



Improving the Contribution of Senior Staff to Program Performance

Nick Manning

Co-Leader, Public Sector Performance Global (PSP) Expert Team (GET)

March 2012



Table of Contents



- **Why aren't all senior performance contracts the same?**
- **Because staff are intrinsically and extrinsically motivated**
- **Motivations respond to opportunities & incentives**
- **Contracts are seeking to avoid the negatives...**
- **...while capturing all the positives**
- **All performance contracts are about dialogue and focus**
- **No magic bullet**
- **Good contracts:**
 - **Do not rely on a single instrument**
 - **Do not use high pressure approaches**
 - **Do require lots of renegotiation**
- **Conclusions**

1. Why aren't all senior performance contracts the same?



Nature of the employment contract	Traditional civil service			Contract similar to those under general labor law
Tenure in post	Permanent tenure	Permanent tenure with performance agreement	Fixed term mandate or secondment	Fixed term appointment
Situation on termination			Retains substantive, tenured position	No automatic position within the public sector
Country Examples	<i>Cyprus, Bulgaria, Romania</i>	<i>United Kingdom, Dominican Republic,</i>	<i>Belgium, Netherlands, Netherlands, Poland, Finland, Italy</i>	<i>Malta, New Zealand</i>

2. Because staff are intrinsically and extrinsically motivated

Intrinsic Motivations

- Enjoyment of task
- Loyalty to mission/organization

vs.

Extrinsic Motivations

- Financial success
- Esteem of colleagues
- Job security



3. Motivations respond to opportunities & incentives

Intrinsic motivation can be enhanced through opportunities:

- Autonomy and self-expression
- Successful entity with a clear direction and sense of purpose

But it can be limited through:

- Being stuck with a series of unsatisfying jobs with little prospect of mobility,
- Being treated instrumentally



Extrinsic motivation can be enhanced through incentives:

Long term career incentives:

Traditionally used in complex public sector environments:

- Long term careers
- Competitive promotions
- Deferred compensation

Necessary cofactors

- There must be real risk of not being promoted
- There must be room for career progression

Side effects

- Attracts risk-averse staff

Short term performance incentives:

- Renewal or non-revocation of contracts
- Performance related pay

Necessary cofactors:

- The job has measurable outputs
- The incentives continue to work over time

Side effects

- Attracts risk-tolerant staff

4. Contracts are seeking to avoid the negatives...

		Incentives that primarily work on extrinsic motivations	
		Long term career incentives	Short term performance incentives
The potential impact on intrinsic motivation	Positive	+ Can improve intrinsic motivations if it leaves staff with more autonomy	+ Can harness motivation if working for a successful entity with a clear sense of purpose
	Negative	- Can kill job satisfaction through long term burnout	- Can kill job satisfaction through treating staff instrumentally

Traditional long term career incentives for senior staff have only partially taken advantage of opportunities to enhance intrinsic motivation.

...while capturing all the positives

The intention of newer arrangements is to remove the negatives and to seize all the opportunities

		Incentives that primarily work on extrinsic motivations	
		Long term career incentives	Short term performance incentives
The potential impact on intrinsic motivation	Positive	+ Can improve intrinsic motivations if it leaves staff with more autonomy	+ Can harness motivation if working for a successful entity with a clear sense of purpose
	Negative	- Can kill job satisfaction through long term burnout	- Can kill job satisfaction through treating staff instrumentally

5. All performance contracts are about dialogue and focus

“No one in their right minds thinks that we use [the formal accountability documents] to manage performance.”

- New Zealand Minister quoted in (Dormer 2010, p.15)



Are the agencies performance accountabilities clear and unambiguous within the program structure?



Are the individual's responsibilities clear within the agency?

Given the complexity of the linkages between individual and wider (government or ministry) performance targets, it is important that there a clear “line of sight” exists.

6. No magic bullet

Introduction of quasi-contractual reforms

Direction Extent of Impacts	Up/Improved %*	Down/Worse %	Unchanged or Uncertain %	Total Number of Entries**
Outcomes	43.9	22.8	33.3	57
Outputs	53.4	19.6	27.9	165
Processes/activities	57.9	18.5	23.6	644

*For each type of impact the percentages are based on the total number of entries for that particular type of impact.

