Rewarding civil service performance through team bonuses: findings, analysis and recommendations

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Abstract
Performance-related pay within public organizations is continuing to spread. Although it can help to strengthen an entrepreneurial spirit in civil servants, its implementation is marred by technical, financial, managerial and cultural problems. This article identifies an added problem, namely the contradiction that exists between a managerial discourse that emphasizes the team and collective performance, on the one hand, and the use of appraisal and reward tools that are above all individual, on the other. Based on an empirical survey carried out within Swiss public organizations, the analysis shows that the team is currently rarely taken into account and singles out the principal routes towards an integrated system for the management and rewarding of civil servants.

Introduction
In their search for improved performance, public administrative agencies implement different strategies that allow them to increase efficiency and effectiveness. Foremost amongst the steps taken are the modernization of human resources management and, in particular, the introduction of performance-related pay systems, which have been in place in the various Organization for Economic Cooperation and Development (OECD) countries for a good 10 years (OECD, 1993). Several publications in recent years (Schedler, 1993; Emery, 1994; Chenaux, 1998) show, in particular, that...
pay is used as a lever for a change in culture and public management style. However, the real impact of such systems remains controversial, all the more so because the conditions in which they are implemented are not ideal, particularly within public organizations.

In addition to the lack of financial resources and the often insufficient training given to the managers applying these methods, it seems that performance-related pay is suffering from a new problem that could hinder the anticipated effects for some time, namely the emergence of the ‘individual versus team’ paradox. Management literature is placing increasing emphasis on the importance of teams in the success and performance of organizations, whilst human resources management (HRM) practices within public organizations and, in particular, those linked to pay are becoming increasingly individualistic (Emery and Giauque, 2001). Certain trends can be identified in this regard and a number of lessons can be drawn from them.

The growing infatuation in the 1980s and especially the 1990s for the team, initially called the group in the significant works of the 20th century (see the classic works by Mayo, Moreno, Lewin and Homans), is still increasing. The team seems to be the foundation of collective action more than the individual worker, as witnessed by the numerous publications on the topic (for example, Charrier and Kouliche, 1994; Katzenbach and Smith, 1994; Mohrman et al., 1995; Petit et al., 1999). According to various studies, teams make a decisive contribution to innovation, quality of service, cost reduction and increased productivity.

In contrast, the individualization of pay practices, the assessment of which in the literature is controversial (Kohn, 1993; Campbell et al., 1998), currently leaves little room for the promotion of incentive and reward systems that operate at a team level (for example, Armstrong, 1996; Balkin and Markman, 2000). Whilst individual performance-related pay can notably reduce cooperation, work against quality improvement goals and increase competition between individuals (Roussel, 2000), it has been widely introduced within public organizations, particularly in Switzerland.1

One of the main critics of the rewarding of individual merit, Deming (1986), emphasizes that the aim of any management system should be to improve the performance of the organization and the quality of service provided to customers (users) and not to record and reward individual merit. Depending on the options chosen, payment will tend to unite or divide workers and teams, encourage mutual assistance and cooperation, the transfer of skills and collective performance or, in contrast, individualistic behaviour. In our opinion, the purpose of any management system should lie in the outcomes produced, that is the degree of efficiency with which it achieves its goals.

Fundamentally, the reward system implemented is not indifferent and the question of pay should be put back into this more general framework, which underlines the need for harmonization of the systems put in place to influence staff behaviour (Carestia-Lanciaux, 1990), particularly in terms of cooperation, the conditions under which they are implemented and the effect they generate, with the focus on integrated management of the public services.

This article first reiterates that the motivational impact of financial reward schemes has always been varied, particularly in the public services. It then examines the effects of pay practices on cooperation, followed by a review of the principal points
established in the literature with regard to the conditions for success in setting up performance-related pay systems. The principal findings of a survey of team bonuses are presented and discussed, concluding with some vital recommendations aimed at the relevant players in the public services, in particular the need to integrate the management of individual and collective performance.

