Organizational Readiness for Performance-Related Pay: Focus on Government of India Employees

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In the recent zeitgeist of competitiveness and drive for productivity enhancement, most organizations are experiencing challenges to revamp their existing systems. One such mechanism increasingly practised by organizations these days to enhance the performance of their employees is linking their pay to their performance. However, implementation of performance-related pay (PRP) is a challenging task for any organization and organizations need to check their readiness for it before implementing PRP. Besides, readiness in terms of various systems in the organizations, it also includes the psychological preparedness of employees. The study provides a framework to analyse the organizational readiness in the case of Government of India employees to implement PRP systems. The readiness analysis includes the following:

**Push factors:** Push factors can include environmental, organizational, and individual issues. Right to Information Act, citizens demanding more accountability of the work of their elective representatives, etc., have given impetus to have systems to measure the work done by government employees. Competition for talent from corporate sector has made these organizations think about systems needed to be the employer of choice for the country’s youth. Rewarding excellence has also become important in order to attract and retain Generation Y.

**Pre-requisites:** Successful implementation requires involvement and participation of the employees. The commitment and support of top management are very critical for the transformation process involving change in work culture and employee mindset.

**Challenges:** Identification of proper parameters to assess performance and accurate measurement of performance has always been a major constraint in the successful implementation of PRP systems. People management skills of bosses are very important in providing timely and effective feedback to the employees. Expectations of employees also need to be handled carefully so that PRP systems do not end up engaging a few but demotivating the majority. The quantum and division of rewards play an important role in maintaining the interest of employees in the PRP system.

The paper also presents a framework designed to understand the variations in the PRP system for the managerial and operative level employees. Employee participation, delegation, transparency, and accountability are some of the key factors essential for the successful implementation of PRP. In addition, it is also important that employees have trust in the PRP system and are receptive to building a performance culture in the organization.
In the year 2008, the Sixth Central Pay Commission (SCPC), under the aegis of the Government of India, recommended performance-related incentive schemes (PRIS) for the Indian Central Government employees (Source: http://india.gov.in/govt/report_index.php). According to SCPC, by linking the pay packages of their employees with efficiency, productivity, and economy, government organizations can be transformed into professional and citizen-friendly bodies. The discussion about performance-based pay component is not something new that has emerged during SCPC; in fact, it was considered by both the Fourth and the Fifth Pay Commissions. However, the issue of performance-related pay has been the major focus of SCPC. The SCPC Report on PRIS clearly highlights the past developments on pay for performance (PRP) and experiences from the other nations, and focuses on the mechanism through which PRIS can be introduced in India for the Central Government employees.

SCPC has been receiving mixed responses to its report on the issue of implementing PRP or PRIS (as in the Commission’s report), quite similar to what it had received at the time of the announcement of intention. There are arguments that mixed responses are due to lack of clarity among Central Government employees, policy makers, and academicians about PRP. The issues under discussion are the concept of PRP, processes for PRP, and the experiences of PRP in other nations. These issues are creating confusion in the minds of all the stakeholders. To reduce this confusion, there is need to develop a proper understanding of PRP by emphasizing the involvement of Central Government employees in the design and implementation process (Source: http://www.hinduonnet.com).

The SCPC Report (Source: http://india.gov.in/govt/report_index.php) stresses on the complications associated with the introduction of PRP for Central Government organizations. The first complication arises due to variations across the Government ministries because of which no single format of PRP is suitable for all. The functions of each ministry, even the departments within them, vary largely. For illustration, the basis of performance evaluation of the scientists in the Ministry of Science and Technology cannot be applied to the employees from the Department of Post under the Ministry of Communication and Technology. There are huge differences in their working models and the associated expectations from them. The Commission has therefore asked each ministry to undertake a comprehensive analysis and evaluate its readiness for introducing PRP. Readiness analysis includes understanding the specific issues of each ministry and department, the essential requisites for the implementation, and the constraints that might affect the implementation. This will help each ministry to plan its own course of action for introducing PRP. Therefore, the SCPC has recommended the adoption of PRP systems as voluntary for the government departments and given them time to design their own systems within the guidelines.