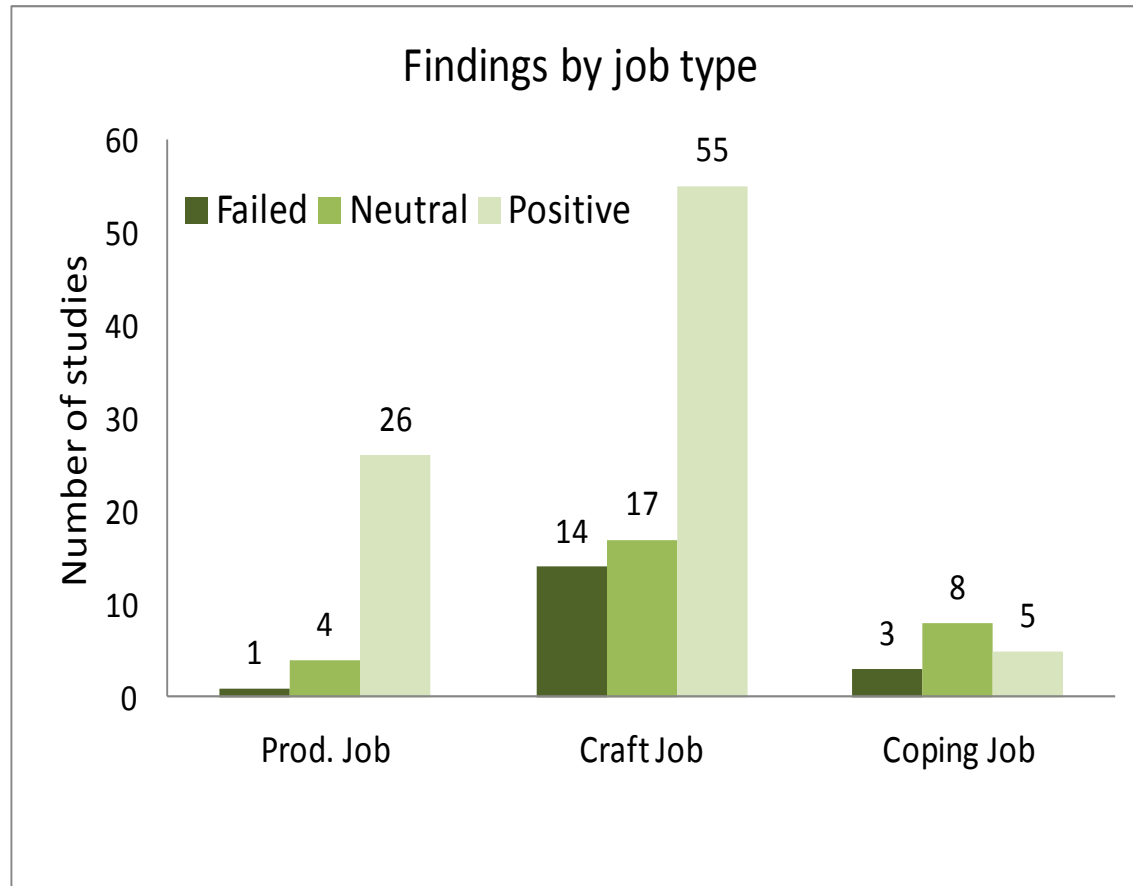
** Some studies have contained one or more entries for outcomes, outputs or processes/activities. Some have also included more than one entry of the same type of impact, i.e. outcomes, outputs or processes/activities. Therefore an entry is not the same as a study. The total number of entries column shows the sum of all entries for each particular type of impact (namely for outcomes, outputs and processes/activities).

7. Good contracts do not rely on a single instrument

The recent about-face on performance-related pay—in little over a decade, we moved from abandoning the practice to embracing it – raises questions about whether anything has changed in the intervening period. What evidence do we have that performance-related pay is now likely to work when it did not before?

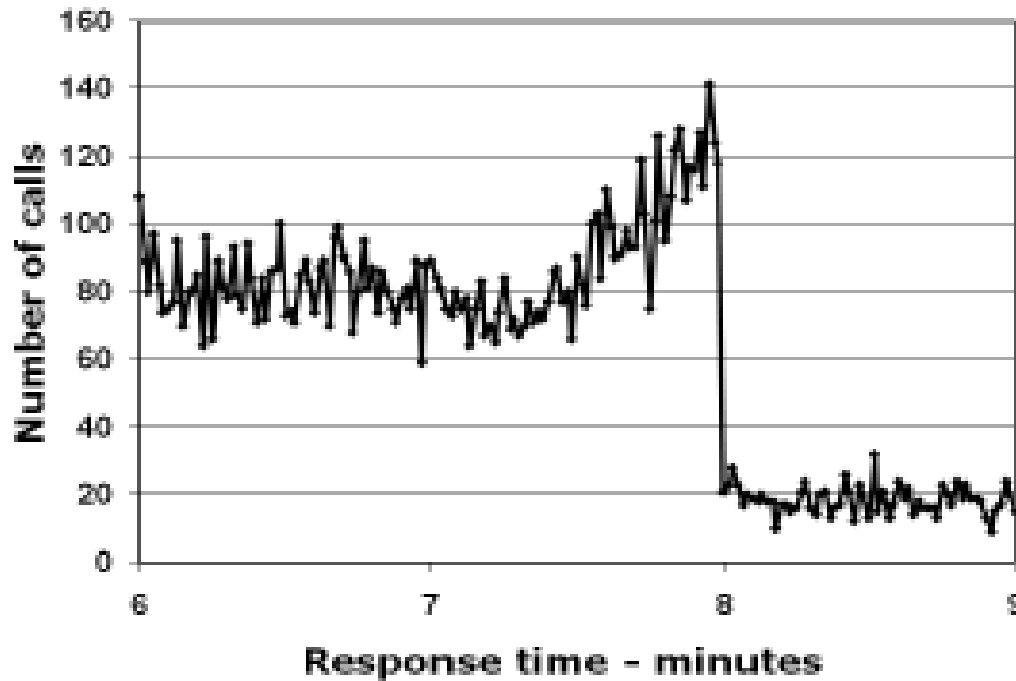
(Perry, Engbers, et al. 2009, p.40)

