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# **Performance Appraisal as a Tool for Efficiency in the Public Sector**

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## 1 INTRODUCTION

Society has demanded that Brazilian public organizations be more efficient and effective in use of public resources and in their operations. This new reality requires a responsive and professionalized public sector, with a consistent system for evaluating the results achieved by staff and organizations. In Brazil, compared to some components of professionalization of the public sector – admission by merit, continuous training focused on skills and remuneration compatible with the market –, the performance appraisal (PA) system requires further improvements to become an effective instrument for individual and institutional development. This is because the contracting of organizational results is still fragile, especially in the setting of targets and indicators, and the individual assessment has been treated as a mere formality, with high resistance of managers to distinguish among the performances of different employees. Thus, the purpose of this paper is to assess and compare the federal public performance appraisal systems in Brazil and United States in order to present considerations for improving the PA system in Brazil.

The paper has this structure:

- Chapter one is introduction, where the study objective is proposed.
- Chapter two describes the operations of Performance Management systems and their importance in organizations in general.
- The third chapter relates how the system is applied in Brazilian public sector, telling the history and analyzing the current regulations.
- Chapter four describes the Performance Appraisal system in the United States.

- Chapter five compares and analyses the reality of Performance Appraisal systems in US and Brazilian public sector.
- Chapter six concludes with some considerations about the public Performance Appraisal system in Brazil, based on the analyses made in the other chapters.

## **2 PERFORMANCE APPRAISAL AS A TOOL FOR ORGANIZATIONAL EFFICIENCY**

Performance Management is an approach that focuses on organizational performance, planning and managing strategically, and a process to set and track the achievement of targets.

In the same way, Human Resources Management is a process of managing workforce strategically inside an organization, that includes attraction, selection, training, assessment and rewarding of employees, while also overseeing organizational leadership and culture, and ensuring compliance with employment and labor laws<sup>1</sup>. The assessment and rewarding process is the objective of Performance Appraisal (PA). PA consists in setting goals for employees for a period of time (cycle), following their development and evaluating their performance at the end. This process has been used in organizations as a procedure to improve workforce performance, and to give employees the opportunity to be recognized and rewarded.

To Lopes (2009), Performance Appraisal can be conceptualized as a continuous process of negotiation, monitoring and renegotiation of individual

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<sup>1</sup> [http://en.wikipedia.org/wiki/Human\\_Capital\\_Management](http://en.wikipedia.org/wiki/Human_Capital_Management)

and group targets focusing in organizational results that generates subsidies to reward superior performance.

Pontes (2010) says that without strategic Human Performance Management, organizational planning or strategy don't make any sense because the PA instrument can bring the organizational planning from meeting rooms to employees' routine. Where there's no management and evaluation of performance, the results to be achieved are not clear, and when the failures or successes happen they don't know why and who's responsible for them.

According to Pontes (2010), formal performance appraisal programs are not new. St. Ignatius of Loyola used a combined system of notes and reports of activities and potential of each of his Jesuits when he founded his Society of Jesus in 1540.

The American Federal Government started to evaluate its employees in 1842, when the Congress approved a law obliging the departments to make a annual review on employees' performance. But until the decade of the 1950s, PA in the U.S. was made by judgment based on the leader's perception and values about the employee. In that decade, Douglas McGregor, from Harvard University, contested this technique and proposed ways to measure performance.

The modern Performance Appraisal system has its roots in Management By Objectives – MBO, proposed by Peter Drucker in his classic book “The Practice of Management” published in 1954 (Lopes, 2009). He treats MBO as a philosophy and a managerial technique that has to be absorbed by the leaders and employees to develop a continuous management process.

Studies on work motivation in the 1960's lead Edwin Locke to propose the Goal-Setting Theory of Motivation. This theory states that goal setting is essentially linked to task performance. It states that specific and challenging goals, along with appropriate feedback, contribute to higher and better task performance. In simple words, goals indicate and give direction to an employee about what needs to be done and how much efforts are required to be put in.