The second complication is with respect to the differences in the implementation of PRP across the category of employees. Different PRP designs are required at both the managerial and the operative levels, as there are variations in the functioning of employees at these two levels. The impetus to search answers to the questions related to the readiness and the differences that may emerge at both the managerial and the operative levels motivated us to analyse the existing literature to understand the PRP implementation-related issues at these two levels. The paper is conceptual in nature and deals with a contemporary issue. The analysis is based on the data drawn from secondary sources like the OECD reports on different federal countries (Source: http://www.oecd.org), Central Pay Commissions, India reports and related material, research articles, and books. Besides these, the researchers also interacted with the Central Government employees from various government departments to understand about their concerns. This paper presents a conceptual framework of organization readiness for implementing PRP and highlights the differences in implementation for the two categories of employees: managerial and operative. The interactions with government personnel were done to develop better understanding of the ground realities.

**THEORY OF PAY FOR PERFORMANCE**

The discussions on the concept of PRP have been initiated following the realization that the workforce lacks motivation and commitment to perform. Organizational performance is affected because of lack of coherence between the individual and the organizational goals. PRP is a merit-based pay system that helps in aligning the individual goals with the desired outcomes of the organization. It is a reward given to employees for their
discretionary and special contribution towards the accomplishment of the assigned individual and organizational goals. It is also a mechanism for incorporating accountability, where employees are made accountable for attaining the assigned results. SCPC Report, 2008 (Source: http://india.gov.in/govt/report_index.php), defines Performance Related Incentives Systems (PRIS) as “a variable component of pay which is awarded ex-post, after individual/group performance is measured against pre-set and mutually agreed upon goals for a given period of assessment. It is non-additive and non-cumulative. It is not an automatic default pay which is given for the nature of duties and responsibilities or levels of difficulty (working conditions) for a certain rank/post.” It covers different levels of employees, whose contribution at the individual, group, and organizational levels are measured, based on which the performers are identified and rewarded. According to Thompson (2005), “the essence of PRP is to pinpoint the executives who could consistently deliver extraordinary performance in the most cost-effective manner.” It is a major tool to differentiate between the performers and the non-performers; otherwise, the performers lose their dedication, commitment, and efforts towards the organizational goals (Lewis, 1998).

The Vroom’s Expectancy Theory (1964) theoretically supports the PRP concept. It explains the linkages between the efforts of employees, performances, and outcomes affected by the expectancy, valence, and instrumentality. The very basis of introducing PRP is to motivate the performers to deliver more in the future and not to lose the present momentum. Besides this, the organizations face the need to modify the behavioural patterns of the employees in order to make them deliver the desired results and enhance their productivity (Belfied and Marsden, 2003). The Behaviour Modification Approach helps to change the behaviour of employees; experts on behavioural studies have provided their support to this theory, by studying the link between pay and performance (Latham and Huber, 1992).

There is also the association of PRP with the equity issues. Adam’s Equity Theory highlights the importance employees attach to fairness in the rewards determination process and while comparing their rewards with others. In cases, where the efforts of the performers are not reciprocated, they feel cheated and therefore withdraw from taking efforts in future (Folger and Konovsky, 1989; Taylor et al., 1995). The PRP system satisfies the employees by providing them justice, which motivates them to perform and believe in the fairness of the system (Agarwal and Bose, 2004; Campbell, Campbell and Chia, 1998). The major element that makes PRP system work by incorporating justice and equity is the organizational communication process. Adequate and clear communication helps employees understand the contributions expected from them. It helps in building trust and generating involvement of employees in the system and processes (Mohrman and Mohrman, 1995; Randama-LiV, 2005). Communication may not enhance the feeling of justice among employees, but it surely helps in reducing the feeling of injustice prevailing in the organization (Sopow, 2007; Sayeed and Bhide, 2003).

PAY FOR PERFORMANCE IN INDIA
India, a huge country, possesses vast resources in the form of human resources, which can make it one of the leading countries in the world. In spite of being the largest democracy in the world, the performance of the Indian government sector has not been up to the desirable level. Researchers, practitioners, and policy makers have stressed on several factors that affect the performance of the government organizations. According to them, the performance of the Indian government sector is affected due to the existing lengthy procedures, delays in decision making, over-controlled mechanisms, and poor execution of the development plans (Saxena, 2003). Despite the pool of highly capable people selected through stringent selection process, the output remains ineffective (Source: http://www.hinduonnet.com). Ban on new hiring has led to acute shortage and lack of influx of skilled people in the departments. For a long time, attention given to the need for upgrading the skills of employees at regular intervals to match with the changing needs has been inadequate (Rao, 1972). Due to all these factors, there is lack of enthusiasm in employees to perform, which leads to complacency (Atthreya, 1970; Murthy, 2007). In addition, dearth of appropriate measures for evaluating performance and subjectivity leads to ingratiation. There is also lack of transparency in the processes with no sharing of information with the stakeholders. The need to change these conditions and inculcate performance orientation has resulted in increased arguments about the mode of rewarding the performers. This change, however, is not a one-step possibility; it would require a detailed evaluation of the
readiness of the existing systems.

