

8. PERFORMANCE RELATED INCENTIVE SCHEME

- 8.1 An overall salary review aims principally at providing a compensation package attractive enough to boost employee morale; improve efficiency and the delivery mechanism in the public sector; and reward meritorious performance. This requires a shift from the conventional salary structure to a performance related incentive model. The main objective of redesigning public sector compensation systems therefore is the strengthening of the linkage between Performance and Incentive.
- 8.2 Employees, being at the centre of an organisation, play an important role in improving organisational performance and by extension the performance of the Government. They can vary their effort, their co-operation with colleagues and management, and their contribution to improving the effectiveness of their inputs. In such a situation, mechanisms are needed to ensure that workers are motivated to undertake their work in a manner congruent with the interests of the organisation.
- 8.3 An incentive scheme provides the answer. It can reward individual or group output. It induces desirable behaviour and attitude to improve performance for better service delivery. It helps encourage commitment of workers, reinforce existing culture and values where these foster high levels of performance, innovation and team work. Linking incentive to performance also potentially introduces equity and consistency in the pay structure and enables the organisation to attract more able workers.
- 8.4 A Performance-Related Incentive (PRI) is defined as the variable part of pay which is awarded each year (or on any other periodic basis) depending on performance. PRI schemes are applied at the individual employee level and at the team/group level. The definition of PRI excludes:
- any automatic pay increases by, for example, grade promotion or service-based increments (not linked to performance); and
 - various types of allowances which are attached to certain posts or certain working conditions (for example, over time allowances, allowances for working in particular geographical areas).
- 8.5 Performance Related Incentive Scheme (PRIS) should be used as a tool for ushering in reforms rather than waiting for reforms. Before taking up PRIS, the following broad changes in organisational functioning are essential for an effective implementation of PRIS:
- (a) increasing employee participation through strengthening of delegation and accountability at each level of decision making to improve delivery of services to stakeholders;

- (b) complete thrust on ultimate deliverables and outcomes;
- (c) enabling work environment with adequate infrastructure facilities and proper physical working conditions;
- (d) institutionalisation of stakeholder participation to ensure effectiveness and responsiveness in service delivery;
- (e) use of ICT for transformation in work processes and public service delivery integration with minimal public interface for reduction in delay;
- (f) change in performance management system incorporating open and transparent assessment and linking of performance measurement indicators to deliverables in performance appraisal systems;
- (g) shift in accountability framework from emphasis on process compliance and input control to effective and responsive delivery of results and services; and
- (h) the design of an appropriate incentive package.

8.6 In the 2013 PRB Report the necessity to introduce PRIS was highlighted. It was argued that this is an important element in many performance management schemes and like any incentive scheme that rewards performance, PRIS requires a robust Performance Management System (PMS). We understand that Ministries/ Departments, by now, have a fully operational PMS and can therefore implement PRIS.

8.7 The 2013 EOAC Report, among others, recommended that:

- (a) the Ministry of Civil Service and Administrative Reforms and the Public Sector Re-engineering Bureau should work out the guidelines and methodology for the operationalisation of the scheme by October 2013 to be submitted to the Reforms Steering Council;
- (b) the Reforms Steering Council should determine the criteria for the allocation of the productivity component to Ministries/Departments;
- (c) the Ministry of Finance and Economic Development should make necessary budgetary provisions for the payment of the productivity bonus in line with the criteria adopted by the Reforms Steering Council; and
- (d) the Reform Cells at the level of Ministries/Departments should under the guidance of the Public Sector Re-engineering Bureau work out the criteria for the allocation of the productivity component to teams and individuals based on their performance.

8.8 However, given that the Re-engineering Bureau, Reforms Steering Council and Reform Cells of Ministries and Departments have so far not been operational, the above recommendations have not been implemented. We are, therefore, reiterating the existing provisions of the 2013 PRB Report for implementation by the relevant Committees/Authorities.

Recommendation 1

8.9 **We recommend that:**

- (a) annual salary increments should only be awarded taking into consideration efficiency, diligence, commitment including availability and regularity of officer at work and based on open and recorded performance assessment ratings; and**
- (b) no increment shall be earned in case an officer is unfavourably reported upon.**

Recommendation 2

8.10 **We recommend that:**

- (a) the Standing Committee on Performance/Productivity Related Reward (P/PRR) set up under the chairmanship of the MCSAR and comprising representatives of the Ministry of Finance and Economic Development (MOFED) and the Pay Research Bureau to examine and consider P/PRR proposals submitted by organisations, be maintained;**
- (b) the Standing Committee on P/PRR may co-opt such representatives of Management and the staff side, as it deems appropriate, for the determination of a case before submitting same to the High Powered Committee for approval; and**
- (c) either monetary or non-monetary reward may be granted to exceptionally performing teams or individual employees, who have excelled well beyond the call of duty, subject to the approval of the Standing Committee on P/PRR and the High Powered Committee.**

8.11 Performance Management is inevitably associated with incentives and is the stepping-stone for its success. Public sector organisations are also continuously improving their processes to facilitate the implementation of PMS whilst focussing on quality services. To this end, organisations are aiming at being ISO certified and strive for its sustainability.

Recommendation 3

8.12 **We further recommend, subject to the approval of the Standing Committee on P/PRR and concurrence of High Powered Committee, the payment of a one-off bonus in a period of two years to employees as follows:**

- (a) equivalent to one week salary in respect of an organisation that has successfully implemented PMS and has sustained it for over the preceding period of two years; and
- (b) equivalent to three days' pay in respect of an organisation/ section, which has been ISO certified and has maintained the ISO standards for the preceding period of two years.

8.13 The above recommendation which would apply exclusively to employees who have individually performed to the satisfaction of Management shall be applicable on a pro-rata basis to employees who have worked for only part of the time during the two years required to earn the full bonus.

8.14 We further recommend that:

- (a) more than one increment may be granted to an officer at a go, for continuous high level performance (very good) for two consecutive years; and
- (b) officers drawing top salaries or flat salaries may be granted a lump sum of up to a maximum of one week's salary once in two years for continuous high level performance (very good) for more than two years

subject to the approval of the Standing Committee on P/PRR and concurrence of the High Powered Committee.
