

## PERFORMANCE MANAGEMENT OF EMPLOEES IN PUBLIC ADMINISTRATION OF LATVIA AND OPPORTUNITIES FOR ITS IMPROVEMENT

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### Abstract

The purpose of this article is to present main results of the research that was carried out in the public sector of Latvia on existing practice of performance management. Changes required in the system and competencies of employees and managers in the public sector as well as suggestions are proposed for its improvement either in Latvia or in other countries with similar history.

**Methodology and approach** – The research data was gathered using the method of structured individual interviews, as well as electronic online survey. The basic elements of performance management system were examined (e.g. goal setting, performance evaluation, connection with other human resource management process like development and reward) to find out the main deficiencies of existing practice and to formulate suggestions for improvement.

**Findings** – The research revealed that there are two kinds of drawbacks within the existing system:

- contextual drawbacks (e.g., performance criteria an rating scale);
- implementation drawbacks (proficiency of managers, rating inflation).

**Practical implications** – The results and main findings of the research will be taken as a basis for performance management system improvement project, planned to be implemented during 2011.

**Originality/value** -- The research and the following project represent a unique scientific and practical activity within public administration of Latvia. It is highly important to the enhancement of efficiency and effectiveness of Latvian public administration and its management.

**Keywords:** performance management, human resources, public administration, performance criteria, remuneration.

### Introduction

The individual performance assessment of employees in the Latvian public administration was started in 2001, when together with the new Law of State Civil Service coming into effect a requirement was introduced to carry out annual performance assessment of civil servants [1]. The aim of the performance management system was to facilitate professional development of civil servants, to encourage self-development and develop communication between line managers, to determine training and career development needs of civil servants, in order to improve and advance performance of civil servants in achieving the aims of organisation and implementing functions [5]. It was not planned then that assessment results will be linked to pay system.

In 2007, when the new pay system was introduced in public administration, defining an individual pay level, it was linked to assessment without reviewing assessment criteria, which originally were elaborated for performance assessment of civil servants (around 12 000 employees), whereas the new pay system was applied to much wider scope of employees, who were implementing much more diverse functions than civil servants (initially approximately 65 000 employees, now - approximately 38 000 employees) [4].

In order to clarify the problems of employee performance management system in the Latvian public administration and to elaborate recommendations on its improvement, the authors carried out the research in January and February 2011 [6; 7]. The main results, conclusions and recommendations are summarised in this article.

## Research methodology

### The aim of the research

The aims of the research were the following:

- to identify the development of existing performance management system and possible problems in the aspects concerning the:
  - individual performance;
  - quality of management;
  - quality of performance assessment interviews;
  - components of performance management system and assessment criteria.
- to clarify what requirements are put forward to public administration employees by their senior management and stakeholders: political management, members of parliament, social partners, supervising institutions and analysts specialising in public administration operation;
- on the basis of summarised information, to formulate recommendations on improvement of performance management system.

### Methods used

In order to achieve the aims of the research the following methods were used:

- Opinion survey of employees. The survey was carried out electronically by sending the internet link to divisions of personnel management of ministries, which sent it further to employees of the ministries and subordinate institutions. 1521 fully completed questionnaires were received and analysed [6].
- Structured interviews with senior managers of public administration institutions. Senior managers of all ministries and State Chancellery, as well as 5 subordinate institutions were interviewed, 19 interviews in total [7].
- Structured interviews with employees dealing with human resources policy planning issues of public administration. Officials responsible for the human resource policy planning were interviewed, 4 interviews in total [7];
- Structured interviews with stakeholders. The representatives of organisations, which are related to public administration as supervising institutions, co-operation partners or analysts (further in the text - stakeholders), (representatives of the Prime Minister's Office, Employers' Confederation of Latvia, Chamber of Trade and Commerce of Latvia, Free Trade Union Confederation of Latvia, University of Latvia, Parliament, Commission of Strategic Analyses of the President of Latvia, Society for Transparency "Delna", State Audit Office, Ombudsman and Latvian Association of Local Governments) 11 interviews in total [7];
- Focus group discussion with State Secretaries (administrative heads of ministries) at a state secretary meeting [7];
- Focus group discussion with managers of personnel divisions of ministries at the meeting of personnel managers [7].

