DEBATES ON ADMINISTRATIVE REFORM IN INDIA

PERFORMANCE MANAGEMENT

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The **State Capacity Initiative** at the Centre for Policy Research is an interdisciplinary research and practice programme focused on addressing the challenges of the 21st-century Indian state. The purpose of this initiative is to place the critical challenges of building state capacity at the heart of the field of policy research in India, where it has always belonged but remains surprisingly marginalised. We therefore start with first principles and ground ourselves in existing realities to deepen and expand the understanding of the challenges and possibilities of building state capacity in a democratic and federal India. Our programme of work focuses on the changing roles of the Indian state: institutional design, implementation and administrative capacity; the challenges of regulatory and fiscal capacity; and the complex and changing relations between society, politics and state capacity in India.

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DEBATES ON ADMINISTRATIVE REFORM IN INDIA:
PERFORMANCE MANAGEMENT

1. INTRODUCTION

In the early nineteenth century, a civil servant employed by the English East India Company had a considerable amount of autonomy. On the one hand, their actions could be questioned at the following levels: regional, provincial, at the Presidency, in London at the Court of Directors, the Board of Control and ultimately at parliament. However, as historians have noted, "given the difficulties of communication and the sheer bulk of information and correspondence which had to pass between India and London, it often took two or three years for matters originating in a district to be commented on in London" (Cohn, 1987, p. 512). In such a scenario, monitoring and measuring the performance of civil servants was particularly challenging. Accounts of civil servants have not yet been analysed to understand on what basis they were picked for promotion by their superiors or the Governor General. This changed post-independence, when clear processes were put in place for measuring performance, and performance appraisals were at the core of this shift.

Measuring, reporting, and rewarding performance appropriately are critical for motivating and developing people's capabilities across organisations and professions. In the public sector, for example, a recent survey of 23,000 civil servants in Africa, Asia, Eastern Europe and Latin America finds that "civil servants are more satisfied, committed and, at times, motivated to serve the public, work hard and perform, where they perceive that performance shapes their pay, promotion and job stability prospects" (Sahling et al., 2018, p. 36).

However, measuring and rewarding performance in the public sector can be challenging because government employment often lacks the classic drivers and incentives that foster performance in other organisations. Employees in government and public sector organisations function in the absence of clear profit motives or market competition, which other organisations use to measure and reward performance (Moriarty & Kennedy, 2002). Government employees also have to contend with multiple 'principals', such as politicians, bureaucrats and the citizen population, each of whom have differing objectives. Measuring performance and linking it to multiple outcomes in such contexts can be complex (Pollitt, 1986). Finally, most civil service contracts have strong protections against dismissal, which severely limits the incentive tools available to managers in the private and non-profit sectors (Esteve and Schuster, 2019). The design or assessment of performance appraisal systems in the public sector, therefore, need to consider these boundary conditions seriously.

This working paper examines reforms related to the design of performance appraisals in the Indian Civil Services. Within the Indian government and especially senior administrative roles, performance appraisals have served as the primary tool by which employee performance is assessed and rewarded. This system, established in 1985, was meant to assess and rate officers annually against ex ante targets set at the beginning of the year (Surinder Nath Committee, 2002). By linking performance to career advancement, appraisals sought to motivate and incentivise better performance by government employees. Weaknesses in this appraisal process have, however, severely limited its impact on performance, requiring the government to undertake multiple reforms over the years.

At its core, the debate on performance appraisal hinges on viewing the appraisal system as a process that can help the officer develop and grow—a shift away from a system that simply evaluates officer performance and then selects the best officers. This shift is seen across the globe, in both the private and the public sector.

Organisational leaders are increasingly realising that one-time annual reviews, single-source feedback, appraisals conducted purely for evaluative purposes, and simple quantitative metrics are inadequate for employee growth. The transition towards a more holistic, developmental appraisal process is identified as a shift from 'performance appraisal' to 'performance management'—an idea that underpins the reforms in the Indian higher Civil Services as well.

