

7. PERFORMANCE MANAGEMENT SYSTEM AND PERFORMANCE RELATED INCENTIVE SCHEME

Background

- 7.1 The design of an improved appraisal system was introduced in the 1987 PRB Report which prompted the Ministry of Public Service, Administrative and Institutional Reforms (MPSAIR) to come up with a Performance Management System (PMS) in a few Ministries on a pilot basis in 1994. However, given the exercise was not successful, a three-year strategy (2001-2003) was then developed to modernise the public service which included the introduction of a result-oriented PMS. The 2003 PRB Report ratified the framework of a PMS with the concept of reward as an incentive to induce Ministries/Departments to start implementing the system. The MPSAIR was appointed as the coordinating Ministry responsible for pioneering the project in the public service. Subsequently, PMS was implemented in 2006 in a few Ministries/Departments on a pilot basis.
- 7.2 The role of PMS in improving individual as well as organisational efficiency and effectiveness and the inclusion of a Performance Related Pay as an element of PMS to enhance the motivation level in the public sector were highlighted in our 2008 Report. Provision was equally made for the adoption of PMS as from January 2013 with the weeding out of the Annual Confidential Report, given the latter was considered to be a mere administrative formality.
- 7.3 In our 2013 Report, we went further to recommend the use of Performance Appraisal Report and 'Report on Fitness for Promotion' for promotion exercises; implementation of an Electronic Performance Management to replace the traditional paper-based system; and the necessity to introduce a Performance Related Incentive Scheme (PRIS).
- 7.4 The 2016 PRB Report provided for the MPSAIR to monitor the implementation of the PMS in the public sector and work done by the PMS Monitoring Committee; addressed issues of underperformance; and recommended for the development of a Performance Improvement Plan and implementation of an Executive Performance Management Review for supervising officers of Ministries/Departments on a pilot basis. Relevant recommendations were also made to revisit the PMS processes and forms for employees of the Workmen's Group and for the continued implementation of PRIS by the relevant Committees/Authorities.

Performance Management System

- 7.5 On the international front, PMS has emerged as the driving force for public sector reforms, serving the dual purpose of improving efficiency and effectiveness and ensuring value for public money. As a management tool for good governance and improved performance, it provides the opportunity to identify the developmental needs of employees at all levels in the organisation.

- 7.6 In the domestic public sector, PMS has been implemented as an important strategic tool for a better management of human resources to, amongst others, improve performance of public officers; ensure their accountability; and instil a result-oriented culture. It equally helps to align corporate and individual objectives; provides for continuous improvement and development; improves training and development processes; and contributes to retain employees in the service. Moreover, if properly implemented, PMS is expected to serve as a basis for recognition, reward and promotion.
- 7.7 We view that PMS is neither a top-down and backward-looking form of appraising people nor just a method of generating information for pay decisions. In fact, it is not only forward looking and developmental but also provides a framework where managers can support their team members rather than dictate to them. The impact of PMS on results will be much more significant if it is regarded as a transformational process rather than an appraisal process.

Performance Related Incentive Scheme

- 7.8 Premised on the principle of differential reward for differential performance, implementation of a PMS accompanied by a PRIS is largely advocated to be a panacea that would encourage greater level of employee motivation and commitment as well as foster high-performance work cultures in the public service. PRIS rewards employees following an assessment of their performance and the achievement of objectives either on an individual basis or at group level. It is a tangible means of recognising employees' achievements and provides flexibility to retain key staff in the service among other potential advantages of improving performance and inculcating the right behaviour at the workplace.
- 7.9 On the downside, studies have shown that although successive governments have promoted PRIS, its implementation in the public sector is often complex and difficult in the absence of suitable quantitative indicators. This form of incentive scheme has also been criticised, among others, to be discriminatory, demotivating the majority of employees at the expense of a few high performers and undermining 'felt fair' perceptions of equity. Certain public officers view intrinsic factors such as promotion, delegation of responsibilities, quality relationships and participation in decision-making, among others, to be more motivating compared to extrinsic rewards.
- 7.10 Despite the difficulties of implementing PRIS in the domestic public sector, it is noteworthy that many Organisation for Economic Co-operation Development (OECD) countries have implemented PRIS. Nonetheless, there are wide variations in the degree to which it is actually applied. In many cases, PRIS concerns only managerial staff or specific departments and very few civil service systems could be considered to have an extensive, formalised PRIS system. The successful ones have developed objective criteria for results; others have improved the appraisal

system and framework as a prior step while a few have linked PRIS with a result-based management system. The incentive scheme in certain countries consists of both individual and group-based incentives while a few countries have distinctive PRIS for senior civil servants. The reward is paid either as an annual bonus or through a merit increment.