Relatedly, DAILEY (2012, p. 125-126) says that strategic pay requires that all decisions relative to compensation and benefits be designed to attract, retain, or motivate employees. According to the author, "pay for performance is an application of expectancy theory", that posits that employees will be motivated to the extent to which their calculation of the desirability of rewards, the effort required to perform task, and the probability of successful performance (and of the organizations paying off) are viewed favorably. Pay-for-performance schemes concentrate on providing or determining the right balance between extrinsic reward (pay) and required effort (performance).

Modern approaches defend the quantification of non-financial objectives and its measurement through indicators as a primary condition for obtaining results (LOPES, 2009). This way, according to Pontes (2010), the goals of a formal performance appraisal program are to:

- Make the planning dynamic;
- Improve the productivity, the quality and customer satisfaction in a company;
- Improve people and company competencies;

- Develop workforce;
- Establish previously the results wanted from people;
- Obtain the commitment of people in relation to the desired results by the company;
- Give constantly feedback to employees about their performance and seek improvements;
- Improve communication between hierarchical levels, creating a constructive dialog and eliminating dissonances, anxieties and uncertainties;
- Generate information;
- Make clear which results are achieved throughout the action of the entire corporate body;
- Establish a climate of confidence, motivation and cooperation among members of work teams;
- Serve as a tool propagating quality programs and, as the method adopted, the very instrument of quality management;
- Serve as an important instrument in supporting career, wages and profit sharing decisions;
- Serve as an instrument to identify training and development needs; and
- Identify talents.

However, the author draws attention to the fact that not all assessment programs meet their goals. The main reasons failures occur is due

to inappropriate choices of assessment tools. In other cases, the indicators of the evaluation are unclear to the people and for evaluators. These two elements - tools and indicators - derive from the choice of methodology or process. On the other hand, the evaluator plays an important role in the efficiency of this process. If he/she is not prepared, or has no ability to assess, the feedback can be incomplete, erroneous or harmful.

## ***2.1 Performance Appraisal in the Public Sector***

According to PACHECO (2009, p.149), measuring performance in the public sector has contributed to the achievement of multiple objectives, including the transparency of costs and outcomes, improved quality of service, employee motivation, one of the key pillars of the new governance. To its critics, however, it is an improper transposition of an instrument developed for business management, which creates serious distortions when applied to the public sector. Measuring results is a tool that has been part of a comprehensive set of changes that include a review of the macro-structure of the state and the creation of "arm's length organizations" (non-state agencies and public organizations), the previous definition of results to be achieved, granting flexibility to the organization that is committed to results in advance, recognizing the role of the public managers who have been granted greater autonomy and imputed accountability for results. OECD (2010) states that

*“performance in public administrations and services is a broad concept that includes not only costs, outputs and effects on outcomes, but also such things as appropriateness, due process and trustworthiness. A public servant’s performance involves not only working and delivering, but also respect for*



*the laws of the country, for the democratic system and for the elected government during its term of office.”*

TROSA (2001, cited in PACHECO, 2009, p. 151) also highlights different views on the measurement of results and their use by different countries and governments. Their analyses are similar to those already mentioned, in the case of the radical use of measurement and contracting results as a new form of control, the author sees the risk of a new formalism and rigidity. After having followed the experience of several countries, TROSA concludes that the results are better when goals are negotiated (and not unilaterally imposed), and flexibilities are granted when setting goals to achieve in return.

The chances of failure are great when performance measurement is adopted without the other innovations in management being present. The big risk is that the measurement becomes an end in itself, disconnected from the larger goal that is the improvement of the public service to citizens. There are two points of controversies about the measurement of results: the discussion around what to measure - products (outputs) and impact (outcomes), and the linkage of part of individual remuneration to the performance.

