



**Old Wine in New Bottle**  
**An Investigation of the Actual Use of Performance**  
**Contracting in the Philippine Public Sector**

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## List of Acronyms

CSC	Civil Service Commission
DSWD	Department of Social Welfare and Development
FGD	Focused group discussion
GASSG	General Administration and Support Services Group
HRDB	Human Resource Development Bureau
IDG	Institutional Development Group
JRB	Job-related Behavior
KALAHI-CIDSS	Kapit-bisig Laban sa Kahirapan-Comprehensive and Integrated Delivery of Social Services
MFO	Major Final Output
NPM	New Public Management
OECD	Organization for Economic Cooperation and Development
OPG	Operations and Programs Group
OPIF	Organizational Performance Indicator Framework
OSEC	Office of the Secretary Group
OSM	Office of Strategy Management
PAM	Performance Appraisal Matrix
PBB	Performance-based Bonus
PPG	Policy and Plans Group
PRAISE	Program on Awards and Incentives for Service Excellence
PRPB	Poverty Reduction Programs Bureau
PSB	Protection Services Bureau
STB	Social Technology Bureau
WB	World Bank

## **Abstract**

This research explores the potential of performance contracting as a management tool in the context of a developing country by examining its actual use in one of the executive departments in the Philippines. Using the managerialism beliefs and performance contracting literature, I deduced the benefits as well as issues and challenges of applying this tool in the public sector. As a management tool, performance contracting enables the specification of responsibilities of employees for more accountability and the measurability of performance for monitoring and evaluation purposes. Yet, in order to fully maximize its potential, supervisors and supervisees need to develop a partnership culture, which promotes innovation and support rather than hierarchy and control. This shift entails that the organization should pay more attention to processes of performance contracting, develop a functional incentive scheme, promote high level of trust, and cultivate a compliance culture to formal rules of the game.

## **Relevance to Development Studies**

Development has always been characterized by the transfer of Western techniques to developing countries, with an end view that the latter will later experience the level of success being enjoyed by the developed ones. Performance contracting is one of these techniques, which became prominent in OECD countries due to its promise of more effective and efficient public service delivery. But then, some preconditions, which are oftentimes missing in the context of developing countries, need to be satisfied for its successful implementation. Otherwise, these techniques tend to produce more harm than good to the country that it wishes to emancipate.

## **Keywords**

Managerialism, performance contracting, performance management, NPM, DSWD, Philippines



# Chapter 1

## Introduction

### 1.1 Background

So much attention has been given to performance management in the beginning of the 21<sup>st</sup> century, which was brought by governments' increasing concern for efficiency and effectiveness. Its genesis brought along different terms such as results-based reforms, managing for results, and performance budgeting (Moynihan 2008: 3), which are consistently heard/read in international conferences, keynote speeches, and technical assistance documents.

Performance management can be described as activities and processes to promote performance measurement and a path for staff development (Yu et al. 2009: 815). It also came to mean as ways of getting results from individuals, teams, and the organization within a framework of planned goals, objectives, and standards (Hope 2013: 2). In a seminal book on *Theories of Performance*, Colin Talbot (2010: 1-3) highlighted that the issue on performance will never go away because there will always be people who are interested on others' purpose. In the context of public sector, the electorate will always be concerned about whether the government is delivering the goods and services that it ought to provide. With that, performance management becomes even more attractive due to its symbolic value (Moynihan 2008: 14), which sends signal to the public that officials will not tolerate inefficiencies in the bureaucracy and that they are going to change it by implementing reforms to improve performance.

One of the commonly used concepts in performance management is performance contracting, which is defined by Lidbury (1999: 7) as the “*range of management instrument used to define responsibilities and expectations between parties to achieve mutually agreed results*”. It is also one of the reforms that took principles of the New Public Management (NPM). In essence, this approach to performance management puts more emphasis on the operational efficiency of public organizations and favors more results-orientedness. This was pioneered in New Zealand in the 1980s due to numerous influences, such as fiscal pressures, advocacy on single-purpose organizations, and the quest for more accountability (Boston 1996: 106). The mechanism of performance contracting uses explicit agreements or ‘contracts’ that may take the form of ‘classical’ contracts but generally are not legally enforceable, such as performance contracts or performance agreements (Petrie 2002: 118-119).

The concept of performance contracting has already been adopted by various OECD member countries, such as Belgium, Switzerland, Denmark, Finland, France, Norway, and Spain (Lidbury 1999). Some developing countries also jumped into the bandwagon, like Kenya (Hope 2013; Mabua and Sarisar 2013), Ghana (Larbi 2001), and Malaysia (Yu et al. 2009).

Various case studies showed that the application of the concept is never flawless. Truth to tell, even OECD countries were still confronted with implementation hurdles. For example, case studies in Belgium (Bouckaert et al. 1999) showed that there is a need to improve enforcement capacities of per-

formance contract in order to fully realize its potential as a management tool. The author further suggested that sanctions should not be merely about financial compensation or dismissal from the organization. There were also lessons worth mentioning from Spain (Goni 1999), which ascertained that the use of contract management was confined to areas where measurement and quantification is plausible. Moreover, Goni proposed for an evaluation and control mechanism which can support learning within the organization. Put simply, it suggests that performance contracting should not be limited as a means to reward or punish employees but also to promote learning through an effective feedback mechanism.

Developing countries likewise experienced difficulties in putting into practice the concept of performance contracting. For example, Larbi (2001), in his study of the Ghana Water and Sewerage Corporation (GWSC), supported Schick's (1998) argument that performance contracting will not be easy to implement in the context of developing countries because of the widespread informalities in the public sector. He also found out that performance contracting has come up to be a one-sided contract where all benefits go in favor of the principals. Meanwhile, the case study on Malaysia's e-balanced scorecard (Yu et al. 2009) confirmed the importance of effective communication in performance management. By effective, the researchers would like to emphasize the need for communication to be a two-way process. Finally, lessons from Kenya's experience revealed that incentives and penalties may not be enough to motivate employees and that there should be a push for managers to become committed to performance management in a consistent manner (Hope 2013).

Mechanisms to manage the performance of the public sector will never be perfect. As organizations become complex, as well as its functions, the greater the chances that performance management will be enhanced in order to be responsive to the changing environment. Moreover, global trends in performance management also influence how public institutions adopt or create their new system. Moynihan (2009: 601) might be right all along when he concluded that performance management should be central to the study of governance.

In that regard, this research will then explore the practice of performance contracting in the Philippine public sector using an executive department as a case in point. There were three reasons for choosing performance contracting in this research. Firstly, performance contracting is the defining concept of the Philippine civil service's performance management system, which is one of the private sector practices that ought to address inefficiencies in the civil service by making government employees more accountable to results. Secondly, performance contracting is one of the mechanisms that gained prominence during the 1980s, especially when New Zealand, the pioneer for such kind of arrangement, received so much attention for its successful implementation. And lastly, to quote Lidbury (1999: 43) "*it is a practice that is here to stay*" so might as well exploit the tool by understanding how it works in both paper and practice.

## 1.2. Research Objectives and Questions

The objectives of this study are two-fold: first, it aims to contribute to the understanding of the operationalization of performance contracting in the con-

text of a developing country; and to reflect on the challenges of its implementation based from the experience of the case agency. Particularly, I mean to highlight some of the limitations on performance contracting of the case agency which can get in the way of its potential to become a management tool. At the very least, the findings of this research seek to inform and prompt key actors in the civil service, as well as other government agencies, to rethink how they should manage their human resources in their respective offices by considering different factors, such as organizational value, support mechanisms, and administrative competency, among others.

To achieve the above mentioned objectives, one major research question, followed by three sub-questions, was asked in this research:

***What is the potential of performance contracting as a management tool in the Philippine public sector?***

- a. How has performance contracting worked in practice in the Philippines?
- b. What are the benefits of performance contracting?
- c. What are the lessons and challenges arising out of the Philippine's experience?

The findings from above research questions were structured in five chapters, excluding Chapter 1, which offered the introduction for this paper. Chapter 2 provided the contextual background for this study, including the development of public sector management in the Philippines in relation to global trends and local conditions. Furthermore, this will provide the rationale on the application of performance contracting in the Philippines. The third chapter will present the case, which is a social welfare department in the Philippines. As such, discussion on the social work profession in the Philippines will be elaborated. In addition, the actual use of performance contracting in the case agency will be emphasized. The fourth chapter will then enumerate the benefits of using the same management tool while Chapter 5 focuses on the lessons and challenges based on the experience of the case agency. Lastly, Chapter 6 offers conclusions and my reflections on this research undertaking.

### **1.3. Conceptual and Analytical Framework**

#### ***Managerialism***

In 1986, Ingersoll and Adams coined the term *managerial metamyth*, also known as the *rational-technical myth system*, which came to mean the "belief that there is overriding good in the rationalized ordering of activities" (368). Based on its central beliefs: (a) all work processes can be broken down into their constituents parts so that the processes can be thoroughly understood and controlled; (b) the means for attaining organizational objectives are of paramount concern, thus, deserve the utmost attention; and (c) that efficiency and predictability are more important than any other considerations (Ingersoll and Adams 1986: 366).

This metamyth became even more pervasive during the 1980s when public sector was viewed with disdain due to government's inefficiency. According to Chapman (1979 in Larbi 1999: 3), the reward system in the public sector does not promote effective performance and politicians and bureaucrats have

no incentives to control costs, which often leads to budget maximization and rent-seeking. But then, due to economic and financial crises that plagued almost every country, governments accrued massive debts that further resulted to budget cuts. With government processes generally dependent on resources, governments were pushed to embark on cost-cutting schemes; without jeopardizing the quality of services offered to the public. The result was what Uhr (1990: 22 in Dixon et al. 1998: 166) referred to as *managerialism*, or the “*pursuit of results-oriented systems of government management through the streamlined processes of decision making designed to allow greater autonomy but also greater responsibility for the field programmer*”. In addition, Pollitt (1993: 1) defined *managerialism* as a set of belief and practices built from the assumption that better management will solve wide range economic and social ills. As such, government adopted private sector management techniques as the resolution to ‘poor management’ of public agencies (Dixon et al. 1998: 169). Viewed as a science, *managerialism* suggested for the universality of its application – anything can, and should be managed (Pollitt 1993: 15).

*Managerialism* has this belief that there are good private sector mechanisms that are generic in scope and thus can be transferred to the public sector, subject to cultural considerations. These include, among other things, strategic planning, re-engineering, customer service, quality assurance, and performance management. In the context of public sector reform, *managerialism* aims to shift paradigm of public agencies from bureaucratic (hierarchy and control) to post-bureaucratic (innovation and support). (Dixon et al. 1998: 168)

According to Hoggett (1994 in Sanderson 2001: 300), *managerialism* is a ‘technology of control’, which superseded ‘bureaucratic control’ as the preferred method of regulating public service organizations. This shift requires agencies to embark on various organizational changes to become rational instruments of achieving shared goals as a result of pursuing strategies to change their structure, culture, and procedures to become more performance-oriented (Dixon et al. 1998: 170).

The infusion of market incentives to *managerialism* consequently gave rise to the NPM approach or the *new managerialism* (Larbi 1999: 2). As a product of new institutional economics and managerialism, reforms of the NPM era were characterized by, among others, explicit performance standards, output controls, organizational disaggregation, competition, contractualization, and incentivization (Lodge and Gill 2011: 142, Manning 2001: 298).

### ***Performance Management and Performance Contracting<sup>1</sup>***

Performance management, then, became one of the sought-after reforms in the beginning of the 21<sup>st</sup> century especially that after the crises in the 1980s, governments are trying to redeem themselves by focusing on their ‘performance’. As observed by Radin (as cited in Heinrich 2012: 32), “*if there is a single theme that characterizes the public sector in the 1990s, it is the demand for performance*”. Moreover, as argued by Moynihan (2008: 14), performance management became a symbolic value that sends signal to the public that inefficiencies have no room in the governments.

One of the managerialist techniques of the NPM era, which is closely akin to Peter Drucker’s management-by-objectives, was performance contracting. It can be defined as “*a range of management instrument used to define responsibilities and*

*expectations between parties to achieve mutually agreed results*” (Lidbury 1999: 7). Consequently, performance contracting became part and parcel of performance management.

The most basic theory on performance contracting can be explained by the principal-agent model. A principal has disposable resources which can be used to realize her or his interest, but lack the appropriate skills to do so. On the other hand, there is the agent who has skills needed to accomplish the principal’s interest, and at the same time willing to receive the resources of the principal in exchange of her or his services. (Coleman 1990: 146 as cited in Braun and Guston 2003: 303)

The principal-agent problem occurs when agent’s interest is different from that of the principal. In addition, agents, insofar as they acquire the necessary skills, may have superior information than the principal. The principal’s problem, therefore, is how to control her or his agents in order for the latter to uphold the principal’s interests and not the otherwise (Sappington 1991: 45). Thus, administering contracts become necessary so as to control agents and prevent them from furthering their own interest.