- 7.11 Against this backdrop, it is acknowledged that recognition for good effort and achievement through an incentive scheme contributes in improving service delivery. In this regard, there is need to overcome the prevailing challenges and for the PRIS to be firmly built on an effective PMS, with clear objectives that support organisational goals.

Representations of Federations

- 7.12 In the context of this review exercise, the Federations have, among others, represented that: implementation of PMS must be associated with an obligation on the part of Management to impart training in areas where performance gaps have been identified; PMS should not be linked with the grant of annual increment given the latter is deemed to be a permanent component of the salary; a monitoring committee be set up at the level of every Ministry/Department to gauge the performance of officers to enable the payment of a performance bonus; the non-implementation of the recommendations of the previous PRB Reports has given rise to frustration and demotivation; and the MPSAIR to be the implementing body to look into the effective implementation of the recommendations of the PRB Report. They equally apprised the Bureau that PMS is a tool to assess the performance of employees and identify their weaknesses, if any, and should, therefore, not be used as a form of punitive treatment to withhold the annual increment; and the Performance Appraisal System as an alternative to the Confidential Reporting System has impaired the service especially when it has been placed in the hands of untrained officers.

Submissions of the MPSAIR

- 7.13 The MPSAIR which is responsible to monitor the implementation of PMS in the Public Sector, has on its side submitted that: extension of the PMS at section/unit and organisation level supported by the development of appropriate mechanisms would help in making a big leap in the evaluation of accountability and monitoring of organisational performance; the Ministry is working on the design of reports that could be generated to facilitate, among others, decisions on training/development required by officers; and it has embarked on the computerisation project of the PMS in line with Pillar 7 'Performance' of the Public Sector Business Transformation Strategy.
- 7.14 The Bureau has equally been apprised, among others, that: the introduction of the Executive Performance Management Review (EPMR) has paved the way for the assessment of organisational performance, while aligning both individual and organisational performance; Head of Ministries/Departments needs to lay more emphasis on the performance of their respective organisations by ensuring the

proper and timely filling of the EPMP for onward submission to the Secretary to Cabinet and Head of the Civil Service; and performance indicators used for reporting an organisational performance should also include those being developed in the context of the Transformation Implementation Committees. In addition, the MPSAIR informed that the Public Service Commission (PSC) has reported that considerable delays are caused in the recruitment and promotion exercises given Performance Appraisal Forms (PAFs) and "Report on Fitness for Promotion" are not properly filled or submitted on time; and the Ministry is of the view that a concise and reviewed "Report on Fitness for Promotion" which would reflect performance information retrieved from the PAFs of the officer concerned, for the last three Performance Management Cycles, as well as information on the officer's potential, could alternatively be considered.

- 7.15 As regards PRIS, the MPSAIR remarked that: the salary package comprising basic salary, annual increment, overtime and other allowances already provides incentives to cater for situations where an officer delivers beyond expected level of performance; further individual financial incentives are not advisable as they may be counter-productive at this stage of the PMS implementation/sustenance in the public service; in the absence of proper mechanism to assess organisation/unit/section performance, any proposal for reward would not be implementable; and the 2016 PRB Report proposed a revamp of the Public Service Excellence Award with revised evaluation criteria for rewarding excellence at organisation/group/unit level. The Ministry, therefore, proposed that as a means to recognise officers' excellent performance it would be more appropriate to consider non-monetary incentives.

