Reforming Performance Management Procedures in the Civil Service in Lao PDR

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1. Introduction

Lao PDR’s long term development objective is to leave the ranks of the least developed countries by the year 2020. To achieve this ambitious target, Lao PDR must have a Civil Service which provides the sort of enabling environment necessary for rapid economic and social development.

For this reason, public administration reform has been a key activity within the Lao civil service since the early 1990s. Governance improvements have become a key element in the progressively developing National Poverty Eradication Plan.

Developing the quality of the public servants themselves is the No. 1 priority of the public administration reform process. This goal is expressed as follows:

To build an effective, efficient, well-trained, honest and ethical public service that is capable of meeting the needs of the multi-ethnic Lao people within a peaceful, predictable and stable society, and that can promote sustainable economic development as a basis for eradicating poverty and gradually creating a modern, industrial state.

To move towards achievement of this goal requires a range of actions across a many fronts. This activity is inevitably complex, and often problematic. But there are no options other than to search for ways to develop the capacity and performance of the civil service population.

Many stakeholders are watching carefully to see how we go about this aspect of public sector reform. For example:

International donors: who want to see results for their investment. Often donors experience frustration in their own administrative dealings with the public sector, and therefore are acutely aware or progress or the lack there of;

The Lao public: who are increasingly aware of their rights as ‘consumers’ of civil service ‘products’. As education levels improve across the community, and people have gradually wider exposure to international perspectives, there is a lessening tolerance for sub-standard delivery of public services;

ASEAN member states: that expect certain shared standards in areas such as public administration and civil service. Older ASEAN members are keen to share their experience and knowledge of the reform process, and in turn they expect newer member states to demonstrate the benefits of exposure to this combined ‘wisdom’;

The International community: where governments, businesses and visitors have globally-influenced expectations of public administration standards. Tourists don’t want to experience unnecessary delays when dealing with government officials. Businesses want to be able to engage with the Lao business community and consumers without undue public sector red tape;
Civil servants themselves: who are increasingly aware of comparative terms and conditions of employment in the growing private sector, and want to be part of a public sector system that acknowledges and rewards excellent performance.

But the pressure from these stakeholders is no greater than the pressure we, the government, put on ourselves to rapidly improve the collective and individual performance of the 91,000 Lao citizens who make up the civil service population.

So, what should be done about the generally low level of human resource capacity across the civil service? There are so many specific areas that need to be tackled. Major challenges include:

Very low levels of payment, with the associated difficulties of recruitment of suitable staff and retention of performing, qualified staff;

Human resource management practices which don’t link performance to recognition;

Lack of standardized performance management, with inconsistent links to mechanisms such as job descriptions;

An inconsistent distribution of staff across the country, with a surplus in some areas and severe shortages in others;

A civil service data base which can’t meet the growing pressures put upon it.

In this paper I want to focus on our efforts to develop an effective performance appraisal system for the civil service, looking at the links between this and the concurrent development of other Human Resource Management functions across the country, such as job descriptions. It is a story which is a long way from being complete at this point in time. I will start by looking broadly at the potentially difficult area of performance appraisal, setting out the premises upon which reform of the Lao system will be based. I will then touch briefly on the current performance appraisal system in the Lao PDR civil service, before describing the reforms we have begun and plan to implement over the next several years.

2. Performance Appraisal

Performance appraisal is well known as one of the most complex, difficult areas of human resource management. A not-so-serious definition of the term (Berman et al, 2001: p. 259) captures some of the key issues involved:

Performance Appraisal (n): given by someone who does not want to give it to someone who does not want to get it.