Meta-study of the impact of performance-related pay by job type



8. Good contracts do not use high pressure approaches

Frequency distribution of ambulance response times for life-threatening emergency calls in UK





9. Good contracts do require lots of renegotiation

Changing arrangements between senior public servants and politicians

Classic role of senior public servants as "trustees" of the public interest	Role of senior public servants as "agents under contract"
<ul style="list-style-type: none">• Politicians <i>give up</i> some or all of their rights to hire, fire, remunerate or direct public servants at will – but <i>gain</i> loyalty of staff to government of the day and assured competency;• Senior staff <i>give up</i> right to comment on politics – but <i>gain</i> employment and compensation security and some measure of status.	<ul style="list-style-type: none">• Politicians <i>give up</i> opportunity to delegate policy to public servants – but <i>gain</i> staff focus on results;• Senior staff <i>give up</i> right to comment on politics – but <i>gain</i> greater recognition and remuneration for results achieved

10. Conclusions

In planning for changes to senior staff incentives...

A. Monitor Improvements

- Engagement
- Balanced Agency Scorecards



B. Don't rule out incremental improvement to the current arrangements

C. If a significant move towards performance contracts is contemplated – *pilot and leave an escape route.*

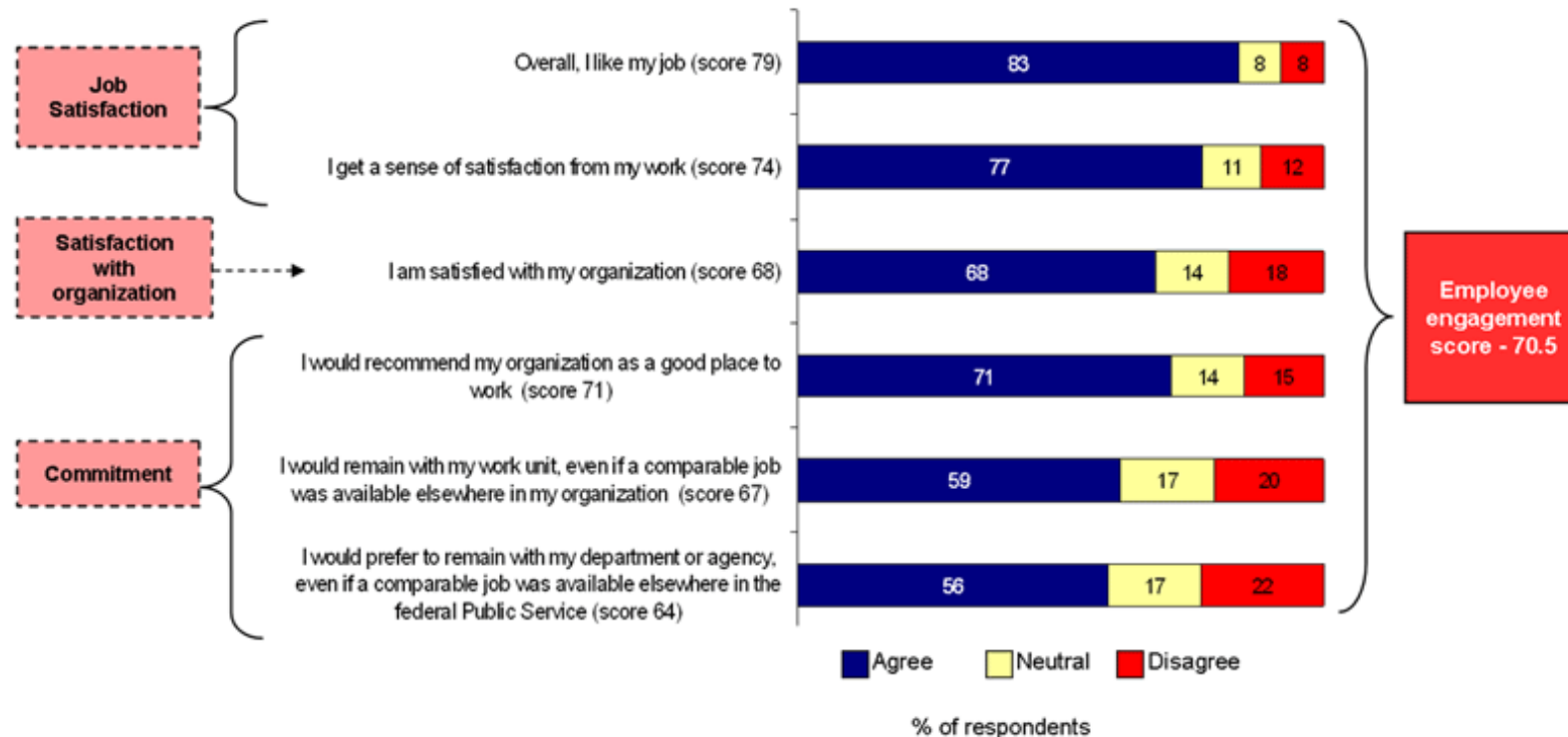


A. Monitor Improvements



There is a trend to measure and track "engagement" (= commitment + organizational citizenship)