Observations of the UNDP International Consultancy Team

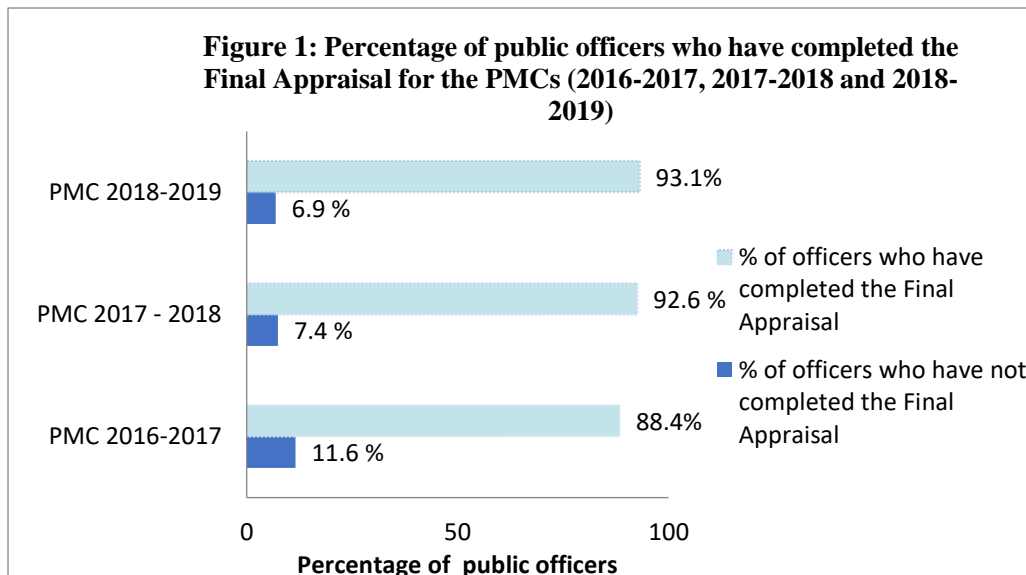
- 7.16 It is also worth highlighting that the MPSAIR referred to the Bureau the study carried out by the UNDP International Consultancy Team as regards the evaluation of PMS in the civil service. They observed, among others, that: PMS will be a futile exercise in the absence of a dedicated person to assess and organise training courses for capacity enhancement; performance appraisal should be made applicable to all the officers irrespective of status and position; evaluation of team performance for staff below junior management level will be more appropriate; this form of evaluation for employees of the Workmen's Group may not be necessary as they can be assessed on general attitude, punctuality, behaviour and the tasks/duties through a dialogue process; and grant of annual increment be linked to performance and sanctions be taken for non-performance by withholding annual increment.
- 7.17 They equally reported that research findings have shown that despite much emphasis being laid on the fact that annual increment is not a right, it is practically granted automatically every year; appraisers tend to inflate ratings to avoid withholding the increment so as not to spoil working relationships and only in exceptional cases increments are withheld. They viewed that in cases of withholding of increments for poor performance, the PSC may establish a panel comprising officers of the parties concerned including the representatives of the MPSAIR to

examine same and clear guidelines on actions against non-performers be put in place.

- 7.18 In addition, the International Consultancy Team opined that: clear orientation and administrative decisions on results have to be taken and communicated to the Ministries; establishment of systems of training and capacity development in accordance with the identified gaps is essential; and classification of identified capacity gaps, analysing the approaches to address the gaps like immediate guidance by the supervisor, providing non-training capacity development interventions like supply of reading material, guidelines, small discussions groups on institutional training, amongst others, are important.
- 7.19 Concerning PRIS, they are of the view that performance rewards other than annual increments and promotions would be a bad financial exercise; granting rewards across the board creates additional financial burden on Government; and in the civil service environment, non-financial rewards like appreciation letters, felicitations through senior officers, international training programmes, among others, could be considered for performers exceeding expectations. Additionally, they considered that the grant of financial reward is not economically viable and would be a bad practice in the civil service; monetary reward is not long-term and loses its motivation effect as it becomes an entitlement; and rewarding Ministries/Departments for implementing PMS would confirm the perception that PMS is a separate activity.