For the Civil Services, this change is most obvious in three specific reform ideas. The first is the shift from the Annual Confidential Report (ACR) to the Annual Performance Appraisal Report (APAR) system in 2007. The aim of this transition was to solve two problems: to improve the quality of appraisals so they aid in employee development, and to bring in more transparency in the appraisal process. Specific changes such as new rating scales, domain assignment and target setting were recommended to achieve these goals. The second shift is the introduction of the 360-degree review or Multi-Source Feedback (MSF) process, a supplement to the APAR, which aims to broaden the scope of those who evaluate the civil servants. While getting feedback from sources outside the immediate seniors and colleagues of an employee have certain benefits, the 360-degree process has also been criticised for increasing bias and subjectivity in the appraisal process. The third and final reform idea covered in this working paper is Performance Related Pay (PRP), a method to incentivise performance through monetary rewards over and above fixed compensation. A reading of the debates on this topic indicates that PRP faces unique challenges in implementation in the public sector due to the difficulty in measuring outcomes and requires a more fundamental shift in the appraisal process itself before it can be implemented[1].
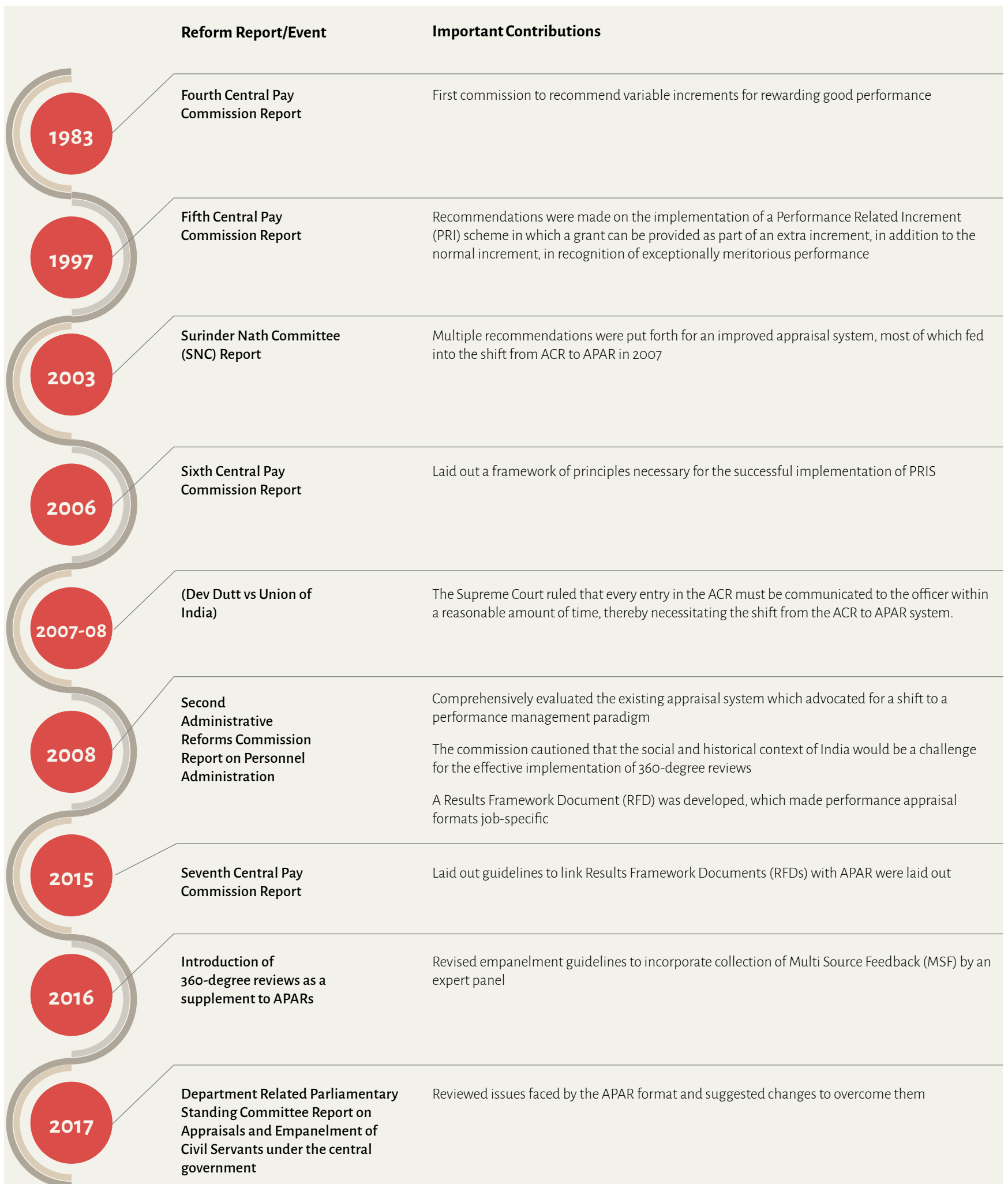
The paper concludes by offering a brief, forward-looking agenda to these critical reform measures by reviewing recent research in the domain of performance appraisal and management.

This working paper includes information from reports by the Second Administrative Reforms Commission (Second ARC), multiple Central Pay Commissions (Sixth and Seventh), the Surinder Nath Committee (2003), a Parliamentary Standing Committee on Appraisals and Empanelment of Civil Servants under the Central Government (2017), circulars issued by the Department of Personnel and Training (DoPT), and news articles relating to reforms in appraisal systems. The 2003 Surinder Nath Commission (SNC) report offers substantive information on these three salient reform measures. We have also included material from earlier reports such as the First Administrative Reforms Commission Report (1969) and the Third, Fourth and Fifth Central Pay Commission reports, wherever relevant or necessary.