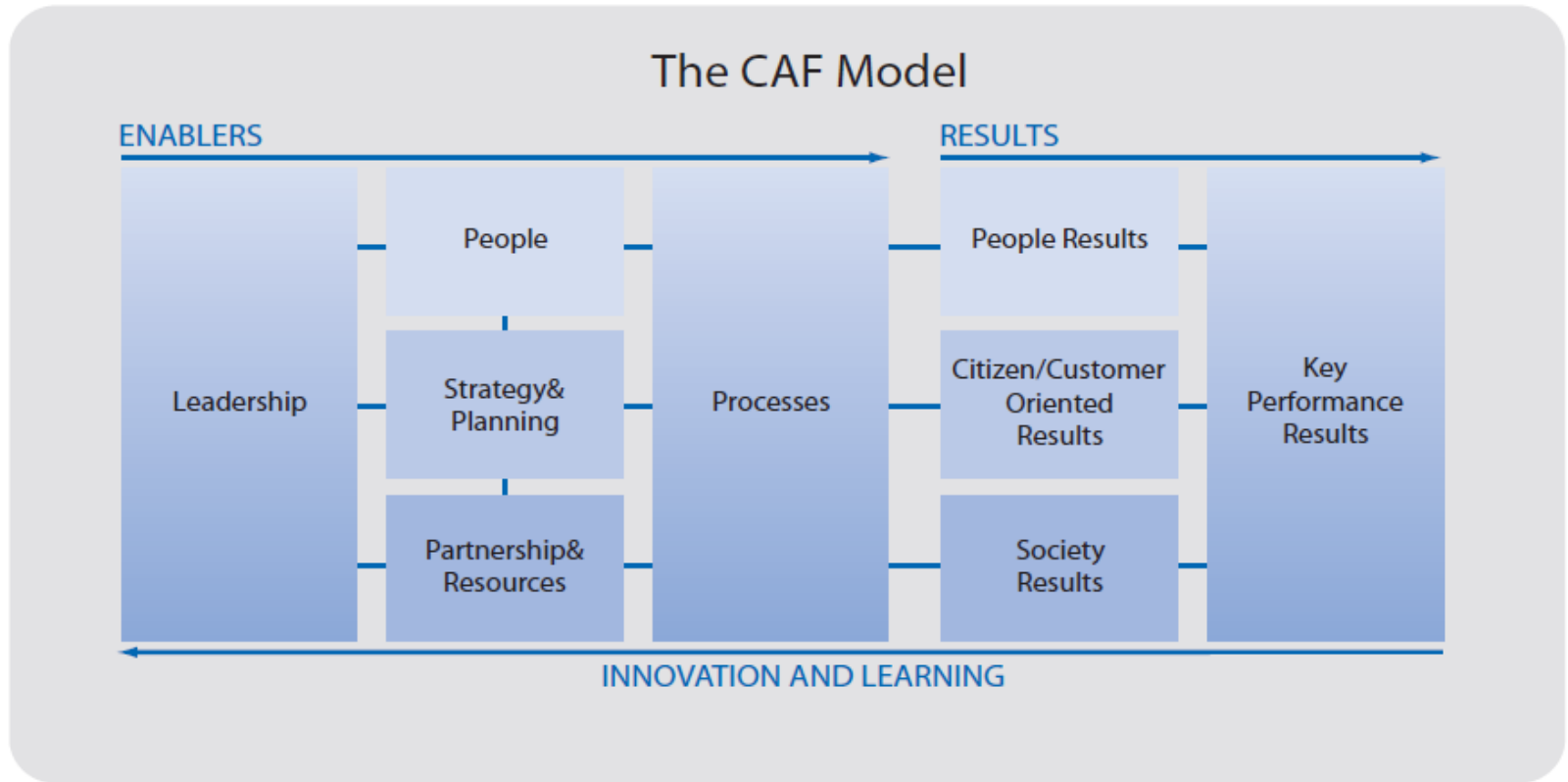
Levels of employee engagement in the federal public service of Canada



A 2008 survey of Canadian Federal Public Employees included engagement questions: "As a higher-level outcome, engagement can be used as a synonym or proxy for overall people management. This is because it is the cumulative effect of leadership, workforce, and workplace efforts that drive engagement."



Balanced agency scorecards



B. Don't rule out incremental improvements to the current arrangements



When long term career systems go wrong – what has usually happened and what can be done?

- Erosion of pay and grading structures
- Career paths
- Weaknesses in recruitment and retention
- Indiscipline over promotion

When short term performance based systems go wrong – what has usually happened and what can be done?

