

Negotiating changes to Civil Service Performance Management schemes: An analysis of the proposed Civil Service Performance Management Framework

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Introduction

This report has been commissioned by the PCS to provide an evaluation of the proposed changes to Performance Management (PM) schemes in the Civil Service, following the running of a number of pilot schemes and ahead of substantive negotiation of new systems at a departmental level.

The first section of the report provides a brief overview of the key criticisms of PM that have been identified in both the analysis of PMR outcomes (French, 2016a; French 2017) and the membership survey of 2016 (French, 2016b), as well as the response by Civil Service Employee Policy (CSEP), notably by commissioning the CIPD to 'research' PM in case study departments. It also looks briefly at other mainstream academic thought which has recently become more critical of traditional PM systems. The second section of the report then focuses upon the approach to PM that is being promoted by CSEP and which provides an overarching framework for individual departments in designing their revised PM systems. This is a detailed analysis of both the key principles underpinning performance management as well as the 'Flexible Framework' itself that requires departments to address eight core elements in their PM system aimed at 'helping us to achieve the Civil Service purpose of effective Performance Management' (CSEP, 2017a). The aim of this section is to identify tensions, opportunities and potential dangers within the framework that negotiators need to recognise. The final substantive section of the report looks at one of the key pilots undertaken in the VOA executive agency, where HR has promoted a radical departure from the current civil service PM systems. The new system is outlined, including key elements which should be supported as good practice, but a range of problematic issues are also identified, which raise questions about its suitability as a model for other parts of the Civil Service.

In concluding the report, it is argued that any revisions to PM must be based upon a developmental appraisal system with no links to pay and that new schemes must be underpinned by significant training of line managers to undertake new appraisal roles. In designing systems, negotiators should avoid the use of behavioural characteristics in assessing performance and must demand that departments do more to equality proof and audit the new schemes. The strengths of the VOA pilot are identified, but a number of problematic issues, particularly around whether the scheme can be 'upscaled' for use in larger departments, are raised.

Background to the re-negotiation of Performance Management

The successful campaign run by the PCS in forcing the Civil Service to reformulate PM has been greatly facilitated by the consistent evidence provided by the departments themselves about the discriminatory outcomes of PM. The statistical analysis of these results has highlighted that men, disabled staff, ethnic minorities, older workers, those in the lowest grades and those working part-time do worse under PM across departments and this is consistent over time (French 2016a, 2017). This fundamental issue of discrimination is a significant failing of the PM systems, which it is argued has been reinforced, in particular, by the use of 'guided' distributions. This evidence leaves the Civil Service open to legal challenge, especially given the links between PMR outcomes and the awarding of performance pay and provides a means by which the union can apply significant pressure to substantially alter current PM systems. However, as the survey of PCS members also indicated the discriminatory outcomes are part of a more systematic failure of PM for the majority of members. It is important to note in this respect the following elements of PM that members identified as being especially problematic (French 2016b):

- forced distributions are unfair;
- PM is used to bully and harass staff;
- the PM process is not a worthwhile exercise;
- PM takes up 'too much time' (preparing and assessment);
- targets are rarely or never referred to in actual work activities;
- members have insufficient or no influence over setting objectives;
- PM places too much pressure on line managers;
- PM is demotivating and mitigates against team-working;
- PMR outcomes should not be linked to pay; and
- line managers are especially critical of the aims and operation of PM.

These wider criticisms are important as they provide scope for a more systematic analysis of PM and, crucially, its relationship to other aspects of the employment relationship, notably pay and discipline.

Reflecting upon the systemic problems that have arisen from Civil Service PM systems, the PCS National Executive Committee agreed (December 2016) a series of bargaining principles in relation to re-negotiating PM. These are summarised as follows:

- an end to any link between appraisal and pay;
- an end to comparative assessment, including an end to moderation/validation panels;
- an end to forced or guided distribution quotas;
- full Equality Impact Assessments and audits to include a review of unconscious bias training;
- box marking systems to be scrapped;

- agreed line manager-reportee review meetings;
- objectives to be agreed not imposed;
- agreed Appeal and Referral procedures;
- manager training on PMR;
- focusing upon Career Development and Opportunities;
- providing advice on Team Working; and
- an end to promotion 'fitted' arrangements.

