GENERAL TRENDS AND CHALLENGES REGARDING PERFORMANCE EVALUATION OF STAFF: THE UK EXPERIENCE

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Performance has been a preoccupation of governments since the emergence of the modern state. Traditionally, however, it was linked to transcribing government policies into laws and ensuring that the law and regulations were implemented and respected. This began to change as the role of the state expanded and governments assumed responsibility for providing public services and intervened in most sectors of the economy. During the 1960s, first in the United States and later in the UK, attempts at a more rational approach to the use of resources was made with the introduction of planned, program budgeting which linked public expenditure to projected growth of national resources. These initiatives met with limited success because of the difficulty of predicting the future with any certainty and the rising rate of inflation at that time.

In the last 25 years public sector performance has taken on a new urgency and performance management has preoccupied all OECD countries. The reasons for this are well known — the need for governments to ensure the efficient and effective use of public resources because of pressure to reduce or curb public expenditure and limit the state's demand on national resources; continually rising public expectations of better services delivered by competent officials; the exposure of many public organisations to competition from the private and voluntary sectors; the demand for more transparency in government; and not least the pressure on governments to meet their election commitments and produce results.

New management systems have been introduced in most countries to assist in raising performance. These include results-based budgeting, human resources management, competency management, performance indicators to guide and control department and agency activities and, not least, staff appraisal systems to evaluate how staff are performing and what actions if any are necessary to improve their individual and collective performance (OECD, 1995). The OECD produced *Best Practices on Evaluation* in 1999 emphasising the need for evaluation to be driven by demand rather than supply and the need for monitoring and follow up (OECD 1999). Many governments have called upon external management consultancy firms and international organisations to undertake audits of their performance and assess the value for money or value added of their activities (See reports of the World Bank, OECD, Price Waterhouse etc.). This presentation focuses on a study of the systems developed in the UK and a case study of the performance management and pay system currently practiced in the Senior Civil Service which may point the way to some good practice.

Performance Management in the British Civil Service

What is performance management?

There are three main perceptions of performance management:

- A system for managing organizational performance
- A system for managing employee performance
- A system for integrating the management of both organizational and employee performance (Williams, 1998).

All three systems reflect a rationalistic approach to management which involves identifying goals and objectives, translating those into plans of action, setting clear targets and indicators of performance and regularly reviewing and monitoring results. The organization is required to establish a mission statement setting out aims and values, incorporating these into corporate plans, which clarify goals and objectives. In turn business plans will set out specific targets, allocate budgets and set standards of performance, which are then regularly and systematically reviewed.

Within these corporate and business frameworks the performance of individual staff will be managed. Individual performance plans will be agreed setting down key result areas including performance targets, behaviors and criteria for measurement. The staff performance will then be monitored and reviewed with the objective of reinforcing desired behaviors, redirecting undesirable behaviors, rewarding success and identifying further development needs and replanning the next performance targets.

Clearly where these thee levels are fully integrated:

> *Performance management supports an organization's overall business goals by linking the work of each individual employee or manager to the overall mission of the work unit (Costello 1994).*
>
> *Performance Management is about getting better results from the organisation, teams and individuals by understanding and managing performance within an agreed framework of planned goals, standards and competence requirements. It is a process for establishing 'shared understanding about what is to be achieved and an approach to managing and developing people in a way which increases the probability that it will be achieved in the short and long term (Armstrong 1995).*

Performance management is based upon the idea of a system, which implies a series of interrelated and inter-connected parts, which are shown in Table .1 below:

Table 1. Performance Management System

Planning	Managing	Appraising
Establishing performance objectives and targets Identifying job behaviour Providing direction	Monitoring behaviour and objectives Reinforcing behaviour and objectives through rewards Re-directing inappropriate Behaviour Provide control	Formal appraisal Written record Focus on future and employee development

The performance management system

A performance management system, which is well planned and implemented can:

- Create a framework linking organisational strategy and HR policies and activities to individuals and jobs.
- Provide greater clarity of job requirements for job holders.
- Offer regular feedback to individuals about their performance, their strengths and weaknesses and their development needs.
- Enable managers to identify poor performance and take remedial action.
- Improve the working environment of the organisation.
- Provide information on the contribution of human resources to the strategic objectives of the organisation.
- Provide a means of inspecting the functioning of the process links which deliver performance against objectives.