READINESS FOR INTRODUCING PRP IN THE INDIAN GOVERNMENT SECTOR

The study intends to provide a framework for analysing the organizational readiness of the Central Government employees. The readiness analysis includes:

- Push Factors
- Pre-requisites
- Challenges

Push Factors

With the pressures created the world over through WTO, structural adjustments, competitive markets, regionalization of economies and domestic realities, the developing countries are facing a lot of turbulence (Saxena, 2003). The Government of India needs to manage this transition in order to improve its services, reduce costs, and embrace efficiency, accountability, and transparency in its public delivery system. For managing these pressures, government departments would require more participation, autonomy, information sharing, and responsiveness of employees towards their stakeholders. Though there may not be competition in the product or services market, there is indeed competition in the labour market. An initiative has been taken in this direction with the Right to Information Act, 2005, Government of India (Source: http://www.persmin.nic.in/RTI/welcomeRTI.htm). Now, the government employees are answerable to the public for their performance and actions.

Despite the well-developed governance system in almost all the ministries of the Indian Central Government, which are more than 40 in number, the level of performance is low, which can be attributed to the lack of motivation among employees due to which the final delivery suffers (Nagarkatti, 1968). The lack of ability to make adequate use of these established systems has been argued to influence the final results in government departments (Shetty, 1972) and has led to strong recommendations for transformation (Murthy, 2007). One of the factors that affect the functioning is the influence of political parties on these government departments. Ministers head the government departments, and under them, are the secretaries, with additional secretaries and joint secretaries being next in the hierarchy (Nagarkatti, 1968; Shetty, 1972). Thus, due to tight political control, the autonomy with the secretaries required to bring in any change and transform the systems, is bare minimum. This results in lack of enthusiasm among the employees to think beyond the basic mundane routine tasks towards performance enhancement (Willems, Janvier and Henderickx, 2006). This aspect has been emphasized in the SCPC Report (Source: http://india.gov.in/govt/report_index.php) too. It becomes critical in managing the cost efficiency of the organization. By linking certain portion of the compensation to the productivity results, the costs can be managed efficiently.

On the periphery, it is also an opportunity for the organizations to self-review their processes. Finally, as a development process, it helps the organization to find out the weaknesses in the performance of the employees and provide them with training to harness the skills (Lawler, 1986). PRP systems can provide an opportunity to the Indian government departments to analyse their existing systems, functioning, structural issues, and culture (Sayeed and Bhide, 2003) and redesign systems by introducing new processes. For example, in Finland, the introduction of PRP led to restructuring of government departments; it was out of urgency for reducing the complacency factor and the need for reducing the layers in the organizational structure. Overall, it requires clear statement of goals, development of a culture of performance, teamwork, and a refined process of performance management to understand and resolve the environmental, organizational, and individual issues (Martha, 1992).

Environmental issues: With the economy becoming more market-/customer-focused, the need for maintaining productivity in the offerings of the government sector has also strengthened. They are also expected to deliver business and compete with the private sector along with the delivery of basic public services. Besides customers, these government bodies are accountable to other stakeholders too. In this regard, the Right to Information Act, 2005, Government of India, demands the government to make all the information regarding their performances available to the public (Source: http://persmin.nic.in). This has given people the right and the power to raise questions regarding the functioning of the governing bodies and ask for explanations for their unsatisfactory performance. This puts the government bodies in constant vigilance, requiring them to ponder
over their performance. Even after having a huge pool of human resources, the departments are facing a dearth of skilled and talented people who are ready and committed to deliver results (Bhagwati, 2005). Further, with no new recruitments taking place, the existing employees are overburdened and frustrated particularly with no extra rewards coming in for their performance.

