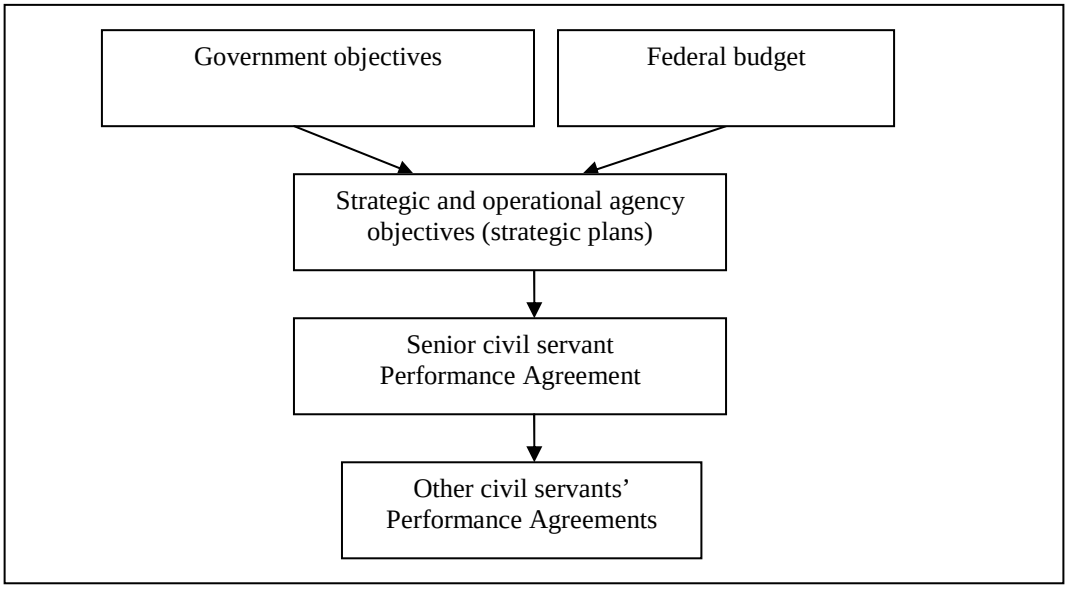
Internal and external candidates can be appointed to SES positions. Non-career appointments – that is appointments within competitive recruitment from outside the civil service– can only be made to general positions and cannot exceed 25% of an agency's SES position allocation. In general (government-wide) only 10% of the SES positions may be filled by non-career appointees. In addition, some positions may be filled to a limited term appointment. After appointment to the Senior Executive Service, employees serve a one-year probationary period. If they do not perform satisfactorily during this period, they may be dismissed from the federal public service.

4.8.2. Performance management system

Agencies set out their targets in strategic plans, on the basis of which performance agreements of the individual senior civil servants are developed. The performance agreement of the most senior civil servant in an agency is used as the backbone for the development of all other performance agreement, so that there is a hierarchical cascading of agreements, objectives, responsibilities and targets. Senior civil servants are,

through the performance arrangements, held accountable for their individual and organisational performance in order to improve the overall performance of government.

Figure 12. Cascading performance agreements in the United States



4.8.3. Agency performance arrangements

Agencies/departments develop a five-year strategic plan, which outlines the policy and operational objectives. Examples of strategic objectives included in the plans are given in the table below. A Performance Appraisal Assessment Tool has been developed by OPM to support the agencies in developing performance agreements and setting objectives.