It is not difficult to outline the complexity. Depending on the purpose it is intended to serve, performance management and its key tool of performance appraisal involve technical skills (the design of the performance appraisal system), social skills (interpersonal relationships, social observation and professional judgment), development and coaching, as well as administrative issues (pay, transfers, promotions).
All over the world performance appraisal systems are being developed, introduced, criticized, abolished and replaced. Many systems are abandoned because they appear to be incompatible with the culture and traditions of the organization or country into which they have been introduced. International research (Berman et al, 2001: p. 260) indicates that in the private sector only a small minority of appraisal systems achieve the goals set by the organization; there is no reason to believe things are any different in the public sector. Rather than being part of the solution in relation to efficiency and capacity of human resources, appraisal systems often become part of the problem.

One of the most significant problems is that there are few jobs with clear, comprehensive, objective output measures that eliminate the need for judgment. Therefore, most performance appraisal systems are inherently judgmental in nature. What differentiates systems is the degree of subjectivity; whether the systems focus on personal traits and characteristics, workplace behaviours, or results, or some combination of these three factors. Whatever the case, employees generally have little confidence that their managers have the knowledge and skills to effectively implement the system.

Barwick (1995) writes of 3 types of organizational work cultures:

*Culture of Fear:* represented by high levels of stress, concern about protecting jobs rather than doing them, constant fear of downsizing.

*Entitlement culture:* lethargic work culture, complacent, rewards/job security are automatic, looking good is more important than doing good, incentives for excellence are lacking.

*Revitalisation culture:* workers are empowered and energized, risk-taking is encouraged, employees are judged by accomplishments.

Whilst these groupings are clearly generalizations, it is possible for all of us to see elements of our own organizations in one or more of these categories. The challenge is to create an organizational culture and environment which contains the key elements of revitalization. All HRM functions – from recruitment through to evaluation – play an important role in developing this culture. In the case of performance appraisal, the challenge for Lao PDR is to develop a system which is realistic and culturally appropriate.

3. Agreeing on the fundamentals

It has been important when looking at reform to performance management in the civil service of Lao PDR to ensure that there are common principles related to performance appraisal that are accepted and build into the planning and development. From this foundation a system which takes into account the particularities of the Lao situation can be created.
First we need to consider the principle purposes of performance appraisal. These are generally agreed to be:

- Improvement of performance
- Salary and wage adjustment
- Career planning and development
- Identifying training needs.

We need to be clear in our minds as to the main purpose we see performance appraisal playing. Whilst in reality most systems serve several purposes simultaneously, to implement a system that tries to do everything at once will almost inevitably fail.

The fundamentals of the process are also constant, regardless of the details of the system implemented. The 3 key phases are:

- **Collection of Information:** Reduce subjectivity by focusing on information relevant to the job. The employee can be involved in collecting this information.
- **Appraisal discussion:** The need for a two-way discussion between the appraisee and their manager, which looks at strengths and weaknesses, how they can develop their skills, how they might perform better, their future in the civil service.
- **Outcome of evaluation:** a number of possible outcomes, and these need to be pre-defined.

So we need a system which is:

- **Relevant:** identifies and deals with the critical elements that make the difference between success and failure in a job;
- **Sensitive:** capable of distinguishing between effective and ineffective employees;
- **Reliable:** judgments that are objective rather than subjective;
- **Acceptable:** to both management and the employees;
- **Practical:** easy to understand and use for all involved, and not overly time-consuming.

Perhaps most importantly, we need to understand that performance appraisal is not a stand-alone activity, but an integral part of the broader HRM context. For example, it is impossible to have a performance appraisal system without having an up-to-date, relevant set of job descriptions in place. It is also vital to take into account the consequences of the performance appraisal process before heading
down the road of active process reform. We need to ask ourselves if we are able to deal with the possible outcomes of appraisal, which include:

*Removal and transfer:* if the appraisal indicates that the job doesn’t fit the employee because his/her qualifications and potential are below the job requirements;

*Promotion and transfer:* when the employee’s qualifications and skills are beyond the job requirements and she/he show potential for higher achievements. This might involve job enlargement, job enrichment, transfer or promotion;

*Training and development:* where immediate training needs are identified, and/or longer term development possibilities;

*Rewarding excellent performance:* which could involve special awards and merit-based pay and incentive schemes.