To TROSA, both forms of contracting are important and respond to two distinct questions. The measurement of outputs allows knowing what is actually produced with public funds; concern about outcomes or impacts can inquire about the effectiveness and usefulness of what is produced. According to the author, the answer to this debate should be pragmatic: governments must start by the services provided, whose measurement is easier, and go toward to impacts through the construction of the logical chain connecting actions to objectives pursued by relating impacts, intermediate results and actions. BEHN

(2004, cited in PACHECO, 2009, p. 153) strongly supports measurement of outputs, among other reasons because it is a powerful tool to be used by the head of a public organization to motivate its employees. Thus, to PACHECO (2009), there is no evidence to prove the superiority of measuring impacts over measuring products. Attempts to oppose the two forms of action do not seem to make sense in the light of lessons learned from international experience. Countries that engaged extensively in measuring results via products (outputs), such as New Zealand, tried to correct excesses introduced by the measurement of impacts; countries that concentrated on the measurement of outcomes, such as Australia, have left ample space to organizations without charging them to commit to actions directly measurable.

The association between performance measurement and financial rewards are less widespread than believed: according to a survey by the OECD together with its member countries, only 18% link budget to results, few have formal mechanisms of reward or punishment according to the results, 41% do not have, only 11% of countries always bind wages to the achievement of targets, and 26% do so occasionally. Therefore, measuring performance does not always imply adopting variable pay or financial rewards according to performance. The subject is controversial and steeped in controversy. According to PACHECO (2009), there are a significant number of countries that adopt performance measurement, and report the results obtained globally by government or sectorally; only part of these countries have allocated financial rewards to employees, and among those that do, many adopt values of moderate impact on remuneration, in order not to cause significant deviations in behavior.

CONDREY (2012) correlates the difficulties of performance appraisal systems in the public sector to some elements: low organizational trust levels, perceived ineffectiveness of performance appraisal instruments, small monetary rewards, a large and diverse bureaucracy, and a lack of union support. But on the other hand, he believes that, despite the series of failures in performance evaluation systems, they continue to be implanted for being popular among politicians and the public “due to perceived possible effectiveness in influencing recalcitrant bureaucrats”.

According to OECD (2010), performance-related pay does not have the credibility that should be proportional to its importance in overall remuneration. In Brazil, bonuses are too often distributed largely across the board and are now in reality part of base pay, although some parts of the administration have made efforts to link some part of performance-related pay to performance assessments. An example of the inconsistency between the links of performance-related pay with performance assessments is the fact that in some of those cases the courts have ruled that retired staff and pensioners had the right to get the maximum value of performance-related pay, or at least the average paid for the active civil servants in the same career. It seems possible, however, to delay or even withhold progression in careers for public servants whose performance is judged insufficient.

### **3 PERFORMANCE APPRAISAL IN THE BRAZILIAN PUBLIC SECTOR**

The first Brazilian Constitution, edited on 1824 by the Emperor Pedro I after Brazil's independence from Portugal, already had the basic attributes for a citizen to occupy a public position: "Every citizen can be admitted to the Public Civil, Political or Military Positions without other difference than their talents and virtues". Thus, to enter the public service, the person should have evaluated his talents and virtues, even for methods and techniques which could be considered poor nowadays.

In 1936, already in the Republican period, the Law n° 284 created the Federal Council of Civil Service, responsible for implementing an Efficiency Commission in each government ministry, and established two criteria for career promotion: merit and seniority. (CARNEIRO, 1985).

Until the decade of 1960, civil servants' performance was evaluated every six months, according to their work quantity and quality, self-sufficiency, initiative, learning capacity, collaboration, professional ethics, work knowledge, functional improvement and understanding of the duties.

The Decree n° 80.602 of October 24<sup>th</sup>, 1977, regulated the institutions of functional progression and increase by merit, and the comparison of employees, with a ranked distribution of them.

But only in the decade of 1990, did Brazil place a great importance on this subject. In 1994, a curve mechanism was introduced in the performance evaluation system in order to justify the payment of performance-based compensation for a group of job categories.

