

PERFORMANCE MANAGEMENT AND REWARD SYSTEMS

This discussion paper was written for the Departmental Staff Council in 2005. The paper pre-dates the current FC People Strategy and the recent general agreements on pay.

Introduction

1. The purpose of this paper is to generate discussion by offering a few ideas on the way forward with performance management and performance related pay systems.
2. In recent years the FCTU have written a number of papers both highlighting issues with the PMS and PRP systems as well as offering detailed suggestions on how they might be improved; and even though both systems have evolved significantly in recent years many of those issues and suggestions remain relevant. This short paper does not attempt to cover this ground again nor to provide a comprehensive blueprint for a new performance management and reward system, but rather offers suggestions on some of the key issues.

FCTU position on performance and reward systems

3. Over the last few years feedback from the staff survey, the annual reviews of PMS statistics, the equal pay audit, and the unions' pay workshops has told us that the majority of staff support the principles of the current PMS system. The unions believe that it is important that individuals;
 - a) have a shared understanding with their line managers of what is expected of them,
 - b) that they understand how their jobs fit into the overall objectives of their unit and the FC,
 - c) that they have objective and timely feedback on their performance,
 - d) that they feel that their contribution to the organisation is recognised and valued,
 - e) and they are supported in any development needs.
4. Consequently the FCTU recognises the importance of a PMS system, and supports many aspects of the system currently in place.
5. Feedback from the evidence bases mentioned above also indicates that the majority of staff support the principle of a link between performance and reward, but that they do not believe that the current system provides a fair link. Additionally many opine that it does not motivate them to improve performance; and those that manage staff do not believe that the system supports their efforts to deliver business objectives. Consequently whilst the FCTU are strongly opposed to the current performance related pay system¹ we do not have a difficulty with a link between performance and reward.

¹ Our paper to the Staff Council in December 2003 provides further details of our concerns regarding the current PRP system.

Key issues

6. Improving Business Delivery. One of the main difficulties with the current PMS system is that it does not provide a clear link between individual performance targets and overall business goals. This is particularly the case with regards to qualitative organisational goals such as promoting key competencies and good behavioural styles, particularly in areas such as leadership and team skills. Another concern is that the lack of either an HR strategy or an effective learning strategy means that the PMS system is unable to support the development of staff to deliver future business models.
7. Motivating and Developing Staff. One of the key aims of the PMS system is to motivate staff to improve their own performance. However the evidence from staff surveys and the unions' pay workshops is that the PMS system is not delivering on this aim, with many staff believing that the PMS system adds little value and that the current bonus system is unfair and largely inaccessible to staff in lower pay bands. (It is the FCTUs strongly held view that any potential motivational benefit from the payment of bonuses is more than cancelled out if these are at the expense of basic progression and inflation pay rises.) Additionally there is a tendency for end of year reviews to focus on pay rather than development, with little use being made of personal development plans.
8. Supporting Managers. Feedback suggests that many managers perceive both PMS and PRP to be bureaucratic systems that do not aide the management of their teams. Consequently some managers pay little more than lip-service to the systems, with FJPs and performance reviews being completed late or not at all. One of the key concerns is that the PMS system does not help managers to address poor performance and that as a result many performance concerns go unaddressed.

Some ideas on the way forward

9. If the PMS system is to deliver on the key areas of improving business delivery, motivating and developing staff and supporting managers then it will need to:
 - a) Provide staff with clear guidance on the goals and behaviours which they are expected to deliver.
 - b) Be clearly linked to the priorities of current and future business models.
 - c) Have a clear focus on staff development, rather than bonus payments.
 - d) Have a fairer and more inclusive link between performance and reward.
 - e) Help managers to manage with a clearer focus on teamwork, improving skills and managing poor performance.

Aligning PMS to business goals

10. At present FJPs start with a short purpose for the job and then launch directly into key work areas and tasks. However a more meaningful link could be made with to higher level business goals if we adopted the 'two levels up' approach to cascading priorities and goals. For example if a member of a district harvesting team were given a short overview of the main priorities for the district and the important goals for the harvesting unit, then their FJP could be developed in a more meaningful context. If these priorities and goals were derived directly from unit business and training plans and the process of

looking two levels up were replicated throughout the organisation, then there should be a clear link from individual performance targets right through to organisational level goals.

11. The system would benefit from more overt support from senior managers who should be seen to lead by example in good implementation of the system.
12. In order that the PMS system can help to develop staff to deliver future business needs it will be important that the forthcoming HR strategy has clear links to long-term business plans and to a high level learning strategy, and be expressed in a manner that can be easily cascaded down to individual needs.

Motivating and Developing Staff

13. The focus of the PMS system needs to be moved away from bonus payments, and towards staff development. Some changes which might help to achieve this are:
 - a) The separation of any reward assessment from the end of year performance assessment process. The aim of the end of year review should be to update individual goals in line with the next year's business plan and to agree any training or development needs. The process of assessing reward should be done separately and possibly on a different cycle.
 - b) The integration of the personal development plan and the forward job plan, would provide a more natural flow from; business goals, to FJP, to performance assessment, to development needs.
 - c) By separating the performance and reward assessments it might be possible to do away entirely with an overall end of year 'mark'. Instead the performance assessment could concentrate on four or five main outcomes, which could include key competencies and behaviours. (Doing away with a single end of year mark should also help to remove the temptation to focus on success (FE) or failure (NFE), and avoid the red-herring of how many performance 'boxes' the system needs to have.)
 - d) We need to be more imaginative in developing a flexible and meaningful reward system. Rewards could be given to both individuals and teams and could be done through nomination by managers, peers or other stakeholders.
 - e) Consideration should be given to trialling the use of 360° feedback in both performance and reward assessments.

Supporting Managers

14. Staff management and performance assessment requires a particular set of skills which managers and staff may have difficulty developing except through trial and error. If we are serious about developing these skills then attendance at either VSPC and/or coaching and feedback courses should be mandatory for all staff.
15. When an individual disagrees with their performance assessment the current mechanism is for them to request a meeting with their countersigning officer. In these circumstances we should consider giving the CO more of a facilitation and mediation role and less one of an appeals authority.

16. Regional HR staff should have a higher profile in providing support to managers and staff throughout the PMS process.
17. If managers and staff are to see the PMS and reward systems as tools which support their efforts to improve delivery, then we need to develop a system based around their needs, and as many staff as possible must be able to input into the development of any changes.

Conclusion

18. Over the last few years many incremental changes have been made to the PMS and PRP systems with little apparent benefit, and to the annoyance of many staff who have sometimes just got to grips with the system in time to see them change. Based on this track record it seems unlikely that any further 'tinkering' with the system will result in significant benefit, and consequently it may be sensible to either accept the current system with all its weaknesses or be prepared to countenance a radical rethink.
19. Much of the scope for developing a more useful performance and reward system is limited by factors such as government policy and other business systems that are out with the control of HR policy staff. Therefore if we are to develop a performance & reward system which is aligned to the needs of staff, managers and the business, then a key role for the Executive Board to push back some of the boundaries and provide a fresh context in which the system can be developed and operated.

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