

4th Session «Public Services and Quality: The role of employees»

Not Working for the Public: Tackling the Increasing Competition in Public Sector Labour Market¹

Alessandro Spano
University of Cagliari, Italy
Faculty of Economics

Abstract

In labour-intensive organizations, such as public sector organizations, people are the most valuable asset. However, the issue of recruitment and retention of human resources in public sector organizations has been tackled without a deep concern for the arising competition in the labour market, towards both private and other public sector organizations. In the past scarce attention was paid to the difficulties that public sector organizations face in recruiting and retaining employees. Recent studies, however, showed that such belief is no longer true: many public sector organizations have to compete with both private and other public sector organizations to find the most capable and qualified individuals.

This paper aims at investigating the reasons for this decreasing appeal of public sector organizations as employers and proposes a possible way to increase public sector organizations attractiveness.

In the paper I argue that managerial control systems and performance evaluation systems in particular are a fundamental tool to increase attractiveness and competitiveness of public sector organizations as employers.

Key words: performance evaluation, managerial control, competitiveness, attractiveness

Introduction

Over the last ten years many changes have occurred in the public sector worldwide. One of the most significant changes regard a deeper concern for efficiency, effectiveness, economy and accountability which led to a wider use of management control systems in accordance with the NPM doctrine.

There has been also a change in the way working in the public sector is conceived. Light (1999:1) warns that “the government-centered public service has

¹ Contact: Alessandro Spano, University of Cagliari, Italy, Viale S. Ignazio 84, e-mail: spano@unica.it

been replaced by a new public service in which government must compete for talents”. In his research Light surveyed graduates from the top twenty schools of public administration in the United States of America finding out that they are more likely to look for challenging work, flexible organizations and broader career paths rather than job security. Public sector organizations need to understand this deep change in order to get the best talented people they need.

Wallace et al. (2000) share this opinion considering that while public sector organizations have experienced new ways of organizing work, new means of delivering public services and a new nature of public work, human resources acquisition and developing systems have not kept pace.

In some countries working for a public sector organization has always been a target sought for. Workplace security, in some cases, has been considered more important than other aspects, such as the remuneration level or the acknowledgment of the performance undertaken. This has kept, in a way, public sector organization far from recruiting problem.

Even if there still exists a sort of “myth” of public sector employment, public sector organizations begin to face competition in recruiting highly qualified and motivated people.

A number of studies (OECD, 2007, 2005, 2001; Soni, 2004; Chetkovich C., 2001; Conant, 2000; GAO, 2000; Walker, 2000; Voinovich, 2000; Light, 1999; Garland, et al. 1989; Volcker, 1988) show that public sector organizations are facing problems in recruiting and retaining their human resources, with deeper difficulties for the highly qualified positions. Public sector organizations do not easily find the workforce they need and there is an increasing competition to secure the most talented people.

“The presence of this talent cannot be assumed, however. The reality of the marketplace is that there is a strong competition for talent, and the public sector must compete with the private sector for human resources with increasing complex skills” (Wallace et al., 2000:55).

Not Working for the Public: Tackling the Increasing Competition in Public Sector Labour Market

Such an aspect emerges in a very clear way from a survey carried out by the Organization for Economic Co-operation and Development (OECD, 2001):

“In the next 10 years, many OECD Member countries will be forced to hire a remarkable number of new employees to replace current employees as they reach retirement age. Restructuring of government functions, privatisation and cuts in personnel spending have, in many countries, already led to decreased numbers of public employees. However, while the number of public employees is not increasing, a special challenge for the public sector will be how to attract well-educated personnel” (OECD, 2001, p.4)i.

Figure n. 1 shows the trend of the ratio between entrants and leavers over total public employment in the period 1990-1999. The ratio for each year considered is the arithmetic mean of the surveyed countries ratiosⁱⁱ:

“This indicator is designed to provide cross-country trends of the turnover rate of public employment rather than weighted for the OECD as a whole. The ratio of leavers across these countries has been increasing for the past 10 years. Structural changes like downsizing and privatisation of public sector functions have affected this trend. The ratio of entrants to the public sector has been relatively stable for the same period. From 1996, the number of leavers has been greater than the number of entrants. This trend will raise issues for the competitiveness of the public sector as an employer” (OECD, 2001, p. 5).

According to the OECD, several countries have already begun to face problems of both personnel recruitment and retention, together with, in over 50% of the cases, a critical skills shortage (see Table 1). In other words, not only in some countries it is

not so easy to find people available for a position in a public sector organization, but there are also retention problems, especially as far as critical skills are concerned.

The OECD observed that a few countries have already experienced problems in recruiting qualified personnel. Other countries however, are facing less problems in recruiting than in retaining experienced personnel (with a two-four years' experience), particularly in the 20–34 age group, especially if graduated.

An indicator of this change is the number of applicants per advertised post, commonly used as an indicator of recruitment levels. According to the OECD survey:

“In some countries, such as Germany, Korea, Poland, the number of applicants has not decreased in recent years. In other countries (e.g. Spain), a drop of 15–25% can be seen, depending on the level of the post, while the total number of posts advertised has remained the same or higher than in previous years (1998- 1997). In Spain, the largest drop of applicants has occurred in senior posts” (OECD, 2001, p.10).

Although this indicator is not sufficient to provide a complete view of the problem, to know whether it is a temporary or a permanent decrease and to understand the implications on the attractiveness of the public sector, however the decrease in the number of applicants per advertised post is a very important element to be considered when evaluating the attractiveness of the public sector as an employer.

There is a progressive decrease in the level of attractiveness of public sector organizations as employers and public sector organizations run the risk to be a residual option for potential workers. In this way it may happen that the most skilled and qualified individuals move away, finding job offers in the private and, in some cases, in the non-profit sector more attractiveⁱⁱⁱ.