Organisation	Strategic objectives (examples)	Operational goal (examples)[56]
Office of Personnel Management (OPM)	The federal civilian workforce will have career opportunities, benefits and service delivery that compete successfully with other employers.	• Issue a comprehensive catalogue of federal government-offered professional development programs by 1 October 2006 (B-1).
Environment Protection Agency (EPA)	Goal 1: Protect and improve the air so it is healthy to breathe and risks to human health and the environment are reduced. Reduce greenhouse gas intensity by enhancing partnerships with businesses and other sectors. Objective 1.1: healthier outdoor air Through 2010, working with partners, protect human health and the Environment by attaining and maintaining health-based air-quality Standards and reducing the risk from toxic air pollutants.	• By 2010, reduce stationary source emissions of sulphur dioxide by 6.7 million tons from the 2000 level of 11.2 million tons, and by 2008, reduce stationary source emissions of nitrogen oxides by 3 million tons from the 2000 level of 5.1 million tons. • By 2010, reduce mobile source emissions of nitrogen oxides by 3.4 million tons from the 2000 level of 11.8 million tons; volatile organic compounds by 1.7 million tons from the 2000 level of 7.7 million tons; and fine particles by 122 400 tons from the 2000 level of 510 550 tons. • By 2007, through maximum achievable control technology (MACT) standards, reduce air toxic emissions from major stationary sources by 1.7 million tons from the 1993 level of 2.7 million tons. • By 2010, through the President's Clear Skies legislation, reduce mercury emissions from electric-generating units by 22 tons from the 2000 level of 48 tons.

4.8.4. Individual performance arrangements

A new performance arrangement system was introduced in 2004 as part of an effort to better link individual's contributions to service and programme delivery and their pay.[57] The achievement of some consistency in pay levels for senior civil servants was also seen as an important drive behind these reforms.

Departments/agencies are free to determine the content and template for the performance agreements for senior civil servants. Certain guidelines have been developed by the Office of Personnel Management (OPM) in this regard. New guidelines include for example the rule that 50% of the objectives are to be measurable, while the remaining 50% can be more qualitative. Through a yearly review and a certification process of agencies' performance appraisal systems, OPM retains quality control over the performance arrangement systems. In addition, to be able to pay executives for their performance (performance-related pay), agencies (departments/agencies) must be have their appraisal systems for senior executive service (SES) certified by OPM. This certification ensures consistency, transparency and accountability in the process of appraisal as well as clarity surrounding pay distinctions.

A performance agreement of a senior civil servant will be linked to the objectives of the agency and should reflect the performance agreement of the line manager. Performance objectives are cascaded down the hierarchical line of responsibility. An individual senior civil servant will have programme and corporate commitments, with the latter relating to the objectives regarding the internal running of an agency/department. These commitments reflect the agency operational and/or strategic goals.[58] In addition to these commitments, a performance agreement can include competency requirements on which performance will be assessed. This can include such competencies as managing people, effective conflict resolution, complies with internal procedures, etc. There is room for a more qualitative approach or justification of performance in the section for comments in the performance agreement.

Examples of objectives and targets used in individual performance agreements include:

Strategic objective/operational goal	*Example of performance requirement*
Identify federal government workforce Career Patterns for the future with accompanying requirements/impact by 1 June 2006.	Identify gaps in policies to support Career Patterns and options for addressing them by 15 May 2006.
Implement performance elements and standards for all OPM employees that support the OPM Strategic and Operational Plan by 1 July 2006.	Modify Special Assistant's elements and standards to support OPM's Strategic and Operational Plan by 1 June 2006 (Exceeds expectations). Modify Special Assistant's elements and standards to support OPM's Strategic and Operational Plan by 1 May 2006 (outstanding).
Grants are awarded; linked to goal 2: Clean and Safe Water (critical job element).	75% of all grants are awarded within 60 days of receipt of application.

Executives and their line managers are responsible for the development of the performance agreement and the evaluation thereof. Appraisal of performance is defined in three or five levels (depending on the agency). Five levels can include:

- unsatisfactory;
- minimally satisfactory;
- fully meets expectations;
- exceeds expectation;
- outstanding.

For each of these levels a description of expected performance is given, and these levels may be operationalised and given measurable, quantitative or qualitative indicators. For example, a performance requirement target or indicator for "outstanding" may be described as achieving a result or output within a shorter time frame than the commitment/objective, or to produce more outputs (regulations, policies) within a given time frame. The actual time frame or required number will be stipulated.