### The research results

Research results show that the performance management system in force has several drawbacks, which can be subdivided in two groups:

- *contextual drawbacks*. They are related to the system structure, its elements – assessment criteria and their relative importance (weight) in determining the total evaluation rating, as well as a linkage of evaluation results with the pay system. The following contextual drawbacks can be distinguished:
  - incomplete evaluation criteria: there is an evaluation of tasks and competencies, but part of job responsibilities are routine recurrent works;
  - “universal” competence model for all job families (groups): there is an evaluation of common competencies for all, but specific competencies, which differentiate job families, are ignored;
  - questionable link between performance assessment rating and pay, which stimulates a tendency to determine the highest ratings.
- *implementation drawbacks*. They are related to the way, how the present system is implemented in practise in personnel management in different institutions of public administration, how managers

carry out performance evaluation and appraisal interviews, as well as how performance evaluation ratings are determined according to the set standards. The following implementation drawbacks can be distinguished:

- offset of evaluation scale – too high share of highest ratings;
- differences of evaluation practice and requirements among institutions – frequently observed formal approach, emphasis on determination of ratings and not on analyses of performance;
- low level of managerial skills;
- use of commissions when carrying out appraisal interviews;
- lack of training programmes and methodological material on the role of managers in managing employee performance.

### The analysis of contextual drawbacks

- Incomplete evaluation criteria

When analysing viewpoints from survey and interviews, it can be concluded, that it is necessary to review evaluation criteria in order to ensure valuable and comprehensive analyses of work performance. The criteria used in the present system are evaluation of previously set tasks and competencies, the majority of which are behavioural competencies and only one competency refers to professional knowledge. The representative comments from employees, which confirm that, are the following: [6 (not available for public view)]:

- *“Additional criteria should be included, which reflect better individual performance of each employee with regard to tasks to be performed”;*
- *“Too much emphasis on personality and skills, but not on work results”;*
- *“Professional competence could be subdivided in more detail and it should account for at least 50% from a total evaluation”.*

It can be said that the analysis of performance in present system is not sufficient, because not all of the responsibilities performed by employees can be defined in a form of tasks for specific term, and tasks which are of routine character or have to be performed on regular basis are ignored in the system. In Figure 1 the views of employees on what additional criteria should be assessed in annual performance assessment are reflected. The majority of respondents believes that it is necessary to elaborate additional competences, but 40% thinks that assessment criteria should be supplemented with assessment of job qualification requirements and required quality standards of the job [6].

#### What additional aspects of performance should be evaluated?

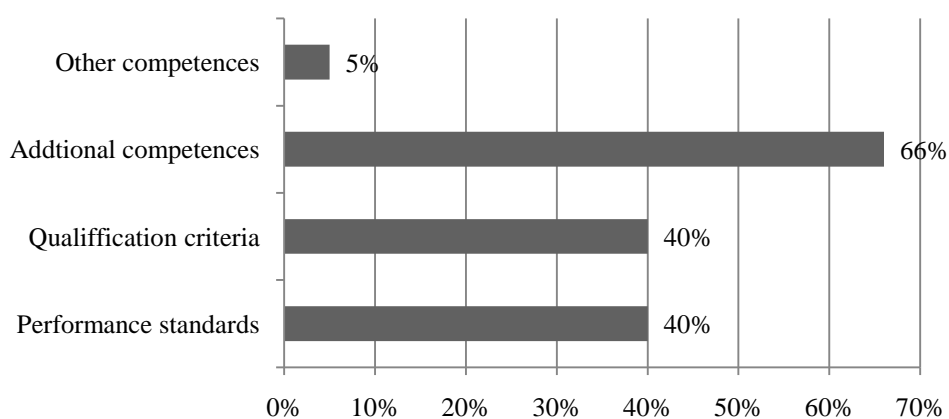


Figure 1. Results of employee survey.  
Distribution of additional performance aspects that needs to be evaluated.