Motivation and performance of civil servants: the ambiguous appeal of financial forms of reward

Featuring prominently in most theories on motivation at work (Lévy-Leboyer, 1998), remuneration, including any form of financial reward (salaries, premiums, bonuses and various profit-sharing or shareholding schemes in private companies [Sire, 1993]), is sometimes seen as a central component of motivation, particularly in the works of the American expert E.E. Lawler (1990), and sometimes as an illusory, or even misleading, component of motivation that is instrumental and can be detrimental to intrinsic motivation (Deci et al, 1999). This idea is put forward, in particular, by R. Sprenger (1994, 1995), who breaks down the ‘myth’ of motivation at work and demonstrates that more often than not, systems intended to ‘motivate’ staff actually have the opposite effect.

It must be remembered that according to behaviourism, pay acts as a reinforcement designed to actualize a behaviour or a favourable result for the organization. In this sense, it operates through a form of external control and generates motivation that is instrumental or extrinsic and not intrinsic. One author who has studied this question in depth for almost 30 years (Deci, 1975) states that an intrinsically motivated activity gives the person carrying it out a feeling of satisfaction or achievement concomitant to the action. The individual finds motivation in the very performance of his/her tasks and not because s/he has been promised a reward (extrinsic motivation, such as a salary or a bonus) (Nuttin, 1980).

Within public organizations in particular, financial incentives rarely come first amongst sources of motivation, in comparison to the private sector, as illustrated, in particular, by the study carried out by Jurkiewicz et al. (1998): whilst managers in the private sector place the expectation of payment first, managers in the public sector first expect to make a contribution to decision-making, a stable future, the possibility of a leadership role, to use their skills and to learn something. According to Jurkiewicz et al., it would be more appropriate to offer civil servants other sources of motivation that better meet their expectations. One of the conclusions of the studies carried out by the OECD (1997) into dynamic remuneration for managers in the civil service follows similar lines, stating that the appeal of financial rewards is not evident within the public services, where the corporate culture tends to value other aspects. Wright (2001) reviews a number of studies relating to the motivation of civil servants and concludes that the valence that they attribute to financial forms of reward does not follow such a unanimous trend as the one identified in the studies mentioned earlier but, in contrast, takes a number of directions. We have also found that non-monetary forms of remuneration, such as the organization of working hours, improvements in equipment and work resources and the development of skills, are appreciated by civil servants and correspond more to the public sector culture than purely monetary
remuneration, while having a 'collective' orientation valued by our respondents
(Emery and Giauque, 2001).

Individual rewards and cooperation

The assessments linked to the introduction of the new public management show a
tendency to increase the already legendary compartmentalization within public
administration, as each service unit negotiates 'its' contracts, then works to achieve
'its' objectives and 'its' performance indicators, creating a sort of institutional egoism,
with each person acting for his or her unit (Knoepfel, 2003).

Where objectives are then broken down to an individual level, which is often the
case as management by objectives is supposed to apply to all levels of the hierarchy,
this finding is likely to be exacerbated but there is a lack of recent studies on this
subject (Giauque, 2003). According to Giauque, the members of the civil service take
a cautious, or even passive, professional attitude, with a view to doing just enough so
that they are not noticed and do not stand out. In contrast to the official discourse
and the goals assigned to the new human resources management (Nomden, 2003),
in reality workers are encouraged to innovate and take responsibilities and risks in
unfavourable conditions, in which the competitive spirit tends to override any spirit of
cooperation. This becomes all the more marked where people are appraised and
rewarded individually.

In this context, would the development of remuneration systems that valued team
performance be able to reduce, or even thwart, the negative impact of the individ-
ualization of performance on cooperation within and between different depart-
ments of the same administrative agency? The conditions for success linked to the
introduction of such systems will now be reviewed, followed by a commentary on
the results of a recent study on this subject.

