Motivational Tools in Civil Service

GUIDEBOOK on best practices (Finland, Germany, Sweden)
Motivational Tools in Civil Service

GUIDEBOOK

on best practices
(Finland, Germany, Sweden)

Warsaw, 2009
Editors: Manfred Späth and Izabela Najda-Jędrzejewska

Published by: Chancellery of the Prime Minister of the Republic of Poland

Transition Facility PL2006/IB/OT/03/TL
Improvement of the motivational system in the Polish civil service

Publication issued within the framework of the project “Improvement of the motivational system in the Polish civil service” financed by European Union (Transition Facility 2006) and the Polish State budget.

The views expressed in the publication are the views of the authors and do not necessarily reflect the views or policies of the European Union.

© Chancellery of the Prime Minister

Print:

Taurus Doradztwo i Reklama
44-100 Gliwice, ul. Wincentego Pola 16
www.taurus-reklama.pl
FINLAND

1. Finnish civil service system
   1.1 General
   1.2 The legal status of Civil Servants
   1.3 Recruitment and career policy

2. Pay system of state administrations
   2.1 General
   2.2 Performance related pay

3. Best practices of Finland
   3.1 General remarks
     3.1.1 Selected best practice cases – the administrations
     3.1.2 Division of competence – decentralized pay policy and competence
     3.1.3 Dispute settlement procedures
   3.2 The performance related pay
     3.2.1 The PRP in the National Board of Patents and Registration
     3.2.2 The PRP in the Finnish Vehicle Administration
     3.3.1 The RBR system of the National Board of Patents and Registration

4. Experiences of the state administrations
   4.1 General
   4.2 Strengths

5. Lessons learned
   5.1 Key elements of the performance based pay component
   5.2 Introduction and the appliance of the system
   5.3 Realization of the system and the component

GERMANY

1. Findings concerning motivation
2. Legal obligations
3. Public authority culture and values
4. Change management
   4.1 Government programmes
   4.2 Implementation in the Federal Office of Administration
   4.3 Motivational factor – staff participation and creation of Corporate Identity
FOREWORD

In 2008, amidst heightening international exchange of experience between public administrations of EU member states, the Polish government initiated a project entitled “Improvement of the Motivational System in the Polish Civil Service”. The contract for this EU-sponsored “Twinning Light Project”, initially approved for a six-month run, was awarded to the German Federal Office for Public Administration which serves as coordinator of this effort on behalf of the Federal Ministry of the Interior. Since February of this year and within the framework of the project component which addresses structural requirements impacting motivation in the public sector, 2 workshops in Warsaw and 3 study visits to Finland, Germany and Sweden have been conducted involving experts from the Chancellery of the Prime Minister and the Finance Ministry as well as experts from the participating countries. The aim of these measures was to cull and review information concerning the given general framework of financial and non-financial motivational incentives as well as providing actual case examples.

This guidebook is a result of these findings. It illustrates how reform strategies, incentive systems and administrative procedures are developed that have contributed to sustainably enhancing motivation in the public service.

These examples represent “best practice” in the sense that they have proven consistently successful within the given framework of the day-to-day workplace in the civil service. Their description concentrates particularly upon problems concerning implementation within the specific framework of individual administrations. What has been accrued through these experiences is summarized in a concluding overview of options and workable recommendations.

The contributors to the guidebook are well aware of the fact that the examples presented illustrate only elements of the national administrative structures. They all share the conviction that the public service in each country is shaped by diverse traditions, requirements and reform concepts. They have attempted to provide concrete and practice-oriented insights within the brief time allowance afforded. Should these facts and the interpretation thereof help towards developing and improving the motivational system in the Polish civil service, the guidebook will have fulfilled its purpose.
FINLAND
1. FINNISH CIVIL SERVICE SYSTEM

1.1 GENERAL

Office for the Government as Employer represents the state as employer on central level. The Office is a department of the Ministry of Finance. The Office is responsible for the defining and coordinating the Government’s general employer policy as well as the Government’s joint personnel policy.

The number of personnel in state administration (also the personnel within the state pay system) is 123 000.

It is also important to underline that municipalities and municipal administration (schools, hospitals, social security sector etc.) is not a part of the state administration but an independent institutional organization.

About 70% of the state personnel are professional staff about 30% being support staff. The vast majority (80%) of staff is civil servants having the authority to execute public power. About 20% of staff are contract employees mainly hired for (for instance) universities as researchers or defence forces as service or maintenance jobs.

1.2 THE LEGAL STATUS OF CIVIL SERVANTS

State civil servants act lays grounds for the legal status. The aim of the act is to ensure the efficient and appropriate performance of State duties while also meeting the legal protection requirements. The act covers all types of Civil Service. Civil service is based on administrative appointment in an office.

The fundamental duties of a civil servant are defined in law and other statutes and include a civil servant’s obligation to perform his duties properly and without delay and to follow the orders of his superiors.

A civil servant may not demand, accept or receive any financial or other advantage if this may reduce confidence in him or in an authority. This is also punishable by Crime Law.

The tasks of a civil servant are defined and ordered by the employer (administration in concerned).

Before appointment a vacant post must be declared open in public. Everybody who meets the requirements for the office can apply and according to the Constitution the best person must be appointed. The best person is judged by two major criteria, which are skill (education, personal skills etc) and ability (leadership ability, other abilities). In highest offices before appointment the person must give account of business activities and other relations and commitments.

The terms of civil service are based on collective agreements mainly agreed on central level. However the pay systems, which are administration specific (the major pay components as well as other essential features however are common) are negotiated and agreed on the administration level.

Civil services can be terminated under the following conditions and circumstances: 1) economic reasons; 2) diminishing number of tasks of the person or organisation; and/or 3) personal reasons (relations with person in question).

A civil servant must retire at 68 years age.
1.3 RECRUITMENT AND CAREER POLICY

At entering into the civil service, staff expect to have a long-term contract, but not a life-time contract. The average time in service is 12 years and about 50% remain in service throughout their career. However, nowadays staff move out faster, after 5 – 10 years, but usually continue in state employment.

Usually staff get from the start a short-term or a long-term contract. Short-term contracts are allowed only on specific grounds. A short-term contract can be changed if the employer considers it useful or necessary to modify it to an indefinite contract.

Offices are filled by direct recruitment. The tasks of a civil servant or contract employee can however be and are mainly changed within the same post. The essential change in the task entirety of a person can result as a pay rise (or reduction) according the pay system (section 2). Tasks/jobs are filled on the basis of competence. Thus progression from one level to the next can be based either on an application to a job vacancy or to major changes to the job description and to performance.

There are no individual career plans for each staff member as the development of their career is mainly dependent on their performance. However, career plans exist on a general policy level and are thus an essential matter for the individual performance and development discussions.

2. PAY SYSTEM OF STATE ADMINISTRATIONS

2.1 GENERAL

The main pay components are: pay by the demand/requirements of the job and pay by the individual performance. The state pay systems are: administration/field of activity specific and based on collective agreements negotiated on the sector/administration level.

As referred above the salary of a civil servant/contract employee (hereafter “state employee”) consists of the basic pay (according to the job demands) and the personal pay (according to personal performance, performance-related-pay or PRP), the latter being in most administrations 45% or 50% at maximum of the basic pay. For every state employee, the employer will assess and decide the level for the basic pay and the level for personal performance pay. Those levels will be re-evaluated and revised if needed, according to the changes in the tasks and performance of an employee. Salaries in the civil service overlap. This is due to the nature of the salary system in which the total pay consists of a basic pay component and a performance component. As the systems are specific for each administration/field of activity, the overlaps vary from administration to administration.

The pay systems are based on sector level collective agreements including, as an essential part, the salary tables for job demand levels and personal performance levels.

Since 2007, the state pay system is (in practice) universally used in the Finnish state administrations. The quality of work is now evaluated by specific evaluation criteria for the demands of the job and balance scorecards (result matrix) for the assessment of the performance. During 2008 the pay system has been further developed and improved, within the framework of collective and sector agreements, to better reach the original goals of the system, to increase flexibility of the systems and to improve state administrations competitiveness for professionally skilled personnel especially for demanding expert tasks.
### 2.2 PERFORMANCE RELATED PAY

The normal maximum share of the performance element lies between 45% or 50% (maximum percentage) of basic salary. Thus the maximum share available of total salary lies around 30%. In some administrations, mostly in those rare cases in which seniority bonuses still are included or where the field of activities makes assessing the personal performance more difficult or more “unconventional” than usually (e.g.: the police, the prosecution), there are lower maximums (between 30% and 35%).

Performance-related pay can on average reach 21% of total salary. In most administrations the average is higher for people with more demanding tasks (people on higher job demand levels) and lower for people with less demanding tasks, the minimum of which lies between 5 and 8% of total salary. Reaching the maximum percentage of the PRP is highly exceptional.

There is a mandatory performance assessment of each staff member, usually in the first quarter of the year following the year for which the assessment is carried out and in context of individual performance and development discussions. The assessment of personal performance will also be carried out wherever the job demand level will be changed.

The performance level is set on the basis of assessment discussions between the staff member and his/her line manager on the staff member’s performance in his/her job and against mutually agreed targets. A person’s individual targets have been derived and set in line with the organization’s targets. The criteria for assessment reflect the values of the organisation.

General performance criteria (evaluation factors) for the individual pay component are: efficiency and productivity, command of profession, co-operation and, if in management position, management and leadership abilities and results. These may have different weights, which can vary depending on the job and the administration. In those cases the highest weights are given to efficiency/profitability (i.e. achieving result targets and profitability of the performance in general and as a whole) and management (for managers), competence and interpersonal skills.

The main instrument for the evaluation of performance is the result matrix. The scale of the performance evaluation can vary between 1 point – performance which needs improvement, 2 points – satisfactory performance, 3 points – good performance, according to expectations, 4 points – excellent performance, above expectations, and 5 points - outstanding performance. In the performance assessment the number of points given to each factor of the evaluation of the job performed are added up and weighted by their corresponding weight to show a total, which is translated into performance points.

The performance assessment (based on a result matrix) produces a total performance score, which is translated into performance levels. The score points vary between 1 and 5. Each of these points refers to a corresponding percentage of the basic salary.

In assessing a person’s personal performance it is always question of individual assessments. Team assessments exist only in the result-based reward (RBR) system (see further). However, the system normally includes criteria such as „interaction”, „interplay” or „teamwork” which reflect a person’s performance as a part of a team or a group.

The line manager has the competency to carry out the assessment, but the Director of the Department, after consulting the line manager, verifies the final assessments of the department and the Director of the administration verifies all the assessments.

The system is set up to guarantee total political independence. Line managers and the director are subject to official liability, the director (management) coordinates and verifies the assessments by the line managers, who are educated and trained for assessment. An employee can bring the assessment of the line manager to the attention of line manager’s superior.

As a main rule the individual salary adjustment as well as the whole progression of salaries is based on the application of the collective agreement on the pay system as a whole. Salary
adjustments are thus linked to the level and changes of the level of the job demand and the personal performance (note: as individual euro amounts of the personal performance pay component are defined as a percentage of the basic pay, it automatically reflects the changes of the basic pay).

More general adjustments are based and part of the developing of the pay system (changes within the salary tables of collective agreements on pay systems). This development is part of the administration-level collective bargaining process. As a part of the development of the pay system these adjustments neither are similar on every level of the scales. The frequency of the adjustments is connected to the frequency and point in time (or framework for timing) of the sectoral allowances as agreed collectively on central level. These allowances are as a main rule budgeted as increases for the operational expenditures of the administrations.

3. BEST PRACTICES OF FINLAND

3.1 GENERAL REMARKS

3.1.1 Selected best practice cases – the administrations

The following best practice cases, both the National Board of Patents and Registration of Finland (NBPR) and the Finnish Vehicle Administration (FVA) have, with regard to basic features and components, a typical standard pay system used on state sector in Finland.

These two administrations have been selected to best practice cases because of their long-term experience on the appliance and development of the pay system based on the personal performance. Both of these administrations have also introduced a result-based reward system (possible yearly personal bonus, not included in the monthly salary) and have a long-term experience within that area too.

The pay systems are based on collective agreement negotiated and agreed on administration level (administration-specific collective agreement on pay system) and the systems include both job specific pay component and the personal performance based pay component.

The provisions of the collective agreement are typical for the state sector pay systems and are based on the so called Model Agreement (on pay systems) agreed on state central level between the Ministry of Finance and the central level trade unions.

The key provisions concern the:

- pay components and their main criteria,
- evaluation of the job demand and assessment of the personal performance,
- procedure concerning the changes in tasks which may lead to decreasing of the job demand level,
- procedure and the safety clauses concerning the situations where the performance of an individual has been assessed to be decreased so that the performance level should be decreased,
- statistical information delivered by the employer,
- follow-up of the system and it’s components,
- dispute resolution.

The job demand evaluation manuals as well as personal performance assessment manuals/handbooks are judicially not part of the collective agreement, but are part of the subscribing
protocol of the contracting partners. However those manuals (the system basically) is jointly
planned and prepared by the employer and the employee (personnel representatives) side.

The best practice cases (the NBPR and the FVA) are totally self-financing government administrations.
The level of charges for the services of these administrations is dependent on whether the service
is a performance under public law or a performance priced under commercial criteria.

The charge for a performance under public law shall correspond to the total costs incurred by
the administration for producing the performance. The charge for a performance under public
law can be set lower than the cost price, if societal reasons require it.

The performances priced under commercial criteria are based on the market demand and
the administration concerned has no exclusive right to produce them. Commercially priced
performances comprise mainly information services, advisory services, training and consultation.
The performances are priced to be competitive on the market and to produce a surplus.

Both NBPR and FVA are net budgeted administrations. This means that the State Budget records
the difference of income and expenditure. In order to qualify to the net budgeting system,
an administration must have adequate volume of chargeable services and the administration’s
financial administration and accounting system must fulfil high qualitative requirements.
Both these administrations are thus largely independent in planning their operations and the
allocation of their resources.

It is however worth of underlining that despite the above-mentioned net budgeting, the
performance related pay and the personal performance pay component as well as it’s criteria
and assessment procedures in both the NBPR and the FVA are typical for all pays systems of
state central administrations. The net budgeting has influence only as far as it is the case of the
financing of the wage drift (i.e. the costs which are caused by the appliance of the pay systems).
The net budgeted administrations are, in addition to savings on the operative expenses and as
distinct from “normal” administrations, able to use the self-financing (i.e. the charges based on
the produced services) sources for covering the costs of the wage drift.

3.1.2 Division of competence – decentralized pay policy and competence

Since 1990’s the pay policy of the Finnish state sector has had as it’s target a decentralized system
with administration specific pay systems based on administration specific pay policies. That
work was accomplished on 2007 when eventually the last collective agreement on the pay system
of a state central administration was signed.

At the moment, the administrations have their own pay policy principles and administration
level collective agreements on pay systems for civil servants and state employees.

However, the main principles of the state pay policy are still decided on the central level by
Ministry of Finance (Office for the Government as Employer). So are the key elements of the
administration specific pay systems, as for example pay components, the role of the evaluation
boards, safety clauses and dispute settlement procedures.

On the other hand the core of the pay systems themselves, the job demand evaluation criteria,
the personal performance assessment criteria as well as the structure, scaling and progression
of the salary tables (both job specific and the performance related) are left on the hands of the
administrations.

Of course the need to agree collectively on pay systems in practice to some extent limits the
possibilities of the administrations to create salary systems completely corresponding to the
employer needs.
Concerning the performance related pay, in the interest of central level on the employer side has been the following issues:

1. In the criteria there has to be included the assessment of the profitability of a person’s work performance;
2. If there are specific weightings for criteria, the biggest weighting/value should be allocated to the above-mentioned criteria, the profitability;
3. The assessment should be based on a system based on points. The maximum amount per criteria must be 5 points or some other uneven number of points. That is because in every assessment system it is crucial to be included a real and objective average, for example in the system with points from 1 to 5, there will be the 3.

It is also worth to mention, that no administration level collective agreement is at liberty to sign by the administration without a particular approval of the Ministry of Finance concerning the individual agreement in question. That is how the Ministry of Finance, i.e. the central level employer, has possibility to interfere the pay systems of the administrations if need to be.

State central level contracting parties of course will influence on the pay systems of the administrations and the developing of the systems by agreeing collectively on certain issues with key importance to the content and the development of the pays systems. Firstly, on central level will be negotiated and agreed on so-called sector allowances. The sector allowances are the property only with which the pay systems can be developed by agreeing collectively for example on the new job specific salary levels, the increasing of the percentages of the personal performance levels or introducing new pay components. Secondly, on central level is agreed on the frames for the development of all state pay systems. Also the provisions of the collective agreements on the pay systems, which are important to be analogously agreed in the whole state sector (mentioned above) will be agreed on central level.