A systematic approach to performance management should consist of the following stages:

- Defining goals.
- Setting objectives.
- Agreement of training and development plans.
- Performance appraisal.
- Regular feedback.
- Reward allocation.

- Development of individual career plans.

Defining organisational goals

As an instrument of strategic HRM a system of performance management starts with a clear statement of the organisation's mission and its goals and values. This defines the vision of the organisation and gives a clear picture of its core culture. It is the mission of an organisation, which underpins its corporate strategy and is a reference point for all action. Communication of the mission, its vision and values is very important as acceptance of it is fundamental to the involvement and more important the commitment of staff. Success through people is often an espoused part of the mission, but this can only be achieved if people 'buy in' and co-operate. Mission statements that are purely rhetorical will fail.

Developing corporate strategy

Corporate strategy should reflect the mission statement and indicate where the organisation is going and how it will get there. Corporate strategy should be continually revised, in line with changes in the internal and external environments. Many organisations, however, do not have rationally identified and planned strategies but rather their strategies 'emerge' in response to time and events (Minzberg and Quinn 1992; Farnham, D. 2005). As a result they either do not have clearly stated organisational goals and objectives or they have mutually conflicting ones e.g. a commitment to expanding higher education and a policy of imposing higher fees.

Developing the HR strategy

The personnel/HR strategy should emanate from the corporate strategy and identify the HR implications of the organisation's corporate goals and objectives and how to meet them. It should also contribute to the active commitment of staff by ensuring that all employees understand the culture of the organisation, the standards of performance expected and the support available to achieve these. This may be possible in a stable environment but may be more problematic in a turbulent environment where objectives and standards targeted today may be inapplicable tomorrow. A problem faced by public organisations, which are confronted with frequent political changes of direction.

Setting objectives

Objectives can be set at the level of the organisation, department, unit, team or individual. At departmental or unit level they should be closely aligned to organisational goals and specifically define the targets that the unit or department is expected to achieve to maximise its organisational contribution. At team or individual level the objectives should relate to the role of the team or individual and the contribution they are expected to make to the achievement of unit goals. Management usually set objectives and targets but in order to have legitimacy they should be agreed by the team or the individual. To be effective objectives should be SMART:

Specific	define precisely what is required in clear language so it is understood by both employee and management.
Measurable	normally include numerical targets which can be assessed.
Agreed	managers and individuals define objectives that are agreed.
Realistic	objectives must be achievable and fairly allocated.
Time-related	incorporate clear targets/dates that are not open-ended.

Objectives are more easily measured when they are quantitative but many objectives, especially in managerial, administrative and professional jobs, are qualitative and behavioural e.g. dealing with the public politely and resolving problems quickly. A measure of how far this is being achieved could be the number of customer/user complaints. No complaints could be interpreted as achieving the objective. There is, however, a question of the adequacy of such a measure and its validity and reliability. Judgements of the adequacy of a service are very subjective.

There are two main criticisms of objective setting:

1. The difficulty of setting clear objectives. This may result in setting objectives that can be measured at the expense of those that cannot. The latter, that are the intangibles of the job, may in fact be fundamental to the achievement of high levels of performance and therefore not all parts of the job are covered.

2. A loss of flexibility. If objectives are not constantly reviewed to retain currency the individual may put effort into 'out of date' objectives because they remain the basis for performance measurement and reward.

Mabey et al (1998) is a useful reference that discusses some of the problems in measuring performance.

Agreement of training and development plans

Objective setting and agreement should be accompanied by an assessment of the individual's competence to achieve them. Lack of skill is a major impediment to effective performance. Training and development needs should be analysed within the framework of the objectives and if there is a skills gap then action should be taken to fill it. Performance management is an important catalyst in identifying the most appropriate training and development needs for both the organisation and the individual. It promotes training and development in line with organisational objectives as well as training that individuals value for personal development.