In the timeline on page 5 , we present the sequence of events and reports of the last few decades that we consider salient for understanding reforms in performance appraisal. The timeline offers a bird's eye view of reform trajectory when read alongside the detailed information on each individual reform.

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[1] Mission Karmayogi announced in 2020 has ushered in a fourth important reform idea related to performance management, competency-based frameworks. We discuss Mission Karmayogi in detail in the working paper on Debates on Administrative Reform in India: Training and have therefore not included it here to avoid repetition.

Figure 1 A timeline of debates on performance appraisal and management

	Reform Report/Event	Important Contributions
1983	Fourth Central Pay Commission Report	First commission to recommend variable increments for rewarding good performance
1997	Fifth Central Pay Commission Report	Recommendations were made on the implementation of a Performance Related Increment (PRI) scheme in which a grant can be provided as part of an extra increment, in addition to the normal increment, in recognition of exceptionally meritorious performance
2003	Surinder Nath Committee (SNC) Report	Multiple recommendations were put forth for an improved appraisal system, most of which fed into the shift from ACR to APAR in 2007
2006	Sixth Central Pay Commission Report	Laid out a framework of principles necessary for the successful implementation of PRIS
2007-08	(Dev Dutt vs Union of India)	The Supreme Court ruled that every entry in the ACR must be communicated to the officer within a reasonable amount of time, thereby necessitating the shift from the ACR to APAR system.
2008	Second Administrative Reforms Commission Report on Personnel Administration	Comprehensively evaluated the existing appraisal system which advocated for a shift to a performance management paradigm The commission cautioned that the social and historical context of India would be a challenge for the effective implementation of 360-degree reviews A Results Framework Document (RFD) was developed, which made performance appraisal formats job-specific
2015	Seventh Central Pay Commission Report	Laid out guidelines to link Results Framework Documents (RFDs) with APAR were laid out
2016	Introduction of 360-degree reviews as a supplement to APARs	Revised empanelment guidelines to incorporate collection of Multi Source Feedback (MSF) by an expert panel
2017	Department Related Parliamentary Standing Committee Report on Appraisals and Empanelment of Civil Servants under the central government	Reviewed issues faced by the APAR format and suggested changes to overcome them

2. ANNUAL CONFIDENTIAL REPORT TO ANNUAL PERFORMANCE APPRAISAL REPORT[1]

In 2007, the Government of India initiated a reform that marked a major shift in how performance appraisals were envisioned and conducted within the higher Civil Services. Most prominent among these changes was a shift in systems from ACRs to APARs. This systemic change in the performance appraisal process was largely informed by the recommendations of the SNC in 2003. This transition is significant because it changed not only the operational and practical features of the appraisal process, but also defined new normative principles underlying appraisal systems.

IThis section will trace the evolution in thinking of performance appraisal within the government by illustrating the nature of changes involved, the rationale for these changes and the challenges within the new system.

From performance appraisal to performance management

The broadened scope and objective of performance appraisal was among the first new principles introduced in 2007. The ACR system limited its assessment to work output and personal attributes alone (Department of Personnel and Training, 1973). In 2002, the SNC recommended that performance appraisals focus more on the overall development of an officer and not merely on evaluating their suitability for promotions. The committee suggested that the scope of appraisals be broadened to incorporate the following dimensions: training and placement, feedback and counselling, planning of work, promotion, recognition of outstanding work, and strengthening governance (Surinder Nath Committee, 2003). In line with these suggestions, the APAR format incorporated components to gauge areas for skill upgradation through training and to recognise exceptional contributions in service (Department of Personnel and Training, 2007).

Even after the institution of these changes, the APAR system has been criticised for disproportionately focusing on ratings and evaluation instead of planning, analysis, and reviews that could tangibly improve performance (Department of Administrative Reforms & Public Grievances, 2009; Second Administrative Reforms Commission, 2008). Building on the existing discourse surrounding the scope and objectives of appraisals, the Second ARC (2008) and the Standing Committee Report on Appraisals (2017) both argued for a much larger paradigmatic shift—from the current performance appraisal approach to a performance management approach.

The Second ARC defined performance management as "the systematic process by which the organisation involves its employees—as individuals and members of a group—in improving organisational effectiveness in the accomplishment of organisational mission and goals" (2008, p. 229). The Commission's insistence on the need to adopt a Performance Management System (PMS) stemmed from the organisational benefits involved—better achievement of organisational goals by integrating objectives vertically and horizontally, facilitating continuous performance development, and enabling change in organisational culture. Performance management seeks to improve upon performance appraisal by adding a performance development component to the existing evaluation component. The objective of this new development was to diagnose individual and organisational strengths and weaknesses, and then to resolve them through personalised and continuous counselling, motivation, and training (Second Administrative Reforms Commission, 2008). The table below illustrates the differences between the two approaches.