- “Universal” competency model

Within the existing performance evaluation system, annual performance assessment covers 38 000 employees from 52 job families [3], but all employees are assessed against the same competencies (in addition managers get assessment on personnel management competency). Employee survey shows that it is necessary to significantly increase the amount of competencies to be assessed and adjust them to the requirements of specific job family groups. In order to find out, which competencies are essential at present

moment and which ones will be important in future - at interviews and in the survey, the competencies' list consisting of 26 most widespread competence titles was used. Employees estimated the importance of these competencies at their job, but managers, human resources policy planners and stakeholders pointed out 7 the most important competencies today and in future. The assessment of importance of competencies given by the employees is shown in Figure 2. It demonstrates that all the competencies included in the list are very important at least for the part of jobs in public administration, and the competency, which is very important for most of interviewed employees, is „Accuracy”. The survey results allow distinguishing, which competencies are more important to certain job family groups [6].

### Evaluation of importance of competencies

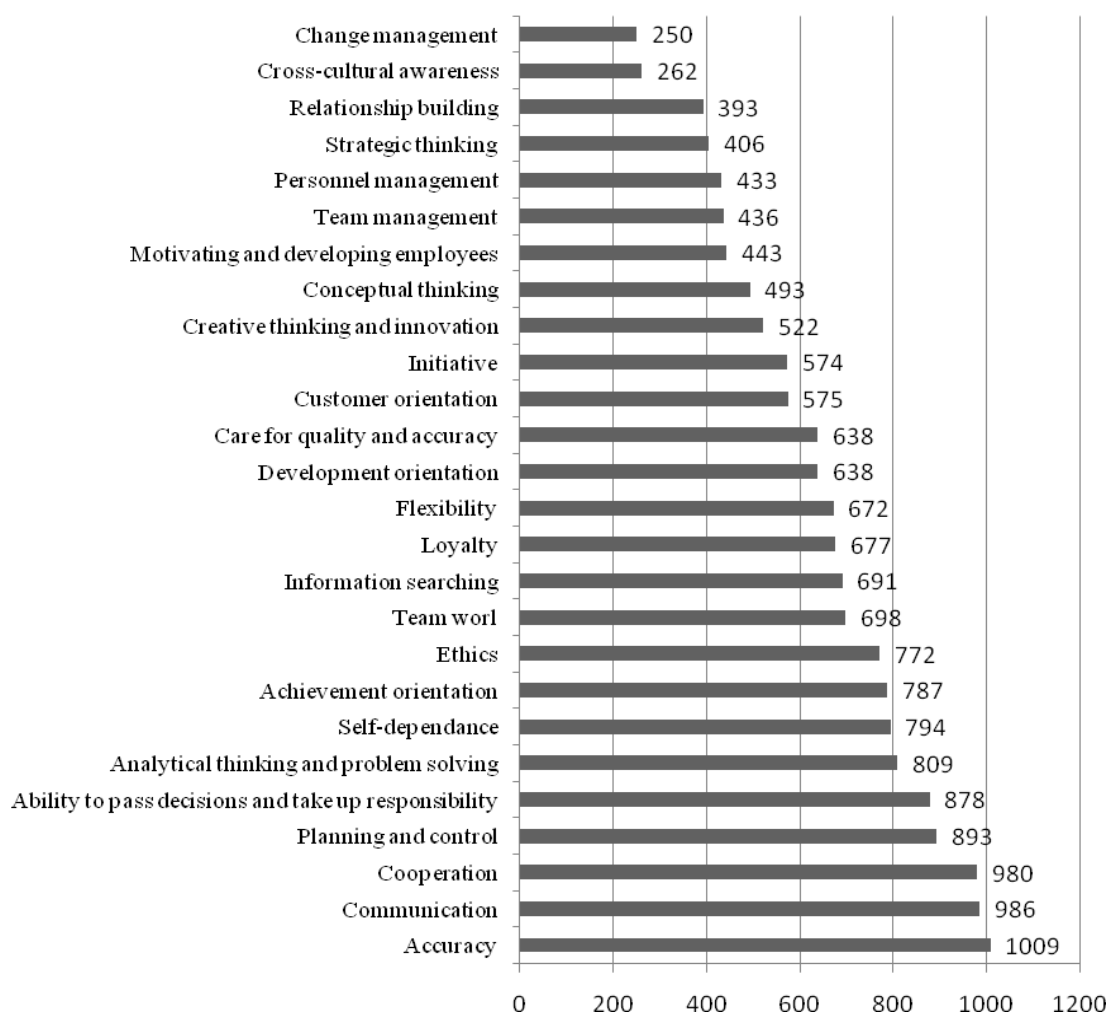


Figure 2. Results of employee survey.

The number of respondents, who identified the competency as very important.

The most important competencies in public administration in accordance with the evaluation by senior lever managers, human resource policy planners and stakeholders are summarised in Table 1. When comparing the views, it can be observed, that senior level managers and human resource policy planners consider different aspects of management skills as most actual ones at the present moment, whereas stakeholders think that the most important competencies are „Achievement”, „Customer orientation”, „Analytical thinking” and planning skills. In turn, those, who assessed competencies important in future context, named „Ethics” as an important competence, but such competencies as „Ability to pass decisions and take up responsibility”, „Planning and control”, „Communication”, „Analytical thinking and problem solving” and „Personnel management skills” are the most important only in view of the senior level managers [7].