Performance appraisal

Performance appraisal is a critical element in the performance management system. It is also one of the most controversial management activities. Some form of appraisal has existed since organisations emerged and has been the basis of selection of staff for promotion, increased reward or dismissal. In the past, management undertook appraisal on the basis of observation and subjective judgement without any participation by staff. Today appraisal is widespread for managerial, administrative, technical and professional staffs although less frequently for manual staff. In 1997, 90 per cent of organisations operated staff appraisal systems in the UK but 100 per cent in the public sector (Industrial Society survey, 1997).

There are several types of appraisal systems:

<u>Top-down schemes</u>

This is where the line manager conducts the appraisal and produces a written report that is entered into the employees file. The appraisee does not see the report and has little opportunity to influence its content. This system opens the way for bias on the part of the manager and although still widely used in the private sector is very rare in public organisations in the UK.

<u>Self appraisal</u>

This is often incorporated informally into the top-down schemes as a mechanism for encouraging openness and employee self-reflection. It enables the employee to participate in the appraisal process, often influencing the agenda to be discussed. This approach can reduce the subjectivity of the top down system and is found increasingly in the public sector.

<u>Peer appraisal</u>

This involves peers and colleagues in the assessment of performance. It can be done by interviewing all relevant people, but this is time consuming. It is more often done by use of questionnaires or open discussion forums. The latter is most appropriate where organisations are structured in teams

<u>Upward appraisal</u>

This involves inviting the views of those who report to a manager or are affected by a person’s performance, such as pupils and teachers and students and lecturers. The questionnaire usually relates to managerial style and effectiveness and in the case of student feedback to the goals and objectives set for the course. Views and comments are often not individually identified. The results of the appraisal can provide a forum for discussion within the group or the department and may encourage a problem-solving approach to management or staff development. Upward appraisal is often perceived as threatening by those being appraised and as 'uncomfortable' by subordinate appraisers especially if they are not anonymous.

360 degree appraisal

This multi-dimensional approach includes peers, subordinates, external 'customers' and the manager. The aim is to achieve a rounded perspective of the individual's performance. It can dilute subjectivity and open the way for a more balanced view of the range of activities to be assessed. This is increasingly used in the public sector and is now a standard element of the performance management system in the British Senior Civil Service (see below).

There are many problems associated with the implementation and management of performance appraisal schemes:

- Subjectivity and bias are inherent in one individual’s assessment of another. There are problems in developing objective methods of assessment and in reducing personal bias although training can be effective in achieving this.
- The appraisal system may be seen as an instrument of managerial control. In this case there will be no trust in it and it may be difficult to operate.
- If a system has to deliver objectives and rewards are related to this but the system is not seen as fair there will be no commitment either by managers or employees and it will fall into disrepute
- There is a real tension between the different objectives of appraisal systems, namely assessing performance, allocating rewards and identifying development needs. These tensions can undermine the system and cause resentment.
- Appraisal systems are very time-consuming and bureaucratic. Time is needed not only for the appraisal interview but also for preparing for the appraisal and writing up the reports. An estimated 8 hours per appraisal is a reasonable guess.

Regular feedback

Feedback is an essential element in any performance management system as it is the vehicle for reinforcing appropriate behaviour and/or identifying the need for change. It is also a means of identifying training needs, discussing development strategies and keeping managers aware of changes in the work situation. Continuous review and effective feedback have been highlighted as crucial to good performance management (*Fowler* ,1996). A checklist to assist managers in improving feedback is:

- Be specific.
- Be constructive.
- Concentrate on behaviour and the way it affects performance.
- Give feedback regularly.
- Encourage self-reflection.
- Avoid argument and listen to the employees point of view.
- Explain reasons for requests for change and develop action plans.
- Take feedback yourself.
- Encourage employees to seek feedback by being open and helpful.