The paper aims at exploring the reasons for this increasing phenomenon and at proposing the use of managerial control systems as a possible solution to it. In particular, this study focuses on the use of performance evaluation as a managerial

tool to make public sector organizations more competitive and attractive when recruiting and retaining human resources.

1 WHY DO PUBLIC SECTOR ORGANIZATIONS FACE PROBLEMS IN RECRUITING AND RETAINING HUMAN RESOURCES?

Some authors consider the difficulties in recruiting and retaining personnel not only a problem but the signal of a crisis in human resource management in the public sector (Soni, 2004; Light, 1999; Voinovich, 2000; Walker, 2000). They also state that the crisis started in a “quiet” way in the 1970s and 1980s and continued in the 1990s and is at its higher levels today.

The OECD (2001) found that some of the reasons to explain this reduced appeal of public sector organizations are the following:

- Lower level of wages compared to the private sector;
- Not very positive, clear or stimulating image of the public sector;
- Slow advancement including the fact that seniority is more important than merit;
- Lack of the public sector in reaching students and graduates in the way most commercial companies do;
- Changes in employee attitudes and values toward work;
- Unclear career paths and insufficient career planning.

The lower level of wages has traditionally been a weakness of the public sector as employer, partially counterbalanced by a higher workplace security. The lower level of wages together with the promotion and career system has contributed in building, in some cases, an image of the public sector not always positive.

Among these factors, it is interesting to note the lack in career development and planning and the complain for a slow advancement and for a reduced role of merit when compared to seniority.

Public Services and Quality: The role of employees

Some authors believe that a major problem has been the lack of recognition of the importance of human capital (Voinovich, 2000; Wallace et al.; GAO, 2001), as people have often been considered a cost to cut rather than a precious asset.

According to Soni (2004:157) “the younger generation tends not to choose public service careers because of the negative reputation of government’s hiring process, lack of challenging work and its system of rewards”.

In the United States of America several federal agencies have faced the same problem and tried to find a response to it. Many surveys have been conducted in order to better understand this phenomenon, in particular by the General Accounting Office (GAO), the Merit Systems Protection Board (MSPB) and by the Office of Personnel Management (OPM). A common reason has been found to be a lack in performance evaluation systems.

A survey conducted by the polling company Hart Teeter Reserch for the Council for Excellence in Government (CEG) in 2001 found out that “the professional and college-educated segments of the current U.S. workforce largely dismiss the federal government as a suitable employer”:

“The federal government is facing a two-front challenge in competing for talented employees. For workers focused on goals of personal advancement, such as having a challenging job of being rewarded for outstanding work, private business appears to offer them better opportunities. And those who would rather contribute to society increasingly view the non-profit sector as their natural home. Thus, the federal government is left with job security as its principal asset for recruiting workers, and will not be enough to attract a high-quality workforce in the face of strong competition from both the for profit and non-profit sector”, (CEG, 2001).

The problem or recruiting and retaining capacity within the public service is made more urgent by some other factors:

Not Working for the Public: Tackling the Increasing Competition in Public Sector Labour Market

1. The relation between recruiting and retention on one side and unemployment on the other side;
2. The mobility of employees;
3. The ageing of the public sector employees.

The relation between recruiting and retention on one side and unemployment on the other side

An interesting comparison can be made between the findings of the 2001 OECD survey, as far as the problem of recruiting and retention is concerned, and the unemployment rates in the same countries.

This comparison highlights that countries with higher unemployment rates have less problems in recruiting people. However, some countries, such as Finland, with an unemployment rate of almost 9% in 2004, face recruitment problem. Germany as well, with an increasing and quite high unemployment rate (9.8% in 2004), in a few years will face problems in recruiting personnel. As far as retention is concerned, in Spain, notwithstanding an unemployment rate of 11.5% in 2003 and 11% in 2004, according to the OECD survey, there will be difficulties in a few years. Poland has a critical skill shortage with an unemployment rate of 18.8% in 2004.^{iv}.

Therefore, even if it is plausible that the lower the unemployment rate the bigger the problems in personnel recruiting and retention, however the overall picture is diversified. Even in those countries with higher unemployment rates, such problems have already arisen or will be faced in a few years.

As already observed, the problem does not concern all countries in the same way, for several reasons and among them the different demographic trends. However, even in those countries with less problems in personnel recruiting and retention in general, difficulties have been already faced as far as highly qualified and skilful people are concerned.

The mobility of employees

Another remarkable aspect is the mobility of employees between the private and the public sector and within the public sector itself. Mobility from the public to the private sector is not new in many countries, especially for the highest professional levels. Less common are the movements from the private to the public sector; this may indicate a lack of competitiveness of the public sector in the labour market.

Different degrees of mobility may be linked to different approaches to recruiting and promotion, i.e. Career-based Systems and Position-based Systems.

“In **career-based systems**, civil servants are usually hired at the very beginning of their career and are expected to remain in the public service more or less throughout their working life. Initial entry is mostly based on academic credentials and/or a civil service entry examination. Promotion is based on a system of grades attached to the individual rather than to a specific position. This sort of system is characterised by limited possibilities for entering the civil service at mid-career and a strong emphasis on career development.

Position-based systems focus on selecting the best-suited candidate for each position, whether by external recruitment or internal promotion or mobility. Position-based systems allow more open access, and lateral entry is relatively common”, (OECD, 2005:4).

A reduced mobility between the public and the private sector and vice-versa is a factor which limits the appeal of the public sector as employer as workers are induced to conceive it as an “enclave” with limited exchanges with the outside.