Concerning the specific competence of an administration to decide on the salaries of individuals or agree individually on the salaries, it is referred to in further section.

3.1.3 Dispute settlement procedures

The dispute settlement procedures concerning the performance assessments and the decisions on performance levels are agreed analogously in the collective agreements on pay systems of the state administrations.

If the person concerned is not satisfied with the assessment of his/her performance, he/she can start the following procedure:

1. Handling of the individual case with the superior of the line manager, who has assessed the performance;
2. Bringing of the case to the evaluation board in which the personnel representatives are represented;
3. The evaluation board can give it’s opinion.

The employer has the right to interpret all collective agreements. If a single dispute on performance assessment cannot be settled via above-mentioned procedure and the trade union representing the person considers the employer’s interpretation to infringe the collective agreement, the trade union can start the special negotiation procedure agreed on the state central level concerning all disputes on the interpretations of the state collective agreements. The procedure is as follows:
1. Immediate consultation between the employer and the civil servant;
2. Local negotiations between the contracting parties on the administration level;
3. Central negotiations between the Office for the Government as Employer and the central level trade union (contracting parties on the central level). The negotiations will be materialized only if both the contracting parties on the administration level jointly ask central level negotiations.

Only after this negotiation procedure is completed (is normally completed with the finishing of the local negotiations), the trade union is able to bring the case to the labour court. The court then decides once and for all, whether the collective agreement has been violated or not.

### 3.2 THE PERFORMANCE RELATED PAY

#### 3.2.1 The PRP in the National Board of Patents and Registration

*Basis and purpose of the collective agreement on pay system*

The agreement is an instrument whereby an equitable pay system is established which supports productive operation and enhances the competitiveness of the NBPR as it is based on job classification, personal performance appraisal and competence. Thus, the personnel are encouraged to take on more challenging jobs and to improve their performance. Also, the personnel are motivated to improve their competence, and better supervisory and management performance is also made possible.

*Pay components – job-specific pay component*

The pay consists of a job-specific pay component based on the complexity of tasks, and an individual pay component based on the employee’s job performance (performance related pay component).

The amount of the job-specific pay component is determined by the pay grade of the task. The job evaluation takes into account the following requirements:

1. Competence: (1A) Width of competence, (1B) Depth of competence, and (1C) Educational attainment and experience, 2. Degree of discretion and independence, 3. Responsibility, 4. (4A) Personal interaction and communication, and (4B) Language proficiency and international contacts. Extra points are possible in connection to 5. Supervisory duties and 6. Physically burdening work.

The job evaluation is based on job descriptions and the job evaluation system applied at NBPR. The evaluation system and the structure of job descriptions are described in a separate manual. The job description form, the weighting scale of job requirements and complexity points with corresponding job grades are enclosed. The job description is prepared by the employee together with his or her supervisor. The agreement rates the jobs into 17 job grades.

At NBPR, there is a job evaluation group where both the employer and the employees are represented. The group evaluates the job grade of new jobs and of those that have changed. The employer confirms the job evaluations, job grades and the job-specific pay after having received the proposals of supervisors and the opinion of the evaluation group. This procedure is followed even when an employee’s tasks change essentially. The initiative for a new evaluation can also be made by the employee or by the shop steward representing him or her.

The complexity of an employee’s tasks and their job grade is checked annually in the development discussion between the employee and the supervisor. Pay adjustments rising from changes in job grades are made annually at the beginning of March. In other cases the pay
change takes effect as from the beginning of the month following the evaluation.

The employer decides on tasks and any changes to them. When the tasks of an employee in a permanent employment relationship are changed, the job grade normally stays the same or rises. If the employer makes an initiative to change a permanent job in a way that would lead to a lower job grade, but the employee dissents to that, the employer must look for ways of arranging the tasks so that the said employee’s job grade stays the same.

Pay components – performance-related pay component

The individual pay component is, at the maximum, 48% of the job-specific pay component (see Table 1). It is determined on the basis of an individual’s job performance. The performance appraisal is based on the evaluation system applied at the NBPR. (There is a separate manual for performance appraisal.) The performance requirements to be assessed are competence, profitability, inter-communicational and cooperative skills, personal development and job development, and supervisory tasks. Every main criterion has sub-criteria defined in the performance appraisal form. The sub-criteria are meant to increase the analytics and objectivity of the assessments. The appraisal scale is from 1 to 5 points and the appraisal can be done at the accuracy of one fourth of a point.

Table 1. Individual pay component – salary table

<table>
<thead>
<tr>
<th>Performance points</th>
<th>Performance level</th>
<th>% of job-specific pay</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;1,95</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>1,95 – 2,24</td>
<td>2</td>
<td>4,8</td>
</tr>
<tr>
<td>2,25 – 2,54</td>
<td>3</td>
<td>9,6</td>
</tr>
<tr>
<td>2,55 – 2,84</td>
<td>4</td>
<td>14,4</td>
</tr>
<tr>
<td>2,85 – 3,14</td>
<td>5</td>
<td>19,2</td>
</tr>
<tr>
<td>3,15 – 3,44</td>
<td>6</td>
<td>24,0</td>
</tr>
<tr>
<td>3,45 – 3,74</td>
<td>7</td>
<td>28,8</td>
</tr>
<tr>
<td>3,75 – 4,04</td>
<td>8</td>
<td>33,6</td>
</tr>
<tr>
<td>4,05 – 4,34</td>
<td>9</td>
<td>38,4</td>
</tr>
<tr>
<td>4,35 – 4,64</td>
<td>10</td>
<td>43,2</td>
</tr>
<tr>
<td>&gt; 4,65</td>
<td>11</td>
<td>48</td>
</tr>
</tbody>
</table>

The individual performance and the performance level are checked annually in the development discussion between the employee and the supervisor (see Table 2 for the performance appraisal form). The performance appraisal concerns the individual’s performance in his or her task and how well the individual targets have been achieved. After the discussion, the supervisor makes a proposal for performance appraisal and performance level.
### Table 2. Performance appraisal form (NBPR) – an example

<table>
<thead>
<tr>
<th>PERFORMANCE APPRAISAL FORM</th>
<th>Position holder Position / Unit</th>
<th>Supervisor</th>
</tr>
</thead>
</table>

**APPRAISAL SCALE**
The appraisal scale is 1-5 points.
Appraisal can be done at the accuracy of one fourth of a point.
1. Performance defective, clear need for improvement
2. Performance satisfactory, some need for improvement
3. Performance is good and in keeping with targets
4. Performance very good, surpasses targets
5. Performance exceptionally good, surpasses targets clearly

**PERFORMANCE APPRAISAL FACTORS**
Individual performance is assessed in the task defined in the job description.

<table>
<thead>
<tr>
<th>PERFORMANCE APPRAISAL FACTORS</th>
<th>Own estimate</th>
<th>Supervisor’s estimate</th>
<th>Outcome</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1. COMPETENCE</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Has a good command of the knowledge, skills, methods and instruments of the task</td>
<td>4</td>
<td>3</td>
<td>3.5</td>
</tr>
<tr>
<td>EXTRA POINTS: Special skill/Multiple skills; max. 1 point</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Competence points total (max. 6 points)</td>
<td>3</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>2. PROFITABILITY</strong></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Is dynamic and effective, achieves agreed-on group and personal targets</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Performance meets quality requirements as agreed or considered acceptable</td>
<td>4</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>3. INTER-COMMUNICATIONAL - COOPERATIVE SKILLS</strong></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Shows cooperative skills in contacts with colleagues and internal interest groups</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>Shows cooperative and service skills in contacts with external clients and interest groups</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>4. PERSONAL DEVELOPMENT - JOB DEVELOPMENT</strong></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Develops own skills and reacts to changes in the operational environment</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td>Participates in development of own work and the working community</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| **5. SUPERVISORY DUTIES** | |
|---------------------------|-
| Inter-personal management (Concerns supervisors only) | - | - | - |

**PERFORMANCE AVERAGE**
3.5

Employee accepts the outcome of this appraisal  Yes  X  No

I wish to make the following remarks on this appraisal

Date and signatures
The employer confirms the performance appraisals and performance levels, including the amount of individual pay. This happens in all cases, also those referred below. This procedure is followed even when an employee’s tasks change essentially. The initiative for a new evaluation can also be made by the employee or by the shop steward representing him or her.

A new staff member, or an officer returning to work from a long leave of absence, is assigned an individual pay component determined by the employer as corresponding to his or her competence, experience and earlier performance.

If, in the annual development discussion, it is found that the individual’s performance level has lowered, the employee and employer agree on measures for improving the performance. A new appraisal is made as soon as possible after six months have passed from the previous appraisal. If the performance level, in the new appraisal, has not improved to match the earlier level, the individual pay is adjusted to correspond with the new appraisal (to a lower level). Furthermore, there are additional provisions on how performance is assessed when an employee has been on a long sick leave, maternity leave etc.

Pay adjustments rising from changes in performance level are made annually at the beginning of March. In other cases the pay change takes effect as from the beginning of the month following the appraisal.

As the above-mentioned “person’s” average points are 3.5 points \((3.5 + 4 + 4 + 3.25 = 14.75\text{ divided with 4 criteria applied } = 3.69)\), he will be confirmed the level 7 on the personal performance salary table and the per cent of 28.8. He will thus get 28.8% of NBPR’s the job-specific pay on the grounds of his personal performance.

The performance levels of the NBPR have been on the average about 20-23% on the lower job demand levels, about 24-27% on the middle levels and about 25-31% on the higher levels. That can be described a little more polarized division of average performance levels (percentages) in relation to job demand levels than what is general for state administrations.

**Financing the wage drift**

All the rises in individual salaries due to evaluations and assessments and based on changes in the job demand and/or PRP-levels will be financed with the operating expenses of the administration. Thus there need be a reservation within the budget of the administration for covering the costs of this wage drift. This reservation will also create the base for the coordination of the evaluations and assessments of the superiors.

3.2.2 The PRP in the Finnish Vehicle Administration

**Basis and purpose of the collective agreement on pay system**

FVA’s pay system encompasses permanent public servants and temporary public servants who have been at FVA for more than 6 months. The monthly salary of employees consists of a pay component based on the complexity of tasks (JOB) and a pay component based on an individual’s job performance (PRP), as well as a possible allowance to the monthly salary. All of these components of the monthly salary are listed on the employee’s payslip.

The JOB component makes up the bulk of the monthly salary and is determined in compliance with the salary appendix of the intra-agency collective agreement made between the Vehicle Administration and labour organisations. The PRP component is calculated as a percentage of the JOB component. Its size is based on a performance assessment made in conjunction with the performance discussion between the superior and subordinate. The allowance to the monthly salary is a complementary pay component.
First-time FVA employees get a salary that equals that paid by FVA for corresponding duties. When determining the entry salary of people hired to perform all-new duties, the pay level (market salary) of people carrying out similar duties in the labour market is also taken into consideration. The complexity of duties and personal performance are evaluated, at the latest, within six months of the beginning of the employment relationship, at which time the individual pay component is determined according to personal performance.

The achievement of the objectives of FVA’s pay system is monitored by a pay working group, with representatives of labour organisations and the employer.

**Pay components – job-specific pay component**

The determination of the job-specific pay component (JOB pay) starts with an examination of written job descriptions and additional information provided by a person familiar with the content of the tasks involved.

Factors raising the complexity of FVA’s jobs include: 1) duties as a superior, 2) participation in external customer service or communication activities, 3) the amount of independent decision-making/judgment in duties involving parties outside of FVA, 4) the length of experience or education required by the duties and 5) international duties.

Job evaluation can be divided in the following phases:

1. Job demand determined and proposed by superior/line manager;
2. Job demand rated by the pay working group which gives it’s opinion;
3. Job demand level (job grade below) and the job specific pay confirmed by the administration and in accordance with the collective agreement.

The level of complexity (job grade) describes the category in which a duty is placed on the basis of its complexity score. The goal is to make the requirements of different types of jobs comparable in as fair a way as possible. In other words, the job grade does not reflect the job’s necessity or importance to FVA’s operations but the categorisation made according to agreed evaluation principles.

The complexity of FVA employees’ new duties is evaluated at meetings held by FVA’s pay group. Job descriptions are updated at least once a year. Should the duties of a public servant change materially, the affected job description must be reviewed and, if necessary, updated in a performance discussion between the public servant and his/her superior. If the parties consider the revised job description to affect the job grade of duties, the description is submitted to the pay working group for a job grade determination.

The motion to review the job grade may be proposed by the superior or by the public servant or his/her representative. Decisions on duties and changes to them are made by the employer. Changes to the duties of employees in a permanent employment relationship usually lead to the job grade remaining the same or rising. The job grade may decrease if the employee’s duties are reduced or become “easier”.

If the public servant does not agree to his/her duties being changed in such a way that the job grade decreases, the employer and pay working group shall study ways to maintain the job grade unchanged.

**Pay components – performance-related pay component**

The head of unit or the immediate superior assesses how the employee performs duties, whose job grade has been determined as described above. The Director general of FVA will ultimately decide the amount of monthly salary. The individual assessments of the superiors are delivered
to the Director general via personnel manager.

The performance discussion conducted at least once a year must include an evaluation of the public servant’s personal performance. The performance evaluations and individual pay components are confirmed by the employer.

The evaluation and the determination of the individual pay component (PRP) are carried out in the performance discussion conducted in the spring. The evaluation is always carried out in relation to the individual’s own duties and their requirements, not in relation to other employees.

Should changes be made to the employee’s duties or the job grade of duties, the individual pay component is initially based on a performance level that the superior estimates to correspond to the employee’s competence, work experience and previous performance.

If the actual evaluation shows the performance level to be lower than the superior’s estimate, the salary is not changed, but instead development targets are set for the public servant. A new evaluation is carried out in six months to assess how the targets have been met. A pay adjustment can be made after this evaluation. When evaluating performance, a natural reduction in working ability caused by age or illness may not be considered to be a drop in performance.

Superiors evaluate the performance, abilities and competence of employees with the help of the FVA performance assessment system. Employees get a performance evaluation form in advance and use it to assess their own performance. The evaluated factors are: 1) success, 2) responsibility and quality, 3) professional competence, 4) co-operation and 5) ability to develop. As in the pay system of the NBPR, the system of FVA also uses sub-criteria. So in this system too, every main criterion has (in fact several) sub-criteria defined in the performance appraisal form.

The evaluation is carried out by reviewing the main factors listed above, as well as subfactors related to them. It is important for the employee and superior to jointly discuss the content of subfactors and their significance to the duty being evaluated. The employee’s performance in all of the five main factors is evaluated on a scale of 1,0 to 5,0 divided into intervals of 0,5. The score for individual performance is the average of the separately evaluated main factors.