Rewarding Performance

A system of performance management designed to improve and sustain high performance is inevitably linked to rewards. Expectancy theory suggests these rewards must be extrinsic and valued by the employee. On the other hand goal-setting theory places more stress on the need for acceptance of the organisational goals *per se* so that rewards are more intrinsic. In many organisations the formal appraisal process is kept separate from the rewards process. The arguments for this are that linkage with pay inhibits employees from being self-reflective and open about training needs or problems they are experiencing with their work. It also interferes with the development objectives of the appraisal process. In practice, however, it is difficult to divorce the formal appraisal process from pay and reward decisions and in the civil service and many other parts of the public sector in the UK they are inextricably linked where performance related pay is used.

Reward

Central to HRM philosophy is that rewards are an integral part of HR Strategy to obtain commitment, quality, performance and achievement of organisational goals and objectives. Rewards are seen as a means of changing or reinforcing the organisational culture. Reward systems can embody the core principles of pay for performance, market comparisons, sharing in the success of the organisation, rewards linked to skills attainment and harmonisation to minimise status differentials. Basically the aims of reward systems are:

- To attract and retain staff.
- Reward performance.
- Motivate people.
- Reinforce the organisational culture.

Reward is a complex concept that encompasses pay, remuneration and compensation. It represents a portfolio of managerial practices where financial and non-financial elements are flexibly directed at enabling and rewarding employees who add value. When an employee joins an organisation she/he enters into a contract which is partly legal and definite and partly psychological. Employees have expectations about the rewards they will receive, which will include economic, status, social as well as psychological ones and the employer will also have expectation about effort/performance, attitudes, commitment, remuneration and compensation. It is important that expectations are met on both sides or people will leave, be de-motivated, and productivity will be low.

Some of the problems associated with rewards are:

(1) That people value rewards differently. Some place great value on monetary reward whilst others are not induced to work harder for more money.

(2) People’s perceptions of reward vary — some see promotion positively whilst others perceive it negatively.

(3) If rewards are perceived to satisfy people’s needs what needs do they have?

(4) How can managers assess the valence of particular rewards?

Types of Rewards

Rewards can be *intrinsic* or *extrinsic*. The former are rewards such as feelings of accomplishment and sense of achievement. These are internally mediated rewards, which one gives oneself and are therefore psychic rewards. In contrast extrinsic rewards are controlled by outside factors and externally mediated by the organisation. These are less predictable although some such as incentive payments are predictable e.g. piece rates.

Rewards can also be *unconditional* or *conditional*. The former are not dependent on individual behaviour but received because you are employed by the organisation e.g. a member of the Civil Service. Conditional rewards are dependent upon individual behaviour e.g. promotion or performance- related pay.

Finally there are *instrumental system* rewards and *instrumental individual* rewards. The former are the benefits which accrue to members of an organisation. These are universal rewards to all employees in a given classification which provide incentives to join or remain in a particular system e.g. good working conditions, pension etc. The latter depend upon individual performance and are available if you reach the performance targets set i.e. differential performance achieves differential rewards.

Table 2. Reward Policy Objectives

Employers reward policy objectives	Employees objectives	Aims of a reward policy
Minimise payment and maximise effort	Maximise effort and minimise undesirable effort	To attract and retain quantity and quality staff
Recruit and retain	Receive a fair wage	Remunerate according to contribution
Motivate/incentivise	Equitable pay	Determine fair differentials
Reward success	Secure and regular payment	Meet expectation and perception of fairness
Encourage increased responsibility	Opportunities for advancement	Maintain/ increase effort to achieve objectives
Convey good employer image	Share in organisational prosperity	Provide opportunities for advancement/career structure
		Ensure value for money

Trends in reward systems in the public sector

Throughout the OECD countries since the late 1990s there has been a movement towards 'new pay' systems as opposed to 'old pay' systems. 'Old pay' refers to systems which are characterised by highly bureaucratic wage and salary administration, hierarchical pay and grading systems, rigid job evaluation systems, incremental scales and separation of pay policy from other personnel activities and from strategic organisational objectives. The primary concerns of ‘old pay’ policy are fairness, consistency, equity and transparency. In contrast 'new pay' is focused on using and managing rewards in order to achieve the performance objectives and the commitment of staff to the goals and values of the organisation. The emphasis is on rewarding ability and contribution rather than seniority or status. New pay is reflected in an emphasis on performance management and linking rewards to achievements and outcomes. It is also linked to the market availability of labour and its commercial value.