In 1995, this performance-based compensation became generalized with the modernization of public sector brought by the Guiding Plan to Reform the State Apparatus (*Plano Diretor da Reforma do Aparelho do Estado*) produced by the newly created Ministry of Federal Administration and State Reform (*MARE – Ministério da Administração e Reforma do Estado*) that specified the objectives and guidelines for redefining Brazil's public administration (OECD, 2010). The Bresser Reform, as the reform was commonly known, aimed to reform the public administration structure to emphasize the quality and productivity of public service and to value civil servants by continued professionalization, job stability flexibilization, the creation of different legal regimes and performance evaluation.

According to Salgado (2007), the implementation of the Guiding Plan in 1998 led the government to use bonuses based on performance, enabled the adoption of a differentiated pay for more qualified staff, and allowed the adjustment in the real remuneration of those careers without the grant of linear adjustments for the entire public administration. This mechanism has spread as a kind of supplementary remuneration of public servants. In 1999, it has been established as the model of a monthly bonuses represented by a percentage of the salary base, with two variables, one for the institutional performance and other for individual performance.

Presently, the main relevant regulations on performance appraisal in Brazil's public organizations are the Federal Constitution, the Law 8,112 of 1990, Law 11,784 of 2008, Law 11,907 of 2009 and the Decree 7,133 of 2010.

The 1988's Federal Constitution guarantees employment stability to public servants as a way of ensuring them autonomy regarding political

decisions. But it states PA as the main criterion to the acquisition of this stability, after 3 years of probation, and insufficient results on PA as a condition for loss of job when already stable.

Law 8,112 establishes the assessment criteria for the probationary period: assiduity, discipline, capacity for initiative, productivity, and responsibility.

Laws 11,784 and 11,907 have instituted score-based performance monthly bonuses to several careers, so-called “performance-related pay”, and linked its payment to the individual and organizational appraisal. Each bonuses score is related to a monetary value determined to each career, limited to 100 score points, of which 20% are related to individual performance and 80% are related to institutional performance. The variable compensation system is used for most categories, and the total possible variable amount varies across categories.

These laws 11,784 and 11,907 also stipulate specific rules for progression and promotion in every career, and general rules for all, as the annual cycle of assessment, the need for agreed individual and institutional targets, and evaluation by their own and by other members of staff, complementary to assessment of immediate superior, in the composition of the individual parcel of bonuses. It also provides that the assessment should be followed by feedback to the servant and that servant with low performance should be trained to improve performance.

Decree 7,133 regulates the appraisal of servants, and determines that individual performance evaluation will be based on criteria and factors that reflect the skills of the employees, performance measured during individual

tasks and activities assigned to them. The individual assessment is based on fulfillment of tasks and activities in pre-established work plans, in addition to the minimum factors:

- I. labor productivity, based on previously established parameters of quality and productivity;
- II. knowledge of methods and techniques necessary for the development of activities related to the effective position in the work unit;
- III. teamwork skills;
- IV. commitment to work; and
- V. compliance with procedures and conduct rules in the performance of duties of the position.

The goals for the assessment of institutional performance should be segmented into:

- I. global targets, related to the organizations; and
- II. intermediate targets, regarding work teams.

Thus, the Performance Appraisal is bounded within the federal public service performance management in annual cycles, that begins with the agreed institutional and individual targets, entailing periodic monitoring of the individual, and ending with the assessment of the fulfillment of these targets, beyond performance of the minimum behavior factors during the cycle.

It's important to state here that these considerations are made for the majority of the public servants. But according to OECD (2010, p. 201), Brazil

has an alternative remuneration system: a total remuneration system without variable components but with three or four different pay levels (up to 13 for certain job categories). This system is often referred to as a “subsidy” system. It is used for management categories, legal careers, attorneys, federal police officers, diplomats and auditors, and is established by the Constitution. These categories have performance appraisal only for progression and promotion purposes.