The ageing of the employees

The ageing of the public sector employees is another factor influencing the capability of attracting and retaining capacity within the public service as large numbers of experienced public servants retire (OECD, 2007:7).

Not Working for the Public: Tackling the Increasing Competition in Public Sector Labour Market

“The consequences of an ageing workforce are magnified in the public sector because it generally has an older demographic profile than the private sector (OECD, 2006). The challenge of attracting and retaining capacity within the public service as large numbers of experienced public servants retire is set to be a growing concern in many OECD countries” (OECD, 2007:4)

According to the United States Office of Executive Resources Management (OERM, a component of the Office of Personnel Management) (OPM, 2006:4) in the United States the average federal employee is more than 46 years old and almost 50% is more than 50 years old.

OPM also believes that:

- A significant retirement wave among current Federal employees is coming – we should expect 40 percent of our workforce to retire between 2006 and 2015;
- Competition for scarce talent among employers throughout the national economy is increasing;
- The applicants we must attract hold differing expectations; their needs and interests have shifted from past generations, which means we must offer a wider variety of employer-employee relationships.

The GAO (2000, a) estimates that at least 660,000 employees will have retired by 2010.

Similar data are provided by the Council for Excellence in Government (CEG) (<http://www.excelgov.org>) according to which by 2005 more than half of federal workers (some 900,000 employees) became eligible for retirement, and this figure is higher today. The CEG believes this figure will increase to 60 percent of the federal government’s General Schedule (rank and file workforce) employees—and 90 percent of the Senior Executive Service (federal government’s top managers)— in the next ten years (CEG, 2006).

2 HOW TO DEAL WITH RECRUITING AND RETAINING PROBLEMS: THE ROLE OF PERFORMANCE EVALUATION

After identifying the main reasons influencing public sector organizations capability in attracting and retaining human resources, what are the possible solution to this problem?

In 2001 the Council for Excellence in Government (CEG) conducted a survey to understand the reasons of such a problem and to single out possible solutions to it:

“The survey results reflect widespread agreement that the biggest barrier to attracting and retaining talent in the federal government is bureaucracy – shorthand for a culture that does not recognize and reward creativity and performance. The problem of recruiting is exacerbated by the perception (according to this survey, the reality) that government does not recognize or reward innovation and excellent performance” (CEG, 2001).

The survey found out that the ten most effective ways to try and solve this problem are the following:

Top 10 effective solutions for attracting and retaining talented people in public service

1. Recognize/reward creativity and performance of federal employees and teams
2. Make it easier for people to move in and out of government;
3. Develop better managers;
4. Maintain a high-quality workforce by addressing the problem of poor-performing employees;
5. Provide a work environment that uses state-of-the-art information and communications technology;
6. Offer a loan-forgiveness program to recent graduates who take government jobs;

Not Working for the Public: Tackling the Increasing Competition in Public Sector Labour Market

7. Offer salaries that are more competitive with those paid by the private sector;
8. Make the hiring process quicker and simpler;
9. Improve/streamline the political appointments process;
10. Have more opportunities for training and professional development.

According to the CEG survey the most effective solution for attracting and retaining talented people is recognizing and rewarding good performance and creativity.

The issue of performance recognition is strictly linked to the promotion policies adopted. In the public sector in many countries, career development and advancement have traditionally been seniority-based rather than merit-based (OECD, 2001; Marsden, French, Kubo, 2001), thus determining a reduced appeal of public sector organization for talented workers. OECD suggests that a growing importance be given to merit and skills:

“One way to improve and retain the motivation of younger staff could be through the development of a promotion policy. An opportunity to be given more challenging tasks and to be promoted by one’s own achievements may play an important role in recruitment and retention” (OECD, 2001:17).

A survey made in 2002 by the Italian Department of Public Function (Dipartimento della Funzione Pubblica, 2003) in eleven public sector organizations in Italy with some 3,200 respondents at different levels in the organizational hierarchy, highlighted the importance of performance evaluation to improve organizational well-being. When asked to make suggestions as to improve the level of organizational well-being in their organization, people interviewed gave a great importance to the introduction of performance evaluation systems.

Following this survey in 2004 a directive regarding “Organizational Wellbeing” was enacted. One of the expressed objectives to be achieved by improving the

organizational well-being is to make public administration more attractive for the most talented people.

“In a first approximation, we could say that organizational well-being refers to the capability of an organization to promote and maintain the highest degree of physical, psychological and social well-being of workers in any kind of activities” (Dipartimento della Funzione Pubblica, 2003, p. 24).

This Directive deals with the need to improve the work environment in the Italian public sector and one of the expressed objectives to be achieved by improving the organizational well-being is to make the public administration more attractive for the most talented people. One of the proposed tools to be used to achieve this goal is performance evaluation.

Another interesting experience is that of the United Kingdom where a new wave of reforms in the public sector started in the late '90s with a Labour (Blair) Government^v. A White Paper on Modernising Government was released in March 1999. One of the objectives to be achieved was “bringing more people into the civil service from outside” (p. 6).

In the Prime Minister Report (December 1999), five key elements were spotted to improve the public administration. Among these elements, the need to make the Public Administration more open and apt to attract and foster new talents and better opportunities for employees. Following this path, in a study regarding Performance Management in Senior Civil Service (SCV) published in 1999, the UK Cabinet Office presented some recommendations to improve performance management:

“We need to take more practical steps to encourage more people to apply to join the SCS at every level from outside in order to ‘ventilate’ the management culture. In this respect expressions of intent are no longer adequate. More needs to be done to identify posts in the SCS below Permanent Secretary level which would benefit

Not Working for the Public: Tackling the Increasing Competition in Public Sector Labour Market

most from an injection of external skills and which would be most attractive to external candidates. More needs to be done to attract these candidates, not least by tackling the ignorance about the Civil Service which discourages many outsiders from applying. And when external candidates are successful, much more should be done to prepare them to compete for the highest posts in the Service” (p. 14).