New pay has its supporters and opponents. It clearly gives managers greater power over rewards and, in the absence of any collective representation of employees, results in individual bargaining becoming the norm. In favourable labour market conditions this may advantage employees who will have stronger bargaining power but the opposite will be true where there is a surplus of labour available. New pay philosophy rests upon the assumption that a reward system is less a delivery mechanism for money than it is a way to engage people in the business and to provide a consistent direction that produces value added for the stakeholders, who are the government, civil servants and the public in the public sector. Effective reward plans go beyond pay. They also communicate important organisational objectives, provide recognition when deserved, offer career development and provide challenging opportunities. A well-designed reward system will enable employers in the public sector to build and strengthen employee commitment.

The major trends which are affecting public organisations in the UK are new pay (the strategic integration of rewards); market-driven pay (what the organisation has to pay to get the labour it wants); broad-banding (to match the de-layered organisational structure); harmonisation (to eliminate a source of division in unitary organisations); flexible benefits (to reflect the needs of a diverse workforce); an attempt to move towards a money purchase pension system (to transfer the risk involved in pension provision to the employee and away from the employer); competence-based pay (reflecting the spreading use of competencies in personnel and development) and performance related-pay (PRP).

A number of factors have contributed to the emergence of PRP. These include the increasing competitive pressures on commercial organisations and the relentless pressure on public organisations to increase their efficiency, effectiveness, quality and value for money. These pressures have intensified interest in ensuring that employees are more productive, work harder and are committed to organisational values and objectives. Developments in HRM, in particular the strategic integration of rewards into HR policies, have been another force. The reassertion of managerial prerogative throughout the UK public sector post 1980, combined with unitary and neo-unitary employment relations perspectives have led to the individualisation of employment relations and the weakening of collectivism. PRP has been introduced throughout the civil service, in large parts of local government and the NHS and most recently into education and the police. PRP today is a central tenet of both 'new pay' and 'performance management' throughout both the private and public sectors in the UK.

There are many controversies surrounding PRP. First there are doubts about PRP as a motivator. Second, there are concerns about its impact on team working and co-operation. Third, there are questions about measuring and assessing performance on which PRP is based. Fourth, there are concerns about whether it is compatible with professional ethics. Fifth, it appears to discriminate unfairly against women and minority groups and finally it is not generally popular with those who are affected by it. There is in fact very little evidence to support the assertion that PRP is a motivator although it is widely claimed that it is. There is evidence that PRP can in fact de-motivate workers who do not receive it and there is some evidence that there is a retreat from PRP in the public sector because it inhibits team-working and inter-agency co-operation, which is central to the present Government's strategy for improving public services. The ere is some interest in group PRP but here there are problems too:

- The difficulty of identifying teams.
- The difficulty of measuring team performance using transparent criteria.
- The interrelated nature of teams and team performance.
- The potential for inter-team competition and rivalry.
- The problem of the 'free-rider' who contributes little to the team.

Performance Management in the Senior Civil Service in the UK

Performance management is practiced throughout the British civil service with its 550,000 civil servants. Since the 1990s, pay, grading and performance management arrangements have been delegated to departments and agencies (circa 120 in all). This has resulted in variations in practice across the service. Pay is determined by collective bargaining below the Senior Civil Service (SCS) and there are some 90 separate bargaining units ranging in size from the largest department of Work and Pensions (140,000) to small agencies like the QE 2 Conference Center (50 staff). Only in the SCS (*circa* 3800 top posts including senior managers, specialists and policy advisers) is Pay and Performance Management centrally managed by the Cabinet Office covering all members, irrespective of the department or agency they work in. The SCS was created in 1996 with its own competency framework and performance management system developed with the assistance of the consultancy firm Price Waterhouse. In 2001 a new competency framework and new Pay and Performance systems were introduced. This followed the election of a Labour Government committed a policy of Modernizing Government (Cabinet Office 1999).