At the same time as the PCS has been working to establish a substantive critique of PM systems and key bargaining principles, a number of important developments have occurred at HR level within the Civil Service as well as within wider HR 'community'. These issues are important to identify as they signal an important change in managerial thinking on the use of PM and crucially provide the 'evidence' upon which the 'Flexible Framework' is predicated.

Firstly, the CIPD have produced a report examining aspects of performance management. They note a number of the problems associated with PM systems and note two important shifts in managerial approaches: firstly, organisations ending forced rankings (or guided distributions) as well as, in some cases, removing standardised ratings (box markings); and secondly that performance review meetings have become more frequent and less formalised (CIPD, 2016:7). In addition, it is noted that criticisms have been made of performance reviews based upon their time-consuming nature, notably because they are demotivating, divisive and ineffective drivers of performance (ibid.:8). There is also a recognition of the 'potential sources of bias' from raters or managers, but there is no mention of discriminatory outcomes and an argument is made that bias 'may not be conscious' (ibid:3).

While there are practical criticisms of aspects of PM made in this report, the authors argue that there is insufficient evidence of alternative successful approaches. Key elements of PM, namely setting objectives (broadly defined by the CIPD as goal setting) and belief in a potentially positive link between individual performance appraisal and overall organisational performance are held to be valid approaches and the focus is more upon how to 'get these right'. A promising aspect of this analysis is the recognition that appraisal can be developmental (improving performance through greater focus, motivation or effort) or administrative (providing a basis for decisions on reward, promotions and termination of contracts) (ibid.:12) and is usually used for one purpose *not the other*. This resonates with the current use of PM in the Civil Service as an 'administrative tool'.

Furthermore, target setting is also identified as a useful, but complex, tool which can also be counterproductive and needs to be applied carefully. However, the subsequent discussion of appropriate goal setting is highly problematic. In particular, while specific outcome targets are identified as being associated with potentially negative consequences, the alternatives suggested are learning and behavioural goals (ibid.:17). Interestingly these are neither defined nor explained in any detail, but without evidence are promoted as an alternative to

specific target setting. Only at a later point do the authors use arguments about personality factors which may explain why employees react better to certain approaches (ibid.:20).

The same problems emerge from the discussion on 'employee involvement' where the authors provide evidence from research that suggests that employees are more committed to goals which they are allowed to decide for themselves, but then claim the weight of research evidence finds that 'assigned goals are actually more potent' (ibid.:18) . The result is a classic HRM position whereby the setting of goals is assigned and controlled by management but employees are (only) permitted to discuss marginal changes *within* these parameters.

In terms of the appraisal process itself, the evidence highlights the importance of focusing upon the developmental nature of performance reviews, focusing upon encouragement and seeking ways to secure improvements (rather than focus upon the administrative approach), especially as a means to ensure that employee reactions to appraisal are positive – as it is argued that reactions to performance review are important indicators of subsequent performance. Central to this is again the need to ensure that appraisals are 'two-way' processes.

The research, which has clearly informed the CSEP approach to revising performance management, is really a mixed bag. The research is primarily based upon reviewing secondary research, much of which is based upon an organisational psychological approach to PM, reflecting the emphasis placed upon behaviours, distinctive personalities, and contested concepts of motivation. This is similar to the research used to justify the introduction of performance management and is limited in a number of respects.

Firstly, there is little if any attention applied to the issue of individual performance and team-working, let alone any attempt to explore research in unionised (public sector settings). The way the research is treated is largely context free. This is particularly problematic as it tends to focus upon high discretion (high-skilled jobs), the 'typical labour market' from which HRM research and prescriptions are derived. Secondly, the discussion of bias is limited and focuses very much on outdated research based upon individual characteristics and unconscious bias, rather than more progressive research (notably from the US) which focuses upon conscious discrimination and how this can be supported by a discriminatory organisational culture (as outlined in French, 2016a). Finally, the key problem underpinning all HRM research into performance management is left unresolved: namely the impossibility of identifying (and quantifying) how individual performance contributes to organisational performance, given the intervention of so many other factors (the importance of team-working, demand for services, overall staffing, stagnation of real wages etc.) in the calculation of performance and productivity.

Nevertheless, the report by highlighting the two distinctive (but dichotomous) uses of performance management; the problems of forced or guided distributions and the need to

review ratings; the general problems of target setting; and the need for greater involvement of employees in any appraisal system, does provide a more positive basis for developing PM.