The minimum amount of the individual pay component, calculated as a portion of the monthly job grade-based salary, is determined in the following way:

**Table 3. Individual pay component according to performance evaluation**

<table>
<thead>
<tr>
<th>Performance evaluation (points)</th>
<th>Minimum share of PRP component of JOB salary (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.00–1.5</td>
<td>0</td>
</tr>
<tr>
<td>1.51–2.0</td>
<td>3</td>
</tr>
<tr>
<td>2.01–2.5</td>
<td>5</td>
</tr>
<tr>
<td>2.51–3.0</td>
<td>9</td>
</tr>
<tr>
<td>3.01–3.5</td>
<td>14</td>
</tr>
<tr>
<td>3.51–4.0</td>
<td>22.5</td>
</tr>
<tr>
<td>4.01–4.5</td>
<td>31</td>
</tr>
<tr>
<td>4.51–5.0</td>
<td>39.5</td>
</tr>
</tbody>
</table>

The amount of PRP pay is calculated in accordance with the intra-agency collective agreement based on the JOB pay determined for the employee’s duty.
Table 4. Performance appraisal form (FVA) – an example

<table>
<thead>
<tr>
<th>Position holder</th>
<th>Unit/team</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. The input of the civil servant’s within the work of the unit/team during the previous year</td>
<td></td>
</tr>
<tr>
<td>1.1. Successes during the year 2008</td>
<td></td>
</tr>
<tr>
<td>1.2. Factors which impeded the work during the year 2008</td>
<td></td>
</tr>
<tr>
<td>2. Performance appraisal</td>
<td></td>
</tr>
<tr>
<td>Scale: 1.0 - 5.0, half points in use</td>
<td></td>
</tr>
<tr>
<td>5.0 = Excellent (clearly exceeds the requirements of the duty)</td>
<td></td>
</tr>
<tr>
<td>4.0 = Good (exceeds the requirements of the duty)</td>
<td></td>
</tr>
<tr>
<td>3.0 = Acceptable (regularly meets the requirements of the duty)</td>
<td></td>
</tr>
<tr>
<td>2.0 = Passable (meets the minimum requirements of the duty)</td>
<td></td>
</tr>
<tr>
<td>1.0 = Inadequate (performance does not meet the requirements of the duty).</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>The criteria</th>
<th>Pisteet</th>
</tr>
</thead>
<tbody>
<tr>
<td>PROFITABILITY</td>
<td></td>
</tr>
<tr>
<td>Reaches personal targets</td>
<td></td>
</tr>
<tr>
<td>Supports the reaching of the targets of the unit/team</td>
<td></td>
</tr>
<tr>
<td>Prioritizes</td>
<td></td>
</tr>
<tr>
<td>Works efficiently</td>
<td></td>
</tr>
<tr>
<td>Line managers in addition:</td>
<td></td>
</tr>
<tr>
<td>The result targets of the managers own unit have been reached</td>
<td>3.5</td>
</tr>
<tr>
<td>RESPONSIBILITY</td>
<td></td>
</tr>
<tr>
<td>Reconciliates own schedules to common ones</td>
<td></td>
</tr>
<tr>
<td>Pidätä kiinni sovituista lupauksista ja aikatauluista</td>
<td></td>
</tr>
<tr>
<td>Acts on responsible and trustworthy manner</td>
<td></td>
</tr>
<tr>
<td>Spontaneous</td>
<td></td>
</tr>
<tr>
<td>Acts Independently</td>
<td></td>
</tr>
<tr>
<td>Line managers in addition:</td>
<td></td>
</tr>
<tr>
<td>Just</td>
<td></td>
</tr>
<tr>
<td>Takes care of just division of tasks and the personnel resources</td>
<td></td>
</tr>
<tr>
<td>Follows the rules for the personnel management</td>
<td>3.0</td>
</tr>
<tr>
<td>PROFESSIONAL SKILLS</td>
<td></td>
</tr>
<tr>
<td>Possesses the needed skills for own tasks</td>
<td></td>
</tr>
<tr>
<td>Osaa käyttää työvälineitä</td>
<td></td>
</tr>
<tr>
<td>Is able to piece together wholesences</td>
<td></td>
</tr>
<tr>
<td>Ability as public performer, needed by the tasks</td>
<td></td>
</tr>
<tr>
<td>Line managers in addition:</td>
<td></td>
</tr>
<tr>
<td>Osaa suunnitella toimintaa (ennakointi)</td>
<td></td>
</tr>
<tr>
<td>possesses budgeting skills</td>
<td></td>
</tr>
<tr>
<td>Is able to organize tasks</td>
<td></td>
</tr>
<tr>
<td>Is competent for rational decision-making</td>
<td>4.5</td>
</tr>
</tbody>
</table>
**CO-OPERATION SKILLS**

- Is able for communicative interplay
- Possesses the skills for influencing to the interest groups and customer service
- Delivers information and know-how
- Toimii ristiriitatilanteissa rakentavasti
- Is a team-player and ready to help a colleague

Line managers in addition:
- Creates a functioning and confidential working environment
- Supports and motivates the personnel
- Gives feedback on a fair way
- Can listen and receive feedback from others

**DEVELOPMENT SKILLS**

- Produces proposal for development of his own tasks
- Develops professionalism
- Copies with changes

Line managers in addition:
- Carries out needed organizational changes
- Acts according agreed rules when developing the activities
- Possesses the skills for project work

<table>
<thead>
<tr>
<th>The average</th>
<th>3,70</th>
</tr>
</thead>
</table>

3. **Result targets (1-5 pieces) 2009**

4. **Support of the success of the civil servant 2009**

5. **Performance discussions carried out**

As the result of the discussions there is a common opinion between the employer and the civil servant

<table>
<thead>
<tr>
<th>Date</th>
<th>Line manager</th>
<th>Civil servant</th>
</tr>
</thead>
</table>

As the above-mentioned “person’s” average points are 3,7 points (3,5 + 3 + 4,5 + 4 + 3,5 = 18,5 divided with 5 criteria applied = 3,7), he will be confirmed the level 7 on the personal performance salary table and the per cent of 22,5. He will thus get 22,5 % of the FVA´s job-specific pay on the grounds of his personal performance.

**Financing the wage drift**

All the rises in individual salaries due to evaluations and assessments and based on changes in the job demand and/or PRP-levels will be financed with the operating expenses of the administration. Thus there need be a reservation within the budget of the administration for covering the costs of this wage drift. This reservation will also create the base for the coordination of the evaluations and assessments of the superiors.

**Experiences**

The pay system supports the agency’s successful operations and management and is fair, encouraging and flexible. It takes into consideration the complexity of tasks, as well as personal performance and competence, and enables rewarding when the target results of operating units
are exceeded and thus promotes equal pay. The system also enables salaries to react flexibly to changes in the complexity of tasks, job performance and competence: more demanding tasks and better performance are rewarded with better pay. The pay system creates the prerequisites for a pay level that corresponds to the pay level of the government and other labour market sectors.

The pay system requires management to operate ethically and honestly, encourage the staff to develop its competence, reward good work performance, take care of the staff’s well-being and know how to give constructive feedback. The proper functioning of the system also requires that superiors regularly conduct performance and development discussions with all of their subordinates and give them feedback on their work, create good conditions for work and prepare a personal training and development plan for each employee. 3.3 The result-based reward system

3.3.1 The RBR system of the National Board of Patents and Registration

**RBR bonus**

The payment of result-based rewards at the NBPR is dependent on how well the performance targets are achieved. While pay for regular working hours is a compensation for a normal, standard work performance, the bonus is a compensation for performance that exceeds the standard level. Performance management applies performance criteria, which are used to define the targets. The most important bonus criteria at the NBPR are: work productivity, effectiveness (level of client service in particular) and successful development projects.

The NBPR annually concludes an agreement on its operational targets with the Ministry of Employment and the Economy in connection with budget negotiations. The targets are specified in detail in the NBPR internal performance agreement, which, in the same way as all other documents relating to planning and monitoring, is available to all employees on the NBPR intranet. The internal performance agreement also forms the central basis for operative management at all units (profit centres). Furthermore, the management is assisted by a key figure reporting system, which is also available to the NBPR staff on the intranet.

Bonuses are an important management instrument for the NBPR executives. Result-based bonus system is not regulated through any collective bargaining agreements. However, the basic principles have been adopted in cooperation with the personnel. Bonuses can only be paid within the framework of the budget.

**Performance targets 2008**

Work productivity: the 2007 agreement with the ministry stated that NBPR aims at raising its work productivity by 2.0% in 2008.

Effectiveness: the agreement with the ministry stated that processing is to be quick and the service must meet client expectations. The achievement of these targets is proved through monitoring of average processing times and the results of a client survey. In client service, the target 2008 was the average of 8.4 on a scale from 4 to 10. The client survey is carried out every two or three years.

Development of operations: development of operations takes place primarily in projects or teams. Units and individual employees are invited to take development measures on their own initiative. However, large projects are appointed by management in line with good project practices. Creative development work or a well-run project can justify the payment of a development bonus.
**Paying bonuses**

Productivity bonus: in order to obtain the productivity bonus, a profit centre must exceed the target set for its productivity of work. If the profit centre unit succeeds in this, each member of the unit is paid 1,0 % of his/her annual salary sum. The said bonus percentage is increased depending on how much the target was exceeded. This increase is equal to the amount that comes from division by two of the difference of the actual productivity outcome and the productivity target. At most, the productivity bonus paid to a profit centre is 4,0%. However, the President of NBPR is entitled to raise the bonus if the progress in the profit centre’s productivity has been exceptionally good. The maximum of this conditional bonus is 4,0%.

Client satisfaction bonus: the client satisfaction bonus is paid to each unit according to the results of a client satisfaction survey. The bonus percentage is 1,0% if the target is exceeded (8,4 in 2008). Also here, the said bonus percentage is increased depending on how much the target was exceeded. The increase is equal to the amount that comes from multiplying by two the difference of the actual average of the survey and the target. The maximum client satisfaction bonus is 2,0%. If the unit’s average exceeds the result of the preceding survey but is below the target, the bonus is 0,5%.

Development and incentive bonus: development and incentive bonuses are selectively paid to well-executed projects, or measures taken by groups on their own initiative, that support the strategy of NBPR and the quality development of processes. The development and incentive bonus is 0,6%, 1,2% or 1,8% of the annual salary sum of each member of the project or group. The highest percentage requires external audit acknowledgement.

The bonus period is a calendar year. The bonuses during the years 2004 – 2008 have been as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Bonus Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>3,4 %</td>
</tr>
<tr>
<td>2005</td>
<td>4,5 %</td>
</tr>
<tr>
<td>2006</td>
<td>1,8 %</td>
</tr>
<tr>
<td>2007</td>
<td>4,1 %</td>
</tr>
<tr>
<td>2008</td>
<td>1,5 %</td>
</tr>
</tbody>
</table>

**Performance bonuses 2008**

Productivity bonus: work productivity at NBPR increased by 3,0% in 2008. It exceeded the target, which was 2,0%. The result varied quite a lot from profit centre to another. On the basis of the result, productivity bonuses were paid.

Client satisfaction bonus: according to the client survey, the average client satisfaction with NBPR services was 8,5 on a scale of 4 to 10. It exceeded the target, which was 8,4. The results varied somewhat between the profit centres. On the basis of the result, client satisfaction bonuses were paid.

Examples of projects or development measures that were rewarded with a development bonus:

- Revisions in electronic production systems at the Patents and Innovations Line
- Development of electronic client service at the Register of Associations
- Interactive ICT-assisted translators’ work bench
- Employee-initiated development of switchboard functions.
**RBR bonus**

Performance bonus is a group-specific bonus paid once a year for the achievement of good results. In other words, the size of the bonus depends on the quality and level of the employee’s own unit but also on those of other FVA employees.

The main structure has been the same but the goals have been renovated yearly. The bonus scheme aims at promoting the personnel’s awareness of the profits, supporting internal cooperation, encouraging the employees in developing the business.

Agency-wide performance targets/indicators set by the Ministry of Transport and Communications (MTC) have been recorded in the FVA-level performance matrix. Unit/sector-level performance matrices contain the performance targets for units/sectors and the scoring used for their achievement.

The bonus scheme allows rewarding the employees when they reach separately specified, agreed-upon goals. The scheme utilises the following indicators on: 1) FVA level (based on FVA’s performance card, excluding personnel satisfaction that does not influence performance bonuses), 2) sector level (based on the confirmed performance card of each sector), 3) project level (based on FVA performance card’s project objectives). There is also a separate work profitability bonus (based on the index describing development of profitability in the FVA performance card).

**Bonus period and paying bonuses**

The bonus period is a calendar year. Performance bonuses will be paid in full in accordance with the objectives, provided that FVA’s financial status enables payment. FVA level bonuses will be paid if at least a third of the FVA level objectives have been reached. Sector level bonuses will be paid if at least a third of the FVA level objectives have been reached. Finally the project level bonuses will be paid if at least a third of the FVA level objectives have been reached.

Work profitability bonuses will be paid if at least a third of the FVA level objectives have been reached.

Performance bonuses will be paid only to employees who have been employed by FVA for at least half of the bonus period whose employment relationship is still valid at the end of the bonus period. Absences during the bonus period will reduce the amount of the bonus. Absences of less than ten working days will not reduce the performance bonus sum. The only absences that will not influence the performance bonus are annual holidays and maternity leave. Bonuses will not be paid at all in cases where an employee has been absent for half of more of the bonus period.

Bonuses are paid separately for each sector. If an employee transfers from one sector to another, the employee will be paid the bonus valid for the sector in which he or she worked longer. Performance bonuses will be paid to Directors of Sector based on the mean value of actual performance of entire FVA. The Director General is not included in the scope of the performance bonus scheme.

The performance bonus will be at most 8% of the total annual salary of an employee, without overtime compensation. 2% is based on the meeting of the objectives set for the entire FVA, 2% based on the sector’s objectives, 2% based on project objectives and 2% based on the development of work profitability.
The performance bonus is calculated as a share (bonus percentage) of the annual salary. Performance bonuses will be paid in full in accordance with the objectives, provided that FVA’s financial status enables payment. Normal performance bonus has been 4-5 % (i.e. approx. two weeks salary). The bonuses during the years 2004 -2008 have been as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Bonus Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>4.34 %</td>
</tr>
<tr>
<td>2010</td>
<td>4.96 %</td>
</tr>
<tr>
<td>2011</td>
<td>5.46 %</td>
</tr>
<tr>
<td>2012</td>
<td>2.70 %</td>
</tr>
<tr>
<td>2013</td>
<td>6.20 %</td>
</tr>
</tbody>
</table>
Performance objective monitoring

The performance cards and monitoring reports are available for all employees:

Table 5. List of documents within Performance Scheme 2009 in FVA

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Strategic Objective</th>
<th>Indicator</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outputs and quality resources</td>
<td>Improving vehicle inspection business quality</td>
<td>Differences between inspection sites’ rejection percentages</td>
</tr>
<tr>
<td></td>
<td>Improving driving instruction quality</td>
<td>Success of driving instruction students in their tests</td>
</tr>
<tr>
<td></td>
<td>Improving customer satisfaction</td>
<td>Perceived benefits of driving school education</td>
</tr>
<tr>
<td></td>
<td>Managing contractual partners</td>
<td>AKE’s service image</td>
</tr>
<tr>
<td></td>
<td>Ensuring functional information systems</td>
<td>Traffic Data System availability</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Vehicular and Driver System availability</td>
</tr>
<tr>
<td></td>
<td>Efficient project management</td>
<td>Success in meeting KT1 project schedules</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Success in meeting KT1 project budget</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Success in meeting CO2 project schedules</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Success in meeting CO2 project budget</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Success in meeting e-commerce project schedule</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Success in meeting e-commerce project budget</td>
</tr>
<tr>
<td></td>
<td>Risk management</td>
<td>Risk management</td>
</tr>
<tr>
<td></td>
<td>Improving service level</td>
<td>Handling time for applications</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Availability of telephone service</td>
</tr>
<tr>
<td></td>
<td>Expanding electronic services</td>
<td>Share of completely electronically handled permits in all the product group permits</td>
</tr>
<tr>
<td></td>
<td>Improving image</td>
<td>Corporate communications survey grade</td>
</tr>
<tr>
<td></td>
<td>Improving status of the environment</td>
<td>Environmental impact</td>
</tr>
<tr>
<td>Operational efficiency</td>
<td>Costs efficiency of operations</td>
<td>Unit costs / output; 3/4 of main outouts realised</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Improving profitability of work (year 2000=100)</td>
</tr>
<tr>
<td></td>
<td>Improving profitability</td>
<td>Development of total profitability (year 2000=100)</td>
</tr>
<tr>
<td>Managing mental resources</td>
<td>Better utilisation of expertise</td>
<td>Personnel satisfaction</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Personnel competence</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Personnel workload</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Quality of supervisory work: supervisor assessment index</td>
</tr>
</tbody>
</table>

Meaning of the performance bonus scheme for personnel (survey 2002)

Personnel thought that the performance bonus scheme is an important system and economically efficient. It is a tool to increase level of cooperation. Almost everyone was against ruling out the scheme.

Some negative opinions were that the individual effort doesn’t affect enough, sometimes not even
units have enough influence. Absences during the bonus period affect too much. Some criticized that the performance bonus is calculated based on everyone’s basic salary when it should be the same amount for everyone. Some of the goals need to be specified more accurately. The goals are more quantity than quality orientated.

Conclusion was that the performance bonus scheme has many positive effects for personnel and the personnel are willing to continue with the scheme. The scheme also affects positively FVA’s image as it improves FVA’s image as an employer among personnel, motivates personnel trying to work better and harder and makes FVA a desired working place.

Table 6. Results of the survey on the meaning of performance bonus scheme

<table>
<thead>
<tr>
<th>The importance of the RBR system for the personnel</th>
</tr>
</thead>
<tbody>
<tr>
<td>I find the RBR-system important</td>
</tr>
<tr>
<td>The RBR is financially substantial for me</td>
</tr>
<tr>
<td>The input and the output of my team are reflected in the RBR</td>
</tr>
<tr>
<td>The input and the output of mine are reflected in the RBR</td>
</tr>
<tr>
<td>The RBR-system could be abolished</td>
</tr>
</tbody>
</table>

1 = completely different opinion  5 = completely same opinion

4. EXPERIENCES OF THE STATE ADMINISTRATIONS

4.1 GENERAL

The main achievement of the new system is that a new form of governance has been introduced into the public service: service management, expert management and production management in parallel with the traditional civil service administration.