Within the present system, the rating of performance determines 23% of the total amount of an employee's monthly salary [2; 4]. The performance assessment rating (on the scale A, B, C, D, E) is used in

the formula of individual monthly salary [4]. The majority of interviewed persons regard the link between pay and assessment as not motivating and think it has to be reviewed [6; 7].

Table 1

**Most important actual and future competencies in public administration**

View of senior level managers and human resource policy planners	View of stakeholders
<b>The most important competencies at present moment</b>	
<ul style="list-style-type: none"> <li>• Ability to pass decisions and take up responsibility</li> <li>• Strategic thinking</li> <li>• Planning and control</li> <li>• Communication</li> <li>• Personnel management skills</li> <li>• Achievement</li> <li>• Analytical thinking, problem solving</li> <li>• Change management</li> </ul>	<ul style="list-style-type: none"> <li>• Achievement</li> <li>• Analytical thinking, problem solving</li> <li>• Cooperation</li> <li>• Planning and control</li> <li>• Ability to pass decisions and take up responsibility</li> <li>• Strategic thinking</li> <li>• Customer orientation</li> <li>• Team working</li> </ul>
<b>The most important competencies in future</b>	
<ul style="list-style-type: none"> <li>• Strategic thinking</li> <li>• Ability to pass decisions and take up responsibility</li> <li>• Planning and control</li> <li>• Communication</li> <li>• Analytical thinking, problem solving</li> <li>• Personnel management skills</li> <li>• Achievement</li> <li>• Customer orientation</li> <li>• Team working</li> <li>• Flexibility</li> <li>• Creative thinking and innovation</li> </ul>	<ul style="list-style-type: none"> <li>• Achievement</li> <li>• Development orientation</li> <li>• Strategic thinking</li> <li>• Team working</li> <li>• Creative thinking and innovation</li> <li>• Customer orientation</li> <li>• Ethics</li> </ul>

- Questionable link between performance assessment rating and pay.