- Nature of rewards
- Credibility of the metrics
- Unit of account
- Gaming

C. If a significant move towards performance contracts is contemplated – pilot and leave an escape hatch

Key considerations in moving from long term career model to short term performance incentives:



- Design, design, design
- Pilot, pilot, pilot

Key considerations in moving from short term performance incentives to long term career model:

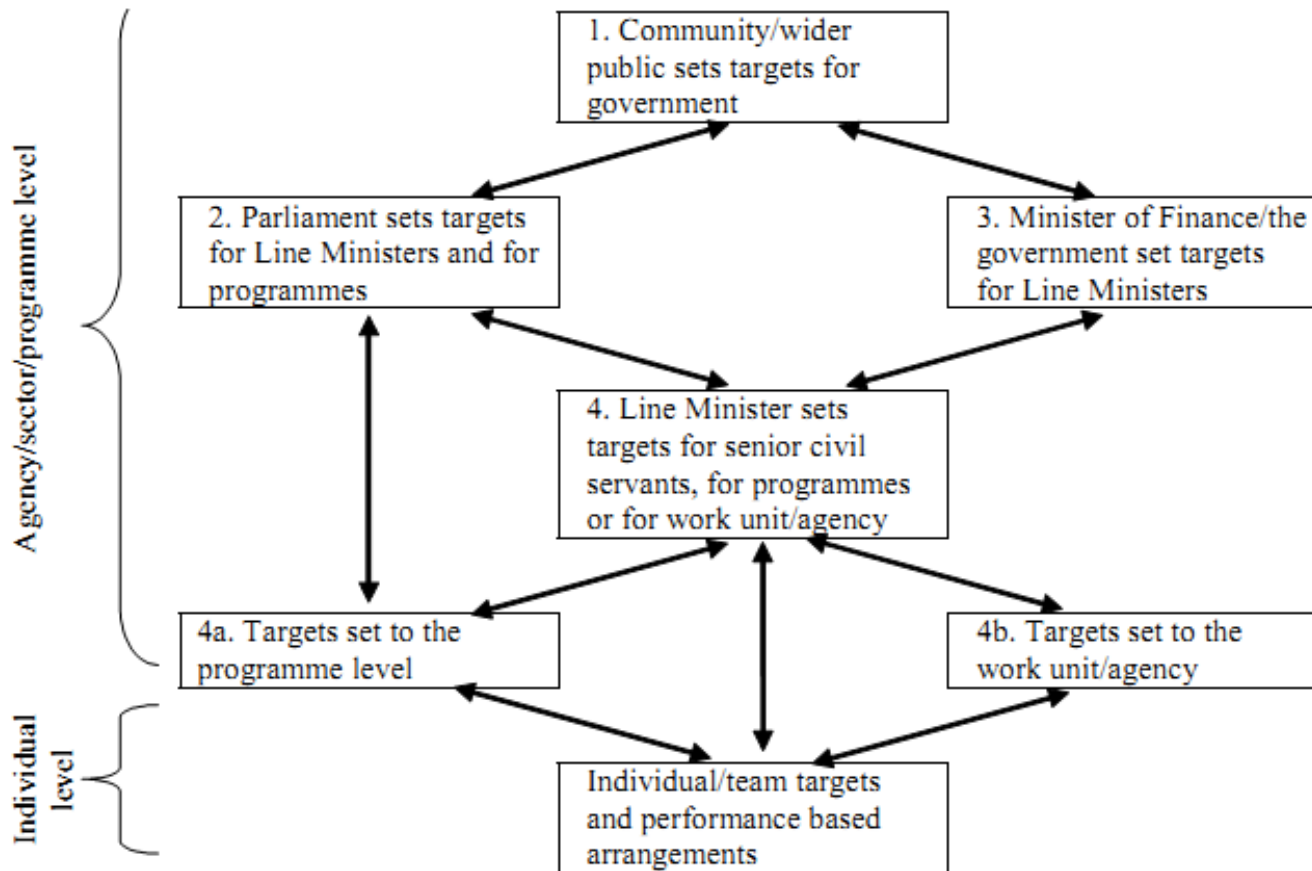
- Can it be done? Reversibility has to be a consideration in any PRP scheme
- There are now several examples of promising pilots in PRP that did not work out long term and had to be wound down



Annex slides and references

Annex 1 – “Line of Sight”

Looking for the line of sight between performance targets



Annex 2: Politicization undermines all incentives

Politicization across senior civil service levels in Eastern Europe

	Czech Rep.	Poland	Slovenia	Latvia	Lithuania	Hungary	Estonia	Slovakia
Level 1	Dark Red	Dark Red	Dark Red	Dark Blue	Green	Dark Red	Dark Blue	Dark Red
Level 2	Dark Blue	Dark Red	Yellow	Dark Blue	Green	Yellow	Dark Blue	Yellow
Level 3	Dark Blue	Dark Blue	Dark Blue	Green	Green	Dark Blue	Green	Dark Blue
Level 4	Green	Green	Green	Green	Green	Green	Green	Dark Blue

The shades represent an index of politicization drawing on five indicators:

- the scope of senior positions that are subject to political appointments ('depth' of politicization);
- the size of ministerial cabinets;
- the turnover among senior officials after elections;
- the experience of senior officials in politics, for instance, as party functionary, elected representative; and
- the importance of political contacts including party membership for career progression.