The introduction of pay system has enhanced management of jobs and performance but also the awareness of the public employees to the values of the organisation by the introduction of organisation-specific goals, which are cascaded down to the individual targets.

The involvement of staff at every stage of the development of the pay system has been crucial in the success of its introduction and development. Staff involvement in pay negotiations is part of the employment culture in Finland. Without having a decision making role, staff can influence through collective negotiations on salary levels of the job demands component, the progression of salary tables, maximum performance pay percentage, etc.
The evaluation and assessment models and practices need to be simple and easily understood. Staff needs to feel that they are able to affect the outcomes through their performance and investments on the enhancing of their professional skills. The measurement of performance should at least include measurements of economy, quality and quantity and an indicator of operational development. Currently, the evaluation and assessment process is quite time-consuming and the role and competence of the evaluation groups is too wide especially in the administrations in which the system has already been used a couple of years and thus experience in the appliance of the system been gained.

**4.2 STRENGTHS**

According to internal studies by the Office for the Government as Employer, the highest management showed great enthusiasm about it, but the actual work behind the implementation of it had in many cases been underestimated:

- the managers have thus unanimously expressed the view that there is a substantial improvement of efficiency and of management and leadership, when these are linked to pay incentives and sanctions,

- the pay system and result-based reward system have proven to be excellent instruments for organisational development,

- the pay system and result-based reward system have also resulted in better staff development and training while they both in addition have had a positive effect on collaboration within teams,

- the pay system with its personal performance pay component is motivating for the young/new state employees because the salary is not any more linked with the employment’s duration (which never really is a guarantee of professionalism or of high performance).

The Office for the Government as Employer considers that the pay system has proven to be an essential tool in increasing productivity and effectiveness of the public service. That is because the system is considered to enhance management processes in general, efficient management and leadership, increase profitability and organization and staff development and enhance personnel strategy in general.

**5. LESSONS LEARNED**

**5.1 KEY ELEMENTS OF THE PERFORMANCE BASED PAY COMPONENT**

According to Finnish experience it is at utmost important for the legitimacy of a remuneration system that the basic salary will be based not only on the job demands but also on personal performance. It is a question of motivating the personnel to enhance both their professional skills to get more demanding jobs and their performance when performing their tasks.

The PRP-component is a key element for directing the work contribution and performance of the personnel with the way that enhances the attaining of the administrations result targets and also to improving the supervision of work in general.
Even though the pay component in question in the Finnish system is one of the central pay components and as such an element in an entirety of the collective agreement based administration specific pay system, the component of course can be introduced in several ways, either included in a particular pay system or as a more independent pay component.

The personal performance pay introduced exactly in the Finnish state administrations is a serious option because of the following key features of the system: the system is based on the yearly analytical assessment of a person’s performance made by the person’s line manager; all the assessments are being coordinated and confirmed by head of the administration; the assessment is based on criteria and their sub criteria, both based on the values of the administration and jointly agreed between the employer and the personnel representatives; the person is safeguarded against unjust decreases of the performance levels, is given a chance to enhance his performance before decreasing the level and has a possibility to bring the assessment to the examination of external evaluator. And finally, the Finnish system is a very modern and nearest objective way to repay a person of his good performance.

5.2 INTRODUCTION AND THE APPLIANCE OF THE SYSTEM

The establishment of the state new pay system was the major remuneration system reform carried out from 1994 onwards, but mostly executed during 2003-2006 and finished up during the year 2007.

The personnel approached the new system with some weariness because of the fact that part of the salary would thenceforth be based on the performance, evaluated by the line managers. The managers on the other hand had to learn how to appraise subordinate’s performance, which often has been an uncomfortable experience. The highest management showed great enthusiasm about the new system, but the actual work behind the implementation of it had in many cases been underestimated. The introduction of the pay system was however never challenged.

From its inception to this day, the system was and has been modified to better meet its goals. For instance, the collective agreements on performance pay were soon changed so that they no longer were only targets, which was the case with only some few first administrations which introduced the system, but binding agreements. The rules of financing have also been better defined and the provisions of the agreements as well the salary tables (progression, maximum amount of the PRP-component) have been made more motivating.

One of the lessons learned (from mistakes noticed) was to agree at the central level on as many major issues as possible and only leave issues concerning individual pay policies and operational needs and targets to an administration level. In the Finnish system with decentralized negotiations on the pay systems, a uniform model agreement, the kind of which was introduced in 2003, could also have been delivered at the disposal of the administration already earlier.

Specific needs for the development of the pay system (both job demand and PRP pay component) has been discovered during the recent years of application in different state administrations. First of all, the evaluation and assessment systems cannot be too detailed and analytical (keeping however in mind that the analytics is the key element of the system). Thus there is with some extend need for the creation of especially more simple/robust job evaluation systems. With performance assessment systems the need are not so obvious because those systems have been more flexible already from the beginning. The abilities of the line managers and the personnel especially in performance assessment and in performance and development discussion have to be enhanced by training. The flexibility/reactivity of both salary tables has to be promoted together with building progression into the salary tables, especially for the table for individual
pay component (which has in every administration till recent times been linear without progression).

The above-mentioned needs and corresponding to those are of course a normal part of the developing of the pay system as a part of the entirety of state sector personnel rewarding systems.

5.3 REALIZATION OF THE SYSTEM AND THE COMPONENT

For all remuneration systems and for all kinds of assessment systems, especially one of the personal performances, the functioning and the efficiency of the systems are fundamentally based on the way the object, i.e. the personnel, experience and feel the system.

If the system is felt to be just and objective, the systems motivates the personnel to act according to the targets of the system, even whether the system actually is or is not entirely just and objective.

When it comes to the assessment system of the personal performance of the personnel, it is thus of major importance for gaining the above-mentioned, that the criteria and the assessment procedures are objective and legitimate and that the systems will be introduced with certain discreet and both line-managers and the personnel committing procedure.

These targets, for one, can be gained through the following procedure, which has been used in the Finnish state administrations when introducing this particular pay component:

1) joint preparation of the assessment criteria and their application directives with the heads of the administrations and the personnel managers of the administrations,
2) consultation (in Finland joint preparation) of the personnel representatives (can also be ad hoc representatives for this very reform) of the criteria and their application directives,
3) sufficient up front training on the appliance of the system, criteria and the assessment procedure for the line managers and for the personnel,
4) introduction of the performance and development discussion model,
5) automatic assessment of the performance in connection with performance and development discussions, once a year,
6) coordination of the assessments of the line managers by heads of administrations with the help of personnel managers,
7) safety clause concerning the assessed decrease of the performance level,
8) chance for appeal if the person disagrees about the result of the assessment,
9) chance for the personnel representatives to participate to the reviewing of the functionality of the system,
10) identification and recognition by both the employer and the personnel of the fact that performance assessment carried out by humans always primarily is subjective activity.

Using this 10-point method the system and the performance related pay can and will be felt by the personnel as objective as a personal performance assessment system ever can be felt.
GERMANY
Giso Schuetz, former Vice-President of Federal Office for Public Administration
Hans-Georg Schiffer, Executive Officer, Federal Office for Public Administration

Looking at the practical example of the Federal Office of Administration (Bundesverwaltungsamt – BVA), a higher federal authority acting as service agency for the Federal Ministry of the Interior with a staff of some 2500, this paper aims to show how staff motivation has been so enhanced by financial and non-financial incentives that the authority is recognised everywhere as a particularly high-performing organisation.

1. FINDINGS CONCERNING MOTIVATION

Motivation addresses targeted objectives. There appears to be an insoluble conflict between the objectives of the authority and the objectives of the staff.

Objectives of the authority:

- Fulfilment of the legal mandate
- Lawfulness of administrative actions
- Satisfaction of the service recipients
- Economic deployment of budget funds
- Modern, high-performing administration
- Motivated staff

Objectives of the staff:

- Earning a livelihood for themselves and their family
- The highest possible standard of living
- Safe jobs
- Safe pensions in old age
- Compatibility of family and work
- Career
- Success
- Recognition
- Enjoyment of work

It is therefore necessary to find a system that resolves the conflict of goals and as far as possible harmonises the objectives of the authority with the objectives/motivation of the staff.
2. LEGAL OBLIGATIONS

Public authorities and public service staff in Germany must in the first instance observe the following legal frameworks:

Basic law:

Article 20, Section 3: „The legislator shall be bound by the constitutional order, the executive and the judiciary by law and justice.”

Article 33, Section 4: „The exercise of sovereign authority on a regular basis shall, as a rule, be entrusted to members of the public service who stand in a relationship of service and loyalty defined by public law.”

Federal Civil Service Act:

„Civil servants serve all the people, not a party. They shall fulfil their tasks impartially and justly and consider the general good in the exercise of their office. Civil servants must commit to the free democratic basic order in the meaning of the Basic Law through their entire behaviour and must observe this law.”

„Civil servants shall devote themselves to their profession with full personal commitment. They shall perform their allotted office unselfishly to the best of their ability and belief. Their conduct within and outside the service must be in line with the respect and confidence that their profession requires.”

Oath of office for civil servants:

„I swear to maintain the Basic Law for the Federal Republic of Germany and all valid laws within the Federal Republic and to fulfil my duties of office faithfully, so help me God.”

Obligations of staff employed under the collective wage agreement:

„The service performance owed within the framework of the contract of employment is to be executed conscientiously and properly. Employees of the Federal Republic of Germany and other employers in whose scope of tasks sovereign activities are also carried out must commit to the free democratic basic order in the meaning of the Basic Law through their entire behaviour.”

Deliberate or grossly negligent infringements of obligations against these basic rules are punished under labour law.

3. PUBLIC AUTHORITY CULTURE AND VALUES

Public authority culture and values are of outstanding importance for non-financial promotion of staff motivation. People’s performance is enhanced if they recognise that they are working for a meaningful and worthwhile objective. Business enterprises and public authorities in Germany that abolished their culture and values as superfluous inessentials within the context of economising and only retained economic values in their sights came to realise that in doing so they had derived their staff of an opportunity to identify with the organisation. Motivation, working atmosphere, Corporate Identity and with these the performance capability of the individual and the entire organisation dwindled. It proved subsequently difficult to find and convincingly introduce new cultures and values.

Up to the 1990s the principle of the authoritarian state prevailed in public authorities in Germany’s federal administration. Work proceeded in accordance with Max Weber’s
bureaucracy model. In many cases the aim was not so much to structure the life circumstances of the population and business world appropriate to the situation, but more to ensure that matters would stand up in court, thus ultimately about being proved correct and enforcing law and authoritarian power. Triggered by political and social changes, global networking and resulting experiences within and outside Europe, and not least due to improved technical facilities in administrative performance, the change in culture from sovereign action by public authorities to public administration as service provider for citizens and businesses has evolved throughout the country during the last fifteen years. The crucial precept for public authority action is the good of the general public and the individual; the citizen is treated as a client, which is why quality requirements made of good administration are oriented to citizens’ wishes.

4. CHANGE MANAGEMENT

This change in culture and values in the German federal administration did not develop of its own accord, but required an impulse from the highest office, the German Federal Government.

4.1 GOVERNMENT PROGRAMMES

The governments responsible during the last fifteen years have adopted binding government programmes for themselves and the ministries and authorities attached to them. These government programmes targeted different focal areas, as is evidenced by their titles:

- „Streamlined state“,
- „Activating state“,
- „Modern state – modern administration“,
- „Future-oriented administration through innovation“.

One aspect that all these programmes have in common, however, is the requirement made of the public authorities to establish citizen-kindly administration in the sense of a modern service provider by measures of human resources development, organisational development with optimisation of business processes and economic deployment of taxpayers’ money, in other words quality management.

4.2 IMPLEMENTATION IN THE FEDERAL OFFICE OF ADMINISTRATION

In 1995 a project for developing and introducing quality management for public administration by analogy with Total Quality Management was set up at BVA. This resulted in a quality management system that has been functioning since then with a loop control system which superficially follows the procedure:

1. Define the products and the quality objectives with a balanced score card;
2. Convince staff of the rightness of the objectives and enable staff to achieve them (human resources development);
3. Establish the organisational structure and processes with participation by the staff (organisational development/acceptance of the processes);
4. Construct the products, realise the quality objectives;
5. Perform controlling including cost accounting and results accounting = measure and
assess the degree to which the objective has been reached;

6. Adopt steering measures on the basis of the measurements (correct objectives, human resources development, processes).

Regular repetition of this loop system results in a self-learning administration with constant quality monitoring and quality improvement.

**Figure 1. Procedure of quality management for public administration**

The quality management described was developed and tested in a large department with intensive participation by the staff. After successful trials it was expanded to the complete Federal Office of Administration and since then has been pursued by all as a matter of course.

Determining long-term objectives of the public authority and specifying medium-term goals are of strategic importance for the effectiveness of quality management. That is why the mission statement for the Federal Office of Administration was devised with great care and effort. The mission statement should be the precept for individual action and decisions of all staff, but it should also display the special profile of this authority to third parties and in doing so lay down bindingly what expectations citizens and other partners may entertain of the authority and its staff. To ensure that the mission statement gains broad acceptance and is ultimately pursued in the Federal Office of Administration’s everyday actions, all staff were called upon to contribute to composing this mission statement. In order to counter the risk of a protracted and fatiguing development process on the other hand, the following process steps were selected:

1) brainstorming in the group of heads of department and section group leaders (twenty persons), moderated by the Vice President,
2) initial formulation of guiding principles resulting from the brainstorming by a group of editors (seven persons),
3) presentation, discussion and adoption of the suggested formulations in a plenum with participation by the President,
4) request to the heads of department to discuss the draft of the mission statement in their departments with as many staff as possible and to collect further ideas and suggestions (timeframe: three months – about 95% of the staff were reached),
5) presentation and discussion of the departmental results, incorporation into the draft and adoption of the mission statement by the management of the authority, heads of department and group leaders,
6) publication of the mission statement.

With this procedure the process took about three and a half months.

The mission statement of the Federal Office of Administration is determined by the following guiding principles.

"We are the central service agency at federal level. Diversity of tasks is our trademark. Our strengths are competent and committed employees, modern management and modern technologies. Our range of tasks includes classic administrative tasks, centralised cross sectional tasks and support for reform processes. Our partners are public and private organisations in Germany and abroad, as well as citizens. We are committed to the common good. Our aim is consistent and further successful development. To achieve this we combine tradition with innovation, experience with flexibility, administration with organisation, state action with client orientation."

This is followed by a series of guiding principles that refine and complement these principles.

The broad-based and very committed discussion of contents, the search for the right formulation and the graphic design of the mission statement alone served to bring about a new hierarchy of values and ultimately a change in culture in conjunction with changes in behaviour among the great majority of the staff. The fact that all were called upon to join in shaping the strategic orientation of the authority actively unleashed unimagined forces, great commitment and many good and trail blazing ideas. All who participated in this process find themselves and their ideas reflected in the mission statement. This in turn leads to greater acceptance of the guiding principles by staff and to these being implemented and applied in daily work, both within the authority and in dealings with third parties. That is why the Federal Office of Administration has now developed to become a recognised and sought after partner for public authorities, private sector businesses and even scientific facilities thanks to the excellent performance of its staff.

However, the quality management of the Federal Office of Administration not only requires long-term, strategic orientation to more or less abstract objectives. It must also be demonstrably established whether and to what extent the mission statement is fleshed out. That is why specific performance objectives have been derived from the mission statement, laid down and provided with qualitative and quantitative indicators for each department and section as well as per task. This work of product forming and allocation of the performance objectives to the products was initially carried out in workshops of those organisational units by which the objectives ultimately had to be achieved. The results were aggregated annually and set down in objective agreements between the senior management of the Federal Office of Administration and departments, and then between the departments and the sections. IT-supported controlling allows us to ascertain
to what extent the objectives have been achieved right up to the present date, so that timely steering measures are possible. Regular client surveys as well as staff surveys provide information about client and staff satisfaction. Together this all leads to a balanced pursuit of the objectives specified in the balanced scorecard. It is important here that the measurement data at section level are rendered anonymous and that there are no objective agreements with indicators between heads of section and the individual employees. The aim is for these to carry out their tasks gladly without any constraints and fear of repressions, with their own ideas and in the conviction that they are pursuing expedient goals.