Be that as it may, the type of contract to be used in the public sector still depends on various factors, such as costs and the relationship of contracting parties. In sum, Petrie (2002: 120) discussed that ‘classical’ contract or the legally enforceable may be used if there is no ongoing relationship between contracting parties, while the ‘relational’ or performance contract can be used when parties have both stakes in the outcome of the agreement<sup>2</sup>. While the outcome of the legal contract relies more on the ‘fine print’ (Lidbury 1999: 9), relational or performance contracts are based more on respect, trust, and custom (Petrie 2002: 121). Furthermore, resolution of disputes in legal contracts is more costly than in relational because the latter resolved issues mutually. Finally, Binderkrantz and Christensen (2009) concluded, that performance contracting is more appropriate in a hierarchical organization.

Based on contracting arrangements found in OECD countries, below are the major types of performance contracts (Lidbury 1999: 10-11).

- a. *Framework agreement* – covers overarching strategies and priorities; made between a minister and a chief executive;
- b. *Budget contracts and resource agreement* – focuses on budget levels; made between the central finance ministry or budget office and the chief executive;
- c. *Organizational performance agreement* – breaks down overall strategic goals into programme elements; made between a minister and a chief executive or chief executive and senior managers;
- d. *Chief executive performance agreement* – complements the organizational performance agreement; made between ministers and chief executives or between senior management and staff at various levels;
- e. *Funder-provider agreement* – focuses on clarifying responsibilities by separating the role of the funder and the provider;
- f. *Intergovernmental performance contract and partnership agreement* – often linked to devolution of programmes or funding from national to sub-national government; and

- g. *Customer service agreement* – states service standards provided by a programme or service to its clients specifying the quality and level of services to be expected.

### ***Managerialism and Performance Contracting***

Performance contracting shared the managerialism beliefs in three ways. First, managerialism believed that all processes should be broken down for easier control. In performance contracting, it is the identification of specific tasks towards the achievement of agreed results. Second, managerialism emphasized the importance of the *process* of achieving the organizational result. In performance contracting, the *process* of determining the contents of the contract is considered more important than the final contract itself (Lidbury 1999: 36). Finally, efficiency and predictability are crucial. Thus, performance contracting demands for the adherence to formal rules and compliance culture (Larbi 2001: 308).

In spite of this, *managerialism* was regarded as both a term of abuse and a romantic creed. For the former, it pretends that problems needing new policies or additional resources can be solved merely by more effort or efficiency within the structural and budgetary status quo. In contrast and in a more positive tone, the latter suggests that solutions lie within our hands; that determined, clear-sighted leadership can achieve fundamental changes and can give a new sense of purpose and achievement. (Pollitt 1993: 1)

This tension is still present in ways that performance management, particularly performance contracting has been practiced on the ground. According to Winstanley and Stuart-Smith (1996: 69), performance management has been regarded as the new form of ‘Taylorism’, which is the “*control through specification of contracts and checks to ensure that performance meets that required performance evaluation, places performance management at the center of the process for controlling that labor process in the public sector*”. Thus, performance management is considered to be an activity to exercise power and is largely about what is being ‘done to’ individuals instead of ‘doing for or in partnership with them’ (Buchner 2007: 60, Winstanley and Stuart-Smith 1996: 71).

In contrast, performance management is viewed to be a promising tool for staff development, ultimately creating organization-wide efforts towards the achievement of same goals (Yu et al. 2009: 817). In addition, it also aims to contribute more to organizational learning and development through evaluation (Sanderson 2001: 302). Going back to the previous paragraph, this can be true only if the activity is ‘done with the individual’.

Therefore, the application of performance contracting in the Philippines will be analyzed using the following concepts and processes, which are related to managerialism, performance management, and performance contracting.

### ***Clarification of responsibilities***

As I have argued earlier, managerialism believed that breaking down processes will lead to easier control. In performance contracting, it is the clarification of roles of the agents for a straightforward monitoring activity.

## ***The Process of Negotiation, Feedback, and Ongoing Dialogue***

*Managerialism* believed in the superiority of the means to achieve the result than the end itself. Likewise, in performance contracting, negotiation, feedback, and ongoing dialogue are considered crucial in the successful implementation of the tool. These processes also exhibit the view on performance management as an activity being ‘done with the employees’. For example, negotiation involves both parties with two different positions but will eventually agree to one final term. The reason for negotiation is for nobody to be worse off than the other and at the very least, for both parties to develop a lasting relationship, which will be beneficial for future transactions (Fisher et al. 1999).

Ongoing dialogue and feedback, on the other hand, support capacity for learning and improvement, which is why we are managing performance on the first place. These two processes also sustain the psychological contract, which is a set of *reciprocal* but unwritten expectations between supervisors and supervisees. The clarification of the psychological contract helps in maintaining a healthy relationship between the manager and the managed (Armstrong 2009: 40) and eventually helps to develop a high level of trust.

## ***Incentives***

As previously discussed, the main theoretical underpinning for performance contracting in the public sector is the principal-agent model. Since management entails devolution of responsibilities, principals faced the problem of how to control behavior of agents so that the latter will act in accordance with the former’s interest. Problems such as information asymmetry, adverse selection, and moral hazards can be detrimental in furthering the interests of the principal. (Larbi 2001: 307)

The question, therefore, is how the principal can best motivate the agent to perform as the principal would prefer (Sappington 1991: 45). In the context of performance management, this is about the driving force to perform well. Hence, an incentive scheme, which is not just present but is actually working, is viewed to be one of the essential factors in performance contracting. Incentives come in various forms, ranging from monetary to non-monetary. Monetary rewards include: piece rates, discretionary bonuses, efficiency wages, profit sharing, and deferred compensations (Prendergast 1999: 7). Meanwhile, non-pecuniary incentives include promotions, recognition, opportunities to develop skills, and guidance on career paths (Armstrong 2009: 250).

A caveat though is that, the above scheme assumed individuals to be rational utility maximizer. Meaning, they respond to stimulus where they can get the maximum benefit. In contrast, Sober and Wilson (1998 in Talbot 2010: 7) argued that some individuals have altruistic behavior, which is an incentive in itself. Hence, despite having reward mechanisms, some individuals will perform well not because they want to receive reward but simply because they want to be of help. In this research, both assumptions will be considered. And this brings us to the concept of trust and autonomy.

## ***Level of Trust***

The type of performance contracting in the public sector, particularly where it involves hierarchical organization, tends to be ‘relational’; which means, that

'contracting' focuses more on the relationship between two parties more than the provisions in the contract. In essence, the strength of the agreement comes not on the legal sanctions but on the shared benefits for parties to achieve mutually agreed results. As such, an environment of trust and openness is considered crucial in the successful implementation of the agreement. (Lidbury 1999: 9)

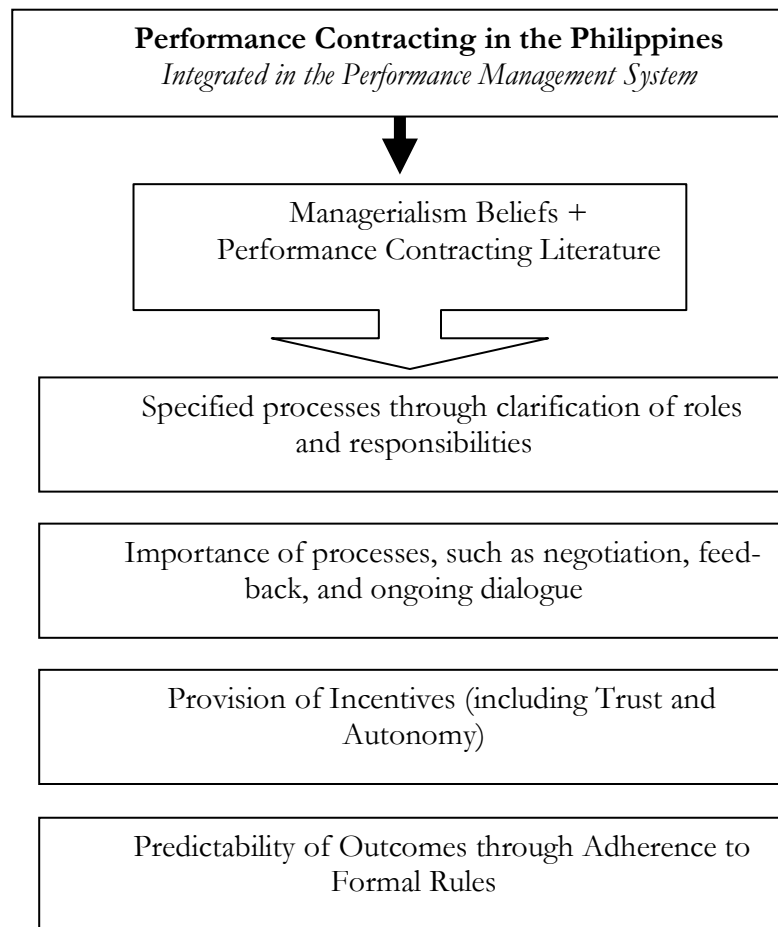
Trust is defined by Edmondson and Moingeon (1999: 158) as the "*belief that relinquishing some degree of control over a situation to one or more others will not lead to personal loss or harm*". As concluded by Sitkin and Roth (1993), though contracts and control systems have been designed to reduce the risk of self-serving behavior in the organization, *trust does and will continue* to play a critical role in the management of the organizations. In relation to incentives, the fact that some individuals are considered altruistic in nature, a considerable room for trust and autonomy should be provided. In fact, high level of trust and autonomy can be considered as secondary incentives for employees.

### ***Formality and Informality in the Public Sector***

According to Larbi (2001: 308), the effectiveness of performance contracting as a management tool will depend on "*formal 'rules of the game' being respected and enforced, and that there is a culture of compliance with little or no divergence between formal rules and informal behaviour*". Formality contributes to the predictability of outcomes, which is one of the beliefs of managerialism. And since performance contracting assumes a formal world; then it should also be considered as a precondition if we want performance contracting to work in the public sector.

The underside of formality is of course informality, which is described in simple terms by Mimba et al. (2007: 197) as the mechanism of not following formal rules and regulations. In other words, it is the difference between what an organization officially says it does, and what it is actually doing (Mimba et al. 2007: 198). Both Schick (1998) and Mimba et al. (2007) argued that high level of informality in developing countries makes implementation of NPM-style reforms a huge challenge. These circumstances in performance contracting will then be investigated in this paper.





**Figure 1. Conceptual and Analytical Framework**

*Source: Own construction*

## 1.4. Methodology and Data Sources

This research employed qualitative data from both primary and secondary sources, which were all gathered in July to August 2013. In order to understand how performance contract is being used in the civil service, a textual analysis was done using the relevant documents (i.e., policy issuances and guidelines) from the Civil Service Commission (CSC), the central personnel agency of the Philippines. The CSC functions as the lead agency in professionalizing the civil service, promoting public accountability in government service; adopting performance-based tenure in government; and implementing the integrated rewards and incentives program for employees. Apart from secondary data, there were also key informant interviews with staffs of the same agency – Chief Personnel Specialist of the Office of Strategy Management (OSM) Division and the former chairperson of the CSC. The findings from interviews and document desk reviews were used to understand whether performance contract achieved its intended purposes. Further, a review of historical accounts of the Philippine public administration was initiated to be familiar with the context in which performance management initiatives were introduced in the civil

service. This includes, among others, different pressures, interests, and ideologies that informed decision makers to take on management control schemes.

Meanwhile, to discern the benefits, challenges, and lessons of performance contracting, an implementing agency in the Philippines was chosen to be the case study. The Department of Social Welfare and Development (DSWD) was singled out for its significant progress in implementing its enhanced performance management (Llanto and Brownette 2007: 4). Further, for practical consideration, personal contacts in the Department made coordination for research undertaking, as well as following-up of research requests more manageable. An interview with the performance management specialist of the Human Resource Development Bureau (HRDB) of the DSWD was likewise conducted to provide insights on the processes involved in the DSWD's performance contracting. Different documents, such as guidelines, sample performance contract, and appraisal matrix were also acquired to supplement the interview.

Finally, to obtain the experiences of the people involved in performance contracting, two sessions of focused group discussion (FGD) were carried out in the DSWD Central Office, which include rank-and-file employees. A self-administered questionnaire was also given to supervisors to have their views taken as well. One of the bureaus – Operations and Programs Group (OPG) – was selected for this exercise. However, owing to the confidentiality of the information and to protect their positions in the Department, names of participants will not be disclosed in this paper. Additionally, due to busy schedule of supervisors, only three responses were obtained<sup>3</sup>.

The OPG was chosen because its functions include implementation of the social services programs of the Department. This decision, however, was not meant to imply that other bureaus are not relevant in fulfilling the mandated functions of the agency.