The introduction of financial rewards in public organizations:
challenges, limits and conditions for success

First, as mentioned by Lawler (1973), it must be remembered that the general con-
ditions to be met for an incentive system to be truly effective are as follows:

- Staff should be offered attractive ‘rewards’ that are positively viewed by them
  and in sufficient ‘quantity’. In addition to the problem of valence emphasized
  earlier (Are civil servants really attracted by financial rewards?), the amounts
  provided by the political authorities within the public services to reward workers’
  performance are currently low compared to the theoretical recommendations in
  this matter: the average amount provided is generally between 0.5 percent
  (amount budgeted for by the Swiss Confederation for performance bonuses)
  and 2 percent of the wage budget and rarely more (see later). Experts believe
  that significantly higher percentages (in the order of 10 percent) are needed in
  order to be genuinely attractive (OECD, 1997).

- A clear and indisputable link between the performance achieved by the staff
  and the rewards allocated, in particular bonuses, should be demonstrated. This
second point is crucial in a (public) environment where the question of the
determination of objectives and indicators and of appraisal processes —
individual and collective — has consistently been highlighted as more
problematic than in private companies (Schedler and Proeller, 2000).

- Rewards should be visible. This openness, which is specific to remuneration
  systems in the public services and which is generally taboo in private companies,
  absolutely must be maintained and even increased: it is an indisputable asset
  that reinforces workers’ feeling that they are being treated fairly. At a time when
  bonus budgets are less than plentiful, this point backs up the question of the
  legitimacy of the bonuses handed out, as well as how they are financed.

With regard to the incentives and bonuses operated at a team level, it must be
borne in mind that whilst they can doubtless boost the performance and running of
successful teams, they do not necessarily represent a priority expectation on the part
of teams within the public services. If the analyses carried out under the aegis of the
OECD (1997) are adapted to the issue of team bonuses, the following points also
stand out:

- The teams must be in a position to influence the results they produce. This need
  for causality, which comes, in particular, from the motivational theory of
  expectations, also leads to an analysis of the external determining factors in
  performance.
- A clear link between individual, team and organizational objectives must be
  established and perceived as such by the people involved: failing this, there is a
  high risk that the overall performance of the public organization will be less than
  optimum.

Finally, not only should the performance of all of the teams improve — and not
just the performance of teams that are already high achievers — but the level of
satisfaction of the people in question should also increase, thus resulting in
increased motivation and loyalty (reduction in staff turnover) of good workers
(outcomes of the remuneration policy).

Finally, as mentioned by Campbell et al. (1998), it must be remembered that the
cornerstone of a good financial reward system has less to do with the resources
allocated than with providing an appraisal system that is faultless in both design and
implementation — and that is no mean feat! The appraisal system can result in over-
indulgent or, conversely, excessively severe assessments, simplistic evaluations of
overall performance that lead teams to focus only on the aspects that are assessed
and to neglect other areas and ‘back to front’ evaluations that are based on the
amounts to be distributed, heavily limited by the budgetary constraints or quotas
imposed.

Presentation and discussion of results

Following the gradual development of managerial practices inspired by the new
public management, public employers introduced various remuneration practices
involving non-automatic components in the 1990s in Switzerland (Schedler, 1993)
and also in other OECD countries (Nomden, 2003). These components depend on essentially individual performance appraisals or are awarded for other reasons, for example golden hellos to increase attractiveness on the market and bonuses for unappealing places of work (non-central, expensive cities, etc.).

With the amendment of the statutes of the civil service in Switzerland (Michel, 1998), which made the terms of employment more flexible (appointments under public law but in contract form, collective labour agreements, simplification of the firing process, etc.), staff gradually began to demand working, pay and promotion conditions comparable with private industry.