One of the suggested steps to be taken into account to achieve these objectives, is the introduction of performance appraisal systems.

Similar findings are reported in a research conducted by David Marsden, Stephen French and Katsuyuki Kubo (2001) in which they showed that performance evaluation is a very important tool to increase public sector organizations competitiveness as employers. This piece of research involved a sample of some 5,000 UK public employees in different Ministries. The research demonstrates that the incentive effect of monetary rewards is not very sound if compared to the effect induced by a performance evaluation which is perceived as fair and trustworthy. Also very important is the incentive effect induced by a planning system which helps define clear objectives and goals. At the same time, the research highlights as the demotivating effects of an evaluation system not perceived as fair are stronger than those linked to the risk of not getting financial reward.

“Our study confirms that PRP in the British public services has had a positive incentive effect for significant numbers of employees, but that this depends on getting above average additional financial rewards, and even more importantly, on the quality of the goal-setting and appraisal process. Our analysis confirms the corrosive effect on employee motivation of appraisals that employees feel are not a fair reflection of their performance. Although discussions of PRP for top executives, sales and sports personnel have tended to focus on the incentive effect of additional rewards, the experience of ordinary public employees in our study strongly suggests that the strength of

marginal financial incentives is weak compared with that of goal-setting and appraisal. Likewise, the damage done by poorly conducted appraisals outweighs the benefits of additional financial incentives” Marsden, French and Kubo, 2001:22).

In the UK case as well, performance evaluation may be considered to play a very important role in making public sector organizations more capable of attracting and retaining the best workers.

The different surveys and studies presented highlighted several ways to improve the appeal of the public sector as employer. Different possible solutions have been suggested each of them with different implications. However, all these studies and surveys seem to have a point in common when it comes to suggest ways to invert the present trend in recruiting and retaining people in public sector organizations, that is to say the importance of performance evaluation in an overall management control system.

An effective management control system is capable of increasing the probability that an organization reaches its objectives. It does so by acting on the behaviour of organization’s members by setting clear objectives and goals and by fostering personalization and individualization in managing human resources.

According to Flamholtz (1996:71) management control is a set of mechanisms (both processes and techniques) designed to increase the probability that people will behave in ways that lead to the attainment of organizational objectives^{vi}.

Performance evaluation and rewards are subsystems of the overall managerial control system:

“the evaluation and reward subsystem refers to the component systems of the overall core control system which deal with the process of assessing human performance and rewarding it” (Flamholtz, 1996:71).

Even though there are several factors that influence people's choice among different alternative job opportunities, some individuals (at least the most skilled and professionally sound) might consider positively or even necessary the effective operating of a management control system (and the performance evaluation subsystem in particular), to prefer a certain organization rather than another. An effective management control system will foster a clear goal setting process and a fair performance evaluation, coping with the need to recognize and reward good performance. Performance evaluation, however, is a powerful behavioural tool only if strictly linked to the planning system as it is possible to evaluate performance only after defining what objectives and goals have to be achieved and after measuring them.

“A new emphasis on performance and on the value of human resources allows employees to better understand how and why their work is important and allows elected officials and the public to better understand what public organizations do and how they do it” (Wallace et al.:59).

Therefore, an evaluation system based on criteria that are, as far as possible, clear and consistent with the organizational objectives, is a powerful tool to increase the level of competitiveness of public sector organizations as employer and, therefore, to attract highly qualified workers.

3 POSSIBLE COUNTERPRODUCTIVE EFFECTS AND UNINTENDED CONSEQUENCES OF EVALUATION SYSTEMS

From what has been said above, it is clear that evaluation might be a positive element in increasing the attractiveness of a public sector organization as employer; however, it is necessary to consider its possible counterproductive effects as far as recruiting and retaining personnel are concerned.

The choice among different work opportunities implies the consideration of several elements, such as how performance is evaluated. Performance evaluation emerges as a powerful tool to increase the attractiveness of the public sector as employer and employees consider as positive the fact that career advancements are coherent with the appraisal of the performance undertaken and with the results achieved.

However, if the evaluation system does not lead to assessments shared and based on clear criteria, the effect of evaluation might be the reverse of the desired one.

In particular, the above-mentioned research by Marsden, French e Kubo (2001), with reference to PRP schemes, underlines that there is even a sort of negative prejudice expressed by a relatively large number of interviewees:

“Across the organisations we surveyed, it was widely thought that performance pay was a device to cut the pay bill. Over 60% thought management applied a quota to good appraisals; around 55% of employees thought they would not be awarded performance pay even if their work was good enough; and over 40% thought line managers used performance pay to reward their favourites. On the latter two questions, similar results have been found in the US federal service” (p.5).

An interesting analysis of some unintended consequences of performance evaluation was made by Van Thiel and Leeuw (2002). In their article about the Performance Paradox, which consists in a “weak correlation between performance indicators and performance itself”, they report some of the most common counterproductive effects of performance evaluation:

“It is reasonable to assume that no matter how well intended evaluation and auditing are, they have also led to some unintended consequences. First of all, the proliferation of regulators and auditors

has increased the monitoring costs of the organizations and the state. Second, within policy-implementing organizations, the increased measure pressure can create dysfunctional effects such as ossification, a lack of innovation, tunnel vision, and suboptimization. These unintended effects can jeopardize the effectiveness and efficiency of policy implementation. Third, there is some evidence that monitoring has led to symbolic behaviour; that is, monitoring appears to be in place but is in fact not. And finally, in some cases it is unclear what is actually being measured (e.g. the definition of quality)", (p. 270).