Supplementing the primary data gathered were various case studies in performance contracting, journal articles, interview notes, interview recordings, lecture notes, and other relevant scholarly documents.

## **1.5 Scope and Limitations**

The question on whether performance contracting has helped in improving the performance of the individual and the agency in general seems irrelevant in this study. First, as observed by Domingo and Reyes (2011: 414), performance ratings of employees generally improve overtime (that is, their ratings are generally higher than the previous rating periods) despite the negative public perceptions of civil servants. These ratings, however, may not be enough to conclude that indeed employee performance improved; and that this improvement was brought by some performance management technique. Further, as demonstrated by various studies (Bevan and Thompson and Guest and Peccei as cited in Winstanley and Stuart-Smith 1996: 68), there are methodological difficulties in demonstrating cause and effect when evaluating effectiveness of human resource management. In addition to that, there is also a considerable challenge as to the 'measurability' of some factors. According to Bates and Holton (1995 in Armstrong 2009: 30) performance is a multi-dimensional construct, and its measurement depends on a variety of factors. The same is true about perform-

ance contracting and agency's overall performance; the factors affecting organization's performance are too many to be addressed comprehensively in this paper, such as firm size, age, culture, and sector (Winstanley and Stuart-Smith 1996: 68). Unlike private companies, state-owned enterprises, or other income-generating organizations, government agencies' performance cannot be simply measured in terms of financial aspects, such as sales or production levels. Most importantly, the case agency is a social services department, which makes its good and services even more difficult to measure. Hence, to avoid problems of attribution, that issue will not be touched in this research. Finally, the fact that the meaning of performance is still debatable thus far; studying the factors that affect it can actually be considered as a separate study in its own respect.

Meanwhile, generalizing the findings from this research should be done with prudence. First, the case study involves a social services department, which has complex characteristics and functions not similar to other agencies, such as the public works or the infrastructure sector agencies. Nevertheless, some of the few lessons learned in the study that may be suitable in the public sector will be highlighted. Second, responses with regard to the operationalization of performance contracting were mainly perceptions of employees and supervisors based on their professional and personal experiences. Thus, were highly subjective. Therefore, these responses may not be sufficient enough to make a judgment on the desirability or otherwise of performance contracting. For this reason, I will not make a recommendation whether to abandon or continue the use of such tool. Third, being a civil servant myself, my analysis would somehow reflect my personal biases with regard to the practice of performance contracting. Finally, I had taken a more of an exploratory undertaking, hence, majority of the findings and my analysis in this paper aspire to instigate future researches.

## Chapter 2

### Contextual Background

This part attempts to shed light on the historical background of the civil service where performance contracting would be later applied. A quick rundown of the significant events in the Philippine civil service will provide an idea on why managerialist techniques, like performance contracting, is considered fitting.

#### 2.1. Brief History of the Civil Service

##### *Pre-1970s<sup>4</sup>*

The civil service has been considered as the fourth branch of the Philippine government due to its ‘pervasive presence and enduring influence’ in the lives of the Filipino people (De Leon, n.d.). It was also historically defined as the mechanism to achieve social goals, through efficiency, economy, simplicity and effectiveness. During the time of the Spaniards, however, office holding for Filipinos was only confirmed to the lowest levels of government, town and village. It was not until the establishment of the Philippine Commonwealth in 1935 that the complete Filipinization of the civil service materialized. (Endriga 2001: 213-214)

Meanwhile, the civil service was considered prestigious and clean only during the American regime when values of professionalism, responsibility, and commitment to public service were being inculcated to Filipino civil servants. Given the country’s newly independent status back then, Filipino civil servants at that time still felt the need to prove themselves to the colonial masters and hence, their added motivation to behave and imbibe the above mentioned values. The system during that time also worked better, with the concept of merit system being followed strictly. (Endriga 2001: 213)

But then, the Philippine bureaucracy, with its severely traumatized civil service, lost its essence during the Japanese occupation. With the establishment of a puppet government and installation of recruited political leaders and bureaucrats, civil servants were being coerced to serve, which resulted to a demotivated administrative system. Massive unemployment, food shortages, and internal conflicts forced civil servants to serve their personal interests above the public; thus, giving way to all forms of corruption within the bureaucracy. (Reyes 2011: 344-345)

After the rampant demoralization of the civil service during the Japanese occupation, it became a great challenge for the civil service to regain its pre-war image and develop into a modern institution envisaged by its reformers (Endriga 2001: 230). Thus, in 1950, a US mission headed by Daniel W. Bell was dispatched in the Philippines “to consider the economic and financial problems of that country and to recommend measures that will enable the Philippines to become and remain self-supporting” (Bell Report 1950 as cited by Reyes 2011: 346). The report made a general recommendation that:

*...a special effort must now be made to improve the public administration in order to give the people confidence in the government. It is particularly important at this*

*time because the economic development program will of necessity place even greater responsibility on public administration. The success of the development program may depend more on the efficiency and honesty of the public service than on any single factor. (Endriga 2001: 215)*

Based on Endriga's accounts (2001: 212), one of the traditions that the Philippines has improved upon is that of its civil service reform, which has been undertaken several times since its independence in 1946. All of these reforms aimed at modernizing and professionalizing the civil service through managing its performance. They came in different labels but all point toward the same thing. These different slogans include, among others: moral regeneration program (President Diosdado Macapagal, 1961-1965); Integrated Reorganization Plan (President Ferdinand Marcos, 1966-1986); energizing the bureaucracy (President Corazon Aquino, 1986-1992); reengineering the bureaucracy for better governance (President Fidel Ramos, 1992-1998); and effective governance program (President Joseph Estrada, 1998-2001). (Domingo and Reyes 2011: 402)

### ***The 1970s and 1980s***

The post-1937 era was also known for its management characteristic as 'government by managers', where the concept of performance has become central to public management reforms (Moynihan 2008: 1). In public sector, there is no better reflection of the government's performance than the civil service. Still, various defects in the civil service were inherited by the regime of President Ferdinand Marcos. These defects include but are not limited to, inability of the Bureau of Civil Service to function with the efficiency expected of a personnel agency; delays in the recruitment, examination, and placement of employees; over-centralization of authority in the Bureau; inadequate discipline of civil service employees; the presence of thousands of temporary employees in the competitive service; the inability to attract persons of high caliber into the civil service; widespread use of the spoils system; and rampant graft and corruption (Endriga 2001: 215).

With the civil service performance as his way to legitimize his martial rule, it was not a surprise that Marcos' first major reform was meant to provide an extensive overhaul of the bureaucracy. The Integrated Reorganization Plan (IRP) was aimed to decentralize and reduce the bureaucracy, and standardize departmental organization. It also sought to introduce structural changes and reforms to strengthen the merit system as well as to modernize and professionalize the civil service system. Moreover, it provided for the conversion of the single-headed CSC (formerly Bureau of Civil Service) into a three-man body, and the formation of the Career Executive Service (CES). (Tjiptoherijanto 2012: 2)

The IRP further resulted to a major purge of unqualified civil servants, sending the message that the administration will not put up with bad behavior. Marcos was also famous for his philosophy—New Society—which seeks to move away from a minimalist government to an activist one that will promote 'national development, human welfare and social justice'. With that, he created more departments to expand the public sector and to double the size of the civil servants. (Endriga 2001: 216)

This resulted to what Hodder (2010) described as proliferation or layering of agencies, which is one of the features of the Philippine bureaucracy<sup>5</sup>. Despite Aquino's (successor of Marcos) attempt to 'de-Marcosify' the government during her administration, this feature seemed to remain until now especially when a new bureau is being created every time a new responsibility is determined.

Meanwhile, a four-day 'people power' revolt in February 1986 had cut short the term of Marcos, giving way for the presidency of Corazon Aquino. Being an icon of democracy, she was known for restoring the institutions and liberties of pre-martial law days. Administrative reforms measures that followed, which were part of her 'energizing the bureaucracy' catchphrase, include: addressing the issues of curbing graft and corruption; defining ethical standards of bureaucratic behavior and promoting accountability; managing the size of the bureaucracy and enhancing the efficiency of government service delivery systems, structures, and processes; and decentralizing operations. (Domingo and Reyes 2011: 404)

It is worth noting that Aquino's administration coincided with the birth of the NPM, which contrary to Marcos' New Society, has advocated for a streamlined government. Consequently, the Aquino government resorted further to a wide-scale purge of civil servants. However, with the increasing politicization of the civil service—political appointees and civil servants getting in without having to go through the traditional career system—the size of the government became even more bloated. This somehow triggered speculations that her administrative reforms might be no more than rhetoric and the civil service, as stereotyped by the public, will remain inefficient and corrupt. These perceptions sent a negative impression regarding a president, which might lose her confidence from the electorate. As mentioned earlier, the performance of the civil service reflects on that of the President. (Domingo and Reyes 2011: 404, Tjiptoherijanto 2012: 2)

### ***The 1990s and Beyond***

The challenge for leaders in the 1990s was seen as how to restructure dysfunctional public systems and make them effective again (Osborne 1993: 356). It has been true for President Fidel Ramos during his time because for one, he inherited a government undergoing its transition from authoritarian to democracy, where he needed to sustain the initiatives done by his predecessor to reorganize the bureaucracy. As previously noted, while Aquino pursued reorganization activities to cutback the size of the bureaucracy, the proliferation of political appointees undermined the reform's objective to make the bureaucracy leaner. Consequently, Ramos was faced by a so called 'bloated bureaucracy' that needed more efforts to be trimmed down (Domingo and Reyes 2011: 405). Further, incidence of graft and corruption was said to have no significant change.

On the other hand, the second challenge for Ramos by that time was about keeping up with neighboring Southeast Asian countries, which were then enjoying peaks of growth; thus, being recognized as newly industrializing economies. The Philippines, conversely, was dubbed as the 'sick man of Asia' (Hutchcroft 1999: 163).

In facing the above mentioned challenges, Ramos was guided by the principles of entrepreneurial organizations<sup>6</sup> through the 'reinventing government'

movement. In effect, the manifestation of the NPM influence in the public sector administration in the Philippines came in full swing during his term. Following the philosophy that government should be ‘steering, not rowing’, and some influence from international financial institutions, Ramos pursued thrusts of deregulation, market liberalization, and privatization. With his vision of a globally competitive Philippines under the banner of ‘Philippines 2000’, the initiatives concerning the civil service, nonetheless, were found lagging behind schemes for economic growth. (Endriga 2001: 218, Tjiptoherijanto 2012: 3)

Be that as it may, a streamlining of the bureaucracy was still pushed through resulting to a 2.5 percent decrease in the number of civil servants towards the end of Ramos’ term (Carlos 2004: 55-56 in Domingo and Reyes 2011: 405). According to him, “...we have to organize the civil service so that it can do more—and do better” (Ramos in 1992 as cited by Endriga 2001: 231). Furthermore, he described quality bureaucracy as the ‘weak link’ in national development efforts and on which sustained economic growth would much depend (Hutchcroft 1999: 182).

The terms of Joseph Estrada and Gloria Macapagal-Arroyo did not embark so much on civil service reforms except for the streamlining program under the banner of ‘Re-engineering the Bureaucracy for Better Governance Program’, which created the Presidential Committee of Effective Governance (PCEG). This reform initiative was implemented under the Estrada administration and was later adopted by Arroyo. (Tjiptoherijanto 2012: 3)

In addition to the re-engineering bureaucracy, a Rationalization Program was also pursued in 2004 to further downsize the bureaucracy. In performance management, various policy initiatives were likewise introduced during the post-Ramos administrations. Some of these reforms are the Public Expenditure Management (PEM), which was advocated by World Bank (WB) to pursue fiscal discipline, allocate resources efficiently, and obtain the best value for money; and the performance management system that used the concept of performance contracting. (Domingo and Reyes: 2011: 409-410)

## **2.2. Rationale for Performance Contracting**

Given the above historical account, I argued that there were two major reasons to pursue reforms, such as performance contracting: (a) the challenge of professionalizing the civil service by making the employees more accountable, after experiencing rampant demoralization due to massive corruption; and (b) pressures from successful practices of other countries.

For the first reason, it should be noted that during the Marcos regime, various agencies were created to make the civil service and the government in general even more active. This exercise, however, made the bureaucracy even more complicated and at the same time bloated, with different agencies to consult for various and somehow interrelated concerns. During the Aquino administration, some of the agencies created by Marcos’ decrees were abolished through the reorganization activities. Still, no considerable changes in the total number of departments, bureaus, and offices were observed; because as the new president abolishes one, it is almost always expected that a new one will be created. This phenomenon was viewed to be a ‘solution’ for bureaucratic failure, where the tendency is usually “to create another bureau to oversee those who have

*lapsed into sin...bureaux are piled on bureau and the bureaucracy grows on*" (Perlman 1976: 76 in Dixon et al 1998: 165-166). This layering of bureaus, nonetheless, becomes even more problematic as it decreases the top-down control of the management (Breton and Wintrobe 1975 as cited in Dixon et al. 1998: 165).