In practice, and although the regulations in force differ in each of the cantons (provincial or regional administrative level) that make up the Swiss Confederation, the most common remuneration system at the moment can be summed up as follows:

- There is a single salary grade for each post in the administrative agency, with a minimum salary and a maximum salary. Frequently, an intermediate ceiling is set and this is the maximum for incumbents whose performance appraisal is not excellent.

- Each member of staff has an annual performance appraisal, linked to specific objectives and common criteria, which are different for managers and workers. Amongst other things, this appraisal is used as a basis for determining the individual’s salary increase for the coming year. Part of the salary increase is linked to seniority, which has been re-named ‘experience’, and is automatic unless performance has been especially poor. However, the upper echelons of the salary grade will only be accessible to people who obtain excellent appraisals.

- In the last few years, performance bonuses have been appearing in legislation and supplement the ‘normal’ salary increase. These isolated bonuses are copied from private industry and do not count towards contributions to the Pension Fund.

- It must also be noted that career progression is not guaranteed in Switzerland, as moving from one post to another, entailing more responsibility and better pay, is not automatic. Promotions often occur through the vacant post being opened up to competition internally and outside the administrative agency, with preference given to internal candidates as long as they have the required skills. This ‘open’ civil service system contrasts with ‘career’ systems, in which civil servants’ progress is largely mapped out in advance.

We wanted to investigate more specifically the issue of team bonuses, knowing that we would be putting our finger on what is currently a limited practice. The results given here² are taken from a survey carried out in the 26 Swiss cantons in November 2001, through direct contact with personnel officers. The information obtained shows trends relating to the existing systems and the implementation of these: as the managers and worker were not interviewed, it cannot be used to assess the actual impact of these practices on team motivation and performance. Further, more in-depth research on a much larger scale is required into this point.

The main findings from the survey can be summarized as follows.
Bonuses are given in almost all of the Swiss cantons, i.e. 20 out of 26 cantonal administrative agencies. However, less than half (11 out of 26) formally provide for the possibility of collective bonuses. It must be noted that these team bonuses are given in addition to individual salary increases and do not replace them. Moreover, several respondents specified that the possibility for such bonuses to be given was set out in the statutes, and sometimes had been for some time, without being used, as it did not correspond with the existing ‘culture’.

Looking at the resources allocated to the distribution of these bonuses, it seems that budgets are, above all, used to distribute individual bonuses, apart from in the cantons of Saint-Gall, where the budgets for team bonuses represent 40 percent of the total distributed, Schaffhouse (30 percent) and Thurgovie (10 percent). The other cantons allocate less than 5 percent. It can, therefore, be seen that the practice of awarding team bonuses is, for the time being, an exception.

The amounts allocated for team bonuses are duly standardized and therefore scarcely come within the remit of the competent body, generally the appointments body and, more rarely, the direct manager. The amount of such bonuses varies between 300 and 3,500 €, i.e. approximately one month’s salary for entry-level posts in the Swiss civil service. In some cases, these limits are set as a percentage of the annual basic pay (between 0.5 and 7 percent, with only three cantons providing for bonuses greater than 4 percent). Some cantons set a limit each year, depending on the financial situation.

Four cantons that operate team bonuses (Saint-Gall, Schaffhouse, Lucerne and Zurich) have reviewed or are going to review their remuneration system to introduce broad banding. Here, a certain relationship can be seen between the practice of team bonuses and the provision of a system that rewards (individual) performance.

The type of team that receives bonuses is difficult to determine. According to the information gathered, they are teams that work in environments where most of the work is carried out in teams (for example, hospitals and medicosocial departments) or project teams, as is the case in the canton of Thurgovie.

Eleven cantons also award ‘spontaneous’ bonuses in addition to team bonuses: these seem preferably to be non-monetary (such as meal vouchers, holiday and leave or training). These low-value bonuses (the typical amount is around 150 €) are frequently limited to the tax exemption level set in the respective cantons.