4.3 MOTIVATIONAL FACTOR – STAFF PARTICIPATION AND CREATION OF CORPORATE IDENTITY

One key finding concerning the topic of motivation is that motivation exists in every individual. Consequently it is an intrinsic predisposition. Any attempt to bring an individual without any inherent driving force to perform an action without applying external pressure or constraint is doomed to failure from the start. With such negative motivation contexts managerial staff would have to expend their energy on achieving their set goals through constant controls, applying pressure and constraints and thus causing fear among the staff. This has a negative effect on performance behaviour, working atmosphere and the external image of the public authority. It is therefore important to identify the motivation predisposition of employees and then to reinforce this through motivating measures, whether these are of a financial or non-financial nature.

The above section on change management is to be illustrated by a practical example showing how directional impetus from the highest office and systematic translation of these impulses into practice to implement a new culture and new values can distinctly increase performance ability and willingness of a public authority. Crucial motivational factors here are recognition of the abilities of the employees, accordingly active and serious participation of staff in the reorientation, and subsequent creation of a Corporate Identity so that new paths are followed in future too. At the Federal Office of Administration financial incentives played at most a flanking role in this process.

5 HUMAN RESOURCES MANAGEMENT

Alongside the value system, the culture and the objectives, human resources management in particular is of crucial importance for non-financial promotion of motivation among staff. This represents a particular challenge to managerial staff at all management levels, as regards both indirect management (human resources development concept, working time regulation, assessment guideline, training principles) and direct management (staff/assessment discussion, staff assessment, training measures and other human resources development measures from case to case).

5.1 NEW APPRECIATION OF STAFF

In order to find the right approach for non-financial staff motivation, it is necessary for managerial staff to consider their own attitude to their staff. The traditional understanding dating from the age of industrialisation with its specialisation in particular jobs sees humans as „living machines” who, when once trained for certain tasks, execute these with constant uniform and reliable precision. Performance can be enhanced, but only as regards quantity,
with financial incentives and this has consistently been successful in the past. Qualitative enhancement of performance is only achieved in the long run if individuals are recognised as personalities, if their capabilities and motivation are identified, and if they are given the chance to develop in accordance with their nature. That is why it is necessary not to see staff as subordinate recipients of orders, but instead to recognise them as partners and give them scope to carry out their tasks with a high level of individual responsibility. Human resources development succeeds best when it brings each individual employee to see himself or herself as an entrepreneur within the enterprise, so that the staff act with an entrepreneurial success mindset and with a corresponding sense of responsibility.

5.2 THE MANAGEMENT GUIDELINE OF THE FEDERAL OFFICE OF ADMINISTRATION

The mission statement of the Federal Office of Administration only contains the sentence „anyone who wants to assume a leading role carries special responsibility“ on the topic of „management“. This leading sentence is fleshed out with a management guideline that is binding for managerial staff and those they manage. Because the management guidelines apply equally for managers and managed, so that a common management operation is to result, thirty employees from the large number of volunteers from all departments and all levels of the hierarchy were determined by random principle to draft a management guideline. The representatives of the authority joined them. Within a few days the work steps „brainstorming“, „formulation of guiding principles“, „discussion and adoption in the plenum“, „discussion and adoption in the group of Federal Office of Administration management, heads of department and group leaders“ produced a coordinated and generally accepted management guideline.

The management guideline of the Federal Office of Administration does not only deal with human resources management, but also concerns all areas that a member of the authority’s management staff must master. Examples of this are shown in the following guiding principles that give an idea of the range:

- Managerial staff steer the technical performance of duties through fundamental decisions and problem solutions in special cases. For this they apply their experience and knowledge and their sector-specific expertise which they expand by continuous learning.
- Managerial staff recognise the development potential of the individual staff, deploy them in accordance with their capabilities and promote and challenge them individually. They are aware of their responsibility vis-à-vis each individual at all times.
- Managerial staff acts in an entrepreneurial manner. They structure processes on the basis of business management criteria. They use resources economically and apply modern information technology.
- Managerial staff takes up sectoral, economic, social and political developments and integrate them in their decisions.

On the other hand, there are principles in which the staff is obligated to support the managerial staff in their management task to the best of their ability in word and deed.

The management guideline is a basis for selecting managerial staff, both at the time of appointment and on staffing of managerial positions in the Federal Office of Administration. At the same time it is a yardstick for assessing the performance and capability of managerial staff. The specifications of the management guideline lead to the managerial staff seeing themselves more and acting as advisors and coaches for their staff, while the employees make responsible
use of their newly won freedom and increasingly develop to act self-reliantly and take decisions. The rulings reached jointly mean more accountability and transparency in dealings with each other. This contributes to a pleasant and motivating atmosphere in the Federal Office of Administration and to greater pleasure in the work.

5.3 LEVERAGE EFFECTS

Human resources management may not be considered as an isolated task. On the contrary, there is a close link and mutual dependence between the organisation, the business processes and the cut of workplaces. The principle that an organisation may never be set up in dependence on persons applies because this generally leads to uneconomic processes. Conversely, people have their own personal performance potential with differing performance limits. With non-financial performance incentives in mind, it is important not to under-challenge staff – this leads to boredom and vexation and steers existing free potential into other directions outside the workplace. It is equally important not to over-tax staff – this leads to fears, excessive workload, negative stress and ultimately to illness. Managerial staff and the personnel department are therefore called upon to identify potential from case to case and to create the requirement profiles of the workplaces that correspond as far as possible to the capability profiles of the employed. For this it is conceivable that workplaces may be adapted by enriching or downgrading, or individual staff may be trained through human resources development measures to qualify for a particular workplace. The objective should be to allow the employees to act independently as far as possible within the framework of their individual potential. This leads to success and recognition and all who have experienced this know that nothing is more motivating because of the wish to experience this uplifting feeling of success again and again. It is the task of management to enable staff to achieve success through coordinated organisational development and human resources development measures.

In this connection delegating tasks and responsibility is a key success factor in the Federal Office of Administration’s concept. On the one hand it shortens processes and is thus more cost-effective. Equally important on the other hand is that a task is processed from start to finish by one person with corresponding delegation of responsibility. It is standard practice for middle-level staff to process operations from submission of an application through to the final decision, including final signature, without a superior seeing the case at all. The case officer will only call in colleagues or superiors and involve them in the decision in specially difficult cases. Naturally realising this form of organisation had to be prepared. The staff were made fit for taking on holistic processing and responsibility through coaching in seminars and at their workplace. This was followed by a very important step that was difficult for some superiors. As soon as it becomes evident that a staff member masters his/her workplace, superiors must “let them go” so that they can really work independently. Only in this way is the motivating effect of work in a spirit of individual responsibility achieved.

At the Federal Office of Administration the „Flexible Work Time in the Team” (German acronym FAZIT) is directly connected with independence at the workplace. The idea behind this is that whoever is given responsibility for sectorally correct performance of tasks must be allowed to use his work time to fulfil the tasks. From the point of view of the Federal Office of Administration it is important that the objectives of the task are satisfied in time as regards quality and quantity. How individual staff members manage this lies in their own personal sphere of responsibility. That is why FAZIT only sets out a framework with which the operability of the Federal Office of Administration is to be secured and within which the staff may otherwise move freely. Important cornerstones here are:

- Framework working hours. These are Monday to Friday from 06:00 h to 21:00 h and
Saturday from 08:00 h to 13:00 h. During this time staff can arrange the time for their work input freely. Work outside these times is not credited to the weekly working hours to be delivered.

- Service time. This is Monday to Friday from 08:00 h to 16:30 h. The organisational units must be staffed so that they can function and provide information during these hours. This is important for cooperation within the Federal Office of Administration and in dealings with third parties (client orientation).

- Team organisation. It is not the superior officer but the team that ensures operability during service times by coordinating with each other.

- Work time account. Through extra work it is possible to develop a time credit of up to 80 hours that can be offset in one go by leisure in times of lower workloads. In case of need the regular work time can be undercut by up to 40 hours. The staff member must then develop a plan in consultation with his superiors and the personnel office for making up this time deficit again.

Figure 2. FAZIT system

An electronic time recording system is used to realise the FAZIT system with which presence and absence can be recorded precisely and each staff member can be aware of his current time account. In addition a service point has been set up to advise staff on problems in handling the system. A favourable by-product of IT support in time management is that the system permits very flexible response to staff wishes for permission to work part-time for a period. The Federal Office of Administration offers its staff some 500 different part-time models. According to the results of surveys, this time management of the Federal Office of Administration has made a substantial contribution to staff satisfaction and motivation.
5.4 MOTIVATIONAL FACTOR – INDEPENDENCE, SUCCESS, RECOGNITION

At the Federal Office of Administration the personnel management has consistently pursued a path from seeing staff members as „living machines“ to treating them as „entrepreneurs“. The courage to grant employees a high level of independence in fulfilling their tasks has paid extraordinary dividends. Motivation has increased distinctly, improvement of service quality for clients is acknowledged, the Federal Office of Administration has developed a keener profile as modern service provider for the federal administration. The resulting chain for the employees is > independence > success > recognition > joy at work > motivation.

6. FINANCIAL INCENTIVES

Despite all the significance of the non-financial performance incentives for staff motivation, the motivating effect of financial performance incentives should not be underestimated. That is why a refined system of performance-oriented payment, performance premiums and performance pay has been developed for the federal administration.

6.1 PERFORMANCE-RELATED ASSESSMENT AND PAYMENT

The payment of civil servants and staff employed at the Federal Office of Administration in accordance with a collective agreement is oriented to uniform laws, legal regulations and payment parameters for the federal administration as set down in the Service Law Reorganisation Act 2009, valid since 2009, and the Collective Agreement for Public Service valid since 2005. Within this framework it was planned to bindingly introduce some elements of performance-related assessment and payment. Efforts were made to link payment and performance more closely without changing the existing payment systems fundamentally and without increasing overall personnel costs.

Thus the funds for performance payment for civil servants are set at a minimum of 0.3 of the annual pay for civil servants at the respective public authority and are funded by lowering the former special payment equivalent to a 13rd monthly salary. For those employed under Collective Agreements a performance payment of initially 1% of the standard monthly pay of the staff during the year before is provided for, financed by reducing the special payment, abolition of the former „holiday pay“ and – for newly employed staff – abolition of extra benefits for married persons and children.

The transition from these general extra benefits to performance-related payment elements is flanked by complementing the existing personnel assessment by procedures that allow a differentiated payment of individual performance. Efforts are made to try out new assessment methods step by step and initially without introducing costly evaluation procedures.

Under these framework conditions the BVA implements the performance-related payment for civil servants and collective agreement employees in the following way.

6.2 CIVIL SERVANTS

The monthly salary of the civil servants is determined in accordance with the salary group reached within the framework of their career and the level corresponding to their age. According to the new rules the previous orientation to age or period of service no longer applies. The height of the level is now determined in accordance with professional experience and performance.
If performance does not come up to requirements, the civil servant will not rise up to the next higher level in future.

The assessment of civil servants results from the performance assessment and the capability assessment. While the performance assessment takes into account work results and performance behaviour shown so far, the capability assessment concentrates on the individual capability attributes and development models. The capability assessment – unlike the performance assessment – does not close with an overall assessment, but it can influence the overall score of the assessment.

**Table 1. Example of performance and capability assessment (attributes)**

<table>
<thead>
<tr>
<th>PERFORMANCE ASSESSMENT</th>
<th>CAPABILITY ASSESSMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Activity descriptions/requirements of the service post (= workplace), function, objective agreement, objectives in accordance with performance attributes:</td>
<td>Examples of capability attributes – however only those that could be observed are rated</td>
</tr>
<tr>
<td>Work results (quantitative)</td>
<td>Grasp of essentials</td>
</tr>
<tr>
<td>Work results (qualitative)</td>
<td>Thinking and judgement capability</td>
</tr>
<tr>
<td>Sectoral expertise</td>
<td>Capacity for decision-taking and self-assertion</td>
</tr>
<tr>
<td>Mode of work (cost effectiveness)</td>
<td>Negotiating skills</td>
</tr>
<tr>
<td>Orientation to addressees/service</td>
<td>Wealth of ideas</td>
</tr>
<tr>
<td>Social competence</td>
<td>Conceptual working</td>
</tr>
<tr>
<td>Staff leadership</td>
<td>Organisational capability</td>
</tr>
<tr>
<td></td>
<td>Precision</td>
</tr>
<tr>
<td></td>
<td>Performance willingness and ability to cope with stress</td>
</tr>
<tr>
<td></td>
<td>Self-reliance in action</td>
</tr>
<tr>
<td></td>
<td>Ability to lead staff</td>
</tr>
<tr>
<td></td>
<td>Learning capability and willingness</td>
</tr>
</tbody>
</table>

The performance attributes are subsequently evaluated with scores and an overall score is evaluated on the basis of the individual scores. The capability attributes are allocated to categories depending on the level of their parameter values.

The award of overall scores is subject to quotas. The quota system relates to the share of assessed civil servants at a function level (e.g. all desk officers in the administrative level civil service career) and allows:

- 10% with the maximum score of 9 points,
- 20% with the second highest score with 8 and 7 points.

The assessment is thus a central personnel management instrument and the basis for decisions on promotion on the grounds of aptitude, performance and capability. In so far the rise through salary groups and hence salary payments to civil servants are critically dependant on the performance provided each year. The framework is limited by the number of positions available. This in turn is limited by the financial budget of the respective public authority.

In addition to these salary payments elements of performance payment are included in the BVA for which a budget of approx. € 300,000 (corresponding to approx. 1.0% of the total civil servant personnel cost budget) is available.

In the BVA the respective responsible head of department is responsible for the decision on awards and for the pro-rated distribution of the monies – generally also the second assessor of civil servants in his department. The overall budget is divided between the departments in accordance with the existing personnel code (share of civil servants in a department
in relationship to total civil service staff). For individual measures extending beyond the departmental budget, it is possible to deviate from the budget distribution in consultation with the head of the authority.

The decisions on awards must always be substantiated in writing vis-à-vis the management of the authority and the civil servant concerned and be documented in the personnel file. In addition the heads of department can publish the awards decisions via the intranet (reasons, person) to the other staff in the BVA. This makes measures transparent. The openness of the decisions has proved very positive at the BVA.

The performance payment for civil servants provides for three different instruments for granting additional performance payment:

- granting of a performance level,
- granting of a performance premium,
- granting of a performance bonus.

A performance level award is possible for consistently outstanding overall performance. The decision on the award must be substantiated in writing and documented. Performance premiums and performance bonuses are to be awarded for outstanding special individual performance. They are intended to open up the possibility of responding directly and promptly to individual performance. These two instruments can also be awarded as a team premium (amount up to 250% of the basic salary of the highest paid civil servant in the team). The performance premium is awarded as a one-off payment and is to be dimensioned up to an amount of the initial basic salary of the salary group of the respective civil servant. The performance bonus is paid as a monthly bonus and can be granted at most for 12 months. It can be approved up to an amount of 7% of the respective initial basic salary. The performance level element can be awarded to up to 15% of the civil servants. The award of performance premiums and performance bonuses can together also be made to up to 15% of the civil servants.

The procedure is to be implemented without any major outlay and makes it possible to react to performance promptly. That is why this additional performance element has proved most successful at BVA. In particular the award of performance and team premiums is considered by the staff as an additional motivational factor, but above all as appreciation for particularly good performance.

6.3 STAFF EMPLOYED UNDER COLLECTIVE AGREEMENTS

The monthly salary of the staff is determined on the basis of the respective salary group to which they are allocated and their level in the salary group. Allocation to a salary group depends on the qualification (training level) and the concrete activity allotted at the workplace. The level in a salary group is determined on the basis of the professional experience in the respective salary group. For example, staff joining this salary group new and beginning without professional experience belong to level 1. After one year of professional experience they automatically move up to level 2. Levels 3 to 6 are development stages that are reached after a further 2, 3, 4 and 5 years at the respective level.

In the case of performance by staff that is considerably above the average the time required for reaching levels 4 to 6 can be shortened from case to case. For performance that is substantially below the average, this time may be extended. This procedure thus offers an opportunity to couple performance and payment. However, no experience in practical application has been acquired so far. It has been decided to try out the instrument of 1% performance payment with a performance assessment – described below – initially in order to apply the new options
of shorter or extended periods at individual levels as a further performance element on the basis of the experience gained.

The performance payment will be introduced in accordance with the following principles:

- depending on individual performance or team work,
- variable fixing in the respective performance period,
- payment in addition to the regular salary.