By keeping the targets at a level which is achievable, gaming can be minimised. In addition, as the indicators, weights and objectives are discussed and set by the line manager and the executive together, buy-in and commitment to the plan should occur at both levels. In addition, OPM has recently introduced the use of weights for each commitment, which can indicate the importance of a particular objective. Not all departments/agencies use weighting.[59]

Evaluation of performance on the basis of the agreement may result in a pay increase or a financial award. All performance evaluations are reviewed by a Performance Review Board and approved by the director of the agency (minister equivalent). In addition to annual performance payments, high performing individuals might be commended for the President's Rank Award for a small group of career Senior Executives for exceptional long-term accomplishments. There are two categories of rank awards: Distinguished and Meritorious. Distinguished rank recipients receive a lump-sum payment of 35% of their base pay; meritorious rank recipients receive 20% of base pay.

If a civil servant has been promoted to a supervisory or managerial position and then fails to perform, he/she is returned to the previous position. Civil servants can be reassigned to other positions in case of poor performance. This can occur if there is an expectation of improved performance in the other position. However regulations specify that the fixed appraisal processes and periods must be obeyed and poor performance in the first instance address through formal performance improvement plans for a specified period. During the duration of the improvement plan, performance should be monitored and additional training and mentoring will be available. If performance is still unsatisfactory, the civil servant may be removed from the federal service, but only if this is well documented and all procedures have been followed.

4.8.5. Benefits and risks

In the United States, one of the main effects of the new performance arrangements is that agencies and departments are exercising more rigour in implementing pay for performance. While in 2001, about 80% of senior civil servants received an evaluation at the level of "outstanding", thus warranting a performance bonus to be paid, in 2005 this percentage had fallen to 45%. This does of course not imply that the quality of work has decreased, but rather illustrates that agencies and departments give more thought to their evaluations and to paying for performance. In the American context, performance arrangements are also seen as a key motivating tool, as it illustrates to staff how their contributions fit within the larger objectives and success of an agency or department. Performance arrangements can work to increase commitment and engagement of personnel.

NOTES

1. There is a large and somewhat less than precise literature on these terms. These definitions are consistent with other OECD work. For example:

"Performance management systems are aimed at linking the management of people with institutional goals and strategies." (OECD: 2005b, p.20)

"(A) performance management system is defined via a series of processes related to:

- setting performance objectives and targets for programmes (and in many cases made public);
- giving managers responsible for each programme the freedom to implement processes to achieve these objectives and targets;
- measuring and reporting the actual level of performance against these objectives and targets;
- feeding information about performance level into decisions about future programme funding, changes to programme content or design and the provision or the provision of organisational or individual rewards or penalties;
- providing information ex post review bodies such as legislative committees and the external auditor (depending on the latter's performance audit mandate), whose views may also feed into the decisions referred to above." (Pollitt: 2001, pp.10-11), drawing from (OECD: 1995).

"(T)he terms performance contracting, and contracting, are used to describe the application of the language of contracting to a wide variety of arrangements in the public sector. These include:

- organisational performance agreements between a minister and an agency head;
- resource or budget agreements between a central agency and a budget-funded agency;
- individual performance agreements for agency heads;
- performance agreements between an agency head and a lower level line manager within the same organisation;
- a partnership-style arrangement between two independent agencies, and arrangements for the supply of goods and services between different agencies;
- an agreement or understanding between central government and a subnational government;
- a contract between a public agency and a private or not-for-profit organization for the supply of goods and services.
- These arrangements may involve legally enforceable contracts (for example, with private suppliers of goods and services). However, where the arrangements are between different public sector entities, they generally involve quasi-contractual arrangements, agreements or undertakings. These arrangements feature some of the elements and language of legal contracts, but there is no intention, and in many instances no possibility, of creating legally enforceable contracts." (Petrie: 2002, pp.118-9)

2. This observation was made by Annie Hondeghem during the Expert Meeting in The Hague, drawing from Putseys and Hondeghem (2003).