One of the main unintended consequences of performance evaluation is linked to the performance measurement system in use, as performance measurement is propaedeutic to evaluation. An excessive focus to "numbers" may have counterproductive effects when the value produced by some activities is not easily measurable. In some cases, the initial enthusiasm with which the introduction of a performance measurement system was welcomed was substituted by disillusion due to the fear that measurement could dominate the other activities (Townley at al., 2003). From this stand point, techniques such as the Balanced Scorecard can be of help, although even for them some criticism begin to emerge (Flamholtz, 2004).

The introduction and management of performance evaluation systems may determine some counterproductive effects from a political point of view. Such effects are linked to three aspects:

1. The political meaning of evaluation;
2. The political beliefs of the evaluator;
3. The opposition of the people evaluated.

As far as the first aspect is concerned, it is worth noting that performance evaluation cannot be neutral from a political point of view. Such a view, even though related to program evaluation and not to performance evaluation, is shared by Caiden (1998, p. 44):

“Performance measures have high political salience. Evaluation of programs is politically sensitive. Programs publicly shown to be failing according to the chosen criteria are subject to attack. Supporters of evaluation would maintain that this is as it should be. But programs are not abstract entities: they are people-administrators, politicians, clients. All these stakeholders in a program may fairly question the performance chosen to evaluate the program, which are also not neutral”.

Longenecker et al. (1987) highlighted that in some cases managers deliberately distort subordinates’ performance ratings for political reasons (Longenecker et al., 1987).

According to Poon (2002) when employees perceive their performance ratings to be determined by political considerations they will experience job dissatisfaction. Such dissatisfaction in turn, lead to greater intentions to quit the job.

Similarly, Vigoda (2000) suggests that:

“Reactions to politics in traditional public systems may be more destructive-passive than destructive-active (i.e., exit). One way of interpreting this finding is that employees in the Israeli public sector are less willing to give up work security and tenure even if they feel that that politics is all around them” (Vigoda, 2000:342).

Llewellyn (1996), analyzing case studies, highlights the role of politics with reference to performance measures. She argues that different political interests may originate different performance measures and that such a performance measurement system may promote particular values.

Politics may also determine a lack of rationality in performance evaluation systems implementation:

“Broadly speaking, for both approaches to results evaluation, the most frequent criticism is related to a lack of rationality in the

implementation of these systems; this lack is often justified by the nature of the circumstances external to the organization (in part due to the political system, to the variability of its inputs and to the kind of service to citizens), by the existence of professional works (in many cases subject to personalization of service to users) and by strong changes over time of emergent social needs or problems” (Dipartimento Funzione Pubblica, 2004 b, p. 16).

With a scarce inclination towards a managerial approach, performance evaluation can play a particularly delicate role and can be used at one’s own advantage and, in turn this can determine the existence of several obstacles to a rational decisional process (Downs e Larkey, 1986; Rhodes, 1979).

The ideas or, better, political beliefs of evaluators need to be taken into account:

“The role of evaluators who measure performance in politically sensitive contexts is complex. The evaluator may have strong opinions about the issue at hand, and may sympathize with one of the parties involved. In case of asymmetrical power relations the evaluator is particularly vulnerable” (Noordegraaf e Abma, 2003, p. 868).

Some authors have highlighted that public employees in their acting as civil servants cannot and should not allow their political ideas to influence the activities they are asked to undertake to fulfill their institutional duties (Buccellato, 2002; Ricci, 2002).

However, it is necessary to carefully observe the possible influences that the political ideas of the evaluator may have on the evaluation process.

Finally, there is a third element to be considered in order to verify the way politics influences the evaluation processes: a sort of passive resistance by people under evaluation. In fact, they could hinder the effective operating of performance evaluation systems fearing that the evaluation results might be used against them for political reasons. This opposition can spring from the will to hide poor performance

or from the concern of an instrumental use of evaluation. In the second case, the origin of this opposition may be found in the idea that the principle of alternate government might lead to a radicalisation of the Spoils System concept. This means that managers may feel the risk of a negative evaluation for their closeness to a different political coalition or just for having been appointed by the previous government even if they do not belong to a specific coalition.

The first report on internal control among Italian Ministries (Presidenza Consiglio dei Ministri, 2001) highlights that in Italy managers performance evaluation fell behind notwithstanding several pieces of legislation, as much as one can talk about “non-evaluation”. Among the reasons or “alibis” advanced the managerial responsibility emerges:

“The failure in achieving a goal could be considered a behaviour liable to punishment by political authority, that is deemed to be unacceptable because of the first two alibis (lack of an adequate performance evaluation system and disproportion between objectives and resources)” (p.17).

Notwithstanding their importance, the cited, potential, political implications may be overcome considering performance evaluation as a part of a wider managerial control system with the above-mentioned features.

4 CONCLUSIONS

Recent studies have shown that public sector organizations begin to face a strong competition from private sector and non-profit organizations in recruiting and retaining the best and most talented workers. Competition takes place among public sector organizations as well.

Not Working for the Public: Tackling the Increasing Competition in Public Sector Labour Market

If the problem may appear more serious for the highest offices, however it concerns other levels as well, even though in different ways. An increasing competition has been observed also in those countries with high unemployment.

Hence, the need to strengthen the role of public sector organizations in the labour market clearly emerges together with the need to improve its level of attractiveness.

In fact, the various changes that have occurred over the last ten years, in addition to the traditional problems encountered (for example, the lower level of remuneration), have decreased the capability of public sector organizations to attract and retain highly qualified workers. Several studies have highlighted the existence of such a problem and have suggested deep changes to meet it successfully.