The BVA management has decided to pay out the performance payment annually as a single premium. A service agreement was entered into with the staff council on the conditions and details of performance measurement and performance assessment.

The calendar year was fixed as the performance period. The superior officer must ascertain performance in the past performance period within a fixed period – 1 to 31 January of the following year.

This ascertainment can be effected via an objectives agreement. This must have been firmly agreed between the superior officer and the staff member at the start of the performance period (up to 31 January). If no objectives agreement was entered into, the performance of the staff member will be measured with the instrument for systematic performance assessment in the Federal Office of Administration.

The budget available is calculated as of 1 May each year. The budget available comprises 1% of the regular monthly payments for all staff in the previous year. This includes:

- the monthly payment according to tables,
- fixed benefits (e.g. child benefit as vested right bonus),
- payment in case of illness,
- payments during holiday periods.

The disbursement of the personally fixed performance payments to BVA staff is to be completed as of 30 June of each year with the June salaries.

A four-stage assessment model is applied to measure performance. The assessment model takes into account the objectives fixed in the mission statement and the management guideline of the Federal Office of Administration and the degree to which the objective has been achieved (a comparison between target and actual values).

**Table 2. Performance measurement – assessment model**

<table>
<thead>
<tr>
<th>DEGREE TO WHICH OBJECTIVE IS REACHED</th>
<th>PERFORMANCE MEASUREMENT SCORE</th>
</tr>
</thead>
<tbody>
<tr>
<td>distinctly exceeded</td>
<td>3</td>
</tr>
<tr>
<td>exceeded</td>
<td>2</td>
</tr>
<tr>
<td>reached in full</td>
<td>1 (normal performance)</td>
</tr>
<tr>
<td>not reached</td>
<td>0</td>
</tr>
</tbody>
</table>

The performance evaluation is based specifying up to five essential tasks for the past performance period.

Then at least three of the performance attributes quality of work, quantity of work, addressee orientation, cooperation and management behaviour (for managerial staff) are to be evaluated with the above criteria and given a percentage weighting depending on their importance for the workplace.
Table 3. Performance measurement - example

<table>
<thead>
<tr>
<th>PERFORMANCE ATTRIBUTE</th>
<th>WEIGHTING IN %</th>
<th>PERFORMANCE MEASUREMENT SCORE</th>
<th>INDIVIDUAL SCORE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quality of work</td>
<td>20</td>
<td>2</td>
<td>40</td>
</tr>
<tr>
<td>Quantity of work</td>
<td>30</td>
<td>3</td>
<td>90</td>
</tr>
<tr>
<td>Cost effectiveness</td>
<td>20</td>
<td>3</td>
<td>60</td>
</tr>
<tr>
<td>Addressee orientation</td>
<td>10</td>
<td>2</td>
<td>20</td>
</tr>
<tr>
<td>Cooperation</td>
<td>20</td>
<td>3</td>
<td>60</td>
</tr>
<tr>
<td>Management behaviour</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total single scores</strong></td>
<td>100</td>
<td>-</td>
<td><strong>270</strong></td>
</tr>
<tr>
<td><strong>Total value of performance measurement</strong></td>
<td>-</td>
<td>-</td>
<td><strong>2,7</strong></td>
</tr>
</tbody>
</table>

To calculate the individual performance pay part volumes are formed from the overall budget in accordance with the number of employees at the various qualification levels (sub-clerical, clerical, administrative, executive service).

The individual performance pay is calculated from this share volume on the basis of the averaged overall values of the performance measurement. These are allocated to a calculation factor in accordance with the following band model:

Table 4. Calculation factors for individual performance pay

<table>
<thead>
<tr>
<th>OVERALL VALUE OF PERFORMANCE MEASUREMENT</th>
<th>CALCULATION FACTOR</th>
</tr>
</thead>
<tbody>
<tr>
<td>2,50 – 3,00</td>
<td>3</td>
</tr>
<tr>
<td>1,50 – 2,49</td>
<td>2</td>
</tr>
<tr>
<td>1,00 – 1,49</td>
<td>1</td>
</tr>
<tr>
<td>0,00 – 0,99</td>
<td>0</td>
</tr>
</tbody>
</table>

After creating and calculating the share volume for each qualification level the calculation factors reached are multiplied by the number of staff who have attained this factor. Adding together these amounts produces the sum total for the employees. Dividing the share volume through this sum total produces the score per share volume formed. The individual amount of performance pay to be paid out is obtained by multiplying the factor with the score achieved.
Table 5. Calculation of individual performance pay – example:

<table>
<thead>
<tr>
<th>ASSESSMENT</th>
<th>FACTOR</th>
<th>NUMBER OF EMPLOYEES</th>
<th>SUM TOTAL</th>
<th>SCORE</th>
<th>PREMIUM VALUE (SCORE X FACTOR)</th>
<th>SHARE VOLUME E 5 TO E 8</th>
<th>€ 4,000.-</th>
</tr>
</thead>
<tbody>
<tr>
<td>2,50 - 3,00</td>
<td>3</td>
<td>1</td>
<td>3</td>
<td>200</td>
<td>600 € divided by sum total</td>
<td>20</td>
<td></td>
</tr>
<tr>
<td>1,50 - 2,49</td>
<td>2</td>
<td>4</td>
<td>8</td>
<td>200</td>
<td>400 € = score</td>
<td>200 €</td>
<td></td>
</tr>
<tr>
<td>1,00 - 1,49</td>
<td>1</td>
<td>9</td>
<td>9</td>
<td>200</td>
<td>200 €</td>
<td></td>
<td></td>
</tr>
<tr>
<td>0,00 - 0,99</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>200</td>
<td>no premium</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>20</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The overall budget for the performance payment for the past year 2008 is about € 320,000 for approx. 1,000 employees. The score per qualification level is expected to lie between € 200 - and € 300, so that a maximum of approx. € 600 can be expected for employees with top performance assessment levels.

7. SUMMARY

If one considers the measures of the Federal Office of Administration to motivate its staff from a comprehensive aspect, it becomes clear that although there are two distinctly differing complexes with non-financial and financial components, both components rank equally and only develop their effect when they are linked expediently in daily use. The non-financial component is more difficult to master as it presupposes permanently alert emotional intelligence among managerial staff. The financial component on the other hand is very work-intensive because of the need to collect measurement data. The financial incentives represent a form of recognition, but can only be awarded fairly if good management and development work has been performed before in the non-financial component. If one were to rely solely on non-financial incentives, this would disregard key employee interests in material safeguards and increases in standard of living with corresponding behavioural consequences. If one were to rely solely on financial incentives, this would smother a natural predisposition to collaborate in a meaningful task and hence curb enthusiasm too. That is why the Federal Office of Administration has effectively coupled the financial and non-financial incentives. It can now be ascertained on the basis of client and staff surveys, the demand for service offers and the recognition shown in public statements too that this integrated system of motivation brings results.
SWEDEN
1. THE SWEDISH SYSTEM OF CENTRAL GOVERNMENT ADMINISTRATION

Unlike the majority of European countries, the Swedish central government administration comprises agencies, which carry out their tasks and missions autonomously in relation to the Government, within a general written instruction and yearly budget directives. This principle of autonomy for central government authorities was introduced as early as the seventeenth century when the foundations of today’s civil service were laid.

However, modern public administration has been influenced by national and international trends from both the public and private sectors. For many years, delegation and decentralised decision making have been regarded as the ideal. Sweden has introduced wide-ranging reforms in this respect and the structure of Swedish central government administration is extremely decentralised as compared to most other countries. As a consequence, employer responsibilities have largely been delegated to the heads of agencies. The aim has been to improve efficiency and effectiveness by ensuring that most decisions are made as close as possible to the local business.

Analogically the Social Dialogue in the central Swedish public administration consists of several levels of negotiation and exchange of information. Today, working conditions and pay are negotiated at agency level or lower, while overall rules of the game and procedures are set in national agreements. Job security and pensions are regulated in national agreements as well.

1.1 CENTRAL GOVERNMENT EMPLOYEES – NUMBERS, GENDER DISTRIBUTION AND EDUCATIONAL LEVEL

Some 240,000 of an approximate total of 1.3 million public sector employees are employed by central government administration. The public sector in Sweden answers for one third of the labour market while staff in central government administration account for approximately 6 per cent. There are approximately 250 agencies, ranging in size from a handful of employees to a staff of 16,500.

50 per cent of central government employees are women. More than a third of the staff have completed at least three years of academic education, while more than 60 per cent have completed some form of higher education.

In recent decades Sweden’s central government administration has undergone major structural changes. Expenditure cuts and redundancies, privatisation and other changes in the overall responsibilities of government agencies have halved the number of central government employees since 1985.

1.2 AUTONOMOUS STATUS OF AGENCIES

Central government administration in Sweden is primarily governed by decisions on objectives and funding passed by the Government and the Swedish parliament and by the evaluation of results. Both the Government and the Parliament monitor government agency operations through their respective audit authorities.
The Swedish government ministries employ only a small number of staff (some 4500). The major part of central government, the agencies enjoy compared to other European countries, a relatively autonomous status. Under the Swedish Constitution, individual ministers are not permitted to interfere with agencies’ exercise of public authority or their application of legislation in individual cases.

During the latter part of the twentieth century, the Government has delegated more responsibility and authority to individual agencies with the aim of improved efficiency in operational and financial decision making. Each agency is free to use its resources as it sees fit within its mandate and within the framework of general regulations, which control government agencies. The agency is notified of what is to be done, but not how it is to be carried out in detail. Number and scope of staff is up to each agency to decide. Centrally determined payrolls and pay schemes do not exist.

1.3 FRAME APPROPRIATIONS

In Sweden’s national budget system the Government and the Parliament set out objectives for agencies and allocate a direct budget within which these objectives are to be achieved. Each agency is allocated funds to cover administrative expenses such as payroll costs and premises. These funds are adjusted in line with price and productivity developments in the private sector but are not automatically increased as a result of new pay agreements.

All agencies produce budget proposals for the next three financial years on which the Government bases its assessment of the agency’s activities and resources. The Government may also decide that an agency is to produce more comprehensive documentation for in-depth examination. Each year, agencies submit reports to the Government, which cover performance and financial statements as well as details on human resources. If agencies exceed their framed appropriations they have a limited possibility to take a loan, but they are not provided with any new money.

1.4 MAIN DRIVERS OF CHANGE AND RESULTING REFORMS

The Swedish economy, and as a result its Government’s finances, suffered perhaps disproportionately more than others in the recession in the early 1990s and the central government administration was comprehensively reorganised and slimmed down. There are still restrictions on central government finances in the way that allowances are automatically cut by a productivity factor based on the increase of productivity in private sector administration. Still according to the generation shift many government agencies recruit new staff. The staff turnaround in the government administration is currently about 12 per cent.

The key priority for Swedish Governments, over the last decade or so, has been the search for higher productivity and effectiveness. The search for improvements in these areas has led the Government to examine various issues for the public sector including privatisation, decentralisation and further clarification of economic responsibility.

The means for this then can be seen to be:

- reduced appropriations and permanent productivity demands,
- increased use of evaluations,
- improved supervision,
• use of E-government, automation, self-service by citizens,
• decentralizing services,
• merging related agencies,
• professionalization,
• diversity strategies,
• greater employer responsibility for government agencies.

1.5 EMPLOYMENT AND SOCIAL DIALOGUE

More than 98 per cent of central government staff is employed by permanent contracts. The number of statutory civil servants is counted in a few hundreds, not more. The permanent contract means, like in the rest of Swedish labour market, a rather high level of job security, although it allows laying off staff due to structural changes. In such cases a specially developed job security agreement provides individual support in order to find alternative solutions for the individual on the labour market as whole.

Despite the changes within Swedish Central Government, as with Swedish corporate life generally, the Swedish model has retained much of its collective bargaining and partnership ethos. All sectors of the economy are well organised and trade union density remains high and is slightly higher in the central public sector (80%) than in the private sector.

The state employers are represented nationally by Swedish Agency for Government Employers (SAGE) and the employees’ representatives are formed from three confederations which are the Swedish Confederation of Professional Associations (SACO-S); The Public Employees’ Negotiation Council (OFR) and The Union of Service and Communication Employees (SEKO).

The right to strike for central Governmental employees, although provided for by law, is a relatively recent right within Sweden and was only introduced in 1966. However, this right is limited to actions that do not endanger public safety, although this limitation is voluntary and the right to strike is not limited by legislation. Since 1998 national sectoral pay agreements usually last for a period of three years.

In 2006, the Employers’ Council, which is comprised of all central Government Employers, set out its agenda for 2007 – 2010. In this it outlined the measures it wanted to take to meet the following challenges:

• flexible solutions within the framework of common values,
• globalisation and flexible business demands flexible agreements,
• efficiency and effectiveness demand a good working environment, equity and diversity and a sustainable allocation of competence and skills,
• leadership as a key issue,
• employers’ policy as a strategic issue for leadership.

1.6 GOVERNMENT MONITORS AGENCIES’ EMPLOYMENT POLICY

The Government continuously monitors the agencies’ employment policy. Information is obtained from the agencies’ annual reporting concerning their competence planning, pay level development, gender distribution, age structure and staff turnover. Some information
is reported directly to the Government and some to SAGE as a basis for the statistics on the central government sector it compiles annually. In addition, each agency also reports measures taken to promote diversity among its staff and its efforts to develop a creative workplace with a good working environment.

Employment conditions in the Swedish central government sector are very similar to those of employees in other sectors of the labour market. Close to all staff are employed on a permanent contract basis. Any differences are primarily due to the agencies’, and thus the employers’, exercise of public authority. The exact legal position of central government employees in respects other than those set out in the Constitution must therefore be legally established.

2 FLEXIBLE WORKING TIME

2.1 TOWARDS FLEXIBLE WORKING CONDITIONS

Modern society is hastily developing economically and socially which has a great impact on working life. No longer can you count with the man in the family as single financial provider. No longer are citizens content with very limited services for their increasing tax money. No longer can an employer regard staff as a given resource over time. Competition and conflicting needs is today a constant part of the game of working life.

Table 1. Flexibility aspects

| Flexible organising of work | Restructuring of government administration is an ongoing political process. Parts of the civil service are closed down; parts are merged into new or other bodies; other parts, not of core character, are outsourced. Furthermore; the use of projects and process management increases. Old internal structures are eroded. Line management is challenged. |
| Flexible regulation of work | Central regulations move from detail to framework. Local regulations move from organisational scope to individual. |
| Flexible leadership | Managers are bound to carry overall responsibility, individuals are supposed to take more charge of their own operations. |
| Flexible careers | Staff members are increasingly following their own career patterns. Career systems and statutory positions are now almost fully abandoned. |
| Mobility | Mobility is regarded as an asset, not a problem. Increased move of workers over labour market sectors (SE 12 % per year). |
| Flexible workplaces | IT-technology facilitates working from home and other places. |
| Flexible tasks | As a government employee, you are supposed to develop your skills in pace with your work place. Tasks are no longer defined in job specifications. I.e. new tasks are taken on without any changes in your employment contract. |
| Flexible competences | Life long learning and on-the-job learning are key words for most government employees. |
| Flexible pay | Pay is individualised and varies according to level of responsibility, outcome of work, market conditions for each comparable group. |
| Flexible working time | Flexible working hours’ systems are generally in successful use since the 1970’s. Varied working time can be used in operations with unstable workflow. Non regulated working hours by “trust” is increasingly coming into use for professional staff in central government administration. |
During the past decades “flexibility” has become one of the most common key words for change. This is really a challenging word, putting new demands on employers and managers on the one side and on staff and staff representatives on the other.

In the process of increasing flexibility further we have to be aware of that each type of flexibility creates its own dilemmas and that each move in direction of flexibility creates defence of the current, known systems and processes.

From the Swedish perspective we can identify a lot of interrelated processes towards flexibility that may be labelled “modernisation” of working life. The Central Government Administration is certainly not excluded from this process. Instead it is from some aspects very much in the frontline of the development - not least due to the fact that the Swedish government sector of labour market inherits the largest amount of very well educated staff. Table 1 may illustrate the scope.

### 2.2 FLEXIBLE WORKING TIME – A STRATEGIC MATTER

Flexible working time can be in the interest of the employers as well as of the staff. Many government operations need to be done outside normal office hours. Overtime costs may be reduced with flexible working hours. Family and other social obligations may be carried out easier for staff with flexible working hours. Great possibilities for a “win-win” situation were foreseen when the social partners agreed on the possibility for flexible working hours some decades ago. From the beginning normative conditions for flexible working hours were regulated in the central framework agreement of pay and working conditions (RALS). This agreement regulated how organisational negotiations about flexible working hours should be carried out and also provided definitions of notions like “fixed hours”; “flexible hours”; “flex frame”; “luncheon flex”; “daily time norm”; etc.