**Organizational Issues:** The biggest problem, which government organizations face is the lack of motivation which results in the lack of desire to deliver results. What is required is a system that can differentiate between the performers and the non-performers and motivate the performers to continue delivering the desired results by being more creative (Appelbaum and Mackenzie, 1996; Martha, 1992). A culture of performance needs to be developed by institutionalizing a reward system for extraordinary performance and commitment. An organization’s approach in developing, administering, and managing reward systems can cause its culture to vary widely from others (Lawler, 1995; Sopow, 2007).

Organizations need to manage the employee costs and a proper distribution of rewards to employees helps in bringing in efficiency. The government must realize that the PRP system is not a cost-free process. It requires proper allocation of funds to be distributed as rewards. The Pay Commission’s Report states that funding of PRP system would mainly be done from the cost saved due to improved efficiency. However, this aspect requires further detailing due to its criticality. Presently, the government’s organizational structure is too bureaucratic and hierarchical in nature. The PRP system would help to redesign the structure so as to support the promotion of productivity and performance in the departments. It would also assist the departments to understand the need to build teams that work on specific projects.

The organizations that want to excel have to be strategically oriented, with a clear long-term focus. PRP is also a part of the strategic management process of any organization. There are studies that demonstrate the importance of linking HR systems especially the performance-related pay with the strategic annual plans (Lowery and Petty, 1995). The Indian government departments also need to be focused and be clear about their short-term and long-term targets. Even the highest public utility departments have their fixed short-term and long-term targets, and they need to ensure the accomplishment of the same. In Korea also, a high degree of linkage is developed between the employee’s targets and appraisals with the business goals of the government machinery (OECD Report, 2005). Most of the private sector firms in India are also moving in this direction, as they have realized the importance of giving a business orientation to the performance of their employees.

**Individual issues:** The employees must be made clear about the management’s expectation from them. The system needs transparency, autonomy to perform, openness, and fairness in appraisals. This would actually help the employees in developing trust in the appraisal system (Appelbaum and Mackenzie, 1996; Martha, 1992). A highly formalized PRP system requires building of managerial roles and abilities of the government employees (Ingraham, 1993) essential for developing a competent workforce in the government systems. The major problem that organizations face from individuals while developing a PRP system is the differences that exist in the perception of different employees about the fairness of the appraisals and the rewarding system (Lawler, 1986). For building the PRP system, the need is to first develop an appropriate performance management system for the government organizations. This is very important as Perry (1986) claims that the basic issue that arises while linking rewards to performance is to know actually, who are the best performers. The need is to develop a performance management system that would align the individual, team, and unit performance with the organizational objectives (Sayeed and Bhide, 2003).

In the government, there is a need for developing clarity about the base/criteria for evaluating performance like job demands, skills upgradation of officials, situational constraints, and performance at the individual, team, and organizational levels (Budhwar, 2003; Gerhart and Milkovich, 1992; Milkovich and Wigdor, 1991). This is important as in certain government departments, final output cannot be used as the sole metric for appraisal.

**Pre-requisites**

The organization must develop commitment and trust of employees by generating interest in them and encouraging their involvement and participation in the PRP system (Heneman and von Hippel, 1995). The commit-
ment and support of top management is required to bring in suitable changes in the culture of different government systems. Striking a proper match between the culture and the climate of the departments under transformation is important (Sopow, 2007). The government departments have to balance their old beliefs, values, and traditions focusing solely on the universal service obligations (USO) to do business and serve the public with the requirement of the changing environment. In order to adapt to these business challenges, the Department of Posts has recently introduced fixed annual targets such as expenditure coverage ratio (ECR). This is an initiative taken in the direction of aligning business planning with the changing environment while providing service to the public. Singh and Jain (2008) also studied the systems of the Indian Department of Posts and suggested performance-related incentives that can be implemented to make Indian Posts more competitive while ensuring that their key motto of serving the public is fulfilled.

Presently, in the Indian government, appraisals are individual-based, focusing on providing promotions to employees, and increments based on pay-grades. Deming (1986) claims that this leads to a rise in unhealthy competition and lack of cooperation among employees; this is most likely to happen when employees work together. Most of the jobs in the organizations are team-based. In such cases, individual-oriented rewards act as a barrier in building cohesiveness within the team (Reilly, Philipson and Smith, 2005). How can organizations accomplish tasks that demand team sharing? Unhealthy competition acts as a barrier, and negatively affects the organizational performance. It is expected that the perceived procedural justice will help in reducing appraisal politics. The orientation must therefore be on individual, team and organization level performances.