## **4 PERFORMANCE APPRAISAL IN THE UNITED STATES**

### **PUBLIC SECTOR**

The history of public human resources management in the United States can be divided by three main acts: The Pendleton Act of 1883, The Civil Rights Act of 1964, and The Civil Service Reform Act of 1978.

The *Pendleton Act of 1883* established the first federal service system to professionalize the public workforce, previously considered a commodity to be bartered for political support by spoils politics (CONDREY, 2012, p. 2). It created a civil service commission as the personnel management arm of president, the U.S. Civil Service Commission (CSC) that has existed until 1979. But while it was termed a commission, it was by no means independent. It was an executive agency that, for all practical purposes, was subject to the administrative discretion of the president. Written into the act were requirements for open competitive examinations, probationary periods, and protection from political pressures. At first, this merit-system covered only a few jobs, as only 10% of the US government's civilian employees had civil service jobs in 1884. Under the act, the president had authority to extend merit-system coverage to



federal employees by executive order. Almost all presidents have used this authority, converting patronage positions to civil service jobs in the last-minute, some of them to deny to their successors the patronage prerogatives, and many because they became disillusioned by their experience with spoils (RICCUCCI & NAFF, 2008, p. 16).

The *Equal Employment Opportunity Act of 1972* applied to government organizations the *Civil Rights Act of 1964*, and it has had a profound and positive effect on the practice of public human resources management. Prior to 1972, many public human resource selection procedures were sorely lacking in their professional development and application. The Act caused increased scrutiny of time-honored techniques and practices arising out of the scientific management movement of the early twentieth century and heretofore applied without serious questioning. Employees and applicants became free to question and legally challenge selection devices – written tests, oral examinations, training and experience evaluations, and performance appraisal techniques. How selection devices had “adverse impacts” on minorities and women were now open to legal challenge. Many public agencies embraced professionally developed assessment centers that were job-related. As a result, human resources practices and techniques were professionalized, and government workforces became more diverse and representative of the bureaucracies they served (CONDREY, 2012, p. 4-5).

The *Civil Service Reform Act of 1978* (CSRA) set the tone for much of the efforts surrounding public human resource management reform in the following decades. As a former governor and Washington outsider, President Carter ran against the federal bureaucracy and used the CSRA of 1978 partially

as a means of exerting presidential executive control into the structural and substantive aspects of federal personnel management. It was also a signal that being a civil servant was no longer to be considered a high calling, but that “bureaucracy” and the civil servants that inhabited them were in need of control, direction and the exertion of executive authority and leadership. The law abolished the Civil Service Commission (CSC) and replaced it with two agencies: the Office of Personnel Management (OPM) and the Merit Systems Protection Board (MSPB). While the OPM was the controller and manager of human resources, MSPB was the board responsible for providing periodic independent assessment of the federal workforce, and for administering federal whistleblower protections. The CSRA of 1978 also implemented merit pay for managers (GS-13 to GS-15<sup>2</sup>) and the Senior Executive Service (SES), designed to create an elite cadre of federal managers that would provide executive expertise and leadership at the highest levels of the federal bureaucracy (CONDREY, 2012, p. 6-8).

According to RICCUCCI & NAFF (2008, p. 54-56), the merit-pay system quickly proved to be “demoralizing and counterproductive”. Its biggest failure was its inability to meet its primary goal: improving the performance of federal managers by establishing a link between pay and performance. To redress this problem, a new system was created in 1984: the Performance Management Recognition System. It, too, however, was ineffective in linking reward structures to the performance of federal workers. Prevailing practice in government was to either rotate awards among workers each year, or reduce

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<sup>2</sup> General Schedule (GS), the US predominant civil service pay scale, separated into 15 grades: the GS-1 through GS-7 range generally marks entry-level positions, while mid-level positions are in the GS-8 to GS-12 range and top-level positions (commonly front-line or mid-level supervisors, high-level technical specialists, or physicians) are in the GS-13 to GS-15 range [source: [http://en.wikipedia.org/wiki/General\\_Schedule\\_\(US\\_civil\\_service\\_pay\\_scale\)](http://en.wikipedia.org/wiki/General_Schedule_(US_civil_service_pay_scale))]

the amount of pay increases by pooling bonuses or limiting award money to inconsequential levels.