Perhaps the most important indication of this shift in managerial academic thinking can be found in the new textbook produced by on performance management 'guru', Michael Armstrong (2017), which dedicates a whole chapter to criticisms by HRM specialists and organisations of PM (without even looking at more critical literature such as the work by Taylor, 2013). In the the final chapter Armstrong argues for a *reinvention* of PM which focuses upon the following management actions (p.182):

- re-examine objective setting and consider replacing complex 'SMART' procedures with processes for deciding on priorities (see VOA pilot below);
- replace the formal annual performance review with more frequent and less formal development conversations;
- abolish overall rating and forced ranking systems;
- de-couple decisions on (performance) pay from performance reviews; and
- undertake a more sustained focus on development rather than managing performance.

The re-design of PM from a CESP perspective

This section of the report examines how CSEP have promoted a set of principles and a common framework to guide and support departments as they seek to redesign their PM schemes. It is important to note that these are based upon the following stated purpose and aim of PM in the Civil Service:

- Ensuring the employees have the feedback, coaching and support they need to be able to perform effectively, to develop their career and feel positively engaged in their work and their department; and
- Enabling departments to make sure they have the capacity, productivity and discretionary effort needed to deliver their objectives

As noted from the previous section, these aims are based upon the assumption that there is no inherent contradiction between a positive development approach to appraisal, motivation and improvements in individual performance aligned with those of the department. One of the most worrying aspects of this statement is that of *securing discretionary effort*, which can only be assumed to be securing further working hours beyond those contracted and increasing workloads, as earlier research into PCS members (French, 2014) has demonstrated and whose detrimental effects, in terms of stress, have also been identified (LRD, 2014).

In the first part of the section, the four key areas identified by CSEP as essential to all PM systems are examined. In the second part the 'Flexible Framework' for implementing revised PM systems is explored.

'Creating the right Performance Management Culture for the Civil Service'

It is apparent that CSEP are placing significant emphasis upon embedding these four key elements into the redesign of PM systems in the Civil Service. The starting point for this approach is the attempt to move away from a largely 'administrative' system, where undue focus lies in the fourth quadrant '*Performance Management and Assessment Process*', and to propose a more holistic approach to PM, which relying on the CIPD evidence, leads them to claim that PM can be a catalyst for addressing and improving the 'performance culture'. It is claimed that this approach has the support of Permanent Secretaries (CSEP, 2017a).

Given the evidence of the 'complexities' and ambiguities of PM from the CIPD report, perhaps it is not surprising that CSEP's attempts to clarify the performance wheel are themselves quite ambiguous. Moreover, the language used in the CSEP (2017b) guidance document to departments replicates typically emotive HRM linguistics, talking about 'co-ownership', 'cultural change', the 'ongoing narrative around the positive employee experience', the 'right cultural messages', 'making inclusiveness integral to your department narrative' and the need to support 'your cultural journey'! Nevertheless, this is a subject that departmental HR will be keen to discuss with trade unions and it is important to see what meaningful and potentially beneficial actions can be taken from the quadrant approach (see figure 1).

Figure 1: Essential elements of Performance Management (CSEP)



One important outcome of this approach is identifying the need to support line managers in this process (*Manager Capability and Confidence*). Thus, in designing and implementing PM, the need to up-skill line management in this area and the need to develop peer support is recognised, as is the need to ensure that PM is 'given sufficient weight and recognition'. Within this, there is a need to build in greater accountability of management for their decisions ('making sure managers are properly assessed on how effectively they manage'). This aspect is clearly important in respect of ensuring PCS (PMA) members in line management positions are protected, as well as ensuring that line management actions are accountable for the wider

membership. Further, while the need to tackle poor or under-performance is identified as an important management capability, this is expressed in terms of ensuring that it is done so in a transparent, fair and timely manner. This need for training is also picked up under the *Motivating Engaging and Developing People* segment where emphasis is placed upon developing and coaching managers.

In terms of PCS negotiating strategies, this resonates with the bargaining principle of ensuring manager training in respect of PM and, crucially, negotiators should be pressing for this training to be implemented well-ahead of any PM review process (monthly, quarterly or annually) being undertaken.