3. Suppose a health service spends money on procedures which evidence based medicine suggests are useless or worse than useless – for example most tonsillectomies. Health statuses may well be rising, but for completely independent reasons and so we would not want to conclude that expenditures on these procedures were cost effective: quite the reverse.

4. This section draws significantly on Blum and Manning (2007).

5. While Sweden does not have the principle codified formally, non-partisan professionalism in implementing administrative law is deeply embedded in the political/administrative culture.

6. Although political involvement in administration is not explicitly proscribed, all government instructions to the implementing agencies have to be in writing and made public, and the government may not interfere in an agency's interpretation of laws that are to be applied to citizens and enterprises.

7. General government expenditure in the United Kingdom was less than 15% of GDP from 1900 until the start of World War 1. After the peaks of the world wars it hovered at less than 40% until the late 1960s (Clark and Dilnot: 2002, figure 1.1). In Italy, for example, general government expenditure grew from 33% in the late 1950s, to 58% of national GDP by 1993 (Legrenzi and Milas: 2002).

8. "(R)eactive subversion such as 'hitting the target and missing the point' or reducing performance where targets do not apply" (Bevan and Hood: 2005, p. 8).

9. This section draws significantly on OECD (2007).

10. This entailed some interpretation in practice:

- The term minister is not universal. For the United States, minister was interpreted as secretary.
- In federal states this study looks at the federal level. In Belgium this includes all federal ministries ("Federal Public Services") and their linked agencies or scientific institutions which depend directly or indirectly on a minister, but not for instance the army, the police, the health services, teachers or local authorities.
- Respondents in France note that there is no clear hierarchy between the top five levels below the minister. For the purpose of this study and in order to facilitate international comparison the following order has been adopted for the top five levels of the French civil service: Level 1: Directeur de Cabinet, Level 2: Sécrétaire general, Level 3: Directeur général, Level 4: Directeur, Level 5: Sous-Directeur.
- In contrast to the other countries, in Italy, levels 1 (deputy ministers) and 2 (under-secretaries) refer to elected officials. As such they are not directly comparable with appointed civil servants of other countries at those levels. The subsequent levels in Italy are: 3: heads of department or secretaries general, 4: directors general, 5: directors.

11. For Sweden this table reflects the appointment procedure in a typical ministry. In Swedish agencies, however, only the top two levels (director general and deputy director generals) are politically appointed.

12. See footnote 10.

13. The State Services Commissioner is appointed by the Governor-General in the Council (the sovereign's representative in New Zealand) on the recommendation of the Prime Minister.

14. Hybrid procedures can be illustrated by the case of Belgium. For example at level 1 administrative selection criteria like merit and experience are combined with a final political decision. Typically there is first an administrative selection procedure which establishes a shortlist of suitable candidates from which the minister makes the final choice. In Belgium the "*Bureau de Sélection de l'Administration Fédérale*" (SELOR) puts together a jury which consists of high level civil servants as well as human resources,

management and technical experts from the public and private sector. They engage in a complex procedure in which applications are studied and interviews evaluated and which leads to a shortlist that is then presented to the minister.

15. Combined (Senior Executive Service) SES and Non-SES:

- basic salary – 77%; supplementary – 20%; performance pay – 3%.
- The above data indicate the combined Senior Executive Service (SES) and non-SES figures. There are significant differences between SES and non-SES, so the separate data have been included as follows:
    - SES: basic salary – 69%; supplementary – 27%; performance pay – 4%.
    - Non-SES: basic salary – 86%; supplementary – 12%; performance pay – 2%.
- Source: the above figures are calculated from the medians as reported in the 2005 SES and Non-SES Remuneration Surveys. Survey data is available on: http://www.workplace.gov.au/workplace/Organisation/Government/Federal/Reports/2005APSRemunerationSurvey.htm

16. There are very few significant other benefits (it is assumed that it is not intended to cover annual leave, flexible working, etc.) as benefits in this context. As regards performance-related pay, while it averages 10% for those covered they are only a very small number so the effect on the total pay bill is negligible.