Although there were no new laws, CONDREY (2012) also highlights two important events post 1978 that changed the public service management system: the Radical Reform and the election of Barack Obama.

The “Radical Reform” was a movement that took a quite different and more direct approach: instead of reforming the human resources system, there were efforts, in some instances, to abolish policies, procedures, as well as the entire civil service protection system, making civil servants “at will” employees rather than being protected from adverse political and managerial actions. The idea was to “let managers manage” and not be constrained by unnecessary and unwieldy rules and regulations. Under the Clinton and second Bush administration, federal government tried to implement the policies through privatization, outsourcing and continued “disaggregation” of the federal personnel function. Some state governments, like Georgia, implemented a real radical reform, abolishing civil service protections for new employees effective July 1, 1996, letting state’s employees serve “at will”, which means that they effectively serve at the pleasure of the state and may be dismissed without “just cause”. The most damaging finding, according to the author, is that Georgia’s at-will employment system has a tendency to undermine the trusting relationships necessary for effective government management and administration (p.8).

The election of Obama, on the other hand, brought back the public service as a high calling. There are six areas that have been addressed concerning federal human resources management by the Administration since

2009: recruitment, pay system reform, performance management, training and development, improved labor/management relations and in-sourcing. The OPM has made the improvement of federal recruitment a top priority, eliminating barriers to it and hiring at a rapid pace while trying to reform the pay system and to uniform the federal performance management (CONDREY, 2012, p. 9-10).

#### ***4.1 Actual Public Performance Management System in the United States***

As described above, the US Office of Personnel Management (OPM) is the central manager of federal personnel in United States, and its performance management regulations establish a broad framework for designing performance appraisal and awards programs into the agencies. This broad framework allows agencies to develop performance management programs to help them achieve their goals, improve organizational performance, and create a high-performance climate to attract and retain top performers, always ensuring they align employee performance with their strategic and annual performance plans. OPM describes many of those programs in its Performance Management Clearinghouse<sup>3</sup>, an online database that includes descriptions of effective Federal performance management programs, processes, and practices.

There are some issues that must be considered in each agency's performance management system (OPM, 2008):

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<sup>3</sup> Available at <http://apps.opm.gov/perform/clearing/>

- An agency can establish an overarching performance appraisal system that allows its components to design a variety of appraisal programs, or requires one program for all its employees, or is some variation of these options.
- Appraisal programs can use as few as two, and as many as five, summary rating levels in official ratings of record.
- OPM's regulations require each employee's performance plan to include at least one critical element, which, by definition, measures individual performance and establishes individual accountability. However, appraisal programs can also include non-critical and additional performance elements, which can measure individual, group, or organizational performance.
- Agencies can take group and organizational performance into account when assigning ratings of record above Unacceptable.

The regulations give Agencies the authority to design extensive awards programs that include cash awards, honorary awards, informal recognition awards, and time-off awards. Agencies can give these awards to Federal employees to recognize employee and group performance, and can design incentive programs with awards granted because an individual or a group achieved pre-established goals. OPM award regulations allow the following (OPM, 2008):

- **Rating-Based Cash Awards** - Agencies may grant an employee a cash award based on a "Fully Successful" or better rating of record. Cash awards are paid only once during the cycle and do not increase an employee's basic pay. Awards based on the rating of record can be up to 10 percent of salary, or up to 20 percent for exceptional performance.
- **Other Cash Awards** - Agencies may grant a cash award to an employee, individually or as a member of a group, in recognition of accomplishments that contribute to the efficiency, economy, or other improvement of Government operations. Agencies may grant up to \$10,000 without external approval, up to \$25,000 with OPM approval, and in excess of \$25,000 with Presidential approval<sup>4</sup>. Award payments are subject to the aggregate limitation on total pay equal to the rate of pay for Executive Level I<sup>5</sup>.
- **Referral Bonuses** - Federal agencies can use the incentive awards authority under chapter 45, title 5, U.S. Code<sup>6</sup>, to provide incentives or recognition to employees who bring new talent into the agency, usually by establishing a specific award such as a referral bonus. Each agency must determine whether the use of referral bonuses is appropriate and establish criteria for giving them to employees.