Perhaps the guidance on *Motivating Engaging and Developing People* is the most disappointing section, as it focuses on *management* developing a positive PM culture. Other than the bland statement that PM 'should be a positive experience and should be promoted as such' there is no substantive guidance on the design of PM. There is no clear statement on avoiding links to pay, discipline/capability or promoting development. In discussions at departmental level, it is important, therefore, that PCS negotiators take the initiative in this aspect of PM and make it clear that for any motivational PM system to be designed and implemented, there must be a focus on development and a severing of direct links to pay and discipline/capability. There must also be an acceptance by management that staff have a meaningful input into: any target/objective setting element of PM; their performance review meetings with management; and any performance assessment, addressing the following NEC agreed principles:

- an end to any link between appraisal and pay;
- agreed line manager-reportee review meetings;
- objectives to be agreed not imposed;
- focusing upon Career Development and Opportunities;

The attempts to address the discriminatory outcomes are recognised, but inadequately addressed. In the *Inclusive Performance Culture* segment, there is a recognition of the need for managers to understand and support reasonable adjustments for disabled staff as well as raising awareness of non-visible disabilities (though the term used is 'less visible'), and there is also recognition of the need to engage with unions. However, most of the other considerations identified under design, implementation and continuing activity, focus upon vague terms and there is no specific action to address discriminatory outcomes of any other group with protected characteristics. Crucially, there is no proposal for any Equality Assessment or auditing processes of the redesigned PM schemes. In this respect, the CSEP guidelines appear to be highly problematic and this is an area where the bargaining principles calling for full Equality Impact Assessments and audits, to include a review of unconscious bias training, need to be pushed as a key bargaining aim (and outcome).

Given the emphasis placed upon developing a more holistic approach to PM, moving away from focusing upon PM and assessment processes, it is not surprising that relatively little is written about this in the CSEP guidance notes. The advice to HR is to keep the 'narrative around' the process to a minimum and to focus upon the effectiveness of PM in meeting overall objectives. This shift away from process does raise issues of quality data capture (relevant to running the organisation), but there is also stress placed upon behaviours (as well as outcomes), a concept embedded within CIPD literature. However, the relative lack of guidance on process also leaves key elements of PM systems excluded and areas for negotiation around process should be linked to the following agreed principles:

- an end to comparative assessment, including an end to moderation/validation panels;
- an end to forced or guided distribution quotas;
- box marking systems to be scrapped; and
- agreed Appeal and Referral procedures.

It should also be noted that one area not considered in the quadrant approach is how a focus upon individual performance can be reconciled with the team-based working of many civil service staff: so a key negotiating principle 'advice on team working' is not addressed at all.

The PM 'wheel' is an area that CSEP clearly wish to promote, and negotiators should expect to be introduced to a range of these concepts, as well the HR language that accompanies them. One key issue for negotiators is to use the agreed negotiating principles to anchor discussions and to focus upon concrete objectives (not 'journeys'). However, care must also be taken in securing clarity over key terms used by CSEP in their documentation. Potentially detrimental elements of PM may be hidden in the terminology that HR will use in these discussions and, where possible, it will be important to ensure that these terms are fully explained and related to policies rather than 'left to drift'. Such terms could include (but are certainly not limited to):

- collective ownership for leading and delivering any identified cultural challenges;
- co-ownership and joint design of key principles;
- accountability for PM is seen as everyone's responsibility;
- reinforcing the right cultural message; and
- the right leadership behaviours are modelled to build a supportive PM environment.

'Delivering Performance management through a Flexible Framework'

The Flexible Framework has been signed off by Permanent Secretaries and applies from April 2017. The primary aim of the framework is to ensure that departments can develop PM systems tailored to their needs, while at the same time ensuring a degree of consistency is maintained across the civil service. This is a crucially important document as it identifies eight core elements that must be 'addressed' in the redesign of PM systems. It also focuses upon a more pragmatic set of issues, which are subsequently easier to assess.

Leaders are accountable

The first core element relates to managerial accountability. The key aim of this core element is to ensure that any PM system fits with 'business' aims and thus contributes to organisational performance. This version of accountability should be viewed as an internal management issue, to demonstrate that 'effective' performance management occurs, rather than the wider accountability of line managers for their performance under PM.