17. Besides this, a diligent allowance that is a "performance-related pay" is provided at average 1.45 months per year.

18. This estimated data is for the middle and upper managers at central government level.

19. Base salary is the absolute major bulk of compensation for the employees in the central government sector. Overtime compensation, holiday compensation and compensation for unsocial working hours may form an additional minor part of the monthly income. A few groups of employees have special allowances due to the art of work, but this is fairly uncommon.

20. For approximately 70% of employees, performance related pay amounts to 3% on average.

21. These are estimates.

22. This section draws significantly on Rexed, Moll *et al* (2007).

23. See Hondeghem and Putseys (2004) for the introduction of the terms "hard" and "soft" civil servant contracts.

24. In Belgium, mandate holders are primarily recruited from within the career civil service. Career civil servants taking up a management or staff function will receive a leave of absence from their career position and will return to that position when their mandate is terminated. See Country Overviews: Belgium.

25. The phrase "contracts or quasi-contracts" is used to denote the fact that in some countries there are underlying permanent labour contracts, with an additional contract-like agreement overlaying it. Thus in the Netherlands for example, public service labour contracts are unlimited, but the "mandate" system generates quasi-contracts under which senior staff serve outside of their original position while bound to contract-like agreements for five to seven years after which they, in principle at least, revert to their substantive positions.

26. See *Strategic Plan 2005 – 2010*, Office of Personnel Management: http://www.opm.gov/gpra/opmgpra/sp2002/

27. See for example http://www.fm.dk/1024/visArtikel.asp?artikelId=7065

28. However, a proposed reform currently under development in the role of working agreements for the 70 most senior civil servants will increase the control element.

29. If the final evaluation of a mandate holder is "very good", a mandate holder does not have to reapply if he/she is willing to stay on.

30. See *The Contractualisation of Top Management: A Comparative View*, Katholieke Universiteit Leuven (2004). Currently, approximately one-third of the mandate holders in N (35 posts) & N-1 (100 posts) are former private sector employees.

31. As of today approx.170 positions have been filled in, but selections for new postings are held on a constant basis. The total federal civil service numbers today approximately 83 000 civil servants. (approximately 74 500 FTE).

32. *De evaluatieprocedures van de mandaathouders, Praktische handleiding van de federale overheid*, 2005 [The Evaluation Procedures of Mandate Holders: Practical Guide of the Federal Government, 2005]

33. There are approximately 850 000 federal civil servants.

34. See for example *Brazil, General Structure of Public Administration*, UNPAN internal documents, http://unpan1.un.org/intradoc/groups/public/documents/UN/UNPAN000242.pdf

35. See *Managing Senior Management: Senior Civil Service Reform in OECD Member Countries*, OECD (2003).

36. The deputy head is to ensure that every executive has a performance agreement and the PSHRMAC monitors this through its involvement in the bonus payment cycle.

37. For more information on the background, see for example *Governing for Performance in the Public Sector, Country Report*, 2002 and the presentation made by the Advisory Committee on Senior Level Retention and Compensation of July 2006.

38. For the senior civil service, fourteen core competencies have been recognised. Corporate contribution is seen to reflect the role of the executive or deputy minister in overall public service committees, programmes or as champions of reforms.

39. France has a career-based system of civil service, which means that potential senior managers are recruited early on in their career, and resources are invested in the development of these talent pools to make their members suited for top executive positions. See *Managing Senior Management: Senior Civil Service Reform in OECD Member Countries*, OECD (2003).

40. Not to be confused with objective-based budgeting, which would require setting objectives and targets first and then appropriating budgets to those. Rather in results-based budgeting, the results are used to influence/define objectives. See *The Performance-Based Approach: Strategy, Objectives, Indicators, A Methodological Guide for Applying the Constitutional Bylaw of 1 August 2001 on Budget Acts*, 2004.