In effect, it creates what they call the principal-agent problem, which simply recognized the fact that anyone in the bureaucracy may pursue their interests that run counter to the organization's goals, which can result to adverse selection and moral hazard, among others (Bangura 2000: 5, Shirley 1998: 132). This feature of the bureaucracy persisted in the Ramos administration and went even further to this day. Certainly, with a large bureaucracy as that of the Philippines, it is indeed difficult to monitor each bureaucrat. And politicians [principals] are facing *"the task of creating organizational arrangements that minimize the sum of the costs of the undesirable behavior of bureaucrats [agents] and of the activity undertaken to control it"* (Weimer and Vining 1991: 132 in Dixon et al. 1998: 166). Thus, a mechanism that seems to control the acts of civil servants towards the achievement of the organization's mission would be timely and appealing.

The second reason for the adoption of NPM-style reform involves various pressures from outside the country, such as global trends, lessons learned from developed countries, and policy recommendations from multilateral institutions through structural adjustment loans (SALs). It started during the economic crisis that has affected both developed and developing countries in the early 1980s. The blame for the failure to cope with the crisis was fired at governments which were accused of having extensive intervention in the economy (Tillah 2005: vi), thus resulted to a shift from 'big government' to 'small government' (Levi-Faur 2011: 8). Some of the processes included in this shift are: globalization (upward), decentralization (downward), and a move to wider private and civil spheres of authority (Levi-Faur 2011: 8).

The Philippines joined this global trend, through the following reforms: decentralization was pursued based on the Local Government Code of 1991 (Endriga 2001: 232); privatization of government-owned and -controlled corporations (GOCCs) and non-performing assets (NPAs); and participation to international agreements on trade liberalization through the ASEAN Free Trade Area (AFTA), General Agreement on Tariffs and Trade (GATT), and the World Trade Organization (WTO) (Rivera 1996: 27).

Again, it is worth noting that post-Marcos administrations inherited huge debts that needed to be repaid, compelling the government to embark on austerity measures. During Aquino's term, the WB and International Monetary Fund (IMF) included privatization for such measures through their structural adjustment packages (SAPs) (Domingo and Reyes 2011: 406). The above mentioned reforms all aimed at producing desired maximum outputs with generally fixed, and sometimes even short, budgets. It was also the same time when New Zealand was at the vanguard of public sector reforms, which provided success stories on the use of NPM-style techniques.



## Chapter 3

# Social Work and the Case Agency

### 3.1 Social Work in the Philippines

The concept of social work has long been part of the daily activities of the Filipinos which still dated back to the pre-Spanish times. Even before, Filipinos were already known for concepts of “*bayaniban*” and “*damayan*”, which means helping each other. Helpfulness and neighborliness were further developed when the Spaniards came with Christianity. People became more charitable due to the belief that helping poor will expiate their sins. Meanwhile, the Americans aided in the improvement of health work, which increased the potential of human resources. (Almanzor 1966: 27-28)

The need to professionalize social work came in later during the World War II and was believed to be an influence of the Americans and other international experts. A huge demand for immediate and palliative measures in post-war period resulted to an influx of paid workers and volunteers who were called as social workers. Consequently, it has been realized that “dole-outs” and other material assistance can be provided in a systematic way; thus, making way for the development of social work as a profession. (Almanzor 1966: 28)

In the Philippines, the definition of social work still depends on whether the person defining it is a recipient or not. But generally, social workers are portrayed as dispensers of charity and charity means giving material assistance in the form of food, clothing, medicine, and the like. (Almanzor 1966: 29)

The passing of the Republic Act of 4373, which seeks to regulate the practice of social work and other operation of social work in the Philippines, provided a more clear-cut definition for social work:

(a) ... *the profession which is primarily concerned with organized social service activity aimed to facilitate and strengthen basic social relationships and the mutual adjustment between individuals and their social environment for the good of the individual and of society*” (Social Work Act 1965, Article I, s.1a)

Meanwhile, a social worker is defined as “*a practitioner who by accepted academic training and social professional experience possesses the skill to achieve the objectives defined and set by the social work profession...to enable individuals, group and communities to meet their needs to solve the problems of adjustment to a changing pattern of society...*”. Put simply, social work is deemed to be a specialized profession which requires skills and techniques to “*help people to help themselves*”. (Almanzor 1966: 30)

### 3.2 Department of Social Welfare and Development<sup>7</sup>

The DSWD had a long history of reorganization and renaming before becoming the social welfare Department it is today. First, it was known as the Public Welfare Board in 1915, then became the Bureau of Public Welfare under the Department of Health and Public Welfare (DOHPW), and was elevated into a department through the Social Welfare Act of 1968 (RA 5416). It has been renamed Department of Social Services and Development (DSSD) to Ministry of Social Services and Development (MSSD) during the Marcos regime and then

finally reorganized and renamed Department of Social Welfare and Development (DSWD) under the Aquino administration in 1987. The Department aims “to provide social protection and promote the rights welfare of the poor, vulnerable and the disadvantaged individual, family and community to contribute to poverty alleviation and empowerment through the social welfare development policies, programs, projects and services...” (DSWD 2005).

As the lead agency in social welfare and development, the DSWD’s functions<sup>8</sup> include: (a) formulation of policies and plans; (b) development and enrichment of existing programs and services for specific groups; (c) register, provide license, and accredit individuals, agencies, and organizations who are engaged in social welfare and development; (d) provide technical assistance; and (e) provide social protection to the poor, vulnerable, and disadvantaged sector.

### 3.2 Organizational Structure

In order to perform above mentioned functions, the Department is divided in five groups<sup>9</sup> or offices. First is the Office of the Secretary (OSEC) Group, which includes the Secretary of Department, its Undersecretaries, Assistant Secretaries, and staffs such as Internal Audit, Social Marketing, and Office of Strategy Management. In general, the OSEC oversees all the activities in the Department including its attached agencies.

On the other hand, the second major group in the DSWD is the Policy and Plans Group (PPG). Obviously, this group facilitates the communication, advocacy, coordination, and collaboration of matters relating to policy development, plan formulation, information communication technology, and national household targeting among others. The third and fourth group deals with matters relating to human resources and general services in the Department, respectively. These are Institutional Development Group (IDG) and General Administration and Support Services Group (GASSG).

Lastly, the OPG, also the case group for this study, is responsible for the development, implementation, and management of social welfare and development programs and services. It is further divided into three bureaus: Social Technology Bureau (STB), Poverty Reduction Programs Bureau (PRPB), and Protective Services Bureau (PSB). The STB develops and enhances customer-driven social protection technologies for the welfare of family and women, children and youth, older persons, persons with disabilities, indigenous people, and internally displaced persons. Meanwhile, the PRPB handles core programs and projects of the Department for poverty reduction, such as the KALAHI-CIDSS and the *Pantawid Pamilyang Pilipino Program* or popularly known as the conditional cash transfer. Finally, the PSB supervises, monitor, and provides technical assistance for the implementation of social welfare programs for the protection of vulnerable sectors. Its programs include risk reduction, residential care, community-based development, and alternative parental care. For the organizational structure of each group, please refer to Annex I.

### 3.3 DSWD's Performance Contracting

#### *Definitions, Objectives, and Design*

The concept of performance contracting is being used in the Philippine civil service as “*a practice of linking pay to performance indicators mutually agreed upon by the contractor and the contractee*” (CSC 2007: 3). It has been integrated in the performance management system and became a tool to manage the performance of human resources by linking individual commitments to the overall goal of the organization. In other words, performance contracting, at least as far as this study is concerned, does not only deal with the setting of target or the initial contracting, but includes the whole process of performance management. This is because contracting does not end when parties sign the contract but only at the time they comply with the agreements stipulated therein. Hence, the application of performance contracting is understood here as the entire performance management system<sup>10</sup>.

With reference to the typologies presented by the OECD (Lidbury 1999: 10-11), the DSWD is using a quasi-contractual arrangement between senior management and staff at various levels, which is also known as the chief executive performance agreement. This type of agreement was also observed in various OECD countries such as Australia, Denmark, New Zealand, Norway, and UK. Chief executive performance agreement is used to complement another type of quasi-contractual arrangement, which is the organizational performance agreement. The latter provides for the breakdown of all strategic goals into specific outputs, which are agreed upon between the minister and a chief executive. In the case of the Philippines, it is an agreement between the President and the Head of the Department or the Department Secretary. The organizational performance agreement is known in the Philippine public sector as the Organizational Performance Indicator Framework (OPIF). It is instrumental in crafting the individual's performance contract because it contains the different major final outputs (MFOs) of each agency. In theory, MFOs of each agency should be translated into measurable targets and cascaded into the different levels of agencies. These cascaded targets then become one of the bases of the individual performance contract or the chief executive performance agreement.

The use of performance contracting in the DSWD aims to achieve the following objectives (DSWD 2005: 2):

- a. To ensure that organizational and individual goals and expectations are consistent with strategic planning initiatives and contribute towards achievement of DSWD organizational outcome;
- b. To promote excellence in organizational and individual performance and to ensure/enhance effectiveness and productivity of the organization and employees;
- c. To establish/define clearly what officials and individuals/employees are accountable to delivering to the public and assure their accountability or commitment to good governance in the performance of their duties and responsibilities;

- d. To identify and manage high performance and low performance including training needs for the maintenance or improvement of officials' and employees' performance; and
- e. To create a valid database for officials'/employees' career development.

The objectives of DSWD's performance contracting likewise tell something about the type of agreement that it had taken on. For example, chief executive performance agreement is used to clarify roles, expectations, and responsibilities within an organization thereby enhancing effectiveness through improved accountability (Lidbury 1999: 12). These objectives are present in the DSWD's performance management system.

The design of the performance contract, that is, its contents, details, and format, is likewise dependent on the objectives that it wishes to achieve. In the case of DSWD, its performance contract should provide the clear link between the individual targets and the overall goals of the organization to ensure consistency of initiatives. Moreover, same targets should be clearly defined in order to determine effectiveness. Basically, the Department's performance contract contains the following information: (a) names of the rater and ratee and their signatures; (b) office or staff where she or he belongs; (c) list of key results areas or outputs as well as duties and responsibilities; (d) list of performance indicators/measure with corresponding quality, quantity, and time frame; and (e) weight allocation. In effect, DSWD's performance contracts are not that detailed, and can actually be printed in no more than two pages of paper<sup>11</sup> (see Annex II for sample performance contract of rank-and-file employee).

### ***Process<sup>12</sup>***

The DSWD's performance management is a twelve-month cycle from 1 January to 31 December of each year. It is divided into three steps: performance planning and contracting, performance checkpoint and monitoring, and performance appraisal and evaluation, which happens in two rating periods – 1<sup>st</sup> semester (1 January to 30 June) and 2<sup>nd</sup> semester (1 July to 31 December).

### **Performance Planning and Contracting**

The first stage, which is the contract setting phase, is one of the crucial stages in performance contracting. For the reason that it is the point where targets and indicators are being crafted to which succeeding performance monitoring and evaluation will be based. According to the guideline, target setting should be done right after the strategic planning of the agency, from which overall goals of the organization were identified. Since performance contracts contain committed targets to be accomplished for a certain period; then it should be crafted and submitted before the start of the same rating period. In other words, performance contracts for the first rating period should be submitted before January while performance contracts for the second semester should be crafted and approved by end of June. The guideline further instructed employees to submit approved performance contracts ten days after the latest assessment of the head of office, which is the Bureau Head or the Director.

The different targets and performance indicators in the individual performance contract were obtained from the office work and financial plan, which is decided and accomplished in the strategic planning of the organization. Other sources of targets and indicators are the OPIF, which contains the major final outputs expected from the agency; thrust and priorities of the agency; the office's specific key results areas; and the individual's specific responsibilities. Previous performance contracts are also considered as a source of performance indicators especially when the target is considered attainable in more than a year. Put simply, performance indicators are being carried over, with incremental changes in the target quantity, in the subsequent rating period until the expected time of accomplishment is reached. This type of indicators can be observed in multi-year programs.

Meanwhile, performance contracts in the DSWD contain weight allocation to determine the priorities among various initiatives. This weight allocation varies depending on the functions of the employee and should be negotiated with the supervisor. Further, core outputs are assigned with higher weights to correspond to the level of efforts being exerted to accomplish the task.