Challenges

According to a study by IRS Employment Review (2004), the application of PRP has only reasonably been successful. There are a lot of difficulties and controversies in the PRP implementation in the various corporate organizations and government departments around the world (OECD Report, 2005). For example, the operation of PRP in the Inland Revenue Service in Britain has been criticized for involving confused targets and lack of time allowed for conducting satisfactory performance appraisals (OECD Report, 2005). Beer, et al. (2004) and Campbell, Campbell and Chia (1998) argue that there are significant problems with the implementation of PRP systems. For example, PRP systems can have a destructive effect on the intrinsic motivation, self-esteem, teamwork, and creativity. Some of the critical problems that negatively affect the successful organizational implementation of the PRP system are as follows:

- Even after the implementation of PRP systems pushing the individuals towards hard work for rewards, lack of coherence of the actual findings with the expectancy of the employees has resulted in the actual loss of their support and commitment towards the organization (Brown, 2001).
- The efforts of organizations or countries towards implementing the PRP system without bringing in transparency in the systems have backfired. These countries have faced a lot of problems in building the support of employees (Brown, 2001). France and Germany, in particular, faced this issue very prominently (OECD, 2005).
- The quantum of payout as rewards plays an important role in maintaining the interest of employees in the PRP system. Especially in the case of government, this is dependent upon the monetary resources allocated for the purpose. There is therefore the need for organizations to consider their payout ability before designing PRP systems.
- The organizations find it easier to implement PRP during the growth phase of the economy and face many difficulties and employee dissatisfaction while implementing it during the economic and budgetary downturn.
- In the government sector, the issues of performance appraisal and extrinsic rewards have always been problematic. After implementation, if there are problems with the appraisal, then most of the performing employees get de-motivated and leave the organization (Brown, 2001). Along with this the manipulations due to political issues in the appraisals also discredit the PRP system (Dhiman and Singh, 2007). This further deteriorates the work situation at organizations.
- As discussed in the paper, the basic requirement for PRP is to develop the performance culture which in turn needs transition from the decade-old civil serv-
ice system of salary raises based on seniority to a very new PRP system based on results (Shetty, 1972).

It is true that PRP as a mechanism does not fail; rather there are issues in the systems which remain the root cause of failure. There are various systemic challenges associated with the implementation of performance-linked pay. Some of these are:

**Measurement issues:** Accurate measurement of performance has always been a major constraint in the successful implementation of PRP systems (Table 1). In Denmark, for example, the government faced a massive trouble from the installation of the effective measurement system (OECD Report, 2005). PRP is highly based on the effectiveness of the performance measurement system. The departments need to ensure whether they can measure the performances, and particularly, if distinction can be made between the outputs of the individual jobs, which are highly interrelated. There are several tasks, which involve two or more individuals with interrelated performance in the case of tied-up jobs (Deming, 1986). Here the biggest issue in front of the government is to separate the output of the involved individuals or to incorporate team performance component in the compensation package.

**Employee perception and acceptance issues:** In order to derive actual benefits from the merit pay system, the government should realize that this could be done by bringing transparency into the system. Usually employees lack interest, trust, buy-in, and belief in the system (Table 2). Unless they perceive the system to be fair, they cannot be committed to it or be supportive about it. Most of the time the employees are not receptive to their appraisals (Campbell, Campbell and Chia, 1998) and consider the evaluations to be inaccurate. Even after adopting the objective means of appraisals, the complex set of informational, cognitive, and affective constraints influence the evaluations.

Lack of feedback and effective supervisory skills of the bosses also create negativity among the employees. They sometimes, though not wrongly, question the competence of the individuals actually appraising them. They do not accept their appraisals as they think that the superiors appraising them are not competent enough to appraise them. The lack of timely feedback to the employees about both the positives and the negatives in their performance, makes them skeptical about the appraisals done (Martin, 1994; Randma-Liiv, 2005). This is due to the fact that for long they are not told anything about their performances and then suddenly the differences are shown in the form of pay differentials.