Surveys

- 7.20 To monitor the rate of compliance of Ministries/Departments/Organisations with the PMS process, a survey is carried out at the level of the MPSAIR on a yearly basis. The findings of the performance appraisals carried out across the public sector for the three last Performance Management Cycles (PMCs) are depicted in Figure 1. It is noted that the majority of officers completed the final appraisal with 93.1% for the PMC 2018/19 and the percentage of officers who did not complete the exercise has considerably decreased from 11.6% for PMC 2016/17 to reach 6.9% for PMC 2018/2019. The reasons for non-completion of the final appraisals mainly included new recruits; officers on leave; officers proceeding on pre-retirement leave; officers drawing flat/top salary and officers on tour of service. Moreover, based on the PMS monitoring exercise carried out at the level of the Ministry, it has been reported that 34 officers were not eligible for the grant of the annual increment based on their overall performance score.



7.21 In the context of this Report, the Bureau, on its side, carried out a survey as regards the implementation of PMS in the Public Sector. The findings of the survey have revealed that around 60% of Parastatal Organisations have still not adopted same while a few were in the process of implementing the scheme. The main arguments put forward for the non-implementation of the PMS were, among others, that: no training has been provided on this subject by Management or the parent Ministry; there is no permanent staff on the establishment; there is no head at the HR department; no instruction has been obtained from the parent Ministry to implement PMS; the majority of officers have already reached top salary; and the system was viewed as too lengthy and time consuming.

7.22 The Bureau equally carried out a survey on recommendations made in the 2016 PRB/Addendum Reports which have not been implemented. The MPSAIR in response to the survey, has informed that the recommendations made with regard to PRIS involve many inherent practical difficulties in their implementation owing to the fact that:

- it may jeopardise actual progress made so far in the implementation of PMS and may be counter-productive;
- as a matter of principle, it would not be appropriate for public officers to be paid additional compensation for using any tool designed to improve the level of quality of their service delivery;
- reform initiatives to modernise and improve the efficiency of public service are an integral part of the normal duties of public officers and should not attract additional remuneration;
- if initiatives such as the PMS, ISO Certification Projects, E-Government projects, among others, were to attract additional financial incentives for their implementation, the implications would be substantial and would have an incidence on public finances;
- identification of officers and determining their degree of involvement are tedious;

- officers sustaining the project are very often different from those who originally started its implementation;
- there is risk of over emphasising only those aspects of performance that are rewarded;
- public officers tend to lower performance standards to earn reward;
- such scheme may be right in theory but in practice hard to manage and sustain; and
- the perception of subjectivity and bias may be magnified.

Observations of the Bureau

- 7.23 After carefully examining the proposals of all parties concerned; survey findings and the consultative meetings held with our stakeholders, we view that PMS has taken its roots in the public sector and the MPSAIR is monitoring the system to address any shortcomings or impediments; training is an important aspect of PMS and organisations should address performance gaps through the provision of appropriate training at all levels; grant of annual increment is linked with performance standards based on the performance oriented culture adopted in the public service and cannot be an automatic progression along the salary scale; and withholding of annual increments in the case of employees who are not able to meet the PMS criteria, which exists though rare, acts as a deterrent for complacent and inefficient employees.
- 7.24 Moreover, improved productivity which entails maximizing efficiency, effectiveness and optimum utilization of human resources is a necessary condition to enhance salary. During consultative meetings, there has been a general tendency from different stakeholders to demand higher salaries without convincingly showing, except on motivational grounds, how this would improve performance and productivity. Government as an employer and a manager of the economy needs to ensure a sustainable win-win situation where a salary increase is matched by an increase in performance and productivity of employees which largely offsets the increased cost.
- 7.25 The Bureau lays much emphasis on the imperative need to strengthen the link between remuneration and performance through the Performance Management System, which is in line with Government's vision to encourage and reinforce performance driven remuneration. We also hold that implementation of the PRIS may be subject to an incremental adaptation. This course of action would enable the scheme to operate within the existing framework of public sector organisations with a view to, among others, rewarding meritorious performance, recognising employee's contributions and achievements, and attracting and retaining talents.
- 7.26 In the light of the observations made and considering the decision of the High Powered Committee to re-examine the whole issue of performance reward in view of financial implications and implementation difficulties, we are, in this Report, providing for: the MPSAIR to continue to monitor the PMS in the public sector; digitalisation of the PMS; provision of appropriate training to officers; grant of

annual increment based on performance; and a Standing Committee on Performance/Productivity Related Reward (P/PRR) to examine and consider the implementation of P/PRR based on broad guidelines.