### **Performance Checkpoint and Monitoring**

As mentioned earlier, contracting does not only cover signing of the agreement but actually involves monitoring whether accomplishments are on track or not. Hence, the second stage in the performance contracting process is the checkpoint and monitoring where in supervisor and supervisee convene for formal and informal feedback and coaching sessions. During checkpoint and monitoring, employees are required to sit down with their supervisor and present how far they have been in accomplishing their tasks, together with all the supporting documents to back-up their performance accomplishments. This activity is not considered as a one-time process but is encouraged to be conducted as often as possible in order to ensure on-time achievement of targets. The guideline further suggests that appropriate actions and interventions be taken by both supervisor and supervisee as agreed upon by both of them. For example, checkpoint and monitoring stage gives employees the opportunity to revise their committed targets after justifiable reasons are submitted to and approved by their respective supervisors. Target revision, however, should not be later than 30 days before the start of performance assessment (i.e., up to 31 May and 30 November for first and second semester, respectively). Supervisors are also encouraged to guide their supervisees if difficulties are observed in accomplishing the tasks.

### **Performance Appraisal and Evaluation**

The third stage and perhaps one of the most challenging parts in performance contracting is the appraisal period. Essentially, this is the time where employees will be 'judged' based on their committed targets. For this phase, every employee is asked to accomplish a Performance Appraisal Matrix (PAM), which contains their key results against target and actual accomplishments based on quantity, quality, and timeliness. This is also signed by both rater and ratee (see Annex III for the sample PAM). In this case, rank-and-file employ-

ees are rated by their Division Chiefs or Unit Head and concurred by the Director or Bureau/Office Head. The guideline provides for instructions on how to rate employees based on quality, quantity, and time. Moreover, only accomplishments, which are verified and properly documented, shall be included in the appraisal.

Accompanying the performance-based PAM is the job-related behavior (JRB) evaluation. This behavioral evaluation gauges staff based on their intellectual, personal, and relationship competencies. Thirty percent of the total performance rating of an employee is based on JRB, while the 70 percent comes from the performance contract. The JRB evaluation is not within the scope of this study. But is still worthy of mentioning insofar as it presents the non-measurable aspect of an individual's performance (see Annex IV for the sample JRB).

## Chapter 4

# Performance Contracting in Practice: Gains and Advantages

The application of performance contracting in the Department is considered helpful by FGD participants and key informants. To be more succinct, they reiterated its usefulness in: (a) clarifying the roles and responsibilities; (b) making them more accountable with their actions; and (c) measurability of performance for monitoring and evaluation purposes. These benefits also support the first belief of managerialism that breaking down processes will result to easier control.

### 4.1 Clarifying Roles and Responsibilities

One of the objectives of performance contracting and the DSWD's performance management is to specify roles and responsibilities of their staffs. Responses from supervisors and supervisees proved this to be true. For instance, one of the Directors<sup>13</sup> in the DSWD-OPG indicated that performance contracts helped her staffs identify their detailed deliverables for a specific period. It was supported by one technical staff<sup>14</sup> who shared that her performance contract became her checklist that guides her in accomplishing her task. The Director of the DSWD-OSM gave a more concise view relating performance contract to employee contract:

*While employee contract provides a general statement of responsibilities and roles, performance contract translates these responsibilities into a day-to-day accomplishment considering the end of semester horizon/commitments of the particular office where the staff belongs<sup>15</sup>.*

Others likewise acknowledged this benefit of using performance contract, as they considered the same as their workplans, which clearly define what is expected of them. This also helped them identify priority outputs to facilitate the achievement of the overall goal of the Department. Furthermore, performance contracting minimizes duplication of roles in the Department inasmuch that the identification of the tasks highly depends on the bureau. For example, based on the FGDs, 80 percent of the performance targets came from the core tasks of the bureau, while the remaining 20 percent for institutional and other tasks is more general in nature.

As much as the responsibilities of staffs are being clearly defined, the roles of the supervisors are likewise being delineated properly. For instance, performance contracts of rank-and-file employees should be checked and monitored by their immediate supervisors, while immediate supervisors will be checked by their respective division chief, and so on. Hence, it will be easier to identify who is to be made accountable for a delayed output or to be given credit for good ones.

While performance contracts clearly define responsibilities of staff, this may also limit their perspective to take in responsibilities that are not part of their contract. Furthermore, with definite tasks written, employees tend to

compare tasking assignments which can lower their morale, especially when found that their tasks are not comparable to others<sup>16</sup>.

## 4.2 Increasing Accountability

The specification of roles and responsibilities also urges employees to become more accountable with their tasks. As one of the key informants<sup>17</sup> shared, one of the good things about performance contracting is that the supervisor can specifically pin down the tasks of each staff and consequently make them accountable to them. He continued by relating his previous experience when some supervisors had the difficulty of inquiring about their staff's outputs because they had no basis. With performance contracts, it became easier for supervisors to demand for outputs because these were already written. In the DSWD's experience, this increasing accountability can be observed in their checkpoint and monitoring stage, where every output should be reported by each staff, with all the supporting documents to back-up their claims.

In a similar vein, technical staffs can also make their supervisors accountable with their outputs because in theory, supervisors should guide their subordinates. Nevertheless, it was revealed in the FGDs that this has become a challenge in some of the bureaus.

## 4.3 Measurability of Performance for Evaluation

As in other performance management techniques, perhaps the most important result is the ability to measure accomplishments for evaluation purposes. Majority of the FGD responses conveyed this significance.

*Performance contract is a tool being used to measure performance/accomplishment of every individual staff.*<sup>18</sup>

Though it should not be the only positive outcome of using performance contract, the DSWD-OSM Director emphasized that it is the only apparent benefit in the agency thus far as some of the aspects of performance management, such as coaching and mentoring, have been overlooked due to 'whirlwind operations' in the Department<sup>19</sup>.

Given that the case agency is a social services department, measuring the performance of the employees based on the outputs accomplished has always been a challenging task. Nevertheless, performance contract made it more manageable through the use of performance indicators of quantity, quality, and timeliness. Still, assigning scores to various tasks can become tricky at times. And some scores may not really reflect the effort done by technical staffs to accomplish a task. For instance, one FGD participant shared that the score for one concept paper is the same with two or three concept papers. As a result, the staff that targeted just one output will still score higher as compared to a staff that targeted three but accomplished only two.

The scoring system, despite its significance to the successful implementation of performance contracting, is beyond the scope of this research. The point here is that, at best, performance contracting enabled supervisors to quantify the performance of their subordinates.



## Chapter 5

# Performance Contracting in Practice: Issues and Challenges

While performance contracting claimed some benefits, which are all present in the case agency, the FGDs provided some insights on the challenges that need to be addressed to maximize the potentials of this management tool. These challenges will be explained in relation to managerialism beliefs and performance contracting concepts.

### 5.1 Undermining the Process

Both managerialism and performance contracting valued the importance of the *process* to achieve results for the successful application of managerialist technique. For instance, the exchanges of ideas and two-way learning in strategic planning are more important than the plan itself. The same is true with performance contracting, negotiation, feedback, and ongoing dialogue, are seen to be important in the three-stage performance management cycle of the DSWD. Without these processes, employees will see themselves as no more than the means to an end. In other words, performance management will just be the exercise of the superior's power to achieve its goal. I will present how this came to be true using the responses from the FGDs conducted in the case agency.

For instance, performance planning and contracting, obviously necessitates the need for both supervisors and supervisees to discuss performance targets and indicators that will be accomplished within a specified rating period. One of the objectives of managerialism is to clearly set objectives (Pollitt 1993: 5) so that all activities of the organization are moving towards that end. Apart from that, managers also need to make sure that employees see the link of their individual commitments with the overall goal of the organization. These can only be achieved when managers negotiate with their subordinates. It should be remembered that employees, as the principal-agent model suggests, hold more information about the goods and services needed on the ground because they work closely with the clients. As such, they need to communicate with their supervisors to ensure that specified targets are really responsive to what is happening on the ground. Theoretically, they need the knowledge of each other to come up with appropriate performance targets and indicators. And they need to discuss it among themselves. In practice, however, what is happening is this: employees prepare their performance contracts on their own and submit the same to their immediate supervisors and supervisors for approval. If not approve, they will have to revise it until their superiors sign on it. One will see and argue that there is no problem about this because in the end, the employee was able to prepare and submit its own performance contract. But the concern here is the *process* of getting to the final agreement. As shared by Lidbury (1999: 36), determining the contents of the contract is an extremely useful planning and information sharing exercise. In the end, it does not matter who writes the contract but the process of negotiat-

ing it because it promotes strategic thinking and more results-orientedness. As commented by one of the participants:

*The idea of 'meeting of the minds' in setting the agreement was being bypassed.<sup>20</sup>*

This is because most of the time, there are already prescribed targets for each employee, which is based on their tasks and responsibilities and some instructions from the "top". Asked whether they tried to negotiate for their targets, a female participant replied:

*How can you negotiate? We are in a structure, and we need to follow/address the items required by the bureau.<sup>21</sup>*

Another participant seconded it by saying, that:

*We need to check the mood of our supervisor before attempting to negotiate. If she/he is not in the mood, then it is not the right time<sup>22</sup>.*

Sometimes, they even get *other tasks* from the executive, which are not part of the performance contract but are certainly not meant to be ignored. Most of the times, these *other tasks* require more time and effort to accomplish than the core tasks, which in the end, hinder them from finishing the original targets in their respective performance targets. These tasks must be discussed well with the employees and they should be given the chance to at least negotiate with their remaining targets. For example, during the performance checkpoint and monitoring, supervisors and supervisees convene to check on their status, to account for their accomplishments, and to adjust, if necessary, their targets. Most of the participants griped about the *other tasks* deterring them to finish their core tasks while hoping that they could negotiate their remaining targets during their performance checkpoint. Most of them were only disappointed. As one participant put it:

*The Human Resource Department (HR) allows it; they set deadlines and [provide] templates; however, in our bureau, it's not accepted. The director is not allowing us to do the adjustments<sup>23</sup>*

The next two forms of communication, which is essential in relational contracting, are ongoing dialogue and feedback. These two should not be confined in a specific phase, which means that these can be done any time. As mentioned earlier, dialogue and feedback clarify and strengthen the psychological contract between supervisor and supervisees which enable them to have a good working relationship. These also ensure that the performance management technique will have more buy-in from both sides – supervisor and supervisee (Lidbury 1999: 10). Furthermore, dialogue and feedback promote learning and help reinforce successful behaviour (Armstrong 2009: 40). The importance of providing feedback was deemed necessary by the participants. For them, it is important especially to become aware of their strengths and weaknesses. Further, feedback and dialogue help employees make sense of their performance ratings. Otherwise, it will only seem that managers just pick the scores from thin air. Instead of guiding them in their work, employees just resort to the idea that this whole exercise is just an added baggage to them:

*I have no idea how it becomes helpful. We just do it for compliance. We don't negotiate. And even if we achieve our targets or not, we don't receive feedback about it<sup>24</sup>.*

Generally, the reason for not giving feedback is due to lack of time, which is why there is a comment/recommendation section in the performance

evaluation so that managers can provide written feedback. But still, for most of the time, this section remains blank. At best, some managers just convene the whole office to provide one-time feedback instead of discussing performance ratings individually.

Bypassing these processes actually exacerbated the unequal power relations between the top officials and employees. One participant best put it when she said that:

*Sometimes, even if the task is in the performance contract, when the top management gave an instruction to hold it, the supervisor will not look into your work. In the end, it will look like you did not do anything. You work hard but the management still don't care<sup>25</sup>.*

It is already given that power is unequal especially in a hierarchical organization like the government. Be that as it may, feedback and dialogue try to minimize it by allowing both parties to discuss among themselves what went wrong; how this should be prevented from happening in the future; and what should be the courses of action for the succeeding performance ratings. This can result to a smooth flowing relationship between the managed and the manager so that they can work better in the future.

## 5.2 Insufficient Incentives

As in most contracting practices, the final stage is that of handing over the payments for delivering the agreed services. In performance contracting, this can be the performance rewarding. Different practices of performance contracting in various countries always include the provision of rewards or incentives for accomplishing mutually agreed goals. For the reason that based on principal-agent model, incentives ensure that agents' acts will not be against its principal. In fact, designing a functional incentive scheme is one of the challenges of performance contracting. Surprisingly, this is not part of the performance management cycle of the DSWD. The absence of this stage can imply either or both of two things: (a) it is not done regularly; and/or (b) it is not considered relevant in performance management.

The second one can be ruled out by the fact that supervisors and supervisees expressed the importance of such undertaking during the FGD sessions. This is true especially that being in a government agency means that employees receive very modest remuneration. Thus, the first reason can be considered valid. That is, the absence of performance rewarding in the performance management is due to the issue of availability<sup>26</sup>. In fact, there are three types of bonuses<sup>27</sup> being granted to government employees in the Philippines – performance enhancement incentive (PEI), cash gift (fixed amount), and the mid and year-end bonus (or the 13<sup>th</sup> month pay). However, these bonuses are not performance-related because they are granted uniformly across-the-board, regardless of the performance. As Larbi (2001: 313) puts it, bonuses tend to become reward for effort instead of performance improvement. In the case of the DSWD, even these bonuses are being hold or reduced because of occasional budget constraints<sup>28</sup>.