Recent reform literature has rightly identified that moving towards this more holistic and constructive approach to performance can resolve structural problems in the current system. As alluded to by the Second ARC, real change in organisational culture emerges only in an environment where employees feel valued and experience a sense of progress and organisational concern (Second Administrative Reforms Commission, 2008).

A longer view of reform discourse reveals that the tension regarding the scope and objective of appraisals has been highlighted earlier as well. For example, the Fifth Pay Commission Report (1997) stated that the primary aim of the ACR process was to improve the performance of employees, underscoring its developmental as compared to evaluative purpose. It also recommended that undertaking appraisals should be a continuous process so that the feedback is more specific and the outcome more objective (Government of India, 1997). By looking at this longer history, we also learn that any appraisal system,

whether the ACR or APAR, while designed to be holistic and developmental, often becomes more evaluative when put into practice. This could be indicative of a misalignment between the goals of the new evaluation process and the existing culture of an organisation. most officers now graded at or near the highest possible level (Department Related Parliamentary Standing Committee on Personnel, Public Grievances, Law and Justice, 2017). It therefore, became increasingly difficult to identify good performers and distinguish the best from the rest. Interestingly, what was meant to improve

TABLE 1: Performance appraisal versus performance management

Characteristics	Performance Appraisal	Performance Management
Emphasis	Ratings and evaluation	Performance planning, review, analysis and development
Core Purpose	How well was the work done? (Evaluation)	What will allow employees to perform to their potential? (Development)
Frequency	Annual appraisal	Continuous review
Reward Linkage	Usually linked to pay and promotion	Not always directly linked to rewards
Control of Process	Top-down evaluations	Joint or participative process

SOURCE: Second ARC (2008) - Armstrong and Baron (2002)

Disclosure of information: the tradeoff between transparency and validity of feedback

The second substantive change pertains to the disclosure of grading information to the officer being reviewed. The ACR system originally only allowed the disclosure of adverse remarks to the officer being reviewed (Department of Personnel and Training, 1973; Surinder Nath Committee, 2003). In 2002, the SNC proposed that greater openness and full disclosure of feedback (both positive and negative) would encourage appraisees to correct their shortcomings, and thereby, improve performance. This debate on transparency of feedback was resolved when the Supreme Court ruled that every entry in the performance appraisal, not just adverse remarks, be communicated to the officer (Dev Dutt vs Union of India & Ors, 2008). This judgement necessitated the shift from ACR to APAR, which shared the entire format and ratings with the appraised officer.

Despite the good intentions behind this move, it ended up aggravating the problem of grade inflation that had already been identified by the SNC. The SNC had noted that most officers were graded very favourably due to "the tendency of maintaining a Group of subordinates in good humour (referred to as 'the happy family syndrome')" (Surinder Nath Committee, 2003, section 3.2). The requirement for full disclosure of ratings in the APAR exacerbated the tendency to inflate grades, with the ACR system only managed to compound one of

its major flaws. As will be discussed in Section 4, Multi Source Feedback (MSF) was proposed as a solution to the grade inflation problem. But this too was strongly criticised, citing opacity and subjectivity concerns. To rectify this, the Parliamentary Standing Committee Report on Appraisals (2017) has recommended replacing full disclosure of APAR formats with partial disclosure, as well as advocating for greater transparency within the MSF process.

This tension between grade disclosure or transparency and grade inflation had been discussed, without clear resolution in earlier reports as well. Reform reports tried to tackle the source of the problem, the requirement in the ACR system that adverse comments had to be communicated in different ways. For example, the Fifth CPC report of 1997 advocated for greater openness in conveying final grades to officers. The CPC recommended that even an average grade should be treated as adverse and be relayed to the employee. In fact, the Fifth CPC suggested that any grade not fit for promotion should be treated as adverse, so that the employee was made aware of their performance and could seek redressal against the evaluation (Government of India, 1997). The First ARC appeared to take the opposite approach by suggesting that adverse remarks need not be communicated at all. Instead, any adverse comments could be discussed with the person being appraised, the reporting authority and the reviewing authority before they were confirmed or modified (Administrative Reforms Commission, 1969). This way officers could report accurate assessments

without being concerned with formally recording negative remarks about subordinates. In sum, the question of how much information to reveal to appraisees has dominated reform discourse since the 1960s. The multiple revisions and reversals in policy on disclosure of feedback, as shown above, suggest that we are yet to find a lasting solution to this problem. Moreover, the government's recent reform thinking in this regard appears to be caught in a 'transparency-validity paradox' where reducing transparency is viewed as the only way to improve rating validity.