41. Grade 19 includes the secretary generals and the director generals of ministries as well as agency directors.

42. There are plans to restructure the TMG remuneration system. Currently, the TMG have one base salary and performance is rewarded through the payment of additional allowances. There is no in-grade salary promotion. The new plans will give the TMG 10 steps within their grade; promotion to a higher step will be linked to performance. In addition, TMGs would be eligible for additional bonuses for exceptional performance.

43. See Management Systems in the Ministry of Culture, Final Completion Report, Lot 11, TACIS, European Commission, Moscow, Russia, 2005.

44. Performance targets do not always reflect all tasks and activities performed, but may be a selection.

45. From *Senior Management Service Handbook*, 2003.

46. In some departments, head of department's performance agreements are placed on the intranet to provide information for all staff on objectives and targets, and as a source for the development of their own performance agreements.

47. For managers below the level of heads of department, the HR Department will provide support. For heads of department, the Public Service Commission will provide (logistical) support.

48. Technical Notes explain how performance against each PSA target will be measured. Efficiency Technical Notes set out the measures and methodologies that departments are using to assess efficiency gains, as progress towards agreed efficiency targets. Departmental Investment Strategies (DIS) set out each department's plans to deliver the scale and quality of capital stock needed to underpin its objectives.

49. The Cabinet secretary is responsible for all civil servants, excluding diplomatic staff.

50. These are leadership, professional expertise, experience and core skills (communication, analytical skills, management, financial management, etc).

51. The management objective in the agreement reviewed is to help individuals improve their job performance and develop their potential. Performance measures and targets linked to this include: have performance agreement with SMART objectives in place by 30 April; Personal Development plans in place by 30 April; Programme of at least quarterly 1-1 meetings; mid-year reviews to provide feedback completed by 31 October.

52. These are the core competencies for the government civil service.

53. The report *How to Manage Individual Performance – United Kingdom Country Report*, OECD (2002) notes that mid-year reviews were introduced as a result of a reported scarcity of informal mid-year reviews.

54. Scoring of performance has been removed from the performance agreements.

55. *How to Manage Individual Performance – United Kingdom Country Report*, OECD (2002).

56. Numbers reflect the numbers given to operational goals in the strategic plan. These numbers also reappear on individual senior civil servants' performance agreements, therefore explicitly linking the performance agreements with operational goals of the agency/department.

57. The new system is also applicable to senior-level and scientific or professional employees.

58. In some performance agreements, such as those developed and used by OPM, the link to the strategic plan/operational goals is given explicitly by noting the number of the applicable strategic/operational goal.

59. See examples sent by EPA and OPM.

APPENDIX 1: DEFINITIONS / GLOSSARY

Base pay
The salary or wages that every civil servant receives regularly (usually fortnightly or monthly) from the government by virtue of being on the payroll. Base pay is usually linked to an employee's position and is uniform across similar positions. The base wage is often cited to compare wages in the public and private sectors. It is, however, only one component of civil servants' total rewards.[1]

Efficiency
The relationship between the goods and services produced by a programme or an activity (outputs) and the resources used to produce them (inputs).

Effectiveness
The extent to which programmes achieve their expected objectives, or outcomes. Effectiveness is the most important element of value for money in the public sector. Goods or services may be provided economically and efficiently but if they do not achieve their intended objectives the resources used could be wasted.

Input
Inputs are the measures which a government or its agent have available to achieve an output or outcome. They can include employees, funding, equipment or facilities, supplies to hand, goods or services received, work processes or rules, or working hours for instance.

Output
The goods or services (usually the latter) which government organisations provide for citizens, business and/or other government organisations/bodies. An example of an output from a Ministry of Finance could be a monthly delivery of reports of government financial performance and the annual financial statements. Output targets will be a description of the level of activity or effort that will be produced or provided over a period of time or by a specified date, including a description of the characteristics and attributes (*e.g.* timeliness) established as standards in the course of conducting the activity or effort.