The challenge to link performance to pay can be attributed to the rigid budget system of the Philippines. Even the release of the PEI is subject to executive issuance, which stipulates the maximum amount of bonus that can be

granted to employees. Further, all these bonuses are subject to accounting rules and regulations, which makes it even more difficult to be released.

Nonetheless, in 2012, the present administration introduced the performance-based bonus (PBB), which aims to reward exemplary public service. An inter-agency task force was created to facilitate the harmonization of the national government performance monitoring, information, and reporting systems. As of this writing, there were already government employees granted with their PBBs. Be that as it may, the incentive system was still far from perfect as there were still questions for its objectivity, especially that rewards depend on performance ratings, which are given by subjective supervisors<sup>29</sup>. As argued by Armstrong (2009: 253), relating performance to pay is a complicated task, because this can be in conflict with the purpose of performance management when not administered properly. Some employees may be preoccupied with their ratings while concern for development and learning vanishes to make way for the money that is forthcoming. To think that with previous reward system, employees only viewed performance contract as a proof to be entitled with the bonuses, how much more now that there is really a considerable amount of money *on top* of their usual bonuses, which they can take home.

Apart from the monetary reward, there are also non-pecuniary incentives for DSWD employees to perform well, such as the *qualification for promotion* and the annual program on awards and incentives for service excellence (PRAISE). However, according to FGD responses, they do not consider promotion as an incentive because being an outstanding performer does not and cannot guarantee advancement in the rank. Contrary to other practice, advancement in the Philippine civil service is based on two grounds – “next-in-rank” and “seniority” (Polidano 1999: 12, Vallance 1999: 87). The person who ranks directly below the vacant position will have the advantage of getting the post, provided that the same person is *qualified* based on performance rating. In the case of the DSWD, to be able to *apply* for promotion, performance rating should be at least very satisfactory. Once next-in-rank employees have been identified, the next consideration is on the number of years in the service or seniority. After that, there is still the discretion of the management on who is to finally promote<sup>30</sup>. Hence, being the top performer will not always guarantee a promotion, especially if the employee is found in the lowest or middle ranks.

Meanwhile, the PRAISE is given yearly during the anniversary of the Department where awardees receive plaques. Aside from bonuses, promotion, and PRAISE; employees get “pat on the shoulders” for a job well done<sup>31</sup>. Needless to say, these small acts of recognitions are also considered important in boosting the morale of the employees. But in the case of the DSWD, appreciation from some (not all) supervisors seems very hard to come by<sup>32</sup>.

### 5.3 Low Level of Trust

Performance contracting or ‘relational contracting’ is an exercise which requires a framework for trust and openness between the supervisor and supervisees. It should be remembered that the reason for performance contracting, and for other NPM-style reforms for that matter, is for managers to start ‘steering’ and to minimize ‘rowing’; which means that a considerable amount of autonomy shall be given to employees, but still making them accountable

for their results. This also supports innovation and learning, because employees are provided with the opportunity to think of strategy on how they can accomplish their tasks in the most efficient manner. Thus, it results to more of a partnership culture in the organizations. Going back to our first discussion on processes, employees are not viewed as instruments to further the aims of the managers; rather they are considered partners to achieve mutually agreed results. In the Australian case (Worthington 1999); it was found out that this is actually one of the reasons why relational contracting is superior to the legal-type of contract. Because in relational contracting, there is no winner-loser divide, it is either both of them win or they both lose. Hence, both parties have the incentive to work together closely for they will share the benefits of achieving their mutually agreed targets. In contrast, parties in legal contracting always find fault in each other in order to win the arbitration. Not to mention, they spend considerable amount of resources just to win their case.

The level of trust can be observed in the manner the performance contract are being operationalized. For example, according to Lidbury (1999: 28), greater specifications in the targets could mean that there is a general deterioration of trust between managers and subordinates. The sample performance contract of the DSWD showed not many details in the agreement. However, the way in which this performance contract is being accounted by the supervisors can be an indication of low level of trust. For instance, the DSWD guideline specified that *“only claimed result verified and/or with document as evidence of performance will be measured and rated”* (DSWD 2005: 13). As a result, during performance checkpoint and monitoring, employees meet with their supervisor with all the supporting documents for their accomplished tasks, which range from receipts, attendance sheets, drafts of memorandum to office reports. Based on my experience, all these activities support the aim to make the employees accountable with their outputs. In a hierarchical organization, like the government, it is very hard to pin point who is going to be responsible for doing what. Hence, we develop the routine of keeping ‘paper trails’ so that we can back-up all our outputs. The problem, however, is that due to too much accounting of activities, the focus is now being drawn away from the bigger picture, which is the result, and more on the nitty-gritty of accomplishing a task. I said that this is an indication of low trust, because following the logic of Lidbury, focusing too much on the details could mean that the manager has reservations on the outputs of the employees. Their reservation maybe an indication of their distant working relationship with their subordinates; otherwise, there is no need for employees to cull out documents from their files just to support their accomplishment. This situation can be prevented only if supervisors trust their subordinates. They can and will only trust their subordinate if they know how they work. They will only be familiar with their subordinates’ work if they work closely with them. Working closely with employees may entail developing a habit of ongoing dialogue, which again, strengthens and clarifies the psychological contract between the manager and the managed. According to one of the participants:

*Even if we are just officers, there should be a certain relationship with our supervisors where they believe in us, trust us, and respect us. This [relationship] will also allow us to negotiate with them<sup>33</sup>.*

This cumbersome exercise of accounting every output overshadows the aim of performance contracting to promote autonomy and innovation, and to

some extent, becoming results-oriented. Put into words by one of the participants:

*We cannot see the vision because we are already lost in the process of performance contracting which is activity-based. We are stuck in a circuitous process*<sup>34</sup>.

This low level of trust is actually being felt by the employees; one of the participants shared:

*When we are asked to make a performance contract, it felt like they doubt us. Instead of being motivated, we are actually de-motivated by it. Sometimes, it even causes resentment towards the managers.*<sup>35</sup>

This kind of response to performance contracting can also be explained by the nature of the work where it is applied. It should be remembered that the case agency is a social services department, where majority of the employees are social workers by profession, which means that they studied social work and passed the licensure exam for the same. Social workers are known for having the soft spot for marginalized people; hence, they always want to be of help.

*Being in a helping profession, our commitment is always high. We always want to help people. We want to spend the taxpayers' money in a good way. Those factors keep us motivated*<sup>36</sup>.

This proves the argument made by Sober and Wilson (in Talbot 2010: 7) that individuals have altruistic behaviour, which motivates them to perform, not just the usual monetary reward that the rational utility maximizer assumption claims. A female participant further commented:

*As mature individuals, we perform our tasks with or without the performance contract. The mere fact that we are social workers, it is innate for us to be committed with what we do*<sup>37</sup>.

Thus, it is found to be ironic for employees that they have to undergo such burdensome processes of accounting of outputs when in fact being in the social work profession; they are confident in themselves that they can work with minimal supervision towards helping their clients.

## **5.4 Informality in the Public Sector**

This final problem – high informality in the Philippine public sector – can actually be the *raison d'être* of the issues that were previously discussed. Informality was simply defined as the divergence from formal rules and regulations (Mimba et al. 2007: 197). It is the lack of compliance culture and the use of informal behaviour to undermine formal rules (Schick 1998: 320). In layman's term it is the habit of getting around with the rules to get things done easier and faster. In our case, this is the difference between the rhetoric of performance management which is found in the DSWD guideline and the reality on the ground.

### ***Getting Around the Process***

An example of this informality can be observed in the lack or absence of negotiation and feedback in performance contracting. Despite the fact, that the guideline suggests that performance targets be negotiated between the su-

supervisors and supervisees, most of the FGD participants revealed that this is not the actual practice. Moreover, even if both supervisors and supervisees agreed that feedback is essential in their professional development, still this is not happening regularly.

The main culprit for these irregularities is the lack of time. However, it should be noted that this is provided in the guideline and there is actually a leeway for both supervisors and supervisees to craft and submit approved performance contracts. Further, if this is in the guideline, then the concerned office on performance management (HRDB) must have been studied the proper timing of the activities in performance contracting so they can implement it properly in the agency. If this is not happening, then it is either the HR is wrong or the supervisors just opted to bypass this exercise. Scrutinizing the work of others and not doing their part in the contracting exercise is deemed unfair. More importantly, sidestepping these activities can and will undermine the essence of performance contracting, which is to build a framework of trust so the managed can be left to work with minimal supervision and to expand ongoing dialogue to promote learning in both ways.

It is also worth noting that going around with the necessary steps in performance contracting actually increases the transaction cost of using the tool. For example, lack of negotiation and feedback will result to additional time needed to account for all the outputs, which can actually be used to monitor other employees. If the supervisors and supervisees already developed the habit of discussing their targets regularly, then the checkpoint and monitoring may not take a while.

Inefficiency also breeds from informality. In one of the anecdotes of the FGD participant, the failure of her supervisor to account for her output in the checkpoint and monitoring, due to busy schedule, actually resulted to her receiving a low performance rating. Furthermore, the participant also exposed that supervisors sometimes wait for the deadline before they check on the outputs of their staff, albeit having submitted the same ahead of time. In effect, technical staffs incurred backlogs in their tasks because their supervisors are not 'synchronized' with their activities<sup>38</sup>. This goes to show that despite the attempt to abandon the bureaucratic control by introducing managerialist tool; still the actual practice shows the otherwise.

### ***Other Tasks***

One of the important aspects that came out from the FGDs is the tradition of giving *other tasks* or *orders* from top management despite having the performance contract. In my opinion, the problem is not about the *act* of giving *other tasks*, but the fact that these tasks are not properly accounted for. For instance<sup>39</sup>, one of the main tasks in the DSWD-OPG is to provide technical assistance to their clients. However, there are circumstances that while they are doing this task, some urgent matters will be instructed from the *top*, which they should act upon. The result is that, they spent more time accomplishing the *other task* assigned to them, to the point that their main task has been delayed. Then, during their checkpoint and monitoring, some of the supervisors will not allow employees to adjust their targets even if the latter have justifiable reasons to do so.

*Other tasks* may also be an indication of poor planning in the organization. Because if objectives are identified well and are properly translated into performance targets and indicators, then there will be a reduced occasion of giving *extra orders*. Again, this is not to imply that I am against these tasks, the point is that if only the strategic planning of the organization has been carried out properly, then having to identify other tasks while in the middle of performing other functions may have been lessened. Poor plans then become an effect of informality as well.

*Other tasks* can also be rooted from politics within an organization, which indicates that politics is inseparable from management. As cited earlier, some of the outputs of the technical staff are not being considered by their supervisors because of *some* instruction from top officials. Too much politics then causes informalities because supervisors tend to circumvent what is supposed to be done to make room for the agenda of top officials. This can be resolved if supervisors communicate well with their staff so that both parties become aware of the rationale of the urgent tasks and the consequences of derailing the assigned tasks. However, as the FGD responses showed, their outputs are being piled up in their supervisors' table, while they get low ratings during performance assessment.

The occurrence of *other tasks* in the DSWD only suggests the uncertainty in the public sector. As such, performance contracts should be accompanied with an effective risk management framework, which provides for the accountability relations in achieving certain task (Lidbury 1999: 21). In that regard, both supervisors and supervisees will be responsible for accomplishing the *other task* and for the delay of the task in the performance contract. However, in practice, technical staff bears this burden more than the supervisor. Again, this can be the consequence of poor communication and low level of trust within the organization.

The divergence from formal rules can be a sign of low commitment to or buy-in of the performance management tool. According to Lidbury (1999: 36), aside from time and investments, perhaps the most important factors in performance contracting are goodwill and cooperation on all sides of the contracting relationship. Otherwise, both will try to go around formal steps in order to get it done easily. The problem, as I have mentioned previously, is that it undermines the essence of using performance contract and this whole exercise becomes nothing but another form of bureaucratic control.

This compliance to the process of performance contracting may have been improved had there been closed monitoring of the processes in the agency. In practice, the involvement of the performance management team is more on issuance of guidelines, checking of rating computation, and compilation of performance information among other things<sup>40</sup>. The FGD participants shared the same sentiments when they expressed that performance contracting could actually be a good tool if implemented properly. But then, the question is more on who is going to oversee the overall process; and if the HR has to do it, will they be able to reprimand the parties for not following the process, especially the managers themselves?



## Chapter 6

### Conclusion and Reflections

This study explores the potential of using performance contracting to manage the performance of civil servants in the Philippine public sector. It investigated how it has worked in practice using one of the offices in the social services department in the Philippines. Owing to the dearth of studies on performance contracting from the end of the 'managed', especially in the Philippines, this research highly considered the perceptions and views of the employees under performance contracts. With reference to managerialism beliefs and performance contracting literature, I analyzed the actual application of performance contracting in the case agency.