Shifts in practice

This section outlines the changes in operational features and tweaks to address practical gaps in the ACR system that accompanied the systemic shifts in thinking about appraisals discussed above.

Rating scales

The first among many important operational changes made was related to the nature of the rating scale. The APAR format grades officers on a numerical 0-10 scale, as opposed to the earlier qualitative system that consisted of four points: average, good, very good and outstanding (Department of Personnel and Training, 1973, 2007; Surinder Nath Committee, 2003). The SNC argued that the qualitative scale tended to reinforce officers' reluctance to displease subordinates and suggested shifting towards numerical grading to mitigate the grade inflation problem (Surinder Nath Committee, 2003). However, even with the change in rating scale, subjectivity in evaluation continued to be a problem (Second Administrative Reforms Commission, 2008). In response, the Second ARC (2008) proposed detailed guidelines and training on the rating process to counter the element of subjectivity and directed the DoPT to operationalise these.

Attempts to revise and adjust rating scales to reduce the effects of grade inflation and limit the number of officers considered for promotion are not new. The First ARC had argued that the qualitative grade points should be reduced to three categories: fit for promotion out of turn, fit for promotion, and not yet fit for promotion. The Commission had also suggested a cap on the number of persons in an office or organisation who could be graded "fit for promotion out of turn" (Administrative Reforms Commission, 1969, p. 82). Like other reform ideas

discussed, the core issues affecting the appraisal system have remained unchanged in the face of multiple reports, recommendations, and interventions.

Domain assignment

The assignment of positions based on domain expertise[2] is the second operational change that has received significant attention in reform debates. The SNC reasoned that systematic matching of the requirements for senior positions (under the Central Staffing Scheme) to the competencies of officers being assigned would improve the quality of policymaking and administration. This would also satisfy the career interests of officers and discourage them from pursuing certain prestigious positions. While the ACR system did not account for domain expertise in assigning positions, the APAR format incorporated provisions to do so in line with the SNC recommendations (Department of Personnel and Training, 1973, 2007). The new format mapped all government departments into twelve domains and required reporting and reviewing officers to make recommendations in relation to domain assignment. According to the DoPT, however, officers are still not empanelled domain-wise (Department Related Parliamentary Standing Committee on Personnel, Public Grievances, Law and Justice, 2017).

Setting targets

Under the ACR system, performance was not evaluated based on a set of agreed-upon monitorable expectations (Surinder Nath Committee, 2003). While the guidelines called for the establishing of quantifiable targets at the beginning of the year, this was rarely practised. The APAR system explicitly calls for the development of an annual work plan for all officers, developed in agreement with their reporting officers (Department of Personnel and Training, 2007). The evaluation of the officer against this work plan was made a central feature of the process. By giving appraisees a more active role in fixing work targets, the APAR format has taken a more consultative approach to appraisals. This is likely to result in more realistic and acceptable work targets (Second Administrative Reforms Commission, 2008). According to the Second ARC (2008), this approach could be strengthened further by making the appraisal format job-specific, i.e., specifying distinct performance parameters for officers of different departments and agencies.

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[2] We have limited our discussion on domain expertise and assignment to the extent that it pertains to the debate on ACR and APAR. Readers interested in a more substantive analysis of debates on domain expertise and assignment may refer to the working on Expertise in this series

Reducing delays

Implementing the ACR system was particularly challenging because of extreme delays in recording the appraisal, which rendered the entire process less effective. The introduction of Smart Performance Appraisal Report Recording Online Window (SPARROW), an online system for filing of APARs in 2015, considerably reduced delays in the recording of appraisal reports (Department Related Parliamentary Standing Committee on Personnel, Public Grievances, Law and Justice, 2017). The Standing Committee on Appraisals (2017) further recommended that Cadre Controlling Authorities be instructed to strictly adhere to the deadlines specified and that the responsibility must be fixed to officers causing the delay.

3. 360-DEGREE REVIEW

Empanelment is the process by which civil servants are chosen for top positions in the government, like that of the Joint Secretary and above. Until 2016, empanelment at senior levels of administration was done solely based on performance appraisal reports. The APAR system, which replaced the ACR system in 2007, required full disclosure of evaluation and ratings to the officer concerned (Department of Personnel and Training, 2007; Department Related Parliamentary Standing Committee on Personnel, Public Grievances, Law and Justice, 2017). According to the DoPT's submission to the Standing Committee Report on Appraisals, this shift made it increasingly difficult to identify the best officers, as all ratings were 'outstanding'.