Outcome
The impact on or the consequences for the community from the outputs or activities of the government. Outcomes reflect the intended and unintended effect of government actions and provide the rationale for government interventions. For example, an outcome from a Ministry of Finance could be that government finances are sustainable and an outcome from the Ministry of Transport could be a decline in road accidents.

Payment by results
Bonus earnings depend on measured qualities or values of output for individuals or groups, usually based on work studied time units; this covers a range of bonus schemes and still forms the main method of performance pay for manual workers.

Performance
Performance can be defined as the ability of a government organisation or authority to acquire resources economically and use those resources efficiently (input-output) and effectively (output-outcome) in achieving the output and outcome targets or goals.

Performance agreements
Performance agreements can exist at the organisational and individual level. Organisational performance agreements are those negotiated agreements between the minister and chief executive or between the chief executive and senior managers within the department or agency, which break down overall strategic goals into programme elements, setting specific, often detailed, operational, procedural and output-oriented targets.

At the individual level these agreements may take the form of a non-legal written agreement as part of an annual performance appraisal and goal setting, or be part of an employment contract process, regarding the work to be carried out over the coming year. Regardless of the format, performance agreements are generally monitored/evaluated and negotiated on an annual basis. Often they will include a description of targets or objectives to be achieved during a year, which can be tied to performance on individual measurable output or outcome-based indicators. Individual performance agreements are also known as performance-based contracts.[2]

Performance appraisal
Performance appraisal is a methodology and set of procedures for rating the work or performance of individuals according to objective standards and criteria applied uniformly across one or several organisations.

Performance indicators
Performance indicators will illustrate if targets are being or have been reached. This applies both to the macro (government) level and to the micro (civil servant or team) level. Indicators need to be relevant, useful, durable[3] and verifiable in addition to being Specific, Measurable, Achievable, Realistic and Timed (SMART).

Usually a combination of indicators will need to be used to assess whether a target is reached. For example, to monitor whether service delivery has improved, one might wish to measure customer satisfaction, number of customers served and the turnaround time of delivery of services.

Data will be gathered on measurable indicators (*e.g.* the number of customer served) and then used to assess performance on targets. Indicators alone cannot be used to assess to assess performance – they need to be tied to a target.

Performance management
Performance management systems are aimed at linking the management of people with institutional goals and strategies.

Performance-related pay
Performance-related pay refers to the variable part of pay which is awarded each year (or on any other periodic basis) depending on performance. PRP may be awarded on an individual or on a team or group basis. The definition of PRP excludes: *i)* any automatic pay increase by, for example, grade promotion or service-based increments (not linked to performance); *ii)* various types of allowances which are attached to certain posts or certain working conditions (for example, overtime allowances, allowances for working in particular geographical areas).

Senior Civil Service/Senior Executive Service
In many countries a group of senior public servants is identified as a "Senior Executive Service" (SES). In the United Kingdom and Hungary it is known as the Senior Civil Service. Senior civil servants (SCS) refer to the group of civil servants belonging to the top management category. This is a mobile cadre of senior executives with broad management expertise and an overview of public sector values and responsibilities. Often, senior civil servants are grouped and managed under a different HRM policy than other civil servants – notably in relation to their performance management policy. The purpose of the SES/SCS is to provide active leadership, and to promote policy coordination between departments and a sense of cultural cohesion between high level civil servants.

Targets
Targets are the objectives a senior civil servant (and the government as a whole) is to work towards. Targets can be derived from various sources, including the overall government objectives, agency objectives, public obligations, or programme/ministerial objectives. Targets can be qualitative or quantitative. Quantitative targets include such objectives as increased efficiency by 10%, reduction of error by 5%. These targets can be stated without the quantitative targets to become more qualitative in nature, for example focusing on "an improvement in service delivery".

NOTES

1. Definition extracted from http://www1.worldbank.org/publicsector/civilservice/glossary.htm

2. Contracts is used here widely, to include any form of arrangement or understanding between the representative of the employer and the civil servant regarding objectives to be met and consequences of meeting them.

3. By durable we mean that indicators should be reliable but also be relevant for a number of years to come.

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