0-25



51-75



26-50



76-100





Annex 3: contracts are not the only things that matter...

- A. Selection**
- B. Retention**
- C. Peer Approval**
- D. Base Pay**



A. Selection

The costs of mis-hiring are significant:

- 2004 USA: The cost of hiring the wrong person for a job was up to three times salary. Estimates from the private sector suggest that turnover costs resulting from mis-hiring range from 50 to 250 percent of the exiting employee's salary.
- US federal civil service managers spend about 34 days per year tending to performance issues, and senior executives spend an average of one hour per day managing poor performers

A study in Canada found that the direct costs of mis-hires include:

- the cost of recruiting,
 - actual compensation expenditures,
 - possible severance,
 - training and the additional cost of lost productivity.
- Indirect costs can be even more damaging.



B. Retention & C. Peer Approval

“(In the UK) a majority of ministers have been in their current jobs longer than their most senior civil servants... (and) some of the recent departures suggest.. that highly competent and well qualified individuals are choosing to jump ship for perhaps less contentious, and almost certainly better remunerated, employment in the private sector.”

- The US federal government attrition rate was 7.6% and 5.9% in 2008 and 9 respectively, contrasting with an equivalent private sector attrition rate of 9.2% in 2008 (Partnership for Public Service 2010).
- The problem is a more specific one of attrition of key senior managers – with some evidence that it is the most competent employees who leave (Partnership for Public Service 2011).
- The US Senior Executive Service (SES) has had a turnover rate of 10% annually since the 1980s.

Peer Approval

- Senior civil servants are likely to be as motivated by promotion and by recognition from their peers and the public as by financial rewards.

D. Base Pay

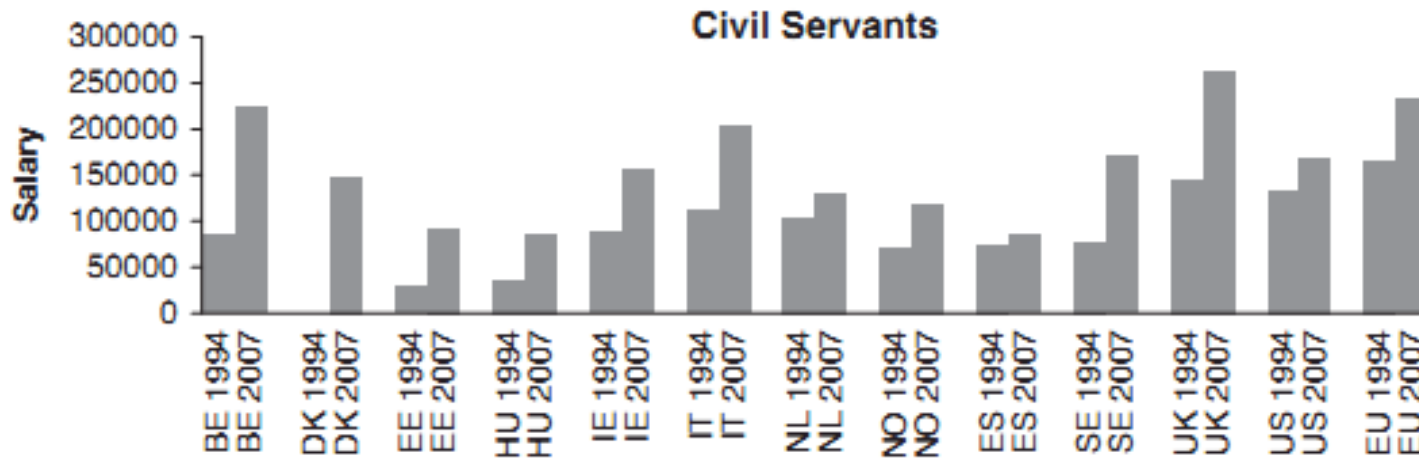
Base pay must be seen in the context of total compensation – monetary, in-kind and intangible

Total compensation

			Contractually-provided		Non-contractual/ intangible
			Monetary	In-kind	
Current rewards	Base rewards	Explicit	1a. Base wage/salary	2a. Health insurance, employers' pension contributions, social security	-
		Implicit	-	2b. Non- contributory pensions	3. Job security, prestige, social privileges
	Allowances	Variable	1b. Variable performance pay	5. Transportation, housing, meals, travel	6. Trips abroad, training