This is, however, a key element for negotiators as the provision of evidence of effective performance management may be used to justify the continued use of box markings, comparative assessment and potentially a link to pay. As will be noted below, the VOA claim that this element can be addressed without recourse to these contested practices, but the extent to which it will be easier to use variants of existing practices, especially in large departments, needs to be recognised and challenged.

What and How

The second, strangely titled, core element is important for two reasons. Firstly, departments must provide evidence of how individual performance and skill development have been addressed in the objective setting and assessment process. Thus, even with a more developmental approach to PM, evidence of how these are incorporated in the PM cycle (setting, review and assessment) is required. Again, while monitoring for consistency across departments is important, the evidence based approach could be subverted to retain box markings as well as the creation of (more) quantifiable objectives. Secondly, and of equal concern, there appears to be a determination to include 'behaviours' in this approach to offset the need for large numbers of objectives. This reflects the position adopted by the CIPD and there is a danger that by reducing (relatively) objective targets, that staff are subject to evaluation based upon concepts of *appropriate behaviour*, which could then be linked to poor performance. The danger of this focus on behaviours (associated with increasing use of terms such as cultural change) is that PM could be reintroduced as a control mechanism, based upon highly subjective assessments of (management conceived) concepts of behaviour, which would undoubtedly increase the potential for further discriminatory action.

Development focused

This third element is perhaps the most important area for negotiation as it appears to place the role of development (rather than administration) at the heart of redesigned PM systems. This approach fits with the agreed negotiating principles. The language used here is also significant. The requirement is that performance 'conversations' cover both a 'reflection' on the last reporting year and a focus upon future development. This assurance requirement means that negotiators can argue for the end of box markings (and links to pay) as part of any performance reflection and stress that developmental approaches will be subverted if ratings and links to pay or discipline are maintained within the same review process.

Differentiates performance

While the developmental nature of PM is stressed in the third element, the fourth is the requirement to identify, 'at an individual level', differentiated performance. This is viewed both in terms of high performers and poor performers and requires the identification of these individuals to be based upon comparable standards (within professions). The monitoring process proposed by CSEP requires departments to demonstrate how differentiation took place and provide relevant data. This raises the spectre of a return to a ratings approach, though as the VOA case below shows, this need not be the case. Again, what is patently absent from this 'key element' is any notion of how individual performance can, or why it should, be separated from the reality of team-working.

Under and poor performance addressed

Continuing the focus upon differentiation and division between individuals, the fifth element focuses upon identifying poor and under performers and stresses the need to support and address these individuals' performance. Monitoring of their progress is required as part of the assurance requirement associated with this element. While there is mention of the need to provide support as part of the mechanism to address poor performance, suggesting a more developmental approach, this focus on identifying poor performance may provide departments with the opportunity to restore a more punitive (administrative) approach of PM. In line with the PCS negotiating principles, issues of differentiation, especially of poor performance, should only be accepted from a developmental perspective. By removing PM from pay determination and discipline/capability, the identification of poor performers within the PM system should only be used to provide support to help these employees return to appropriate performance levels and *only* after this process has been exhausted can other policies to address poor performance (capability or discipline) be used.

It should be noted in relation to these two elements on differentiation of performance, that there is no link made at all to the PM quadrants, in relation to motivation or management capability and accountability, so key issues of who determines the judgement on high or poor performance and what procedural justice is built into this system is ignored (see discussion of VOA below).

Diversity and inclusivity addressed

While a commitment to avoiding the discriminatory outcomes of PM should be welcomed, the D&I element is particularly weak. Departments are required to understand and address any differences in performance outcomes for 'diversity groups', and any actions taken to address differences in assessments must be recorded. However, beyond monitoring outcomes, there is very little proposed other than to support managers. This reflects the limited research and weakness of the CIPD approach to 'bias' and can be seen as part of the weakness of a diversity approach rather than one focusing upon equal opportunities and groups of

employees with protected characteristics. There is no commitment to assess schemes for their impact on equality or to propose systematic auditing. Given the consistent evidence of discriminatory outcomes, negotiators should push for a full Equality Impact Assessment ahead of the introduction of any re-designed PM system (especially if an administrative rather than developmental approach dominates - such as the continued use of box markings and retaining the link to pay).