**Table 1: Measurement Issues: Problems and Possible Solutions**

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<tr>
<th>Problems</th>
<th>Possible Solutions</th>
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<tbody>
<tr>
<td>Flaws in the accurate measurement of performance</td>
<td>Practice of more specific and objective measures to appraise</td>
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<tr>
<td>Statistical errors</td>
<td>Training of appraisers to avoid the rating errors</td>
</tr>
<tr>
<td>Inter-relatedness of the job</td>
<td>In such a situation merit pay may not be feasible; team orientation must be given more weightage</td>
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**Table 2: Employee Acceptance and Perception-related Issues: Problems and Possible Solutions**

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<tr>
<th>Problems</th>
<th>Possible Solutions</th>
</tr>
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<tbody>
<tr>
<td>Doubtful about the skills of the appraisers involved</td>
<td>Providing adequate amount of training to the individuals involved in the appraising process</td>
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Besides this, the government also needs to understand the political influence within which the Indian systems work. It is mainly political influence, which governs the functioning of the Indian government departments. Even if any transformation in the existing systems is planned, the ministerial influence comes as an important barrier. The SCPC Report (Source: http://india.gov.in/govt/report_index.php) stresses on the application of PRP across departments and employees. There are differences in the working of the two categories of employees, the managerial and the operative. Therefore, PRP also needs to be seen from the perspective of both the managerial and the operative level employees. In the Indian corporate sector, PRP has been applied more at the manage-
rial level in comparison to the operative level (Budhwar, 2003). However, the SCPC Report emphasizes on the need for introducing it at B, C, and D levels where the bonus payments and ad hoc bonuses exist. So, it becomes essential to analyse and understand the differences in the implementation of PRP at these levels.

**FRAMEWORK FOR IMPLEMENTING PRP AT MANAGERIAL AND OPERATIVE LEVELS**

The readiness analysis constituting the push factors, pre-requisites, and the considerations highlights the essential aspects related to the implementation of PRP in the Indian Government organizations. Based on these aspects, a framework for the essentialities in the implementation of PRP at both the managerial and operative levels of the Indian government departments has been developed (Figure 1). It considers the performance of employees both as an individual and as a member of a team or an organization. It is critical to study both these aspects of the employees’ performance jointly as they both have been argued to be the essential elements of performance. However, this framework is based on the possibility that these two groups (managerial and operative level employees) will have differing priorities. But less priority does not mean total lack of applicability of those issues and this framework emphasizes on certain critical issues related to both these groups.

- **Transparency**: One of the key requirements for the government is to build its organizational processes based on transparency and openness. Transparency is related to the sharing of true facts with the employees. In any organization, when the employees are not communicated openly about the changes and expectations, they doubt the intention of management. The employees’ perception constraint clearly highlights this as a barrier in the implementation of PRP in organizations. Along with this, a continuous performance tracking system is required for all the levels of employees. These are required at both the managerial and operational levels for rewarding both the individuals and teams for their performances (Fernie and Metcalf, 1995; Lewis, 1998; OECD Report, 2005; Piekkola, 2005; Randma-Liiv, 2005). Thus, transparency is a key requirement for the successful implementation of PRP systems, at both the managerial and the operative levels.

- **Accountability for results**: All the employees of an organization who share its plans and expectations also need to be made accountable to deliver results (Murthy, 2007). It is essential at both the managerial and operative levels of an organization. However, the degree of accountability for the team/organizational performance is more at the managerial level compared to the operative level. The argument is that the degree of accountability of employees at the managerial level is more for team performances, whereas it is more for individual performances at the operative level.

- **Types of accountability**: There are two distinct types of accountability in organizations. The first one is the procedural accountability suitable at the managerial level, which deals with the procedures adopted to achieve results by the employees as a decision maker (Siegal-Jacobs and Yates, 1996). It is at this level that the managers need to take decision for their departments or teams. The other one is the outcome accountability suitable at the operative level, where
comparatively less decision-making is involved and the employees are expected just to deliver the assigned results. Thus, the employees at the managerial level share more of procedural accountability whereas it is more of outcome accountability at the operative level.

- **Involvement and participation of employees**: The PRP system is based on the level of accomplishment of the organizational goals. This requires building of support of employees in the form of their involvement and participation in the formulation of the PRP system. The degree of involvement required at the managerial level is more to take care of the team’s interest while at the operative level, the focus is more on individual’s interest (Lawler, 1995). Consequently, employee involvement and participation is required at the managerial level for the team’s interest and at the operative level for the individual employee’s interest.