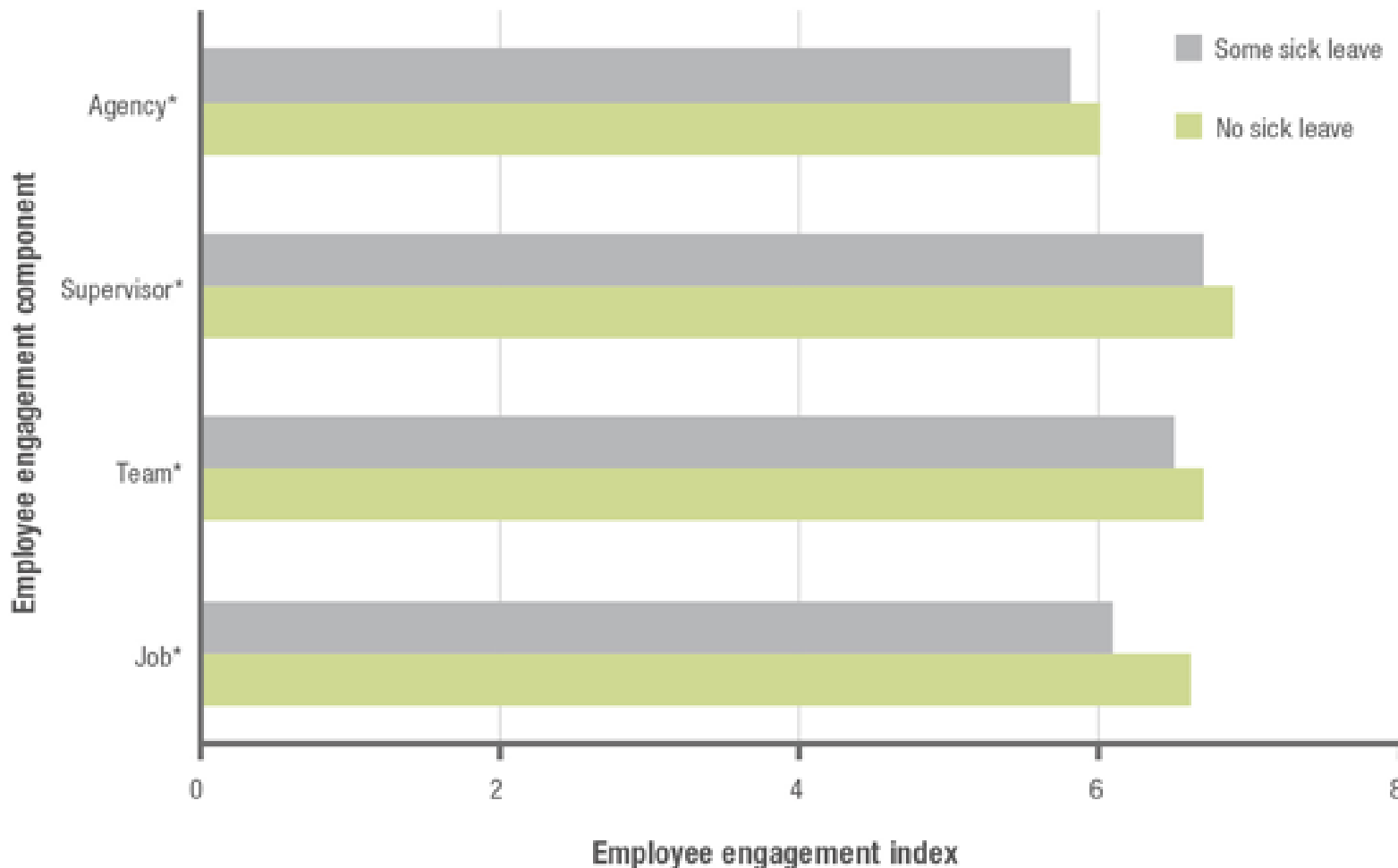
- Explicit monetary base rewards are lower in the countries of Eastern Europe than elsewhere in Europe or North America. The Scandinavian countries come next.
- The UK and the US pay most. The UK is the only European member state identified which pays top civil servants and judges better than Europe pays the top officials in the European Commission and the President of the European Court of Justice. It is not clear why.

Changes in base salaries, in US \$ at purchasing power parity rates at 2000 prices