Failure to deal with the consequences of performance appraisal is a key reason for loss of confidence in that system by employees. Similarly, lack of resources to adequately prepare for the appraisal meeting e.g. lack of an accurate job description, also dooms the process to failure.

The conditions necessary for the successful implementation of a performance appraisal system can be listed as follows:

- Evaluation will be most successful if it is seen as a way of coaching and managing human potential.
- The system needs to have the support of top officials.
- The purpose of the evaluation will determine the form, the content and the success. It is preferable the system serves only a limited number of purposes.
- The purpose of the evaluation should define who is responsible for its implementation.
- The historical context of performance appraisal in the organization as well as current social policies should be taken into consideration when designing a new performance appraisal system.
- The focus should be on communication and skills rather than on the formal system itself; communication is more important than forms and procedures. However, procedures help guide the communication and ensure that all staff are treated in an equal manner.
- The system must be accepted by the employees as being equitable. The degree of acceptability is culturally influenced.
- Performance indicators must be correctly described.
- There must be confidence in the system. The employees have to be confident that supervisors are judging correctly and objectively and the system is equitable.
- There must be room for development points specified by the employee; how does the employee see his/her own development?

Within this demanding and challenging context, we in the Lao Civil Service have begun on the long process of reform to the performance appraisal system.
4. The Situation up to the Present

*Individual performance appraisals* in the Lao civil service have not to this point in time been standardised and there is currently no standard form used in every ministry and province. Given the absence of a clearly defined appraisal system it has been difficult to analyse the situation.

The Government has long used various methods to reward outstanding performance in the civil service such as public congratulations, medals, the award of special titles, and the use of bonuses – both monetary and in kind. But in general, all civil servants followed a similar career progression, and were promoted one step every two years, unless they showed particularly low moral qualities or required disciplinary action. This progression has not been linked to so much to professional effectiveness and productivity as social and political behaviour. In the final result almost all civil servants receive their promotion. A large amount of laborious manual administration has traditionally been done in relation to a progression that seems to be more or less automatic in any case.

When most of the workforce is promoted on the basis of normal performance and excellent performance does not lead to additional any rewards, we have a situation where equitable treatment is sacrificed and replaced by equality of treatment and where the small minority who do not perform or act as required get the majority of attention.

*Group evaluations* have been historically been a part of the civil service culture in Lao PDR. These have traditionally taken place on a monthly basis within respective work units. The aim of these meetings has been to openly discuss working discipline in the office, the results which have or have not been achieved, as well as client reaction in regard to service delivery. These meetings have given employees the opportunity to evaluate themselves, to evaluate each other and even to evaluate their superiors. Practices in some ministries have been different from those observed in others. Even within ministries, practices may have differed from one province to another.

The effectiveness of this methodology has increasingly been called into question. Self-criticism and peer-rating are strong devices in flexible and flat structures, but the bureaucratic nature of the Lao civil service obstructs the efficient use of outcomes from group evaluations. Also, it is likely that in the civil service of the future individual performance will increase in importance, and hence competition for promotion. Group evaluation alone is problematic in such an environment.

5. Taking action in the Lao Civil Service

A situation like the one outlined above cannot be changed overnight. But the government is committed to gradually introducing a new system of performance appraisal, and with this performance incentives. In the new Decree on Civil Servants, effective from
July this year, heads of organizational units are encouraged to give selective recognition for good performance which can result in accelerated progression in the salary. Similarly, managers are encouraged to stigmatise unsatisfactory performance. While these changes may appear modest, we feel that this initial step is a significant but achievable departure from previous methods for considering promotion. Once the principles of this method have been fully understood and internalised within the public service, it will open the way for further opportunities for merit-based promotions.

This system of merit-based promotion will be supported by a series of new procedures to facilitate its implementation. Over the past year, the Government has developed a standard evaluation form that will be introduced to all ministries and local authorities in the later part of 2003 and into 2004. This evaluation form will be used to assess the performance of civil servants according to job-related criteria, depending on whether the individual is in a technical position or a management position.