This led to a revision in empanelment guidelines in 2016 to provide for the collection of Multi Source Feedback (MSF), termed the '360-degree review'. The new mechanism was introduced as a supplement to the APAR system, which would use feedback from important stakeholders to identify candidates for further evaluation. An expert panel would take feedback on seven attributes including leadership, ownership, and honesty from a minimum of five stakeholders—seniors, juniors, peers, external stakeholders and serving secretaries (Department Related Parliamentary Standing Committee on Personnel, Public Grievances, Law and Justice, 2017). The adoption of MSF in 2016 as a reform measure was distinct from the adoption of the APAR system in 2007 and it was conceived of as a supplement to, and not part of the APAR. For this reason, this paper treats MSF, or 360-degree reviews, as a standalone reform theme separate from the APAR.

The SNC (2003) mooted the idea of 360-degree reporting to "supplement the formal APAR regime with an institutionalised means of ascertaining the reputations of civil servants, consistent with our culture and ethos" (Surinder Nath Committee, 2003, section 5.12.2). The committee justified this suggestion by citing the use of similar mechanisms by international organisations and foreign governments as a supplement to the performance appraisal system. The rationale behind MSF was that the reputation of civil servants within their professional circles would provide an accurate assessment of their capabilities (Surinder Nath Committee, 2003).

While acknowledging the potential and utility of this system, the Second ARC argued that "in the context of India where strong hierarchical structures exist and for historical and social reasons it may not be possible to introduce this system unless concerns of integrity and transparency are addressed" (2008, p. 228). Most recently in 2018, the NITI Aayog recommended the complete replacement of appraisal reports with MSF (NITI Aayog, 2018). It is, therefore, important to revisit the concerns and criticism levied against the MSF system.

Bias and subjectivity

The first issue relates to the ARC's scepticism about the functioning of 360-degree reviews within the strong hierarchical structures prevalent in India (Second Administrative Reforms Commission, 2008). Self-serving bias and hidden-ascriptive bias have the potential to significantly affect the accuracy and validity of 360-degree ratings. The second, and possibly the most vociferous opposition to 360-degree reviews has been concerned with the opacity and subjectivity inherent to the process. The Parliamentary Standing Committee Report on Appraisals and Empanelment found the 360-degree system to be "opaque, non-transparent and subjective as the concerns of the Second Administrative Reforms Commission have not been suitably addressed" (2017, p. 20). The process came under further scrutiny when Vineet Chawdhry, an IAS officer, argued in the Central Administrative Tribunal that the system was "neither reasonable nor rational, a whimsical exercise of arbitrary executive authority far in excess of any delegated legislation, neither resting on any legislation nor any rules and neither transparent nor fair" (MS, 2018). Similar concerns have been raised by other former and serving officers.

Lack of remedial measures

Both issues mentioned above, of appraiser bias and process opacity, are related to and exacerbated by a third design issue—that remedial measures available for APARs are not applicable to the 360-degree component (Department Related Parliamentary Standing Committee on Personnel, Public Grievances, Law and Justice, 2017). This means that the provision for full disclosure of the ratings and appeal to the referral board in case of disagreement apply only to APARs and not to 360-degree reviews. As a result, supervisors or reporting officers are accountable for their APAR ratings, but 360-degree ratings (from peers, subordinates, clients etc.) are completely anonymous and beyond questioning. The introduction of a well-defined and effective redressal mechanism for the 360-degree process would considerably allay concerns regarding rater-bias and subjectivity in the process.

While it is constructive to identify and correct design-related issues in this particular MSF system, there are more deep-rooted, systemic concerns, namely the lack of a transparent and institutionalised process. To make the process more transparent, objective and fair, the Standing Committee on Personnel urged the government to frame and notify guidelines that cover all aspects of the process (Department Related Parliamentary Standing Committee on Personnel, Public Grievances, Law and Justice, 2017). The introduction of clear and well thought out rules for each stage of the 360-degree process, akin to what already exists for the APAR system, has the potential to produce an effective appraisal system that is also well-received by employees.

4. PERFORMANCE-RELATED PAY

As discussed earlier, in the absence of classic drivers for good performance in government settings, appraisals and promotions are important tools to incentivise performance. But with seniority influencing promotions more than competence as in India, civil servants "adopt a minimalist approach in their functioning, and confine their work to disposing of files making no special effort at resolving problems" (Second Administrative Reforms Commission, 2008, p. 243). Reform reports often discuss Performance Related Pay (PRP) schemes in conjunction with appraisal systems, usually as an antidote to the latter's ineffectiveness as a tool to improve performance.

Performance-Related Pay emerged from New Public Management theory in the 1980s and 1990s. In the context of the traditional civil service jobs "characterised by uniform pay for jobs in similar grades, pay increases based largely on seniority, and negligible probability of termination," contract theory was used to support the idea that PRP would lead to an increase in employee effort and encourage high-ability individuals to join public service (Hasnain et al., 2014, p. 237). While the inspiration for introducing PRP in the Indian bureaucracy came from international experience, the last four pay commissions have laid out different visions and mechanisms to implement it while tailoring it to India's Civil Services.