One of the changes occurred in the public sector are the introduction of the New Public Management ideas (Barzelay, 2001). The New Public Management postulated the need to introduce managerial tools in the public sector as well, with adequate adjustments, without losing their peculiar features.

Performance evaluation plays a central role in management control systems, as it allows to trace people performance to their contribution to the achievement of organizational objectives and goals. Notwithstanding the problems in implementing an evaluation system to make this link effective, however the possibility to link performance to a monetary or non monetary reward and incentive system, appears to be an important motivational element (Flamholtz, 1996).

Performance evaluation of people operating in a public sector organization is a contribution to strengthen its attractiveness as employer towards other public sector organizations and towards the private ones as well.

There are also risks in case of deficiencies in the phase of performance evaluation design and management that can lead to counterproductive effects compared to the desired ones. Among them, those related to the political dimension.

Improving the level of attractiveness and the capability of retain their workforce is for public sector organizations of paramount importance in order to increase the probability of achieving organizational objectives. To do so, the contribution of several factors is needed and, in particular, an effective management control system.

Public Services and Quality: The role of employees

Performance evaluation alone is not enough to increase public sector organizations appeal as an employer of choice: the co-ordinated operating of the overall management control system is needed, together with a positive work environment and a high quality politics. However, performance evaluation systems are a fundamental tool to help public administration attract high quality human resources, capable to operate for the achievement of organizational goals.

References

- Anthony R.N., Young D.W. (2003). *Management Control in Nonprofit Organizations* (7th ed.). McGraw-Hill.
- Barzelay M. (2001). *The New Public Management: Improving Research and Policy Dialogue*. Berkeley: University of California Press.
- Borgonovi E. (2004). *Principi e sistemi aziendali per le amministrazioni pubbliche*, Egea.
- Boyne G. (2001). Planning, performance and public services. *Public Administration*, 79, 1, 73-88.
- Buccellato A. (2002). La funzione del programma elettorale per il governo delle aziende pubbliche. *Annali della Facoltà di Economia dell'Università di Cagliari*, Franco Angeli.
- Buccellato, Asquer, Spano. (2004). *Il governo delle aziende pubbliche. La pianificazione ed il controllo*, Giuffrè.
- Cabinet Office. (1999, a). *Modernising Government. Bringing in and bringing on the talent*. Report to the meeting of Permanent Heads of Department, Sunningate.
- Cabinet Office (1999, b). *Performance Management. Civil Service Reform – A Report to the Meeting of Permanent Heads of Departments*, Sunningdale, 30 September – 1 October 1999.
- Caiden N. (1998). Public Service Professionalism for Performance Measurement and Evaluation. *Public Budgeting & Finance*, Summer, pp.35-52.
- Chambers E.G.; Foulon M.; Handfield- Jones H.; Hankin S.; and Michaels, E.G. (1998). The War for Talent. *The McKinsey Quarterly*, (3): 44-57.
- Chetkovich C. (2001). *Winning the Best and Brightest: Increasing the Attraction of Public Service*. The PricewaterhouseCoopers Endowment for The Business of Government, www.businessofgovernment.org/pdfs/ChetkovichReport.pdf.
- Conant, J. K. (2000). Universities and the Future of the Public Service. in *Public Service: Callings, Commitments, and Contributions*, ed. M. Holzer Boulder, Colorado: Westview Press. 2000.
- Council for Excellence in Government & The Gallup Organization (2006). *Within Reach But Out of Synchrony. The Possibilities and Challenges of Shaping Tomorrow's Government Workforce*. December 5, 2006.
- Council for Excellence in Government (2001). *The Unanswered Call to Public Service*. October, 2001.
- Council for Excellence in Government (2002). *Attracting and Keeping The Best and the Brightest: Survey Results From Council for Excellence in Government Principals on How to Get, Develop and Retain Excellent People in Government Service*.
- Council for Excellence in Government (2002). *Young Americans' Call to Public Service*, May 28, 2002.
- Council for Excellence in Government (2007). *Talking Points on the Call to Public Service Challenge America's Talent to Consider Public Service*.
- Dipartimento della Funzione Pubblica per l'efficienza delle amministrazioni. *Direttiva del Ministro della Funzione Pubblica sulle misure finalizzate al miglioramento del benessere organizzativo nelle pubbliche amministrazioni* (2004 a).

Dipartimento della Funzione Pubblica per l'efficienza delle amministrazioni (2004 b). La valutazione del lavoro nelle amministrazioni pubbliche. Casi di studio sulla valutazione delle posizioni, delle prestazioni e del potenziale. Edizioni Scientifiche Italiane.

Dipartimento della Funzione Pubblica per l'efficienza delle amministrazioni. La Rocca G. (ed.) (2001). La valutazione e la retribuzione delle prestazioni. Esperienze e materiali. Rubettino.

Dipartimento della Funzione Pubblica per l'efficienza delle amministrazioni (2003). Benessere organizzativo. Per migliorare la qualità del lavoro nelle amministrazioni pubbliche. Rubettino.

Flamholtz E.G. (1996). *Effective Management Control, Theory and Practice*. Kluwer.

Flamholtz E.G. (2003). Putting Balance and Validity into the Balanced Scorecard. *Journal of Human Resource Costing and Accounting*, 7, 3, 15-26.

Florio M. (2001). La valutazione degli investimenti pubblici. I progetti di sviluppo nell'Unione Europea e nell'esperienza internazionale. Volume primo: Principi e metodi di analisi. Franco Angeli.

Garland S.B.; Cahan V.; Yang C.; and Dwyer P. (1989). Why Civil Servants Are Making Tracks. *Business Week*, January 23, 1989: 60-61.