- **Measurability of outcomes**: Ease of measurability of outcomes, an essential requirement for linking the rewards with performance, becomes complicated as one moves from the operative to the managerial level. This is because the quantification is easier at the operative level than at the managerial level as here objective conversion of output is possible and easy to measure (McAdams, 1988). Due to this, it can be argued that the measurability of individual performance is difficult at the managerial level, as the outcomes are not easy to quantify, while the quantification is much easier at the operative level. The measurability constraint clearly highlights this as a barrier in the implementation of PRP in organizations.

- **Contribution towards goals**: At the managerial level, the direct contribution towards the organizational goals can be judged at a broader level for the entire organization or for a team while at the operative level, the goals are highly specific to the job and the contribution should be judged mainly on the individual basis. (McAdams, 1988; Heneman and von Hippel, 1995). Therefore, it can be argued that the contribution at the managerial level is more team-based or for the entire organization, while at the operative level, the contribution is more at an individual level.

- **Trust of employees**: Trust is based on the organizational constraints mentioned earlier in the paper. The employees judge the management’s intention behind implementing the PRP system. If they find it to be supportive, they accept; otherwise they resist. Therefore, developing trust becomes essential for an organization to get the employees’ acceptance in the PRP system. This is much more required at the operative level due to the high degree of information asymmetry existing at this level while the employees at the managerial level are much more aware and have to build that environment of trust. Moreover, the operative level functions on the perceptions developed. In this case employees are influenced by the general opinion of the team (Martin, 1994; Patricia, 1993; Smith and Rupp, 2003). Thus, it can be argued that the employees at the managerial level are more involved with the process of trust building, while the ones at the operative level build their perception on the basis of the environment of trust generated for the PRP system.

- **Organizational culture**: Similar to trust, the cultural aspect is also derived from the organizational constraints. Culture holds a critical position in the implementation of the PRP systems. But its importance varies for the managerial and operative employees. Culture building is more a role at the managerial level, as the managers need to develop their departments’ internal climate of performance, productivity as a tool towards achievement, and sharing of rewards. At the operative level, employees are more a member of that performance-oriented culture (Lawler, 1995; Smith and Rupp, 2003; Sopow, 2007). Therefore, it can be argued that the managerial level employees are more involved with the building of performance culture for PRP systems while the operative level employees participate in that culture for PRP implementation.

**CONCLUSION**

The Indian government sector is a huge body of employees working in several ministries. The Indian government’s administrative structure is based on the British administrative system. The bureaucratic system of India formed over the years to provide support for delivering public services to people, has created a bottleneck in the growth of the country. This is due to the lack of adaptability of the system to the transition taking place in the economy. It has become complacent and non-performing, inspite of having some of the best talents of the country.
The system suffers due to lack of transparency and information-sharing, non-productive organizational climate and culture, lack of freedom to employees to plan their own work, and very importantly, due to the fact that it is trapped within the functioning of the Indian political system. There is no motivation for employees to perform by tapping their hidden talent; both the old rudimentary systems and the lack of desire to perform lead to poor performance of the government sector. Like in other countries, the Government of India is also trying to find out the benefits and problems of linking the rewards to employees with their performance to reduce the complacency from its government systems. No doubt performance-linked pay will bring in efficiency and productivity in the output delivered, but there is a lot of basic support that is required before actually starting this new system.

The pre-requisites for successful implementation of PRP are to build an organizational culture of performance. All the employees must be able to understand the expectations of management from them. There must be a climate of openness, information sharing, and trust. Proper communication system must be developed, where employees are told about the planned objectives for the organization and their role in the achievement of those goals. There should be absolute clarity about their contribution towards the organizational strategies. The employees must be given complete autonomy to work and must be held accountable for the delivery of the desired results within a set period. Above all, the Government of India should first develop a robust performance management system, as without this, the performance cannot be correctly measured and no benefit of rewarding the performers can be achieved.

Organizations implementing the PRP systems without evaluating the readiness may actually fall into serious problems. Hence studying the preparedness of the organization is a crucial requirement for implementing performance-related pay systems.

REFERENCES


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