Monitoring of PMS

7.27 The MPSAIR is presently responsible to ensure monitoring of PMS in the public sector such that shortcomings/impediments are identified and necessary measures are taken. We consider that the continued monitoring of the system remains valid to attain the objectives of the PMS.

Recommendation 1

7.28 We recommend that the MPSAIR should:

- (i) continue to ensure the monitoring of PMS in the Public Sector to identify shortcomings or impediments and come up with appropriate measures to address the problems;**
- (ii) closely monitor the work carried out by the PMS Monitoring Committee of Ministries/Departments/Organisations to ensure that all measures are applied as prescribed; and**
- (iii) revisit the PMS process and forms for employees of the Workmen's Group taking into consideration the observations of the UNDP International Consultancy Team that they can be assessed on general attitude, punctuality, behaviour and the tasks/duties through a dialogue process.**

Digitalisation of PMS

7.29 The MPSAIR has submitted that there is an urgent need to review the manual and paper intensive PMS and recommend one which will be digitally enabled for an effective monitoring of the performance of an officer as well as for decision-making.

7.30 It is noteworthy that in our 2013 Report, provision was made for the MPSAIR in collaboration with the Ministry of Information Technology, Communication and Innovation; the Ministry of Finance, Economic Planning and Development and the Bureau to facilitate the automation of PMS across the public sector. Given this provision has not been implemented and considering that an online system would, among others, ensure adherence to the prescribed timeliness in filling up of the Performance Appraisal Forms (PAFs) we are reiterating the digitalisation of the PMS in the public sector.

Recommendation 2

7.31 We recommend that the MPSAIR, in collaboration with the Ministry of Information Technology, Communication and Innovation; Ministry of Finance, Economic Planning and Development and the Pay Research Bureau should formulate appropriate policies to facilitate the digitalisation of PMS across the public service.

Training

- 7.32 The Federations have made representations to provide training to officers in areas where performance gaps have been identified and to train supervisors to carry out the performance appraisal of employees such that the exercise is effective and attains its objectives.
- 7.33 During consultations, the MPSAIR apprised that PAFs used in the public sector have been designed to capture critical information pertaining to performance gaps and training needs of officers and the Ministry is working on the design of reports to facilitate decisions on training and development of officers.
- 7.34 After duly examining the submissions of parties concerned as well as the observations made by the UNDP International Consultancy Team as regards training and capacity development, we view that there is need to provide training to officers concerned to address performance gaps.

Recommendation 3

- 7.35 We recommend that the MPSAIR should monitor that Training Committees of Ministries/Departments/Organisations make the necessary arrangements with the Civil Service College, Mauritius to:**
- (i) mount appropriate training courses for officers at all levels in areas where performance gaps have been identified;**
 - (ii) provide PMS related training to employees who join the public sector to enable them to deliver along the same lines as their fellow colleagues; and**
 - (iii) ensure that Supervisors/Heads of Departments/Units/Sections are trained on the carrying out of the performance evaluation exercise of employees on their performance against established criteria.**

Grant of Annual Increment

- 7.36 In our 2016 report, we provided for the grant of annual increment to be based on performance, which we consider to be appropriate.

Recommendation 4

- 7.37 We recommend that:**
- (i) annual salary increments should continue to be awarded after taking into consideration efficiency, diligence, commitment including availability and regularity of employees at work and based on open and recorded performance assessment ratings; and**
 - (ii) no increment shall be earned in case an officer is unfavourably reported upon.**