General Accounting Office (GAO) (2000a). Human capital: A self-assessment checklist for agency leaders. Report no. GAO-OCG-00-14G. Washington, DC: Author.

General Accounting Office (GAO) (2000b). Human capital: Key principles from nine private sector organizations. Report no. GAO/GGD-00-28. Washington, DC: Author.

General Accounting Office (GAO) (2000c). Managing for results, federal managers' views show need for ensuring top leadership skills. Report no. GAO-01-127. Washington, DC: Author.

General Accounting Office (GAO) (2000d). Human Capital: Managing Human Capital in the 21st Century. Statement of David M. Walker, Comptroller General. Report No. GAO/T-GGD-00- 77.

General Accounting Office (GAO) (2001), High risk: An update. Report no. GAO-01-263. Washington, DC: Author.

General Accounting Office (GAO) (2002a). Government-wide management reforms, Strategic Objective Plan, 2000–2002. Washington, DC: Author.

General Accounting Office (GAO) (2002b). Confirmation of political appointees: Eliciting nominees' Views on leadership and management issues. Report no. GAO-GGD-00-174. Washington, DC: Author.

Kernaghan K. (2001). International Comparison in Human Resource Management Reform. Canadian Centre for Management Development.

Light P.C. (1999). *The new public service*. Washington D.C.: Brookings Institution Press.

Llewellyn S. (1996). Performance Management in the Social Services: Its Meaning and Measurement, in Lapsley I., Mitchell F. (eds.), *Accounting and Performance Measurement: Issues in the Private and Public Sectors*. London: Paul Chapman Publishing.

Not Working for the Public: Tackling the Increasing Competition in Public Sector Labour Market

Longenecker, C.O., Sims, H.P. Jr. and Gioia, D.A. (1987). Behind the mask: the politics of employee appraisal. *Academy of Management Executive*, 1, 3, 183-93.

Mark M.M., Henry G.T., Julnes G. (1999). Toward an Integrative Framework for Evaluation Practice. *American Journal of Evaluation*, 20, 2, 177-198.

Marsden D., French S., Kubo K. (2001). Why Performance Pay Demotivate? Financial Incentive versus Performance Appraisal. Centre for Economic Performance.

Modernising Government, (1999). Presented to Parliament, by the Prime Minister and the Minister for the Cabinet Office by Command of Her Majesty, March 1999.

Mussari, R. (1999). La valutazione dei programmi nelle aziende pubbliche, Giappichelli.

Noordegraaf M., Abma T. (2003). Management by Measurement? Public Management Practices Amidst Ambiguity. *Public Administration*, 81, 4, 853-871.

OECD (2001) (ed. Kirsi Äijälä). Public Sector – An Employer of Choice? Report on the Competitive Public Employer Project.

OECD (2005). Trends in human resources management policies in OECD countries. An analysis of the results of the OECD survey on strategic human resources management.

OECD (2007). Working paper 2, Public Sector Pensions and the Challenge of An Aging Public Service.

Office of Public Employment (2006). Graduate Employer of Choice Survey. May 2006. Government of South Australia

Poon J.M.L. (2004). Effects of performance appraisal politics on job satisfaction and turnover intention. *Personnel Review*, 33, 3, 322-334.

Presidenza Consiglio dei Ministri, Comitato tecnico scientifico per il coordinamento in materia di valutazione e di controllo strategico nelle amministrazioni dello Stato, (2001). I controlli interni nei Ministeri. Primo rapporto.

Ricci P. (2002). La direttiva generale dei ministri sull'attività amministrativa e sulla gestione per l'anno 2002: gli indirizzi di controllo dell'attuale Governo di centrodestra. *La Finanza Locale*, 9.

Soni V. (2004). From Crisis to Opportunity: Human Resource Challenges for the Public Sector in the Twenty-First Century. *Review of Policy Research*, 21, 2, 157-178.

Townley B, Cooper D.J, Oakes L. (2003). Performance Measures and the Rationalization of Organizations, *Organization Studies*, 24, 7, 1045-1071.

Tulgan B. (2001), *Winning the Talent Wars: How to Manage and Compete in the High-Tech, High-Speed, Knowledge-Based, Superfluid Economy*, New York: W.W. Norton.

United States Office of personnel Management (OPM) (2006). Career Patterns. A 21st Century Approach to Attracting Talent.

Usai G., Cabras F., Giudici E. (2004). The Evaluation of Effectiveness as a Matrix of Organizational Success, *Rivista di Politica Economica*, I-II, 287-332.

Van Thiel S, Leeuw F.L. (2002). The Performance Paradox in the Public Sector, *Public Performance & Management Review*. 25, 3, 267-281.

Public Services and Quality: The role of employees

Vigoda, E. (2000) Organizational politics, job attitudes, and work outcomes: exploration and implications for the public sector. *Journal of Vocational Behavior*, 57, 326-47.

Voinovich G. V. (2000). Report to the President: The crisis in human capital. Senate Sub-Committee on Oversight of Government Management. Government Printing Office, Washington, DC.

Walker D. M. (2000). (Statement from David Walker) Managing human capital in the 21st century. Report no. GAO/T-GGD-00-77. Washington, DC: General Accounting Office.

Wildavsky A. (1973). If planning is everything, maybe is nothing. *Policy Sciences*, 4, 127-153.