Today there is less of detailed central regulation specific for the Central Government Sector but instead it clarifies the local social partners’ responsibility to negotiate working time:

“Local agreements on working time aim to adjust working hours to the operational demands as well as to the needs of the staff’s different wishes and needs. In that connection should the operation’s demands for an effective and more flexible organisation be regarded, and the members’ of staff demands on more flexible and individual solutions. It is natural that development and the making of operations more efficient builds on a trustful and practical cooperation between the social partners, and on that the individual acquires more responsibilities and influence over her/his own situation of work.

Local social partners should recognise that an agreement on working time that is more adjusted to operational needs may lead to compensation in some form.” From the current central agreement on general working conditions (ALFA).

### 2.3 EMPLOYER POLICY FOR WORKING TIME

**IN THE CENTRAL GOVERNMENT SECTOR**

In 2008 the board of the Swedish Agency for Government Employers decided on a policy for working time in line with the operational needs of government organisations. The policy was in February 2009 supplemented with a handbook on working time for the government employers.

In the following the employer policy will be described followed by some comments deriving from the handbook.
“Policy for working time - The operational demands have to be in charge.

Allocation of working time and its rules should respond to the demands on the operations put by the Government and the Parliament, as well as to the demands on availability and service put by citizens, companies and organisations.

Effective and rational operations require that the allocation of working time and its rules continuously is adjusted to changed demands on, and economic conditions for the operations.

Within the framework of the operational needs working time should be allocated in order to promote a good work environment.”

The policy also defines a number of success factors:

- **Stimulate change and work towards efficiency and effectiveness!**
  - Working life needs a positive attitude towards change from managers as well as staff. Therefore it is important with a continuous dialogue about the prerequisites for the operations in order to contribute to insight and understanding of needed change and of its consequences for the work place, the team and the single worker.

- **Use the human resources as effectively as possible!**
  - Planning and allocation of working time have to emanate from thorough analyses of the operational demands and prerequisites.
  - The allocation of working time and its rules has to be followed up continuously. Agreements that no longer are functional should be abolished.
  - Collective agreements and regulations should facilitate a continuous adoption to new demands and prerequisites.
  - The role of being employer entails a clear responsibility for allocating staff from operational needs.
  - Travelling time out of normal working hours is not regarded as working time.

- **Consider the needs of the staff!**
  - Adjust the working hours, if suitable within the operational needs, to the staff members individual needs and wishes in order to facilitate the combination of professional and private life.
  - Within the operational needs working time and its rules shall promote gender equity and diversity.
  - Keep a dialogue about other motivational factors than economic compensation for flexible attitude to working time.

- **Relate working time to overall HR-policy and operational needs**
  - Take the overall pay policy into account.
- **Strengthen a sustainable approach with a local working time policy!**
  - A well known working time policy based may strengthen the work towards working time in line with operational needs.

- **Cooperate with other employers!**
  - A common strategy between employers supports the local work and position. Long term effects of a change should be regarded for the own operations as well as for fellow employers.

The handbook, in turn, is divided into three parts: Strategic issues; regulations by collective agreements and finally other regulations (by law for instance). The handbook states that central collective agreements needs local adoption to operational needs. It also stresses the importance of well motivated staff in a flexible working life. Motivation, engagement and participation are three defined factors for a successful use of flexible working time in line with the operational needs.

The handbook also points out that flexibility gains both the employer and the staff. This is especially the case in organisations that are characterised by trust, responsibility, respect and transparency. Mutual confidence and involvement is the roadmap towards adaption of change. A good culture of work demands a dialogue that is supported by the management.

The aim for flexible use of working time is expressed:

“The organisation has staff with the right competence in place at the right time for efficiently performing the mission with the best possible result.”

Furthermore the handbook provides advice for planning the operations and the working time connected. It also provides advice for following up current policies. It also gives comprehensive advice for using different types of flexible working time within the framework of the complex European and national legislation.

### 2.4 FLEXIBLE WORKING HOURS

By Flexible Working Hours is regarded such regulation of the working hours that, within given timeframes, provides staff with the option to decide when to work.

Flexible working hours should of course be adapted to the operational needs of the organisation concerned. Normally there is a need for regulations about fixed working hours: hourly frames for flexing; registration and control of flex time accounts; rules for how many hours plus and minus that should be allowed in the accounts; and finally rules how to make up for deficit or compensate for surplus in the individual accounts.

Such regulations (by organisational agreements between local social partners in Sweden) normally ought to regulate:

- organisational units and type of staff concerned,
- fixed working hours, for example 9.30 – 15.00,
- norm time for how many working hours that has to be done weekly or monthly (for example 39,5 hrs/week),
- flexible time frame, for example starting work from 6.30 – 9.30; taking lunch from 11.00 – 13.00; finishing work from 15.00 – 19.00,
- flex time account i.e. the difference between the norm time and the actual worked time.
Some of these aspects may be put into a policy instead of being regulated in detail. Today most of Swedish office workers in central government administration are working flexible working hours. Generally there are very few problems reported with the different systems in use. Some groups though are due to work on fixed working schemes related to the nature of tasks they have.

2.5 VARIED WORKING TIME

According to the central agreements the weekly working time may be calculated over longer time. The time limits vary from four weeks to a year according to agreements for different categories of workers. Local agreements may make exceptions from the time limits. Such a variation of the weekly working hours makes it possible to allocate more work for periods of high operational demand.

Seasonal working time is a form of varied working time.

2.6 NON REGULATED WORKING TIME – OR WORKING TIME BY TRUST

In many government operations is the importance of results that the workers produce greater than at which hours the work is done. Those parts of work that not demand regular interaction with other staff may just as well, or even better, be done at home or outside normal working hours according to the worker’s preferences. Flexible work patterns demand flexible working time.

Working time by trust is defined as non regulated working time that the employee, due to the nature of her/his tasks, is trusted to dispose. All higher managers in the Swedish civil service use working time by trust. In addition an increasing number of professional workers do the same. As today may be 20 per cent of the work force do.

Central regulation defines some of competences that are entrusted non regulated working time, but it can be done by organisational or individual agreements as well.

Using working time by trust does not work for all categories of work and operations. The tasks of the employee have to contain high degree of independence. An organisation that considers introducing working time by trust therefore should analyse how the operations and tasks motivate such a solution. There are some strategic and practical matters needed to be clarified:

- To which degree of independence and responsibility are the work tasks carried out?
- Are the responsibilities and task clearly defined and possible to asses?
• Are there good structures for supervision in place and do managers have sufficient leadership skills?

• To which extent can the trustees be trusted? How much steering and guidance do the trustees need?

• How does working time by trust correspond to need for presence at the work place? Are possibly flexible working hours a better solution?

• Within what frames should the trustees have a mandate to dispose the working time:
  - Natural variation in amount of work?
  - Little importance of what time of a day the work is carried out?
  - Can the work be carried out for example at home?

Other more practical matters concern the relationship between the trustees and the managers in charge.

Employers that are considering introducing a system for working time by trust will benefit from having a strategy for anchoring the change thoroughly. Working time issues are classical for the field of social dialogue. In order to reach a positive response from the staff it may be necessary with financial compensation to those concerned.

Workers with working time of trust are not subject to the EG working time directive regarding daily and weekly rest, weekly working time, night-time work and following compensation (Directive 93/104/EG).

### 3. THE BESTA SYSTEM AND PAY STATISTICS IN THE SWEDISH CENTRAL GOVERNMENT SECTOR

#### 3.1 INDIVIDUAL PAY

The system of individual pay has been in use in the Government sector (as in all other sectors of the labour market in Sweden) since around 1989. In short the system means that the salary for every individual is set at the agency where he or she is an employee, normally after negotiations between the agency management and the local trade unions.

It falls within the responsibilities of the management at each agency to have a dialogue with each employee on individual objectives and results, and also to explain pay increases (or lack of increases). This is the most highly valued part of the system by the employees.

The concept of individual pay replaced the century-old system with salary grades (pay scales) linked to the job title for the employee. The job title typically gave a rough information on which (hierarchical) level the employee was placed. In many cases however, and certainly so in the case of the numerous ‘office work titles’, the job title said very little about what actual working tasks were carried out by the employee. For example, somebody with the job title ‘principal administrator’ could be working within a wide range of fields, such as investigative work, economics, personnel administration, information and so forth.

The abandoning of the job titles and their placement in pay scales as the means of determining the salary for the individual led to the development in the early 1990’s of a classification system of job positions called TNS, as it became of vital importance to get better overview information on what kind of work was carried out by the central Government sector, and the various pay
levels for that work.

The TNS system was jointly developed by the Swedish Agency for Government Employers (SAGE) and the three central unions of the Government employees for the classification of the Government job positions. TNS was in use for the subdivision of the pay statistics, thus replacing the old system based on job titles, between 1992 and 2004, when it was replaced by a highly modified system, called BESTA (see further below).

The pay statistics for the Government sector are produced by SAGE, which since 1995 is running the whole production chain, from the collecting of data to the statistical output. The statistics are produced twice a year, with 1 September and 1 March as the dates of survey. For the purpose of the statistics a database on an individual level is created. The raw data are delivered to SAGE from the various salary computing systems – nowadays several dozen – and consist of some 20 variables, such as personal number (social security number), monthly salary, extent of employment, salary supplements and overtime compensation.

Even though SAGE is actually producing them, the pay statistics are joint with the central trade unions of the Government employees to the effect that SAGE has signed agreements with these on statistical cooperation. The agreements regulate the contents of the mutual statistics as well as the forms of securing a coherent view on statistical matters, including the levels of actual salary increases. Each union gets access to primary data in the statistical database concerning its own members.

3.2 THE BESTA STATISTICS AND THE PURPOSE OF THE BESTA SYSTEM

The pay statistics based upon the BESTA code show the median salary and the spread of salaries (percentiles and quartiles) for the various BESTA codes. These statistics are subdivided by age groups and region.

In all, three age groups are used; 16-29 years, 30-49 years and 50- years.

The regions are; the Stockholm metropolitan area, Southern Sweden, Central Sweden, Northern Sweden and finally the whole country.

Thus the statistics will give an overview information about what salaries are paid for different jobs in the Government sector, and they will also enable to make comparisons between different groups as well as analyses of pay structures.

For an example of how the statistics look for IT-work, please see app. 6. For what is paid for various other occupations, please see app. 7.

The statistics will be used on a central level, such as at SAGE which conducts negotiations on salary increases on behalf of all Government agencies with the central trade unions. Also, the statistics and the pay structures they show are important tools at the agencies where the actual salary setting for the individuals take place.

The procedure for local pay formation as stipulated in the central agreements requires that statistics are available at the agency level.

It is important to stress, however, that the statistics give an overview information only.

The BESTA system is rough insofar that many of the functions are rather wide and include occupational fields that are somewhat different. Moreover, many employees perform working tasks that fall within several functions (in which case the one that dominates shall be chosen), and also, of course, working tasks that span over several grouping levels.
Likewise important to stress is that it is only the working tasks as such that are carried out that are coded in the system, not the ability or performance of the individual.

So the purpose of the statistics is not to serve as a table for looking up what salary should be paid to a certain individual for a certain work, as there are many factors besides what is measured in the BESTA-code that must be taken into account when determining the salary for an employee.

3.2.1 The pay statistics analysis program

A special tool called the pay statistics analysis program has been made available for the agencies. This program builds entirely upon the Besta-code, and makes it possible for the agency to compare its salaries for a certain Besta-code with the corresponding salaries for the same code at other agencies or with the Central Government sector as a whole.

These comparisons can be made on a national level or by geographical region.

The program also makes it possible for an agency to design desired pay structures. The actual and the desired structure can then be projected on the same image. For an example, please see app. 8.

3.2.2 The BESTA system

The BESTA system has been jointly developed by SAGE and the central unions, as was the case with TNS. Many of the experiences with TNS have been regarded when designing BESTA, which thus has gained much from the system that preceded it.

The basic frame of BESTA is the classification of the job positions according to the function of the work (occupational field) and the degree of its difficulty. The latter is called grouping level. Also central in the system is the separation of manager/executive positions (about 6% of all positions) from the rest. For a system description in graphics, see app 1.

Altogether, the BESTA code is 8 digits and 1 character long, see app 2.

Functions and grouping levels

There are about 60 different functions, or branches of occupation in BESTA. Examples of these are ‘Legal investigation work’, ‘Correctional work’ and ‘Employment office works’. There is a complete list in app 3.

Each function consists of a number of grouping levels, by which is meant the work’s total requirements regarding independence, complexity, know-how, responsibility, range etc. The maximum number of such levels is 6. The numbering order is running from 1, which is the easiest level, to 6, the most complex one. About 2/3 of all functions have all 6 levels, the rest may lack levels at either end.

When choosing the appropriate level of grouping it must further be taken into account if the classification concerns a manager/executive position or not, as these follow their own scheme.

BESTA is not designed to compare job positions between different functions, as the scope of difficulty varies from one level to the next both within a function and between different functions. In other words, the grading of difficulty is adapted to suit each function.

There are, however, certain general similarities between the levels of grouping. For the matrix showing the most important criteria for each level, see app 4.
Manager/executive job positions

As said above manager/executive job positions are distinguished in BESTA insofar that they are marked out by a ‘1’ in the code. Also, these positions follow another matrix for the determination of the grouping level. By a manager/executive job position is per definition meant somebody who has subordinate personnel for whom he/she has the responsibility not only of work supervision but also salary setting, individual development etc.

The scheme for the emplacement in the appropriate grouping level for managers/executives differs in two ways from the matrix for all others. First only the four highest levels (3, 4, 5 and 6) apply. Second, the scope of management is taken into account in the description for each level.

For level descriptions, see app 5.

Examples of working tasks

As an additional means of facilitating the selection of the appropriate grouping level a BESTA manual gives a number of examples of working tasks for each level in each function. These examples should be seen as guidelines only, and be read in combination with the general level description matrices mentioned above.

Local supplement

There are 2 positions in the BESTA code that are reserved for local supplement, i.e. each agency can use the fields for its own purpose. In other words, if the social partners at the agency so chooses it can break up the function into subfunctions, numbered after its own choice. The only requirement concerning local supplement is that it must be used for function or/grouping information, something that has been incorporated into the agreement between SAGE and the trade unions.

Local supplement is a new variable, highly demanded by a few agencies, as compared to the old system, to the effect that there is as yet very little experience with it and it will most probably take a while, if ever, before it is in common use.

Consultation with local trade unions

From the agreement between SAGE and the central trade unions follows that the classification of the job positions shall be made in consultation with the local unions at each agency. If disagreement then arises, this can be marked out in the code. Regardless of type of disagreement, it is the employer’s proposal that will be valid.