Published in 1983, the Fourth CPC discussed performance pay in the context of the Megaw Committee's recommendations, which was established to inquire into civil service pay in the UK in 1981. It quoted the Third Pay Commission and stated that the "government can, and should, forge stronger links than are prevalent now between the performance of a government employee and the pay he draws" (1973, p. 90). It also recommended variable increments for rewarding good performances.

Following this, the Fifth CPC recommended the implementation of a Performance Related Increment (PRI) scheme in which a grant can be provided as part of an extra increment, in addition to the normal increment in recognition of exceptionally meritorious performance (1997). While it suggested that this scheme applied to all central government employees, it limited the grant to only 5 percent of the cadre strength of any organisation for each year. Moreover, it suggested that persons with unsatisfactory performance may be denied even the annual increment. With regard to linking performance appraisal to PRI, it pushed for grading of not just the individual's traits and attributes, but also took into account their constraints and contributions in relation to the department and its objectives (Government of India, 1997). This underlying principle continued across pay commissions thereafter.

The Sixth CPC restructured and laid out the contours for implementing PRI schemes in a detailed manner. Its recommendations were based on the findings by an Indian Institute of Management, Ahmedabad (IIM-A) study on 'Formulating the Concept, Principles, and Parameters for Performance-Related Incentive Schemes in Government' (Government of India, 2008, p. 146). It envisioned that the PRI scheme would transform the work culture of the bureaucracy from its currently risk-averse nature to a more risk taking one and incentivise employees to take initiative. The Commission

recommended that the funding for the scheme be derived from the savings that each department would have achieved, fifty per cent of which will be made available to them for this purpose (Government of India, 2008). The scheme mandated a decentralised, voluntary approach, where departments were given the choice to design PRI schemes according to their organisational structure and processes, as well as have the choice implementing the system. While the benefits are clear in theory, reform reports have clearly outlined reasons why such schemes are difficult to implement in the public sector and suggested practical steps to enhance their adoption as outlined

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Implementing PRP requires change in organisational norms

The Sixth CPC's approach towards PRI schemes is distinct from other pay commissions in that it lays out broad guidelines for implementing the schemes. First, it warned that "PRIS cannot work unless field functionaries are given adequate freedom and autonomy to perform" (Government of India, 2008, p. 149). It stated that the entire accountability framework had to shift focus from techniques of micromanagement, such as stressing on compliance with procedures to responsive governance and service delivery. Second, it emphasised the need for a PMS, which must provide clarity on set goals and objectives for each department so that the performance is quantifiable. Issues regarding staff jealousy and decline in morale could be tackled by linking group rewards with individual rewards. It stated that "it is preferable to have a combination of individual, team and organisation/unit-based measures" (Government of India, 2008, p. 153).

Practical challenges

Both the Sixth and Seventh Pay Commissions noted that implementing PRP would be challenging because performance in the public sector is often difficult to measure. For example, how would the assessment system proportion credit to individuals by segregating individual performance from collective performance? Additionally, PRP also faced the risk of becoming a routine entitlement over time, losing its ability to incentivise better performance. Despite these issues, the Commissions decided that incentives, "over time, energise the bureaucratic culture of the Civil Service into one that is focused on meeting citizens' and the government's expectations for speedy and efficient delivery of services" (Government of India, 2015, p. 858). This decision was

also based on an assessment of the impact of introducing PRP in the Civil Services of the Organisation for Economic Cooperation and Development (OECD) countries, such as the UK, Australia, Canada and the Netherlands, where PRP promoted a culture of dialogue and better management, along with rewarding teamwork and increasing accountability.

Reflecting on PRI schemes, the Seventh Pay Commission delineated three major factors in its design which led to its limited uptake and recommended ways to remedy this through the PRP system. First, the voluntary nature of the scheme did not make it binding. It suggested that the new system be compulsory for every department in the central government. Second, the source for funding the scheme was flawed, since it could lead to inflation of budgets in order to create savings and the Commission suggested instead that the PRP should subsume all bonus schemes. Third, the performance measurement strategy was not quantifiable, leading to the introduction of the system of Results Framework Documents (RFDs) in which PRP would be determined by linking the department's performance with the individual's performance. RFDs were first suggested by the Second ARC, which outlines the vision, mission, objectives, targets and success indicators of each ministry or department, and are used to monitor and evaluate their performance (Government of India, 2015). This will be done by linking the RFDs with APAR.