It was established in Chapter 2 how managerialism, particularly performance contracting can be an appropriate tool in managing the public sector. Similar to the global problem of inefficiencies of public official, the Philippine government likewise faced recurring challenges of a demoralized civil service. By specifying responsibilities, performance contracting was considered to be fitting to professionalize the bureaucracy by making it more accountable to results.

Be that as it may, this technique has been regarded as both a term of abuse and a romantic creed. For the former, it means that performance contracting becomes the way managers exercised their powers to achieve the organization's goals, even at the expense of the managed. In contrast, others viewed performance contracting as the solution to inefficiencies in the public sector by cultivating a performance-based culture in the bureaucracy through partnership between the supervisors and supervisees. In this study, performance contracting is treated to be on the 'romantic' side.

Meanwhile, as a technique embodying the managerialism beliefs, performance contracting likewise aims to move towards a system espousing innovation and support. As such, managers are expected to refrain from 'rowing' but instead start guiding their staffs on the right direction. In this way, employees learn and develop while moving towards the achievement of the organization's goal.

In the DSWD, the actual practice of performance contracting brought about three major benefits, all of which are considered to exemplify the first managerialism belief, that is – *all work processes can be broken down into their constituent parts so that the processes can be thoroughly understood and controlled* (Ingersoll and Adams 1986: 366). As discussed in Chapter 4, performance contracting enabled managers to specify the roles and responsibilities of their subordinates. In the case of the managed, they were able to track their accomplishments using their respective performance contracts. This resulted to more accountability as the supervisors had the basis to demand outputs from their subordinates through the written contract. Finally, the use of performance contract facilitates the measurement of performance for monitoring and evaluation.

Nevertheless, the challenges that surfaced from the DSWD showed that in practice, performance contracting still maintains the characteristic of bureaucratic control. This is being justified by the four challenges discussed in Chap-

ter 5. First, the absence or irregularities of negotiation, feedback, and dialogue in the agency, inhibits the view that performance contracting is an activity 'done with the employees'. This absence also provokes the notion that the whole performance contracting exercise is nothing more than a paper work; hence, producing a low buy-in from the managed. This low acceptance may hinder their appreciation of the tool to help them learn and improve. Further, it renders the usefulness of performance contracting to be doubtful.

The second challenge is that of incentive. Given the rigid budget system of the Philippines, linking performance to pay is still considered to be an issue thus far. Despite the fact that there is a recent initiative to reward exemplary services using the PBB, there is still reservation with regard to its objectivity especially that rewards depend on performance ratings. With reference to FGD responses, some supervisors are known for their biases when evaluating subordinates. This actually triggers conflict instead of partnership and trust. Further, as argued by Armstrong (2009: 253), monetary rewards may divert the focus of employees from learning and improvement to just getting the bonus. In the end, performance contracting becomes no more than a proof to get the reward.

Third, the observed low level of trust between the managed and the managers also obstructs the development of a partnership culture in the organization. It should be remembered that managerialism promotes innovation and support, which means that employees should be given a considerable amount of freedom to act on their own. Nevertheless, responses from employees, as well as the actual processes of performance checkpoint and monitoring, illustrate the otherwise. Again, the traditional bureaucratic control still prevails with the way supervisors account for the outputs of their subordinates.

The fourth challenge, which I argued to be the *raison d'être* of the above mentioned issues, is the informality in the public sector. Put simply, informality is understood as the difference between the rhetoric of the performance management guideline and the actual practice on the ground. It is the habit of bypassing processes to get things done easier and faster. Contrary to managerialism belief of 'valuing the process', informality undermines the significance of the means to get to the end easily. The effect is of course, less appreciation of the mechanism from both managers and the managed, which will further overshadow its usefulness as a management tool.

As part of my reflections, I found no straightforward solution to this informality, except goodwill and commitment from both sides of the contracting parties to follow the 'rules of the game'. As this tool emphasizes partnership to be its strength, supervisors and supervisees should develop this kind of relationship to make the exercise worthwhile. However, this culture cannot be imbibed overnight. Hence, it should be initiated step by step.

First, negotiation, dialogue, and feedback must be done regularly within the Department. Regular communication cultivates trust between the managers and the managed. In addition, this allows managers to grant a considerable amount of autonomy to subordinates, which further upholds innovation.

Second, communication and trust makes accounting of outputs less tedious for both parties. In effect, instead of asking for documents to claim their outputs, more time can be allotted to coaching and mentoring sessions. Again,

this fosters personal learning and development for both managers and managed.

With regard to the incentive problem, PBB scheme addresses the issue. What I deemed as a challenge, however, is not the incentive itself but the mindset of the civil servants towards the incentives. As argued by Armstrong (2009: 38), employees should see the link between rewards and efforts for them to appreciate the pay that they get. In reality, however, the worth of the effort is being overshadowed by the worth of the reward. Hence, it creates an impression that performance contracting is only used as a proof to get bonuses more than to link the efforts of individuals to the overall goals of the organization.

Finally, I have deduced that there should be a government agency independent of the department implementing the performance contracting scheme that should oversee the processes. Otherwise, agencies will just apply this in ways most convenient to them. Further, the public should also be involved by making the performance contracts accessible. Hence, I considered this research, albeit exploratory in general, to be relevant in the public sector. For one, I have highlighted some of the benefits of this technique, which can prove the usefulness of this managerialism tool. And second, I have identified the challenges based on the actual experience of the agency, which should be considered as lessons to be learned and not as mistakes to be ashamed of.

Performance contracting can then become an effective management tool if the identified challenges will be addressed. But first, managerialism should be applied to establish a culture of trust and partnership within the organization. In effect, managers should abandon the traditional bureaucratic control and shift to the managerialist's innovation and support system. If not, performance contracting will continue to become no more than old wine in new bottle.

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## Notes

<sup>1</sup> For this research, the terms performance management and performance contracting is used interchangeably. This is because, as I will argue later in the paper, performance contracting is treated here as the whole performance management cycle of the Department.

<sup>2</sup> For more detailed discussion on the Framework of Performance Contracting in the Public Sector, see Petric 2002.

<sup>3</sup> One Division Chief and one Director from DSWD-OPG; and one Director from DSWD-OSM

<sup>4</sup> I opted to start in the 1970s and 1980s because these are the periods of economic and financial crises, which actually influenced governments to abandon the highly intrusive state and move to a more market-inspired public sector management.

<sup>5</sup> For a comprehensive discussion, see Rupert Hodder's *Towards a Model of Philippine Bureaucracy* (2010).

<sup>6</sup> See David Osborne's *Reinventing Government* (1993)

<sup>7</sup> <http://www.dswd.gov.ph>

<sup>8</sup> <http://www.dswd.gov.ph/about-us/organization-and-functions/>

<sup>9</sup> For detailed list of individual functions, please refer to this page: <http://www.dswd.gov.ph/about-us/organization-and-functions/>

<sup>10</sup> The performance management system of the DSWD previously covered all levels of employees, that is, from clerical positions up to the top level officials in the Career Executive Service. However, in 2011, the Department issued a memorandum circular for the establishment of a separate performance evaluation system for third level officials, in compliance with the Resolution No. 661 (dated January 2007) of the CSC. This research focused only on the performance management system of the first and second level employees.

<sup>11</sup> Of course, this still depends on the position of the individual. Nevertheless, on average, performance contracts are not considered lengthy.

<sup>12</sup> This part borrowed heavily from the PMS guideline of the DSWD.

<sup>13</sup> Director Honorita B. Bayudan, Poverty Reduction Programs Bureau

<sup>14</sup> FGD response, DSWD Central Office, 16 August 2013

<sup>15</sup> Director Gerelyn J. Balneg, Office of Strategy Management, DSWD

<sup>16</sup> Director Gerelyn J. Balneg, Office of Strategy Management, DSWD

<sup>17</sup> Mr. Nel Sherwin Carnetes, Civil Service Commission, 13 August 2013

<sup>18</sup> FGD response; DSWD Central Office, 16 August 2013

<sup>19</sup> Director Gerelyn J. Balneg, Office of Strategy Management, DSWD

<sup>20</sup> FGD response; DSWD Central Office, 16 August 2013

<sup>21</sup> FGD response; DSWD Central Office, 16 August 2013

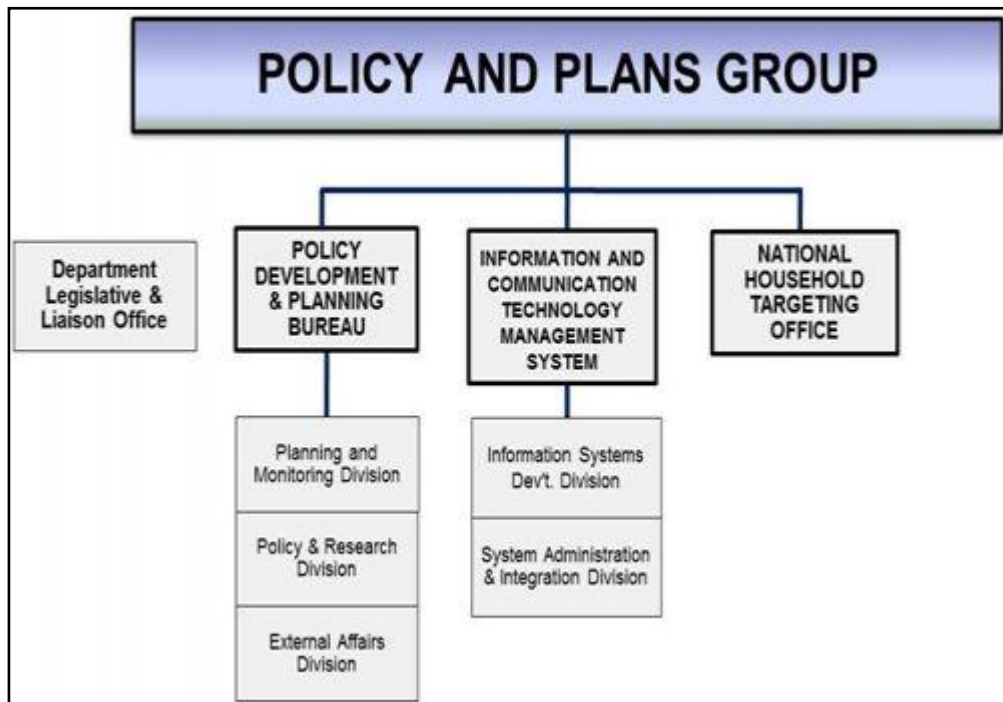
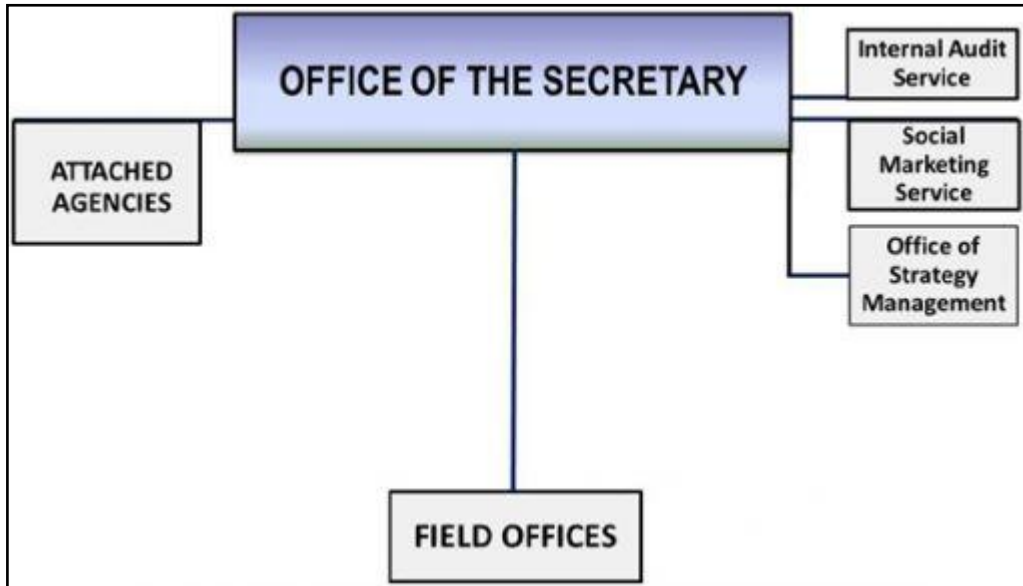
<sup>22</sup> FGD response; DSWD Central Office, 16 August 2013