The first stage of the new appraisal system will involve individual self-evaluation, which will then be presented to the team in a group situation. Colleagues in this meeting will also provide performance feedback to each other. Subsequently, the superior will evaluate the individual’s performance, taking into account the information gathered in the group meeting.

The introduction of this performance evaluation system is a cornerstone of the Government’s commitment to improving productivity in the public administration, and will provide a basis for determining those who should be considered for early promotion, and those who should be considered for transfer or, in the worst case, dismissed form office, in accordance with standard criteria.

This new performance management system is dependent on the introduction of job descriptions that specify the tasks that individuals are expected to undertake, and against which they can be evaluated. Over the past year, the Government has strongly emphasised the importance of job descriptions as part of the “rightsizing” policy which we are undertaking through to 2005. Pilot initiatives to introduce job descriptions have been initiated. The introduction of job descriptions will also help to improve the streamlining of government organisations by identifying overlapping duties and functions across different units, and to clarify the distribution of responsibility, between middle to lower level managers.

As you can see from the above, the LAO PDR civil service is currently at a critical point in the reform of our performance management reform. The new Civil Service decree legislates for selective recognition of superior performance through accelerated promotion, but we have not yet introduced the revised performance appraisal system. And the job descriptions upon which appraisal must be placed have not been developed in a consistent fashion across the country as yet.

Managing this situation requires a delicate balancing act. The full implementation of a merit-based promotion and incentive system will only be possible after some pre-conditions have been met:
Establishing job descriptions with task agreements throughout the whole civil service. This process will soon be accelerated by means of a formal instruction by the Government and establishment of special commissions or selected units (in the ministries and the provinces) to monitor, coordinate and control the process.

Adequate training for those people who are to conduct performance appraisals should be part of the general management training delivered in appraisals in the civil service. The training is to ensure that the process of performance appraisals will be as positive and non-threatening as possible and based on trust and cooperation.

Based on the approved job descriptions, the whole range of jobs in the civil service should be analysed and jobs should be classified into job categories.

There will need to be a further review of the current pay scale and grade structure in order to link job categories to pay scales or related grades. The career structure should enable a normal career progression, as well as accelerated career progression in the case or outstanding performance.

Analysis of the performance appraisal forms in order to define commonly used performance standards or performance indicators for the different job categories and sub-categories.

As is so often the case with a major reform such as this, getting the sequencing and timing right will be a complex process. The Department of Public Administration and Civil Service (DPACS) will play a key coordination role, as a range of projects and pilot activity in both ministries and various provinces and districts will be taking job descriptions and revised performance appraisals out across the country. As has been pointed out earlier, if not well implemented, performance management reform can create as many, if not more, problems than it solves.

Communication of the reasons for the change is going to be the key to its success. Training in just the technical aspects will only be a part of the story. The appraisers must see it as part of their ongoing ‘coaching’ role, a mechanism which enables them to create a more positive relationship with each member of their team. Employees must understand the changes, and feel it is a fair way to evaluate performance. It must be a two-way system, not a once a year event but a continuous process of communication.

6. Conclusion

As is clear from the content of this paper, the challenges facing the Civil Service of Lao PDR in the area of performance management reform are substantial. The success of the reform process in this area is also very vulnerable to developments in other areas of civil service reform. For example, failure to develop a functioning civil service data base could undermine efforts to link performance to salary progression. Continuing low levels of remuneration will make it challenging to recruit and retain high performing staff, no matter how good a performance management system is implemented.
Nevertheless, the Government is committed to tackling this multitude of challenges in a coordinated and determined manner. With the ongoing support of our partners in development, we believe we can make the Lao civil service a place where excellent performance is supported and encouraged; the ultimate beneficiaries of such a situation will be the whole Lao society.
Bibliography

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