Standing Committee on Performance/Productivity Related Reward

- 7.38 Provisions exist in the 2016 Report for a Standing Committee on Performance/Productivity Related Reward (P/PRR) under the chairmanship of the MPSAIR to examine and consider proposals on P/PRR submitted by organisations.
- 7.39 In its submissions for this review exercise, the MPSAIR apprised the Bureau of the numerous practical difficulties encountered in the implementation of P/PRR in the public sector and proposed instead the grant of non-monetary incentives. These difficulties were equally captured in the survey carried out by the Bureau on recommendations made in the last Report which have not been implemented. The UNDP International Consultancy Team on their side expressed concerns on the incentive scheme which is not economically viable. Implementation of P/PRR was also deliberated at the level of the High Powered Committee and the latter decided that considering the financial implications and implementation difficulties, the Bureau needs to re-examine the whole issue of performance reward.
- 7.40 The next step after the implementation of a PMS that has proved to be successfully working is the grant of reward where we consider that there is need for firm provisions. The submissions of our stakeholders have been examined and the Bureau views that despite the potential implementation difficulties of PRIS and owing to the fact that the PMS has taken its roots in the public sector, recognition for good effort and achievement through a performance incentive scheme (monetary or non-monetary), would foster high performance cultures in the public sector and would encourage greater level of employee motivation and commitment.
- 7.41 In pursuance of the MPSAIR's proposals, we consider that introduction of P/PRR should be gradual and subject to an incremental adaptation to allow for a smoother operationalisation of the scheme in the existing framework.
- 7.42 Against this backdrop we are providing for the Standing Committee on P/PRR to adhere to the following **broad guidelines**, based on best practices implemented in many countries with a view to facilitating the implementation of PRIS in the Public Sector:
- (i) evolve a proper criteria to measure performance along with setting a context where individual and organisational goals are clearly aligned;
 - (ii) translate the vision and mission of Ministries/Organisations into a set of strategic objectives for each department and they be cascaded by the head of department to the subordinates and down the hierarchy;
 - (iii) devise a performance appraisal system in which the objectives of the appraisal system match with that of the reward system;
 - (iv) the P/PRR must be simple, transparent and easy to implement;
 - (v) P/PRR must be smart and effective in rewarding excellence and in managing poor performers in a targeted manner;

- (vi) define the objectives of the scheme and communicate its purpose to officers for transparency;
- (vii) base individual performance measures on the Performance Appraisal Report or specific result agreements while organisational performance to be focussed on institutional goals derived from results agreements for the whole organisation;
- (viii) implement P/PRR framework consistently across organisations with enough discretion/autonomy to design context specific criteria, targets and indicators to allow all employees to be evaluated fairly;
- (ix) provide proper training and capacity development to officers before launching the scheme;
- (x) train supervisors in rating performance so that they can provide honest and ongoing feedback on performance and have the ability to differentiate between varying levels of performance;
- (xi) careful monitoring of ratings and rewards to ensure that these are consistently and equitably applied; and
- (xii) the incentive scheme whether individual or group to be a variable non-additive and non-cumulative component of pay (for example, a non-pensionable one-off Performance/Productivity bonus given at the end of the year as one-time incentive for the particular period or consideration for re-employment under schemes or contract after retirement where needed, among others)

AND/OR

contemplate grant of non-financial rewards (for example, awards, certification of recognition, medals, appreciation letters, felicitation, short term international training, among others) to compensate high-performing officers.

7.43 Pursuant to the foregoing, we are making appropriate recommendations to enable an effective implementation of P/PRR in the public sector while maintaining the Standing Committee on P/PRR.

Recommendation 5

7.44 We recommend that the Standing Committee on Performance/Productivity Related Reward (P/PRR) set up under the Chairmanship of the Supervising Officer of the MPSAIR and comprising representatives of the Ministry of Finance, Economic Planning and Development and the Pay Research Bureau should develop an appropriate P/PRR scheme for all categories of employees of the public sector, based on the broad guidelines enumerated above.

7.45 We also recommend that the implementation of the P/PRR should in the first instance, be carried out on a pilot basis in a few Ministries/Departments/Organisations. Any shortcoming or impediment identified should be communicated to the Standing Committee on P/PRR which should take appropriate measures to resolve them.

7.46 We additionally recommend that the implementation of P/PRR should subsume the specific provision regarding performance in the Disciplined Forces and any P/PRR should be a function of affordability.

Implementation of Recommendations on PMS and PRIS

7.47 The recommendations made under this Chapter with regard to PMS and PRIS should equally apply to Parastatal Organisations; Local Authorities; the Rodrigues Regional Assembly; and Private Secondary Schools.