Functional, professional and departmental translation

While this element may not appear to be particularly relevant or controversial, it should not be one that is ignored by negotiators. CSEP have been developing a defined list of professions and functions. While further research is needed into these professional and functional classifications, two points need to be considered. Firstly, and in respect of the CIPD's focus upon high-skilled or qualified employees when considering issues of performance, it is important that the assumptions about motivation, discretion and performance associated with these professions is not applied universally to employees particularly those in PCS grades. This an important area, as neglect of this element may provide the opportunity for other civil service unions to use professional standards to secure more influence over the redesign of PM systems. Secondly, care needs to be taken to ensure that these professional or functional standards are not used as a route to translate expected behaviours into the PM system.

Coordination and consistency

This final element places a requirement on departments to co-ordinate their redesign, implementation and operation of PM as a means to ensure consistency across the civil service. This core element could be a very useful negotiating area for the PCS, particularly where there are attempts by departments to maintain (re-apply) administrative forms of PM rather than promote a fully developmental approach. Negotiators should always be pressing to establish how their respective department's approach is aligned with other departments to ensure consistency of treatment of employees and where positive breakthroughs are made in negotiating redesigned schemes, these should be forwarded to negotiators in other groups to make the case for their adoption based upon consistency.

In summary, it can be argued that some of the key bargaining principles established by the PCS can be obtained in negotiations over these core elements. In particular, there is scope: to push for a developmental rather than an administrative approach (disassociated from pay determination and links to punitive procedures) and to devise means to stop discriminatory outcomes. However, the key elements should also be regarded as a compromise and reflect the tensions between those within the civil service who wish to place the focus upon developmental appraisal and those who fear that such an approach will have a detrimental impact on differentiating performance and addressing poor performance, tensions that can be traced back to the potentially conflicting aims of the new scheme.

Secondly, while the aims of the PM system are explained through these core elements, the practical mechanisms to achieve these are frequently left unstated. Issues of 'employee involvement' in setting and assessing objectives and issues of procedural justice (which should underpin a system that is acceptable and transparent) are missing and need to be made requirements. It is important that these issues identified in the PCS negotiating aims are put forward early in any negotiating process as they are not necessarily considered by management (see VOA case below).

Finally, the issue which remains ignored throughout CESP's documentation on PM is the relationship between team-working and assessing individual performance. This is not only a bargaining principle, but the negative impact of individual performance assessment on team-working is a consistent finding from research into PRP and PM in the civil service. This needs to be raised early in any negotiation process. It should also be noted that very little, if anything, has also been said about the relationship between PM and promotion or competencies.

While the report has primarily dealt with rather abstract concepts of PM and provided a critical examination of the performance wheel and Flexible Framework, it now considers evidence from the main pilot project that has emerged as part of the revision of PM in the civil service, namely that in the VOA. This is useful as it helps to identify how management in this executive agency had sought to apply the revised CSEP approach to PM.

The Valuation Office Agency pilot

The VOA pilot is the most radical departure from the traditional 'administrative' PM systems used in the civil service and has raised great interest with management and unions. The pilot has been based upon a developmental approach with greater accountability and discretion given to line managers to be effective 'coaches' through regular performance discussions. It is, therefore, important that negotiators are aware of the design of this system, but also that some potentially problematic aspects of the pilot scheme are also acknowledged.

One of the central premises of the new scheme is that middle management undertaking ratings under the old system were effectively disengaged and disempowered. The system of (distant) moderation of box markings to meet guided distributions effectively excluded them from decision making and enabled them to abdicate responsibility for performance. The aim of the pilot scheme was to address this by installing three key elements: no ratings; no moderation and managers making decisions on how they believe employees to be 'achieving' (VOA, 2017a).

Underpinning this new approach is the belief that around 70% of employees are achieving (i.e. performing satisfactorily) and meeting their objectives. However, the need to *differentiate performance* has to be addressed, and this is done by identifying 'high achievers' (up to 14%) and looking how to develop their careers; those whose performance is affected by being new

to role (10%); those who are struggling in the short term but for whom support (coaching and development) can be used to return them to achievers; and those staff with longer term performance issues that need to be addressed (both categories accounting for around 6% of staff).