One of the major goals of this policy was to ensure that the civil service had a performance management system in place which would bring about cultural change, raise individual and team performance and ensure continuous learning (Wilson, 1999). Although only in existence for 5 years both revised frameworks have been continuously reviewed and there have been refinements as a result of evaluation and feedback.

Content of the Pay and Performance System

First it is important to establish that all senior civil servants in the UK are covered by the system described below and that financial reward is based on a system of PRP. There are HRM policies relating to performance development and rewards managed by the Cabinet Office which has overall responsibility for the performance of the SCS The performance, development and reward systems are fully integrated in the SCS and are also linked to the competency framework.

Each member of the SCS is issued with a copy of *Guide to Performance Management Reward in the SCS.* This explains the system and its rationale. Great emphasis is placed on the importance of the system in creating a high performance culture and enabling the leaders of the service to:

- Focus individual performance and development on the delivery of strategic business priorities.
- Motivate people.
- Support succession planning, career and personal development.
- Provide for growth in organizational capability and continuous improvement.

The system claims to be open, honest, robust, two-way, transparently recorded and with rights of appeal. Staff surveys and evidence to the Senior Salaries Reward Body[1] reveal diverse opinions about that claim.

The Performance Management Process

All members of the SCS have a job description setting out overall objectives and responsibilities. They enter into a contract usually for 4 years. This can be renewed but the practice is increasingly that people move on.

Individuals enter into a performance agreement with their line manager in April each year. This:

- Sets down up to 4 personal business objectives or targets which clearly reflect departmental priorities for the year ahead.
- Specifies how the job is to be performed by identifying the key competencies, standards and behavior expected. These should reflect at least two of the core competences in the SCS competency framework. (See appendix 1).
- In-year reviews evaluate progress and make adjustments if necessary.
- End-year reviews (in the following April) discuss performance and lay foundations for the next year.
- The line manager records the achievements and indicates if there is a need for a personal performance improvement plan (PPIP).
- The line manager also makes recommendations on pay and bonus payments by allocation to a *tranche* (see below) and provides information on succession planning.
- Within a month of agreeing new personal business targets the individual and manager meet to prepare and discuss the personal development plan (PDP).
- Where line managers recommend PPIPs they set down specific targets, time scales and consequences of failing to improve. Those individuals placed in the lowest *tranche* for pay (see below) will normally have PPIPs.

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[1] The Senior Salaries Review Body advises the government annually on the salaries and appropriate levels of bonus etc of the SCS and also judges, senior members of the Armed Forces and Members of Parliament.

- Since 2001 360degree feedback has been compulsory for all SCS members. However the administration of the process is devolved to departmental or agency level and the guidance states that it should be used to support specific departmental objectives. This means there is no standardization and the evidence is that the feedback is not used in all cases for assessing performance and for determining rewards.

The SCS Pay Structure

The SCS pay system consists of three broad bands underpinned by a Job Evaluation scheme known as JESP (Job Evaluation for Senior Posts. JESP determines which band the job is assigned to. Most departments operate with the 3 Pay Bands but there is a fourth band which departments can use and it overlaps bands 1 and 2. Each band has a minimum salary and recruitment and performance ceiling. There is also a progression target rate. Departments can apply higher minima and target rates for officials who work within the London area OR pay a London allowance. They can also get approval to appoint above the maximum in exceptional circumstances.

The pay system consists of a mixture of consolidated base pay awards and non-consolidated bonuses, which have to be re-earned each year. Pay is dependent on performance and not time served. It is also linked to comparative performance as individuals are rated and placed in one of three pay *tranches*. The SSRB sets down the percentage of staff that can be located in each *tranche*. *Tranche* 1, 25%, *tranche* 2, 65-70% and *tranche* 3, 5-10%. This requires managers to make a forced distribution on the basis of performance.

Annual Awards

SCS salaries are determined by the Senior Salaries Review Body, which recommends the level of uplift to the SCS pay bands and progression target rates. It also recommends the range of base pay increases and the minimum bonus payment. For example in 2003/4 the SSRB recommended that the there should be an increase in base pay of 3.5% and that the bonus pot should be 4% of the total SCS pay bill. The overall increase of the SCS pay bill was £10m and the bonus pot was £10 m too.