The Seventh Pay Commission recommended changes in the APAR system before linking it to the RFD. First, there needed to be an alignment of department and individual performance. The department, which should derive its objectives from the concerned ministry's vision, should make these clear to its personnel. Second, it pointed out that the APAR system needs to take into consideration the prioritisation of tasks while ranking officers. It suggested that this be done by prioritising tasks and using Key Performance Indicators (KPIs) to assign weights to each task. Third, it suggested that APAR should focus on assessing performance rather than the individual's personality. In this line, it recommended that there should be a 60 per cent weight on work output, and 40 per cent weight on personal attributes (instead of 60 per cent for personal and 40 per cent for work outputs that exist in the APAR system). Fourth, it recommended synchronised timelines between APAR and RFDs. Last, the Commission recommended the introduction of online APAR systems for all central government officers and employees. This recommendation was made after noting

the success of the SPARROW, which was introduced for IAS officers, and allowed for adherence to the prescribed timelines in filling up the APARs.

Tracking debates on reforms in the PRP systems historically has highlighted three key issues. First, it is difficult to measure performance outcomes in the government. This is because the public sector is a distinctive workspace with difficult-to-measure outcomes due to the multiplicity of roles it performs. All reports recognise that while some tasks are quantifiable, such as improvement in service delivery, others are less tangible, such as improving accountability. This, in turn, makes it difficult to implement incentive-based contracts for bureaucrats. Second, the implementation of a PRP scheme requires a more fundamental shift in the appraisal process as outlined in the previous sections, and finally, the current emphasis on assessing the individual must be replaced with a strategy where individuals and the organisations they work within are assessed together.

5. DISCUSSION

This brief history of key debates in performance appraisal systems highlights the fundamental trade-off between using appraisals as a means of punishment or as a cutoff for selection, versus using them for motivation and development. Reform discourse has repeatedly highlighted the need to move towards performance management but there has been little successful implementation till date. The uptake and discourse on reforms appears to be trapped in navigating this tradeoff, with the direction of change clearly visible but a less clear plan on how to implement and institutionalise change. Performance in the government today is not always tied to consequences like career advancement and increments. This could stem from the particular dynamics in the evaluation system that encourage supervisors to inflate employee ratings, or from the unique employment contexts of public sector organisations that are characterised by a high-degree of job security and tenure-based promotions. Both factors result in the system having few incentives to evaluate employees in a precise and valid manner. Therefore, there is a clear need to consider new measurement and management systems that provide employees with greater motivation to perform better.

We have learnt from the reform discourse that new systems of appraisal and employee development cannot simply add-on to the existing systems. Their success

requires significant training as well as investments in shifting organisational culture towards greater trust between employees and in the new systems of assessment. Today, both public and private organisations across the world are experimenting with new ways to motivate employees, especially by using the appraisal process for development rather than selection (Capelli & Tavis, 2016). Research has found that stricter performance documentation norms and involvement of multiple raters strengthen evaluation and also reduce bias in ratings (Fried et al., 1999; Murphy & Cleveland, 1995). This is because supervisors find it easier to provide negative feedback when employee performance has been recorded systematically and when multiple raters are involved in the appraisal process. Similarly, officers were found to be more accepting of the feedback they received when they were provided detailed explanations along with it (Behr, 2019; Latham & Mann, 2006).

The Second ARC recognised this and recommended training and the formulation of detailed guidelines on rating processes as means to improve accuracy and validity. Regarding 360-degree reviews, the Parliamentary Standing Committee on Personnel has made an important contribution in urging the government to frame and implement guidelines that cover all aspects of this process. Modifications along these lines may be useful in breaking out of the transparency-validity paradox discussed earlier.

As with performance appraisals, PRP has been challenging to implement in the public sector given difficulties in measuring outcomes and attributing responsibility, especially for the complex set of tasks performed by the Civil Services. Here again, research suggests that the organisational contexts strongly influence the effectiveness of its implementation. It has been argued that a climate of trust is a necessary precondition for effective implementation of PRPs (Kellough & Lu, 1993). PRP effectiveness also differs across types of public service sectors; it can yield positive results in the medical field but can be perceived to be divisive in the regulatory and financial sectors (Perry et al., 2009). On the other hand, it has been shown that PRPs can themselves push the system towards better performance management by mandating goal setting and appraisals by line managers (Marsden, 2004).

The move towards performance management, therefore, finds itself in a chicken-or-egg situation—do we implement tools that nudge the system towards better

performance management or do we first train and capacitate the system so it can successfully absorb these tools? Whichever approach we take, the main ambition of any of these reforms is to motivate employees. Recent scholarship highlights the importance of supportive management practices in nurturing internal motivation of employees and enhancing organisational trust (Honig, 2021). In line with this thinking, it seems that tinkering with the specific nuances of appraisal systems is unlikely to have an impact without parallel efforts to understand and improve communication between individuals, build norms around teamwork both vertically and horizontally, foster leadership, improve informal feedback processes, recognise autonomy and reward innovation, match competencies with the job and crucially, ensuring employee well-being.

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