**The analysis of implementation drawbacks**

In general, the implementation drawbacks, which are revealed by the survey and interviews, indicate that at present the system does not reach the goals it was initially created for. It can be stated that the performance management system is now used mainly for determining individual salary level. Although there are institutions, where the annual performance assessment interviews are used for development and motivation of employees, bearing in mind the economic downturn, when there was a significant decrease in possibilities for institutions to find means for employee development, the motivating potential of performance analysis and assessment is used at a minimum. Still, the linkage between remuneration and assessment results is not perceived as motivating by more than 40% of the interviewed public administration representatives [6].

Although in its creation process, the system was targeted at improvement of performance quality, the evaluation is critical in this area too. 52% of the survey participants do not agree with the statement that the performance evaluation system helps to ensure high performance quality in public administration [6].

Comments provided by the employees indicate that „...performance appraisal does not stipulate improvement of quality, especially at a moment, when after reductions of staff there is an increase of work load” [6 (not available for public view)]. Thus, when evaluating opinions of employees and interview results, not only the present performance evaluation system should be analysed, but also the changes in public sector which happened as a result of economic downturn and their potential impact on work of managers, employee motivation and attitude towards performance assessment and determination of pay.

**The impact of recent change management process in public administration on opportunities to introduce new management tools**

The public sector in Latvia has undergone a significant process of change during the 3 recent years. The crisis period required to implement a range of measures with the aim to decrease the public sector

expenditures and increase efficiency of public administration. The main activities implemented by the public sector were significant cuts of salaries of public sector employees, redundancies and restructuring.

The change process took place in a very short period of time with significant pressure from stakeholders and media.

It was pointed out by the interviewed respondents that managers very often lacked information passed by the senior management teams, which resulted in sometimes very hectic process of managing change without proper tools and communication.

This fast, chaotic, not properly implemented change management process and threats of potential further redundancies in public administration in many cases created such disbenefits as:

- significant decrease of employees' motivation, increased work load;
- "brain drain" from public administration;
- due to badly planned and managed restructurings, the threat of decrease of the quality of public services;
- public administration has lost the image of good employer;
- the lack of stability does not allow for efforts to increase productivity – the main idea is to "survive";
- due to the intense attention from the side of society and media, public administration is reluctant to introduce tools of good management practice as, for example, the performance related pay.

At the same time, there were some benefits of the rapid changes, for instance:

- necessity to implement radical changes, which in normal circumstances would take very long time;
- large scale measures to ensure revision of resource planning and savings;
- decreased number of public sector employees;
- restructurings, which allowed for getting rid of employees with low performance results;
- increase of transparency with regard to public sector expenditures.

Although these benefits are important, the common message among the interviewed respondents was: *"there were opportunities missed and change process could have produced much more significant results"* [7].

Another significant problem was too much time and effort spent on revision of functions, which did not provide the expected results with respect to savings. It has resulted in the situation, when the reduced staff has to cope with the same amount of "production" of legal acts and document processing.

In such situation, employees and middle level managers are not very motivated to come up with new initiatives or introduce new management tools, even if they agree it is necessary to.

### **Conclusions and recommendations**

According to the data obtained as a result of the employee survey, the most essential aspect, which has to be improved in the performance management system, is the link between performance assessment and pay (Figure 3). This result largely reflects the fact that the system mainly operates as a tool for determination of the individual pay level. However, planning of training and professional development is one of the constituencies, the improvement of which should be prioritised. The system, in turn, has a potential for improvement of performance quality, which is not utilised at the moment [6].

The performance evaluation system at present is not achieving those aims it was initially created for. It can be explained by the contextual drawbacks which characterise the present system, but also by a pattern, how the system is implemented in practice in everyday personal management of institutions and a way, how managers use this management tool. Therefore, in order to correct the system's faults and to facilitate more successful operation of the system, it is necessary to make essential improvements in the system itself and in the way of its implementation.