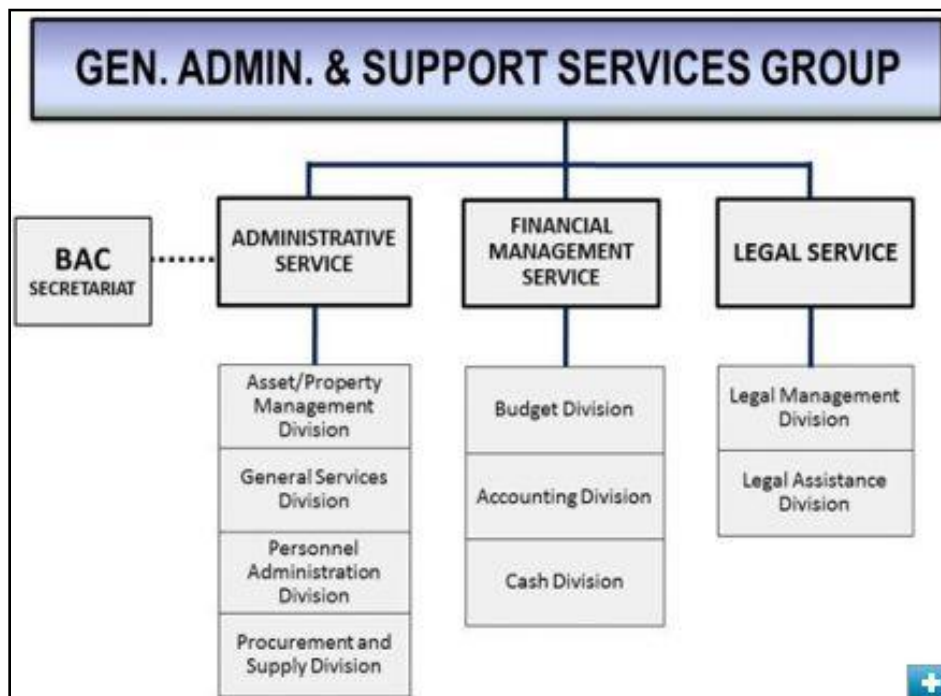
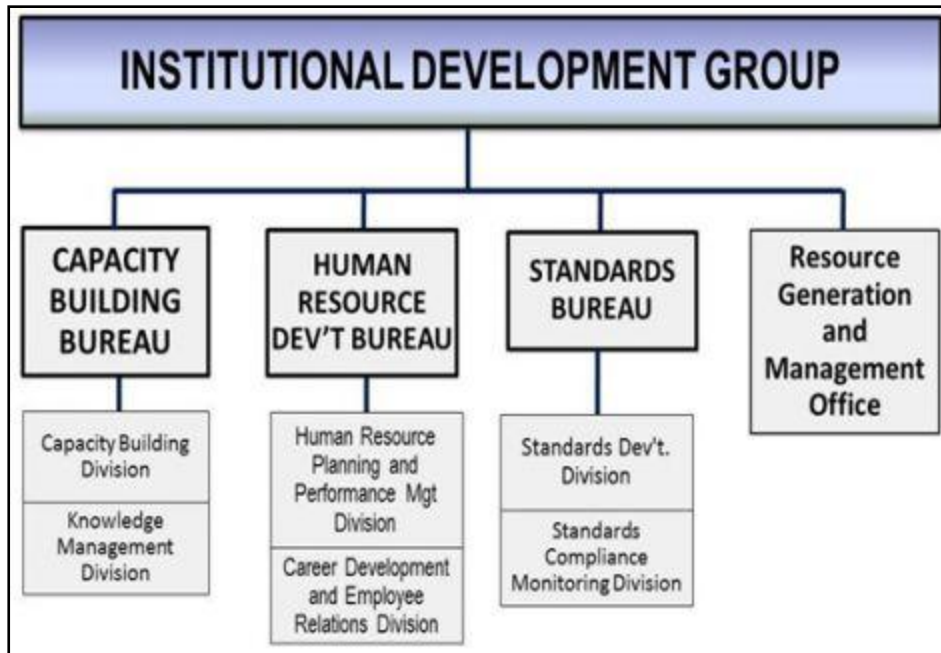
<sup>23</sup> FGD response; DSWD Central Office, 16 August 2013

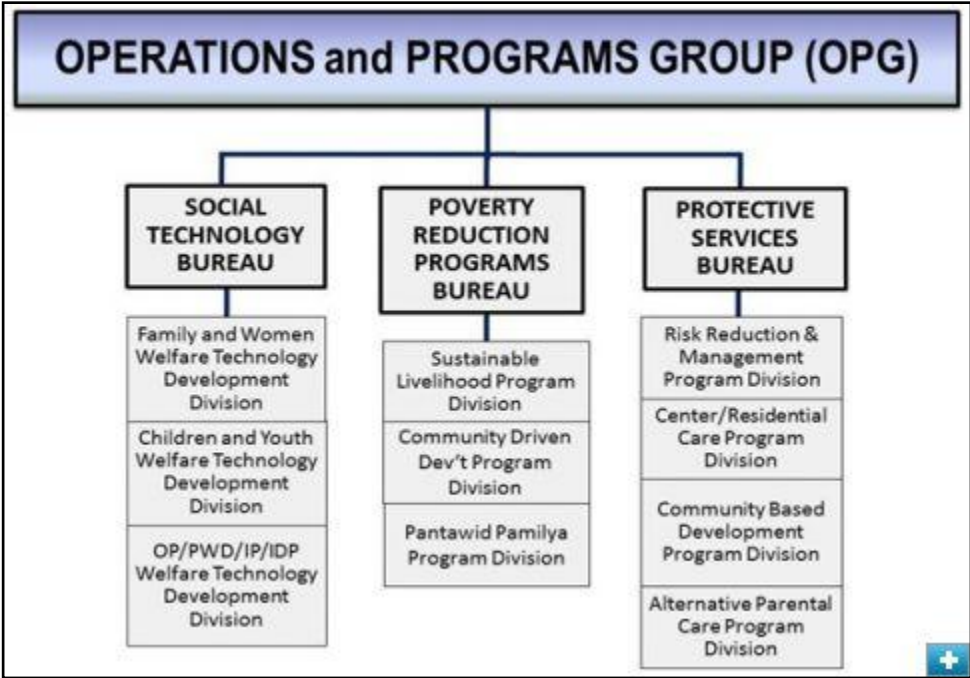
<sup>24</sup> FGD response; DSWD Central Office, 16 August 2013

- <sup>25</sup> FGD response; DSWD Central Office, 16 August 2013
- <sup>26</sup> FGD response; DSWD Central Office; 16 August 2013
- <sup>27</sup> Frequently Asked Questions on Performance-based Bonus (PBB) at <http://www.gov.ph/pbb/>
- <sup>28</sup> FGD response; DSWD Central Office, 16 August 2013
- <sup>29</sup> FGD response; DSWD Central Office, 16 August 2013
- <sup>30</sup> FGD response; DSWD Central Office, 16 August 2013
- <sup>31</sup> FGD response; DSWD Central Office, 16 August 2013
- <sup>32</sup> FGD response; DSWD Central Office, 16 August 2013
- <sup>33</sup> FGD response; DSWD Central Office, 16 August 2013
- <sup>34</sup> FGD response; DSWD Central Office, 16 August 2013
- <sup>35</sup> FGD response; DSWD Central Office, 16 August 2013
- <sup>36</sup> FGD response; DSWD Central Office, 16 August 2013
- <sup>37</sup> FGD response; DSWD Central Office, 16 August 2013
- <sup>38</sup> FGD response; DSWD Central Office; 16 August 2013
- <sup>39</sup> Anecdote from the FGD; DSWD Central Office; 16 August 2013
- <sup>40</sup> Based on the interview with Ms. Yumi Baluyut; DSWD-HRDB; 7 August 2013

**Annex I**  
**Organizational Structure in the DSWD**







**Annex II**  
**Sample Performance Contract for Rank-and-File Employee in the DSWD**

**PERFORMANCE CONTRACT FOR RANK AND FILE EMPLOYEES**  
**January to June 2005**

Employee:  
Position

Office:  
Division/Section:

Actual Duties and Responsibilities	Key Result Area/ Key Result	Weight	Performance Indicators/Measure		
			Quantity	Quality	Time Frame
(Total)		100%			

I agree to achieve these targets for the rating period \_\_\_\_\_ to \_\_\_\_\_, 20\_\_ targets for the said rating period. I agree to assist the employee achieve his/her targets for the said rating period.

Approved by:

\_\_\_\_\_  
Employee/Ratee

Date

\_\_\_\_\_  
Supervisor/Rater

Date

\_\_\_\_\_  
Head of Office

Date

**Annex III**  
**Sample Performance Appraisal Matrix of the DSWD**

PERFORMANCE APPRAISAL MATRIX FOR ASSISTANT DIRECTORS AND DIVISION CHIEFS  
 (Name of Office/Bureau/Service)  
 January to June 2005

KEY RESULT AREA/KEY RESULT	WEIGHT	Quantity			Quality			Time			Average
		Target	Actual	Rating	Target	Actual	Rating	Target	Actual	Rating	Point Score

Employee/Ratee \_\_\_\_\_ Date \_\_\_\_\_

Supervisor/Rater \_\_\_\_\_ Date \_\_\_\_\_



**Annex IV**  
**Job-related Behavior Appraisal Form in the DSWD**

Job Related Behavior Appraisal Form for Multi-Source Respondents						
Name of Ratee: _____			Name of Appraiser _____			
Position/Unit: _____			Category: Supervisor/Peer/Customer/Client/ Subordinate/Ratee (please encircle)			
			Date of Appraisal: _____			
<p><b>Instruction:</b> On a scale of 5 to 1 where 5 represents the highest and 1 is the lowest, encircle the appropriate number that best describe the ratee's competencies: (5) – demonstrates competency all the time (4) – most of the time (3) – not all the time (2) – seldom (1) – never.</p>						
<p><b>A. Intellectual/Functional Competences</b> (Demonstrates the mental and physical requirements for performing the job and is able to comply required training and experience to job performance.)</p>						
1. Demonstrates required knowledge and skills.	5	4	3	2	1	Can not say/ don't know
2. Show readiness to try new ways and to meet new requirements.	5	4	3	2	1	Can not say/ don't know
3. Performs and completes tasks with accuracy and within prescribed allotted time.	5	4	3	2	1	Can not say/ don't know
4. Utilizes resources, establishes priorities and organizes work to meet required deadline.	5	4	3	2	1	Can not say/ don't know
5. Recognizes and takes initiative in finding alternate paths or solutions to problems within scope of job responsibilities.	5	4	3	2	1	Can not say/ don't know
6. Deals with ambiguity and adapts to risky circumstances.	5	4	3	2	1	Can not say/ don't know
7. Listens to and understands explanations, directions and expressions of need, whether from customers, supervisor or co-workers.	5	4	3	2	1	Can not say/ don't know
<p><b>B. Personal Competences</b> (Ability to demonstrate personal discipline; composure in the midst of adversity at work; adheres to the standards of ethics in the service.)</p>						
1. Follow rules, expectations, norms set by the organization or office.	5	4	3	2	1	Can not say/ don't know
2. Takes personal responsibility for actions and avoids excuses.	5	4	3	2	1	Can not say/ don't know
3. Displays a "work ethic", that adheres to the ethical guidelines set by the government (RA 3019, RA 6713) or the code of conduct of government employees.	5	4	3	2	1	Can not say/ don't know
4. Shows commitment to the organization's reputation and is concerned with how one's own action affect it.	5	4	3	2	1	Can not say/ don't know
5. Displays a sense of pride in work.	5	4	3	2	1	Can not say/ don't know
6. Consults others when making ethical decisions or when faced with ethical dilemmas.	5	4	3	2	1	Can not say/ don't know



7. Walk-the-Talk – does what is said.	5	4	3	2	1	Can not say/ don't know
8. Seeks to learn more about the job and the organization.	5	4	3	2	1	Can not say/ don't know
9. Clearly expresses need, explanations and directions to others.	5	4	3	2	1	Can not say/ don't know
<b>C. Relationship Competences (Ability to interact effectively with colleagues, superiors, peers, subordinates and customer.)</b>						
1. Shows respect towards to those for whom service is being provided.	5	4	3	2	1	Can not say/ don't know
2. Keep co-workers informed of changes in process/procedures in the organization/unit that could impact their job.	5	4	3	2	1	Can not say/ don't know
3. Constructively responds to suggestions and feedback received from others.	5	4	3	2	1	Can not say/ don't know
4. Motivates people to work jointly toward common goals.	5	4	3	2	1	Can not say/ don't know
5. Supports group decisions and act in solidarity.	5	4	3	2	1	Can not say/ don't know
6. Creates a climate of trust, commitment, respect and empowerment.	5	4	3	2	1	Can not say/ don't know
7. Demonstrates sensitivity to the interest, opinions and feelings of others.	5	4	3	2	1	Can not say/ don't know

OTHER COMMENTS / AREAS FOR IMPROVEMENT

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\_\_\_\_\_  
Name and Signature of Rater

\_\_\_\_\_  
Date

Note:

This tool should be treated and kept confidential by rater/supervisor/peers who are assessing the staff. The rating by the peers shall be forwarded to the supervisor of the staff being rated.