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<sup>4</sup> The Department of Defense and the Internal Revenue Service do not require OPM approval for awards up to \$25,000, but the President must approve awards over \$25,000 after review and approval by OPM.

<sup>5</sup> For senior-level and scientific or professional employees (as for members of the Senior Executive Service), this aggregate limitation on total pay is equal to the rate of the Vice President's salary when they are covered by a performance appraisal system that has been certified as making meaningful distinctions based on relative performance.

<sup>6</sup> United States Code is a consolidation and codification by subject matter of the general and permanent laws of the United States. Title 5 addresses the government organization and employees issues.

- Quality Step Increases - A quality step increase is an additional step increase of his or her General Schedule (GS) grade that agencies may grant to an employee who has received the highest rating of record available under the applicable performance appraisal program and has met the agency-developed additional criteria required. Quality step increases are basic pay increases for all purposes. Agencies can grant no more than one quality step increase to an employee within a 52-week period, and such an increase may not cause the employee's pay to exceed the maximum rate of the grade.
- Honorary and Informal Recognition Awards - Agencies can use recognition items as awards to recognize individual and group performance. Recognition items must meet certain criteria.

Honorary awards:

- a) must be something the recipient could reasonably be expected to value, but not something which conveys a sense of monetary value;
- b) must have a lasting trophy value;
- c) must clearly symbolize the employer-employee relationship in some fashion; and
- d) must take an appropriate form to be used in the public sector and to be purchased with public funds.

Informal recognition awards must:

- a) be of nominal value; and

b) take an appropriate form to be used in the public sector and to be purchased with public funds.

- Time-Off Awards - Agencies may grant time off from duty without charge to leave or loss of pay as an award to individuals or groups of employees.

It's also important to point here that under the Civil Service Reform Act of 1978, OPM received the authority to conduct demonstration projects, defined as a project conducted by OPM, or under its supervision, to determine whether a specified change in personnel management policies or procedures would result in improved Federal personnel management. In other words, OPM is permitted to waive laws and regulations to enable agencies to conduct demonstration projects by experimenting with new and innovative systems. This possibility is called Alternative Personnel Systems (APS) and is implemented by agencies to look outside of traditional personnel systems (e.g. General Schedule) to address longstanding issues, such as strengthening performance management and updating position classification and competitive compensation. Most of today's APSs have some focus on performance-based pay. Some of these systems have existed for almost 30 years. As of the end of 2008, APSs featuring performance-based pay covered more than 360,000 Federal employees<sup>7</sup>.

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<sup>7</sup> <http://www.opm.gov/aps/index.aspx>



## **5 COMPARISONS OF PERFORMANCE APPRAISAL FOR PUBLIC ORGANIZATIONS IN BRAZIL AND USA**

Comparing the two experiences above, Brazil and the United States have some similarities and some differences in public performance appraisal. Both countries have central manager offices for the PA system (MPOG<sup>8</sup> in Brazil and OPM in US). These offices set the minimum requirements and limits for the agencies' performance management and appraisals. This centralization can be positive since it conceives the Government as a "single employer" and so remains sound public policy. Consequently, it is important to retain Governmentwide approaches, authorities, entitlements, and requirements in several areas (OPM, 2008). But, on the other hand, the personnel system subordinated to the control of a chief executive can result in undesirable politicization (RICCUCCI & NAFF, 2008, p. 41)

In Brazil, the rewards for good performance are monthly bonuses, paid in the paycheck during the entire cycle (one year), complementary to the salary, and progression or promotion in career, which increases the salary. Those paid in the "subsidy" system (total remuneration without variable components) are rewarded only with progression or promotion in career, what increases about 5% the salary. In US, the reward can be determined by the agency, but never as a way to complement the salary. It must be in a single payment or a honorary/informal recognition or time-off award.