The differentiation of performance is identified by line managers through regular (monthly) performance achievement conversations (PACs). The meetings are based upon a limited number of key (mandatory) objectives and a discussion of how the job holder is performing and identifying possible developmental needs. For most staff (anticipated 70%) this will be the only activity under the new performance management system. For the 30% falling in the other categories above, they are referred to a panel meeting on a quarterly basis (identified by business unit) to discuss performance issues. These panels (Performance Development Reviews - PDRs) can last up to three hours and panel members receive a template from line managers explaining potential performance issues and what has been done to address these through the monthly PAC process. PDRs monitor how staff perform, identifying across panels whether a poor performance issue has been resolved or whether problems persist. Where performance problems exist across 2-3 PDR cycles further action (around capability) will be taken.

A key element of the PAC process is providing more responsibility and accountability for line managers (*manager capability and confidence*), which raises issues of the competencies of line managers - to move from a marginal administrative role in the previous PM system to a central developmental role in the pilot system. As noted above, the first step is to take the emphasis away from excessive targets to focus upon key objectives and to ensure (through their own PACs) that they are effectively managing the coaching role. It should be noted in this respect that training in the new system (a one day session for all VOA line managers linked to addressing 'diversity' issues) has been implemented alongside the introduction of the pilot.

It is argued that the shift to a developmental approach will *motivate and engage* staff by making the monthly PACs more of a two-way process with the agenda controlled by the employee, who will bring a complete (template) form to each meeting identifying what has been achieved, what has not gone so well, and what support and development is required. By removing any link between the PACs and box markings or pay, the focus becomes developmental, and it has argued by management that this has led to substantive improvements in staff perceptions of performance in the VOA's People Survey results (VOA, 2017b).

While these changes to PM have eliminated the scope for discriminatory outcomes to be linked to pay, there is still monitoring of those referred to PDRs according to staff with protected characteristics and unconscious bias training for all line managers has been implemented (using external consultants) as part of the training programme. Initial analysis of the panels indicates that the differences in performance between these groups of staff, in

relation to those identified as high (or potentially high) performers and those with poor performance, have reduced, though higher proportions of BME and disabled staff are in the poor performing categories and part-time staff are less likely to be identified as high performers (VOA, 2017b).

While there is much to commend the new developmental approach adopted in the VOA and to recognise that this approach has only been possible by removing the link to pay, there are potentially problematic issues that negotiators need to be aware of arising from the pilot. Firstly, the assumptions which underpin the PAC process are that (more selective) targets are still managerially determined. It is not clear whether the unions in the VOA have had any input into the evaluating the suitability of those objectives and the extent to which they can be objectively measured and it is apparent that, despite staff taking a more proactive role within the PAC, the parameters for these discussions remain established at management level. This is important, because it appears that the VOA have introduced the assessment of behaviours in the PAC process. These points are explicit in the scheme's guide where, in relation to setting objectives, 'it is important that the jobholder clearly understands what is expected of them, including the *behaviours* expected to be demonstrated' (VOA, 2017a).

Secondly, while it is noted that 'individuals need to understand why development decisions are being taken' and that 'every job holder who is being discussed at PDR is aware that they have been put forward' (VOA, 2017a), line management decisions to refer a staff to the PDR level are determined unilaterally, with no appeal process in place for members to contest the management decision. The only point where union involvement in this process is identified is if, following PDR reviews, further action is taken against a member for long-term poor performance. This point is particularly relevant, given the dramatic change to the system and the significantly revised role of line managers in the process. While there is the recognition of the need for training and the check of the PACs for line managers themselves, the potential for poor decision making in assessing staff makes the limited input of unions in to the objective setting, and staff into the referral system, a significant omission.

Finally, in terms of considering the scheme as a potential model whose elements could be used to shape other departmental schemes, the VOA context needs consideration. One aspect of this is the increasing use of homeworking and the geographical dispersal of line management across the VOA, which may raise issues as to whether regular PAC meetings take place and, of equal importance, which form they take. These technical issues increase the pressures on line managers and will make running the process harder, raising questions of sustainability and enhancing the need for staff to have access to procedural justice. A second issue is the relatively small size of the VOA, employing around 4,000 staff with around 485 line managers, indicating a line management 'span' of roughly one to ten. Given the intensive nature of the PAC process, consideration is needed as to whether such an intensive developmental approach can be achieved, however desirable, in organisations where the number of staff for which a line manager has responsibility is much higher. A third issue is the

time-consuming nature of the whole process. Again, while a developmental approach will need this level of line management engagement, the issue of the sustainability of the PDR level, in particular, is one that needs consideration. Currently there are tiers of PDR panels in the VOA covering around 200 staff per panel, meeting quarterly and, on the basis of reviewing 30% of staff, meeting for approximately 3 hours. It is argued that such a step is essential in the VOA scheme to ensure that PACs are taking place (accountability) and to ensure support is provided (developmental) and that transparency and fairness are embedded. However, can (and will) such a time intensive system of evaluation be accepted and justified in much larger government departments?