Initial findings show that the team bonus system will spread, as political authorities, human resources departments and managers feel (according to the people interviewed) that it is a good human resources management practice. The particular advantages identified are flexibility, ease of managing the cost, immediacy and the extraordinary nature of bonuses. It must be noted that competition with the local private economy, on the one hand, and the small size of certain administrative agencies, on the other, are two parameters that seem to favour the emergence of team bonuses. Some cantons reported a more mitigated experience, in particular due to the introduction of the system during a difficult economic period or the absence of truly satisfactory appraisal systems.
Alongside these team bonuses, designed and implemented from the outset as such, and the amount of which is, in principle, the same for all the members of a team, other practices must be noted that, to a greater or lesser extent, contribute to an improved team spirit; however, our survey did not cover such practices in detail and the information obtained is, therefore, incomplete.

First, at an individual level, appraisal systems are becoming increasingly widespread and more often than not the various criteria and/or goals set include the individual's contribution to the performance and development of the team. In some cases, the individual will not be able to obtain the top appraisal mark if he or she has not contributed substantially to collective performance in different ways, such as solidarity, knowledge-sharing, ideas that contribute to the smoother running of the team, etc. This can be seen as one of the classic answers to criticism of the individualization of organizational behaviour.

At the level of the organizational unit, forms of collective reward can be seen, in the shape of an identical bonus for every team member, but the origin of which is generated at a higher level (such as the department in the context of a service contract). Emery and Giauque (2001), in particular, have studied this scenario in the context of the analysis of the service contracts introduced under cover of the new public management. Caution seems to be the order of the day in the actual use of these surpluses, which preferably results in non-financial collective rewards such as, for example, a customized training programme; furthermore, various problems of fairness between departments in the face of potential savings have been identified.

Finally, at the level of the organization as a whole, the administrative agency and employer, the distribution of generalized bonuses is still at an embryonic stage. The statutes of some small administrative agencies such as communes (local authorities) specify that, in the event of a favourable budget result, part of the surplus released will go to the staff in the form of end-of-year bonuses. This can be seen as the timid, but nevertheless real, emergence of profit-sharing that is so promoted by private companies (Sire, 1993). This way of looking at the generation and distribution of bonuses cannot fail, however, to raise several more fundamental questions, such as the balance of interests between the citizens that finance the public services and the employees of those public services.

Based on these findings, we will now set out the main recommendations that we are able to make with the aim of ideally bringing together the practices of (financial) reward and the demands of cooperation in order to find a long-term solution to the 'individual/team' paradox.

Main conclusions and recommendations

The following recommendations can be transposed more generally to any type of administrative agency and outside Switzerland:

Integrate the levels of management of public organizations

Several studies into performance-related pay systems emphasize the importance of integrating management levels consistently within the different or subsystems of the
The running of the organization, which has not yet been achieved. In our view, four levels are particularly pertinent in this context (Emery, 1997):

- **The individual level**, i.e. the level of the civil servant, a man or woman carrying out the tasks entrusted to him or her with a greater or lesser degree of competence and efficiency. One can hardly envisage managing team performance alone, skipping over the individual level, particularly because the person has an individual contractual relationship with his or her employer, and, therefore, individualized pay and conditions, even if within the public services and in accordance with the principle of equal treatment, these conditions are largely the same.

- **The team level**, the focus of this analysis. Moving from the ‘compartmentalized’ company, which is efficient in the short term but incapable of change, to a *networked company*, which is flexible and allows for learning, is an attempt to supplement individual efficiency with collective efficiency (Amherdt et al., 2000). Modern management, embodied in particular by the *.quality* (TQM) and *learning organization* movement, promotes networks or interactive systems. It emphasizes the need to integrate the worker’s performance into the performance of teams, which contain collective skills.