While in Brazil the performance appraisal system and the rewards are regulated by law and controlled by MPOG, each US agency has authority to choose how to award employees, and OPM has the authority to waive laws and

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<sup>8</sup> Ministry of Planning, Budget and Management

regulations to enable agencies to experiment with new and innovative human resources systems, regarding some certain principles that promote the public interest. It gives the opportunity to the agencies to choose alternative ways of using performance management.

## **6 CONCLUSION**

This paper intended to make a study of federal public Performance Appraisal in Brazil and United States in order to present considerations for improving the system in Brazil. According to the above, it's possible to conclude that the American public PA system is not much different from the Brazilian system. Both are centralized and regulated by law and have standards to all federal agencies.

In my opinion, Brazil should have more flexible laws to allow agencies to create innovative appraisal and reward systems. The best characteristic of the US system is the reward system, based in non-periodic payments or non-monetary rewards. A monthly-bonuses-based system, as the Brazilian system, turns what should be a reward into a complement to the employee's salary. As it is embedded into the salary, every negative variation on monthly bonuses causes the employee to lose a portion of their salary. This has a strong impact on the evaluation by the leader, giving him power to maintain, increase or decrease the salary of the employees. Moreover, there is pressure on the leader to assess at 100%, with the argument that not doing this will cut part of employee's salary. It is important to consider the political environment of the public sector to remember that not all leaders are motivated

to make a candid assessment, mainly because it takes time and it is public money in contrast to the salary and the support of the employees.

It's also important to state here that the main goal of Performance Appraisal is to evaluate and motivate the performance of public servants for them to give good service to the society in return for taxes paid by the citizens. RICCUCCI & NAFF (2008, p. 41) remember that public managers "too often have echoed the view that efficiency is the number 1 axiom of administration without considering whether or not it is fully compatible with democracy, fairness, and apolitical public services." This means that before using tools to improve efficiency, it has to be observed whether the tool can achieve its goal or if it's only a way to generate conflicts and political power within the public agencies. In the same way, DAILEY (2012, p. 127) poses that locked into older notions of classification pay grades, individuals who have obtained the maximum pay allowed within their official pay grade, or any other kind of limitation, may be deemed ineligible for merit annuities or bonuses or any kind of salary increase. Since these awards are touted as being earned through meritorious performance, their denial greatly undermines perceptions not only of the programs' efficacy but of organizational fairness as well. They will be no more motivated to have good performance and will make the minimum required to maintain their positions.

Therefore, to improve the PA system in Brazil it would be interesting to untie rewards from the paycheck. Using the subsidy system for the all public servants and creating additional alternative rewards such as the American model can be more effective. In other words, instead of trying to motivate by not reducing the salary – what occurs in Brazil's monthly bonuses system – it would

be better to use Performance Appraisal to give other benefits like time-off or preference on selections for training programs that are in high demand, or even formal recognition awards considered afterward on employees' career growth and appointment to commissioned positions<sup>9</sup>. These rewards can be more motivating and, as long as they do not affect directly the paycheck, they can be given only to the employees that really excel their duties, returning the sense of reward for performance above average.

Another point to be considered in improving performance appraisal system is the training of the appraiser: the person who assess must know the importance and how to do it properly. It's important that all of the appraisers have the same understanding about the system to equalize the assessments. It will permit good comparisons between different areas within the agencies.

In order to improve these considerations and according to the readings made for this paper, I'd like to suggest future studies about the Performance Appraisal in other countries – specially in Australia and France – and about the use of PA on training and development programs selection processes.

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<sup>9</sup> In Brazil's public service, commissioned positions are normally used to distinguish leadership and advisory positions.

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