Conclusions

This report has provided an overview of the significant changes in approaches to PM that are occurring within (managerially supportive) academic research and within the Civil Service. It is important to stress, in this respect, that this is the result of the effective campaigning by the PCS against existing PM systems and union members should be proud that they have achieved such victory, leading to a fundamental rethinking of Performance Management.

The negotiating principles adopted by the union's NEC recognise the need for far-reaching reform of PM and establish a strong foundation for the negotiation of new schemes across departments and executive agencies. The important point to note is that these principles reflect 'new' thinking about PM coming from the leading HRM organisation, the CIPD, and provide the basis for achieving substantive improvements in the management of performance in the civil service. Central to this is the recognition that the main aim of PM should be **developmental**, seeking to motivate and support staff to improve performance, rather than administrative, seeking instead to quantify and measure performance for the purposes of distributing pay and disciplinary action. Thus, a central element of any new PM system in any department needs to be **the removal of the link between the appraisal process and pay**. The extent to which any PM system needs to include ratings (box markings) is also questioned in the literature and the VOA pilot indicates how the CSEP requirement to differentiate performance does not require the operation of box markings.

The second substantive issue to arise from the CIPD literature and the CSEP guidance of new systems, which management have sought to address in the VOA, is the need to ensure that the move to a developmental PM scheme is supported by **substantive management training (and accountability)** given the significantly different aims of a developmental system, focusing upon a positive approach to coaching staff and providing appropriate support. The mechanisms to implement such training as revised schemes are designed is a crucial aspect of negotiations, as the potential for poor line management attitudes and approaches toward developmental appraisal may undermine their use and effectiveness and, subsequently, undermine staff confidence in the new systems.

A third issue for negotiators are the attempts to introduce **behavioural characteristics** into PM systems, something supported by the CIPD. The selection of which characteristics; their value to the organisation; and the extent to which they are necessary to perform duties are significant questions that need to be raised. The danger is that highly subjective and controlling behaviours are introduced into new systems (replacing distrusted and ineffective objective targets) and then (subjectively) measured and used to discipline staff.

The **VOA pilot** provides an interesting example of how such a shift from traditional (administrative) PM to a developmental approach can be implemented. While PCS negotiators should identify the good practice established within the pilot, they should also reflect on the relatively limited influence of unions within the PAC and PDR processes. Despite greater transparency and the initial positive evaluation of the operation of the scheme (given the removal of the link to pay and ratings and its developmental approach), the process is managerial designed and controlled with little, if any, role for unions in influencing targets, or supporting members referred to PDR level. The other issue is the extent to which the VOA pilot can be **realistically scaled up** for use in other departments, given its time intensive nature and the wider managerial spans in many large departments.

Finally, the issue of **discrimination** remains a key issue for PCS negotiators. The proposals to address discrimination are largely absent from CIPD literature and are not really developed satisfactorily in the CSEP Framework. Even the VOA's initial analysis still indicates some differences in referrals to PDRs based upon ethnicity, disability and part-time working. Given the consistent PMR data outlining the discriminatory impact of existing PM schemes, the relative lack of work in this area is disappointing, but also reinforces the requirement to end the link between pay and performance. Achieving this would end the discriminatory pay outcomes associated with PM and do much to restore confidence in the appraisal process, allowing for more attention to be paid in supporting and developing staff with protected characteristics and providing time for managers to recognise discriminatory practices. However, while removing the link to pay must be an immediate negotiating aim, the longer-term issue of **discrimination across the civil service**, which it can be argued the PMR data analysis has merely highlighted, and which has been recognised in union policy (motion A32 from the 2016 PCS conference) will need to be addressed in relation to a whole series of HR policies.

In this respect, the change to PM systems and the need to address institutional discrimination raise wider issues for the civil service unions and provide the basis for the PCS to open up negotiations in important areas, notably pay determination, competencies and promotion procedures.

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