Tables and figure

Figure 1
Ratio of entrants and leavers (1990-1999)

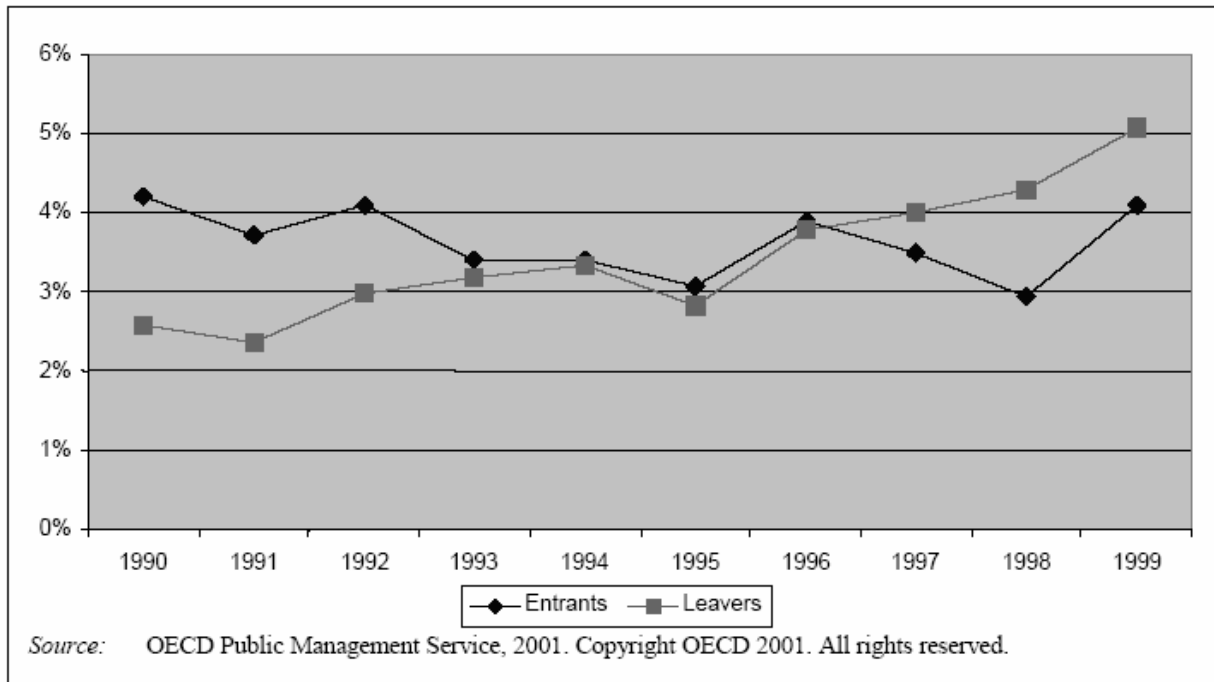


Table 1
Problems identified at present or in the future

Country	Recruitment		Retention		Critical Skills Shortage
	Now	In a few years	Now	In a few years	
Austria		✓			
Canada	✓		✓		✓
Denmark	✓				
Finland	✓				
Germany		✓			
Italy					✓

Public Services and Quality: The role of employees

Korea					✓
Norway		✓		✓	
Poland					✓
Portugal					✓
Spain				✓	✓
Sweden	✓		✓		
Source: OECD, 2001					

Table 2
Unemployment rates in OECD countries

Subject	Standardised Unemployment Rate (SUR)						
Sex	All persons						
Measure	Level, rate or quantity series, s.a.						
Frequency	Annual						
Time	2000	2001	2002	2003	2004	2005	2006
Country							
<u>Austria</u>	3,6	3,6	4,2	4,3	4,8	5,2	4,7
<u>Canada</u>	6,8	7,2	7,7	7,6	7,2	6,8	6,3
<u>Denmark</u>	4,3	4,5	4,6	5,4	5,5	4,8	3,9
<u>Finland</u>	9,6	9,1	9,1	9,1	8,8	8,3	7,7
<u>Germany</u>	7,2	7,4	8,2	9	9,5	9,4	8,3
<u>Italy</u>	10,1	9,1	8,6	8,4	8	7,7	6,8
<u>Korea</u>	4,4	4	3,3	3,6	3,7	3,7	3,5
<u>Norway</u>	3,4	3,6	3,9	4,5	4,4	4,6	3,5
<u>Poland</u>	16,1	18,2	19,9	19,6	19	17,7	13,8
<u>Portugal</u>	4	4	5	6,3	6,7	7,6	7,7
<u>Spain</u>	11,1	10,4	11,1	11,1	10,6	9,2	8,5
<u>Sweden</u>	5,6	4,9	4,9	5,6	6,3	7,3	7
<u>Source: OECD (in</u>							

Not Working for the Public: Tackling the Increasing Competition in Public Sector Labour Market

%)

--	--	--	--	--	--	--	--	--	--

ⁱ The cited study does not make any distinctions among the different typologies of workers (managers, clerks, etc.) and does not discern data according to the sector of activity of the public sector organizations considered and the different types of job contracts. Hence, the data presented must be analyzed cautiously before drawing any conclusions. However, the analysis carried out is a useful source of information to study the capability of public sector organizations to compete in the labour market.

ⁱⁱ Ten selected OECD Member countries have been used for the calculations.

ⁱⁱⁱ An issue which will not be investigated in this paper, even though of considerable importance, regards the different roles that public sector personnel may have (managers, clerks, etc.).

^{iv} It is necessary to observe that the unemployment rate does not necessarily decrease with an increase of the employment rate. Therefore, even in those countries where the unemployment rate does not decrease or even rises, it is possible that the number of workers in public sector organizations becomes higher. In such a case, a possible explanation would be that job opportunities offered by public sector organizations have been able to attract people who were not even looking for a job and, for this very reason they were not calculated in the unemployment rate.

^v For an interesting comparison of human resource management (HRM) reforms in the United Kingdom, Australia and New Zealand, see Kernaghan K. (2001).

^{vi} According to Flamholtz (1996), objectives are what an organization wants to achieve in the long run in each key result area. Goals are specific things that the organization seeks to attain by a specified time.