Line managers allocate staff to a *tranche*. The top *tranche* (25%) consists of people who have contributed most to departmental success during the year. *Tranche* 2 (65-70%) are staff who have contributed well and delivered effectively. The bottom *tranche* (5-10%) are staff who have contributed the least compared to their colleagues although they may well have achieved all their objectives.

Evaluation of the System

The pay and performance system, operating since 2001, has been externally reviewed by the SSRB and by the Cabinet Office internally. Several issues have received attention including:

- The acceptance and support for the system by individual staff.
- The effect on motivation and morale.
- The ability of line managers to operate the system.
- Managing under-performance.

Evidence of overall effectiveness of system

The Government's evidence to the SSRB in 2004 (SSRB 2004) was that the system was working well and yielding real benefits for departments and individuals although these were not specified or measured. The SCS, it stated, was well in advance of comparators, national and international, but were not complacent. In 2003 the Civil Service Management Board commissioned a major program of work with the aim of strengthening the leadership capacity of the SCS to meet the demanding delivery targets set down by the government.

The CS Unions are rather more ambivalent about the new system. A survey of their members revealed that one third of respondents did not understand the pay system and two thirds felt its working had not improved, There was unease about people's allocations to *tranches* and the workings of the departmental pay committees, which review the allocations to *tranches* and discuss individual cases. The intention is to avoid wide variations in allocations between line managers.. The system was not seen by many members of the SCS to be fair even if it was. There was evidence too that mid term reviews were not taking place.

Other findings of the SSRB were that the system appeared to be improving as it settled in especially in objective setting (which had been a problem for some line managers) but there were still questions about its transparency and the fairness of the bonus system. There was no clear evidence about its motivating effect although the fact that some civil servants receiving PPIP had left the service raised questions as to whether they were demotivated by being placed in that category.

An *HR Practioner Guide to Performance Management and Reward in the SCS* (April 2004) identified both causes of underachievement and strategies for dealing with them. Causes were listed as:

- Capability:
  - (i) Promoted beyond personal ability to develop and change.
  - (ii) Insufficient development input.
  - (iii) In the wrong role.
- Inappropriate attitudes or behavior:
  - (i) Resistance to change.
  - (ii) Inappropriate leadership style.
  - (iii) Coasting.
- Personal and family problems.
- Illness.
- Poor management and direction.
- Lack of support from manager and colleagues.
- Substance abuse.
- Lack of confidence and self esteem, harassment, bullying?

Recommendations for tackling underperformance were:

- Decisions should be taken with the support and assistance of the HR specialists.
- The optional strategies would depend on the cause of underachievement.
- Where the individual is genuinely in the wrong role and could perform effectively elsewhere then a move is appropriate.
- Insufficient development can be met by a strong development plan. Individual mentoring or coaching may help 'fast track' performance improvement.
- Inappropriate behaviors are best attempted through PPIs and working closely with the line manager.

Have they worked? Feedback from the Cabinet Office is that the system is working well.. However, there are still some problems remaining. In particular, where monitoring and counseling are used there are issues of time and cost. There is also an issue of the skills and ability of line managers to develop their staff. Training courses are available but again there is the question of time and cost.

Conclusion

The system of performance management in the SCS integrates both organizational and individual performance. It is also part of an integrated HRM system which links recruitment, training, development and reward using its competency framework to ensure that members of the SCS have the core competencies needed to provide for strategic leadership of the civil service and ensure the effective delivery of government policies. Although there have been many criticisms of systems of performance management which seek to combine appraisal of performance, development and reward the SCS system appears to have achieved that and may be worthy of closer examination by those interested in improving their own performance management systems and moving to an integrated HRM approach. However it has never been costed. Given the fact that staff change their posts on average every three and a half years and that 20 per cent of the CSC are lateral entrants, often highly motivated individuals who choose to take temporary positions in the CSC, does the cost actually produce value added?

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