Annex 4: Engagement

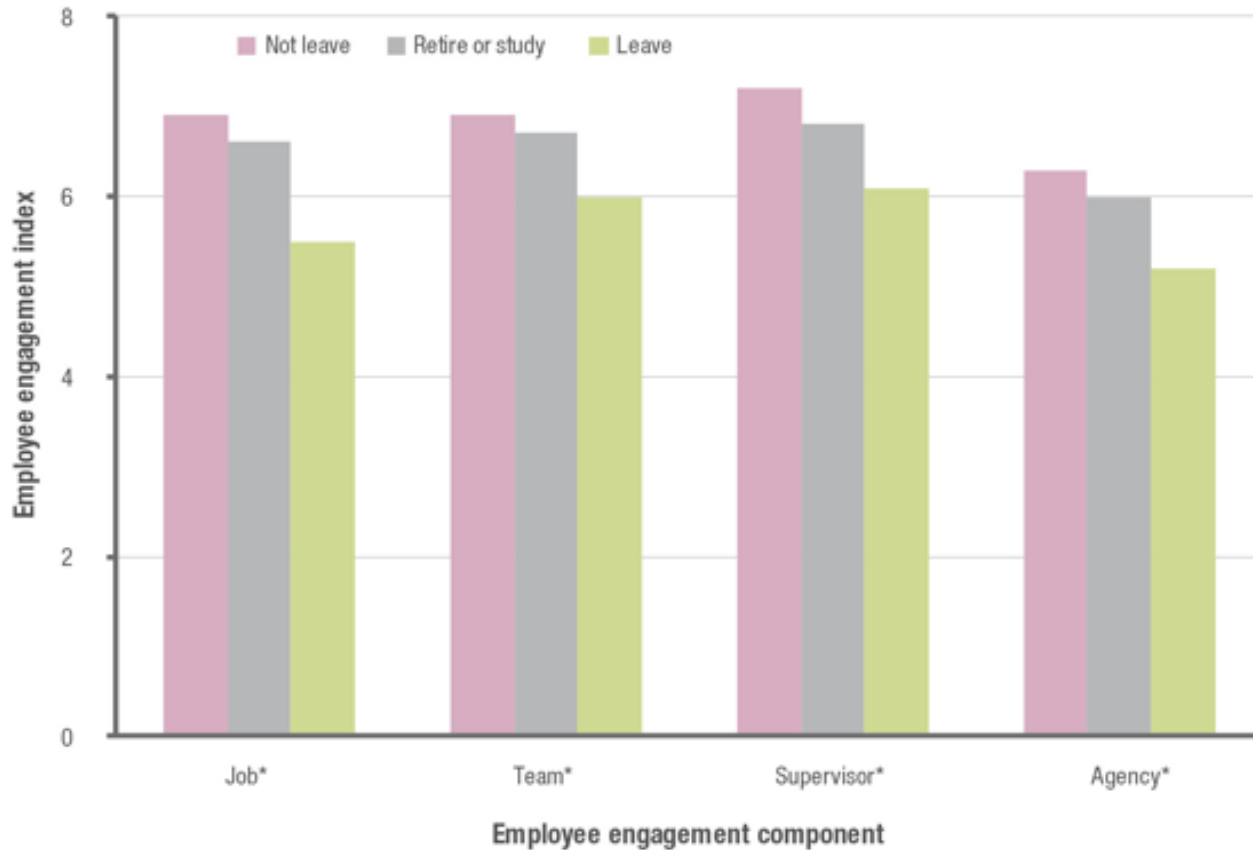
Relationship between employee engagement and self-reported use of sick leave, 2010–11 in the Australian public service



Notes: * indicates the presence of a statistically significant relationship.

Continued...

Relationship between employee engagement and intention to leave the Australian public service, 2010–11



Note: * indicates the presence of a statistically significant relationship. Additional information on the scale can be found in [Appendix 3](#).



References

- Bevan, G. and R. Hamblin (2009), 'Hitting and Missing Targets by Ambulance Services for Emergency Calls: Effects of Different Systems of Performance Measurement within the UK ', Journal of the Royal Statistical Society, 172 (1), 161-190.
- Brans, M., B. G. Peters and B. Verbelen (2012), 'Rewards at the Top: Cross-Country Comparisons across Offices and over Time', in M. Brans and B. G. Peters (eds.) Rewards for High Public Office in Europe and North America, Abingdon, UK, Routledge, pp 11-30.
- Dormer, R. (2010). Missing Links. Victoria University of Wellington, Wellington.
- Hood, C. and M. Lodge (2006), The Politics of Public Service Bargains: Reward, Competency, Loyalty - and Blame, Oxford, Oxford University Press.
- Ketelaar, A., N. Manning and E. Turkisch (2007). Performance Based Arrangements for Senior Civil Servants - OECD Experiences (OECD Governance Working Paper). Paris.
- Kuperus, H. and A. Rode (2008), Top Public Managers in Europe: Management and Working Conditions of the Senior Civil Servants in the European Union Member States (Study Commissioned by the French EU-Presidency), Maastricht, European Institute of Public Administration.
- Partnership for Public Service (2010), Beneath the Surface: Understanding Attrition at Your Agency and Why It Matters, Washington DC, Booz Allen.
- Partnership for Public Service (2011), Keeping Talent: Strategies for Retaining Valued Federal Employees, Washington DC, Booz Allen.
- Perry, J. L., T. A. Engbers and S. Y. Jun (2009), 'Back to the Future? Performance-Related Pay, Empirical Research and the Perils of Persistence', Public Administration Review, 69 (1), 39-51.
- Pollitt, C. and S. Dan (2011), The Impacts of the New Public Management in Europe: A Meta-Analysis (COCOPS Working Paper No. 3), Brussels, European Commission.
- What Whitehall Could Learn from Washington (2012). The Independent. London. February 6, 2012.
- World Bank (2007). The World Bank's Administrative and Civil Service Reform Website. World Bank, <http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTPUBLICSECTORANDGOVERNANCE/EXTADMINISTRATIVEANDCIVILSERVICEREFORM/0,,menuPK:286372~pagePK:149018~piPK:149093~theSitePK:286367,00.html>.