- **The level of the organizational unit** (office, department, agency, ministry). Due to the increasing decentralization under the new public management, this organizational unit is becoming the veritable ‘production’ site for public services, responsible and liable for (or to be credited with) the results obtained (Schedler and Proeller, 2000). The teams and the structure they are attached to, their public service centre, must be tightly interwoven.

- **Finally, the aggregation of the service centres** gives a fourth level of assessment, namely the organization taken as a whole, with the political leadership at its head. This level contains the institution’s overall strategy, defined for example as part of a political programme and a legislative plan: it must constantly strive to integrate the service centres into a collective dynamic, which sometimes goes against the optimization of particular sectors, areas of public policy or agencies.

In view of these points, we recommend that the individual, collective and organizational levels be resolutely incorporated into the performance management process of which the question of team bonuses is part, in order to interweave firmly the objectives of all levels of the organization and attain convergence of the efforts made and synergy between the resources implemented. Failing this, such interweaving should at least occur up to the level of the relevant organizational unit, providing citizens with a set of coherent services.

**Ensure the quality of the team performance management system**

What is required here is a team performance management system that allows for the following questions to be answered: Is the team’s mission clearly defined? Have the team’s goals been negotiated and do all the members know what they are, including the assessment criteria that will be used? Is there a real assessment of the team’s performance, ideally combining self-assessment by the team members and assess-
ment by the competent authority? According to Armstrong (1996), team bonuses could be applied as long as, amongst other things, the teams form performance units with clear goals, have a high level of independence, have a certain stability over time and are made up of flexible, versatile people who are well disposed towards teamwork.

**Quality of management and the appraisal, and intra-organizational fairness**

Almost all of our respondents highlighted the fact that the effectiveness of the system set-up depends, to a large extent, on the quality of the direct management and their relationship with the team members. Second, and this reflects one of the characteristics of the Swiss public management culture, which does not particularly appreciate people or teams who stand out and distinguish themselves from the others (Berchtold, 1989), the problems of intra-organizational fairness between the teams must be examined carefully. Teams are likely to compare themselves with each other and thus generate dissatisfaction as a result of a feeling of unfairness. Our survey showed that this problem is solved by a tendency to award all of the teams in question the same bonus, which is hardly in the spirit of the model introduced.

**Clarification of finance issues**

In different cantons, it was found that the total sum budgeted for bonuses varies enormously depending on the canton’s financial situation: this rules out any continuity in the application of the system, which sows mistrust amongst the staff. It will be partly possible to get round this problem when bonuses are no longer financed out of savings on the operating budget (see earlier) but out of the payment of funds into a specific budget line as a result of political arbitration. Furthermore, the question of the size of the amounts provided for such rewards remains problematic compared with the amounts recommended by the experts and the conditions under which public finance, in general, is managed.

**Set out an integrated notion of the reward system within the organization**

What must be examined here is the method of harmonizing team bonus systems with the management of individual salaries, on the one hand, which defines the salary grades and the means of progressing within those grades, and which increasingly provides for individual bonuses, and with the incentives from the level of the organizational unit, on the other hand, particularly in the case of management by budget, inspired by the new public management.

**Diversify forms of reward, combine financial and non-financial components**

Several studies on this subject (Salamin, 1997) confirm that a successful reward strategy absolutely must combine financial incentives (increases adjusted in line with performance or skills acquired, bonuses and other quasi-financial components) and non-financial incentives. As we have seen in the way in which team bonuses are actually used, these non-financial components take on considerable importance in the public services, not to mention the fact that positive improvement in the collective skills and performance generated by the team arises from subtle organizational,
managerial, training-related and cultural aspects that the distribution of bonuses only affects very indirectly (Amherdt et al., 2000).

Notes
1 In this regard, see the new personnel statute for Swiss federal administration employees (Personnel Act, Lpers, RS 172.220.1).
2 Survey carried out by B. Uebelhart, consultant and professor at the Haute École des Sciences Sociales, Suisse orientale (School for Advanced Social Sciences), whom we would like to thank.

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