ISCO

It is mandatory for Sweden, as a member of the European union, to deliver data according to the ISCO-system (International Standard Classification of Occupations) to the union’s statistical office (Eurostat) in Luxemburg. This task is done by Statistics Sweden. In order to avoid double classification work, all job positions that are coded in BESTA will be translated into ISCO, thus eliminating the work for the agencies to do a separate classification for delivery to Statistics Sweden.
The Government’s central monitoring system

The Government requires that the agencies classify their personnel after so called competence categories; leadership competence, core competence and support competence. This information is used by the Government in the following up of the agencies. It shows for example the mobility and the pay-, gender- and age distribution. It is a complement to other data such as the annual report and the results are used in the budget dialogue between the Directors General of each agency and the ministry. To avoid separate classification also in this case, the competence category has been incorporated into the BESTA code.
BESTA - a classification system of job positions according to:

- Function
- Type of work for example
  - Personnel work
  - Information work
  - IT-work
- The combined requirements in regard to
  - Independence
  - Complexity
  - Know-how
- Manager/executive position, other position
  - Responsibility for management

Grouping level
The BESTA code

Structure

<table>
<thead>
<tr>
<th>Position</th>
<th>Indicating</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 – 2</td>
<td>Function</td>
</tr>
<tr>
<td>3</td>
<td>Grouping level</td>
</tr>
<tr>
<td>4</td>
<td>Manager/other position</td>
</tr>
<tr>
<td>5 – 6</td>
<td>Local supplement</td>
</tr>
<tr>
<td>7</td>
<td>Consultation (with local trade union)</td>
</tr>
<tr>
<td>8</td>
<td>ISCO translation code</td>
</tr>
<tr>
<td>9</td>
<td>Competence code (character)</td>
</tr>
</tbody>
</table>
Functions (fields of occupation) in the BESTA system

10 General investigation work
11 General investigation work involving legal consequences
12 Legal (judicial) investigation work
14 Research and development within technology and science
15 Research and development within medicine
16 Research and development within social science, arts or legal science
18 Tuition and research within social or legal sciences
19 Tuition and research within technology or science
20 Tuition and research within medicine, odontology or veterinary science
21 Education
22 Administration of education or research
24 Military work
25 Prosecution work
26 Condemning work (judges)
27 Non-condemning work at the courts
28 Executive work
29 Border surveillance
30 Police work
31 Crime investigation
32 Correctional work
34 Medical work
35 Veterinary work and foodstuffs quality work
36 Psychology work
37 Social welfare work
38 Employment office work
40 Archive work
41 Libraries work and work with documents
42 Museum work
43 Cultural environment work
44 Design, sound and illustration work
46 IT work
47 Personnel administration
48 Economy
49 Information
50 Interpreting and translating
53 Internal administration and services
54 Office support
55 Audition
56 Purchasing
57 Marketing and sales
60 Production, repair and technical service
61 Running operations and service supervision
62 Power and communications
63 Ground development and construction
64 Agriculture, forestry, livestock and fishery
66 Technological research and analyses
67 Architecture and building construction
68 Production planning and management
69 Quality control
70 Calculation and measuring
71 Natural sciences
72 Security and emergency work
74 Restaurants work
75 Housing and property management
76 Warehouse and stock keeping
77 Office cleaning
80 Traffic and transportation
81 Road vehicle driving
82 Ship officer work, deck and engine services
83 Aircraft and air traffic work
84 Rail and road traffic control
Grouping level characteristics for non manager/executive positions

**Level 1**
The work is done after detailed instructions. Familiarity with the methods, techniques etc. is needed to carry out the work.

**Level 2**
The work entails frequently the need to make one’s own assessments and selection of standard methods. The work is carried out with the help of general instructions.

**Levels 3 and 4**
The work is carried out independently. Only the main result is checked. The problems are complex, although defined. The work is normally based upon previous experience, practice or methods. The work demands a solid theoretical and practical know-how.

The difference between Level 3 and Level 4 is mainly that Level 4 has a higher degree of complexity in its work, spans over a broader (or deeper) width, and also entails more of analyses and development.

**Level 5**
The work entails a considerable element of planning, method and technique development, evaluation etc. Also, the work is characterized by the fact that the problems are not very well described or defined. The work is carried out after the most general of guidelines.

**Level 6**
The work contains the solving of problems of high degrees of complexity or/and the formulation of new strategies which are of great importance to the entire agency.
Grouping level characteristics for manager/executive positions

**Level 3**
Management responsibility for a group of employees. Running activities/operations with similar working tasks.

**Level 4**
Management responsibility for a group of employees or a smaller function. Running activities/operations with a wider range and depth as compared to level 3.

**Level 5**
Management of operations with such width/depth that they are part of a broader field of activities for the agency. Has subordinate managers and/or a very wide sphere of operations.

**Level 6**
Management of operations that are part of goals and policies for the entire agency. Responsibility for wide/deep work within several functions.
SAGE’s pay statistics, september 2008

Function 46

IT-work

All levels

Stockholm

<table>
<thead>
<tr>
<th>Level</th>
<th>Number</th>
<th>10Pc</th>
<th>25Pc</th>
<th>Median</th>
<th>75Pc</th>
<th>90Pc</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>57</td>
<td>19 475</td>
<td>21 000</td>
<td>23 000</td>
<td>25 500</td>
<td>28 100</td>
</tr>
<tr>
<td>2</td>
<td>460</td>
<td>23 000</td>
<td>24 000</td>
<td>25 350</td>
<td>27 300</td>
<td>30 000</td>
</tr>
<tr>
<td>3</td>
<td>1 045</td>
<td>24 900</td>
<td>26 750</td>
<td>29 600</td>
<td>33 115</td>
<td>36 500</td>
</tr>
<tr>
<td>4</td>
<td>1 180</td>
<td>28 370</td>
<td>30 700</td>
<td>34 400</td>
<td>38 200</td>
<td>42 100</td>
</tr>
<tr>
<td>5</td>
<td>355</td>
<td>34 800</td>
<td>38 000</td>
<td>42 015</td>
<td>47 000</td>
<td>51 800</td>
</tr>
<tr>
<td>6</td>
<td>26</td>
<td>38 800</td>
<td>47 000</td>
<td>56 000</td>
<td>61 500</td>
<td>74 600</td>
</tr>
</tbody>
</table>
Examples of average pay, full time employees, for various occupations
September 2008, SEK/month before taxation

<table>
<thead>
<tr>
<th>Occupation</th>
<th>Pay</th>
</tr>
</thead>
<tbody>
<tr>
<td>All employees</td>
<td>28 766</td>
</tr>
<tr>
<td>Managers</td>
<td>43 655</td>
</tr>
<tr>
<td>Directors General</td>
<td>80 700</td>
</tr>
<tr>
<td>Prime Minister</td>
<td>131 000</td>
</tr>
<tr>
<td>Economists (Besta 474)</td>
<td>33 600</td>
</tr>
<tr>
<td>Legal Advisor (Besta 124)</td>
<td>34 300</td>
</tr>
<tr>
<td>Head of university</td>
<td>68 000</td>
</tr>
<tr>
<td>Secretary</td>
<td>24 400</td>
</tr>
<tr>
<td>Police Officer</td>
<td>29 400</td>
</tr>
<tr>
<td>Highest pay</td>
<td>158 000</td>
</tr>
<tr>
<td>Lowest pay, c:a</td>
<td>12 500</td>
</tr>
</tbody>
</table>
Pay analysis according to age groups

Legend:

**Kvinna**r – Women

**Män** – Men

**Jmf P10, P90** – The 10th and 90th percentile respectively for the comparison group

**Jmf UK, ÖK** – The 25th and 75th percentile respectively for the comparison group

**Antal anställda** – Number of employees

**Andel män** – percentage of men

**Andel kvinnor** – percentage of women

**Lönespridning** – spread of salaries

**Rel. löneläge** – relative salaries (as compared to the comparison group)

The diagram shows the salaries for employees with Besta code 104 at a certain agency, compared with all employees (4 860) with the same code within the Central Government sector as a whole.
OPTIONS AND RECOMMENDATIONS
However haltingly one broaches the subject of the motivational system within the civil service, an ironic or frustrated response may be taken as a given. As viewed by the – oftentimes – jaundiced eye of the public beholder, bureaucracy and performance seem rather incongruous bedfellows. Within public administration, performance is usually measured in the churning out of hackneyed, standardized routines. Career advancement in the civil service often evolves either by way of clockwork-like promotion or good personal connections. In academic discussion, performance management is more frequently understood as an inherent aspect of the business world. And when the term “performance” is dropped in the public sector, it – disappointingly – often signalizes the advent of a more onerous workload due to soon-to-be-implemented cutbacks.

Yet despite this disparaging list of givens, it is more important at this conjuncture than ever to promote motivation within the public sector. Today – despite outsourcing or privatization of what originally were wholly governmental obligations – the civil service is often the largest employer. In light of the availability of communication and information technology, regional and supra-national cooperation, newly-emerging governmental fields of endeavor and confrontation with a heightened sense of expectation, civil servants and public employees must enhance their skills and become newly motivated. Only in this manner can the public sector live up to the political and economic expectations it is about to face.

This confronts all EU member states with the challenge of increasing the attractivity of the civil service and of enhancing its performance. In order to address these problems, various aspects have been taken into account, and different strategies have been developed in correspondence with the diversity of existing political priorities, legal parameters and budgetary feasibilities.

Within the project, the focus was placed upon examining the civil service on the central governmental level. Among the participating countries, the German civil service exemplifies a predominantly career-based system, while Finland and Sweden have developed a predominantly position-based system. Whereas Finland’s pay system is structured according to pay scales, Sweden has introduced individualized pay. As a result, the priorities of motivational systems differ accordingly. In addition, the selection of national best practice cases was determined by the experience of the experts of these countries, and in line with the preference of the Polish participants. In accordance, differing country-related priorities became manifested, which were explored in order to examine differing aspects of the motivational systems.

Based on the experiences described in the German report concerning enhancement of staff motivation, an approach is recommended based on the interdependence of all measures deemed necessary to change organizational structures and the attitude of the individual civil servants and employees. This includes the design and implementation of long-term governmental programmes for administrative reform. There politics and administration interface, much depends upon the continuity of the will to actively engage in the reform agenda. Only in this way can sustainable goals be achieved and budgetary resources be secured.

At this point, a framework for change management within each administration is given. To use this opportunity to best effect, all employees must be induced to actively engage in improving their working conditions and their performance. One method towards this goal entails developing a common vision for all employees that includes not only institutional goals, but also any pertinent input put forward by the workforce. Experience shows that this identification process can be successfully made in a step-by-step manner within a fairly short period of time. In order to break down and continually implement these goals, indicators should be determined which, if possible, should be objective and quantifiable in order to allow for ongoing and transparent evaluation.
With this approach, it is crucial to closely interconnect the development of organization and staff. Line managers and senior management must play a major role throughout this process. They should, on the one hand, take charge of the implementation and development of the goals which have been set, and, on the other hand, leave their staff enough leeway to work independently. Working in this manner promotes self-reliance as well as the delegation of responsibility, which can effectively promote motivation of both management and staff, respectively. An example of this is the successful introduction of flexible working shifts, which accommodates the wishes of the working staff to some extent without reducing work performance.

If, by more closely involving workers through defining institutional goals and improving working conditions, motivation would become increased, financial incentives could become secondary. In terms of financial reward within a career-based system, it is, in actuality, the option for long-term employment and steady pay progression that is more important. Accordingly, elements of performance-related pay were introduced gradually for both civil servants and for public employees, respectively. In so doing, it should be stressed, performance-assessment was developed in a manner that simplified implementation, thereby enabling a timely and transparent performance-related pay transaction.

While the German contribution accents the way in which immaterial and financial motivational factors weigh in on the discussion, Finland’s paper describes its long-term experience with an all-encompassing introduction of performance-related pay systems. The emphasis here was placed upon the creation of a uniform framework on the level of the central government, while, at the same time, allowing for modification and implementation to be delegated to the appropriate administrative body. In this manner, the underlying principles and structural elements of pay policy, such as pay components, role of evaluation boards, safety clauses and dispute settlement procedures are determined at the central level by a special department of the Ministry of Finance. Negotiations with unions about general changes within the pay system are dealt with on this level. The framework for collective agreements between state authorities and unions is provided for in the form of a “model agreement” on the central governmental level. Additionally, every collective agreement between an authority and a union must be sanctioned by the Ministry. Yet within these perimeters, individual authorities may establish their own criteria for job evaluation, salary scales, pay progression and performance assessment.

The confluence of centrally issued legal standards and decentralized implementation has played a role in making performance-related pay an unshakeable tenet of salaries of all state employees. On the average about 21%, maximally up to 33% of a person’s total salary is performance-related. This illustrates how financial incentives play an underlying role in the motivational system.

This is why it is so important to make all individual elements and criteria transparent as well as comparable as they relate to job description, job evaluation and performance assessment. To enable these procedures, certain indicators, classifications and methods were developed expressly for the purpose of combining relevant data. Special pay working groups oversee the continual adjustment of these structural elements so that they can constantly be adjusted in accordance with the agency’s requirements. Special efforts are made so that performance levels are kept up to standard and that the expenditure for financial incentives does not exceed the budget. In the case of an appeal brought against a performance-related assessment or a job, mediating proceedings are available. And in order to prepare line-managers and personnel managers for their tasks of evaluation and classification, training seminars have been developed.

This illustrates how the introduction of performance-related pay contributes towards the development of numerous methods with which motivation and financial incentives have become more closely aligned and therewith have increasingly influenced the development of the entire pay system. According to governmental assessments, these reforms have significantly enhanced the
flexibility of the pay system and have made the civil service more attractive for qualified personnel. At the same time, human resource management and personnel development have gained greater relevance.

This evaluation points to the growing importance of new methods for the collection and analysis of data used to classify professional functions and thereby more readily provide comparisons of salaries. In this light, one of the focuses of the Swedish contribution deals with the description of pay statistics, and, in particular the BESTA system. What at first glance appears to be merely a technical tool, proves at closer perusal to be the basis for an informed and continuous monitoring process for job classification for the entire governmental sector.

BESTA is a refined take on a statistical system that was developed after the concept of individual pay had been implemented within the civil service and the former classification of job titles correlated with pay scales was abolished. Instead of such data, BESTA provides a classification of job positions with regard to their respective fields of occupation, their level of professional responsibility and their grouping into managerial or other tasks. In addition, the system’s code takes into account job specifics within a given administration and disagreement over job classification between employer and unions. BESTA also includes the competence categories that are provided by state agencies for the government’s central monitoring system. Thus the system provides a frame of reference for the central level as well as for local developments.

BESTA serves as basis for pay statistics that are collected by the state employer’s agency and shared with the unions. This cooperation reflects the close interaction between the social partners within the public sector that was taken into account when structuring the BESTA code. The statistical cooperation is regulated by formal agreements and entitles the unions to acquire data concerning their members. This example illustrates to what extent the development of seemingly neutral proceedings depends upon social conditions and public priorities and, in turn, reinforces them.

Seen in this context, it becomes clear that the options for improving motivational systems delineated here can only serve as suggestions, not solutions, for reform in the civil service of another country. Only under this premise can the following general recommendations be made:

Measures to improve motivation within the civil service should be designed as an integral part of governmental programs. This insures political support and serves to facilitate smoother provision of budgetary means. When, within the civil service framework, sustainable capability remains a given, slight changes of agenda will not seriously undermine the foothold of solidly thought-out reform policies.

To achieve close interconnection between motivation and performance, a legal framework and monitoring institutions should be put in place on the central governmental level. This in no way excludes the delegation of competences. What matters here is to determine binding regulations, yet to retain enough leverage to modify them according to specific requirements.

From this vantage point, cooperation between steering committees and boards on the governmental level, on the one hand, and ministries and agencies on the other should lead to joint determination of necessary reform measures and the justification thereof to their employees and the general public.

For the sake of objectivity in assessing performance, appropriate methods for collecting statistical data and classification of professional functions and competencies should be re-defined and implemented. Job description, job evaluation and professional competencies should be brought into close alignment.
As the efficiency of a given motivational or performance system depends, in essence, upon the acceptance of staff, continued and close cooperation with staff representatives and unions must be guaranteed.

In order to define priorities of motivational systems, it should be determined from the onset whether the focus needs to be placed on recruitment and retaining of qualified personnel, or upon the improvement of general working conditions and reward systems from the ground up, including the pension system. Although both aspects are closely interwoven, priorities do need to be set, in view of inherent financial and organizational limitations.

In gauging the extent to which financial and non-financial incentives should be meted out, decisions should only be made taking into account the interdependence of key parameters of the civil service such as professional requirements, career options, equality and diversity of staff, availability of budgetary resources, and competitiveness with the private sector. This should help calibrate on-the-spot, pragmatic decision-making.

When introducing performance-related pay, the pros and cons of pilot projects need to be kept in the equation. In view of the extensive effort put into legal and organizational measures and the considerable financial expense funneled into its efficient implementation, simultaneous introduction on all these fronts merits consideration.

Performance assessment should, on the one hand, be sufficiently detailed and objective, and, on the other, be brief and up-to-date. To keep work-input down to a truly necessary level, assessors should be schooled accordingly, and their work should be monitored routinely in an on-going manner.

To fine-tune acceptance of performance assessment, intensified communication between assessors and those judged by them, as well as transparency in the decision-making process should be fostered, as well as allowing grievances to be filed without any red tape.

In considering the many-faceted aspects that need to be dealt with in improving the motivational system, the structural connection between change in the area of organization and personnel must be kept in mind. Each measure should be carefully planned, assessed, and should undergo constant re-examination according to its specific purpose. This applies equally to cost and productivity.
Publication distributed free of charge as a part of “Improvement of the motivational system in the Polish civil service” Project

Transition Facility PL2006/IB/OT/03/TL

Improvement of the motivational system in the Polish civil service

Chancellery of the Prime Minister
Al. Ujazdowskie 1/3
00-583 Warsaw
Poland
www.kprm.gov.pl
Tel.: +48 22 694-75-39
Fax: + 48 22 694-65-45