In order to ensure contextual improvements of the system, it can be suggested:

- to elaborate specific guidelines on defining and measuring performance results, paying particular attention to defining and assessing the individual performance results. When elaborating the guidelines, the specific character of intellectual work should be taken into account;
- for jobs which are of a recurrent nature, evaluation of performance of job responsibilities should be made aligned with the standards (quality requirements);
- to replace the criterion "Professional knowledge" with criterion "Professional qualification", by including it into the assessment parameters of education, professional experience, professional and general skills. To determine higher proportion of weight of this criterion in the total performance rating;

- to elaborate the competency dictionary, incorporating all competencies essential for public administration at the present moment and in future;
- to establish opportunity for institutions to create independent competency models (combinations of competencies), which corresponds to specific requirements of jobs in these institutions;
- to develop competency descriptions in the way, which ensures unified approach to the evaluation - to describe 4-5 levels of expression for each competency;
- a special attention should be paid to elaboration of competencies for managers of different levels, in order to facilitate development of managerial and leadership skills within public administration;
- evaluation of performance results should be linked to the variable part of remuneration (bonus system) and the basic part should be detached from ratings.

**What aspects of the existing performance appraisal system should be improved?**

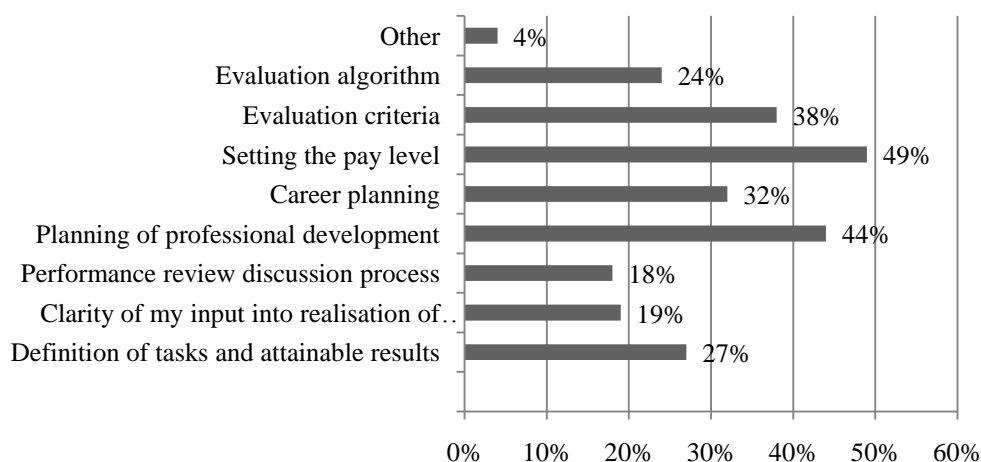


Figure 3: Results of employee survey

Opinion of employees on aspects of performance evaluation system that need to be improved.

While in order to ensure the valuable system's introduction, it can be suggested:

- to organise comprehensive training for managers and employees on performance management planning and evaluation, while paying special attention to requirements of management of intellectual employees;
- to elaborate IT tools for planning and evaluation of performance (while retaining annual performance assessment interviews) in order to reduce the time spent by employees and managers on performance planning and assessment and to ensure possibility to create online reports on performance and evaluation results;
- to introduce a moderation process for assessment results and elements of 360 degree evaluation in order to ensure that distribution of assessment ratings correspond to normal distribution curve and provides more objective evaluation results.

When implementing the changes, it is important to be aware that the established evaluation practice is stably rooted; therefore, the solution will take time and will require more resources than the solution of contextual problems to be implemented. It may be said that there is a need for a new management culture within the Latvian public administration, but changes of organisation culture is a time-consuming process. At the same time, it is one of the most important preconditions to achieve real improvements of performance quality in future.

Considering the experience with the latest crisis that provoked the change process, while introducing the change into performance management system, it is crucial to provide support and training to managers and employees, when starting to introduce the new performance management system. Even more important is to have a gradual introduction of the system with pilot phases and having no link into the pay system at least for one year. It is very essential especially at the present moment, when employees can perceive introduction of any new managerial system as yet another tool for the next wave of cuts or radical changes.

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