

PROCESS EVALUATION OF THE PERFORMANCE-BASED BONUS (PBB) SCHEME

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OUTLINE



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- Description and Objectives
- Institutional Arrangements
- Program Design
- Expenditure and Financing
- Program Implementation



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1. INTRODUCTION

PERFORMANCE-BASED INCENTIVE SCHEME (PBIS)

In 2012, the **Performance-Based Incentive System (PBIS)** was instituted as per **EO No. 80** to (a) **motivate higher performance** and **greater accountability** in the Executive branch of government and (b) ensure **accomplishment of commitments and targets**.

Productivity Enhancement Incentive (PEI)

Across-the-board bonus to all employees in the Executive branch



Performance-Based Bonus (PBB)

Merit-based bonus based on delivery unit's and individual's contribution to accomplishment of agency targets.





PBIS (PEI and PBB) should be seen in the context of the Results-based Performance Management System (RBPMS)

1.1. Brief Description of the Study

Since 2012, DBM has released guidelines on annual grant of PBB.

- Good Governance Conditions
- Physical Targets
- Support to Operations
- General Administrative Support Services

Note: Other than a World Bank (2014) assessment of the PBB, a comprehensive study on the impact of the PBB on employees' motivation and productivity has hitherto not been undertaken.



- ✓ Is PBB achieving design objectives?
- ✓ Have PBB activities been implemented as intended?
- ✓ Has PBB improved the productivity & performance of government employees?

1.2. Study Objectives

DBM requested PIDS to evaluate impact of the PBB. Study in 2 phases:



Year 1 (2019)



Process Evaluation

- Assess implementation of PBB grant
- ✓ Examine to **what extent the PBB design** has been **executed**.
 - ✓ Identify **implementation deficits**, if any, taking note of the **bottlenecks and challenges** encountered in meeting eligibility conditions to qualify for the PBB.

Year 2 (2020)



Impact Evaluation

Infer effect of PBB on **employees' performance and productivity**

2. BRIEF LITERATURE REVIEW

1. Measuring performance in public sector

- **Incentives are premised on theories of motivation (Maslow 1943; Montana and Charnov 2008) and known conventional wisdom**
 - Performance improvement through **use of rewards long been practiced**, esp. in private sector, and **but assumption that people do a better job when given incentives hardly examined** (Kohn 1993).
- **Measuring public sector performance is difficult** given varied public sector outputs (Festre 2008; Dixit 2002)
 - In private sector, price mechanism can shape production of good or service.
- Well-designed performance-based **rewards can trigger improved outcomes** when these are easy to measure; **but** where outcomes are difficult to measure, **incentives could be ineffective** or backfire (Bandiera et al 2017)

2. BRIEF LITERATURE REVIEW

2. Studies that examine the **links between these measures and the performance-based incentives geared to better achieve them**

a) Rigorous impact evaluation studies

- **health services:** Olken *et al.* 2014 found evidence that incentives accelerated accomplishment of target objectives but effect dissipated.
- **tax collection:** Khan, Khwaja, and Olken 2016 found that non-financial incentives—the ability of tax inspectors in Pakistan to choose where they would be posted—yielded annual tax revenue growth of 30 to 41 percent

2. BRIEF LITERATURE REVIEW

2. Studies that examine the **links between these measures and the performance-based incentives geared to better achieve them**

b) Mixed-method studies (before and after)

- Rusa *et al.* (2009) found that **pay for performance** in Rwanda **strengthened results-oriented culture among health providers.**
- Rasul and Roger (2018) examined **management** practices in Nigeria related to autonomy and highlighted that, **incentives for and monitoring of bureaucrats in this case may exacerbate dysfunctional responses by bureaucrats.**

2. BRIEF LITERATURE REVIEW



Study on Pay and Performance in the Philippine Civil Service

WB (2014) conducted an assessment of PBB, which found that the PBB is having a positive impact on government performance, as reflected in perception survey

In measuring the effectiveness of PBB to public sector employees, respondents answered:

Agency indicators and targets are clearer and better with PBB.	Internal processes in agencies improved through the help of PBB.
70% agreed that PBB is a good idea.	PBB promotes team work.

The WB study recommended :

- Restructuring PBB to give greater weight to group-based bonus vs. individual bonus.
- Gradually relaxing Good Governance Conditions.
- Strengthening review and independent validation by DBM and the IATF secretariat.

3. RESEARCH DESIGN

Study Methodology



Desk Review

- ✓ Literature



Secondary Data Analysis

- ✓ Data from AO25 Secretariat



Collection and Analysis of New Primary Data

- ✓ Survey
- ✓ KIIs
- ✓ FGDs

Primary Data Collection Activities

FGDs and KIIs

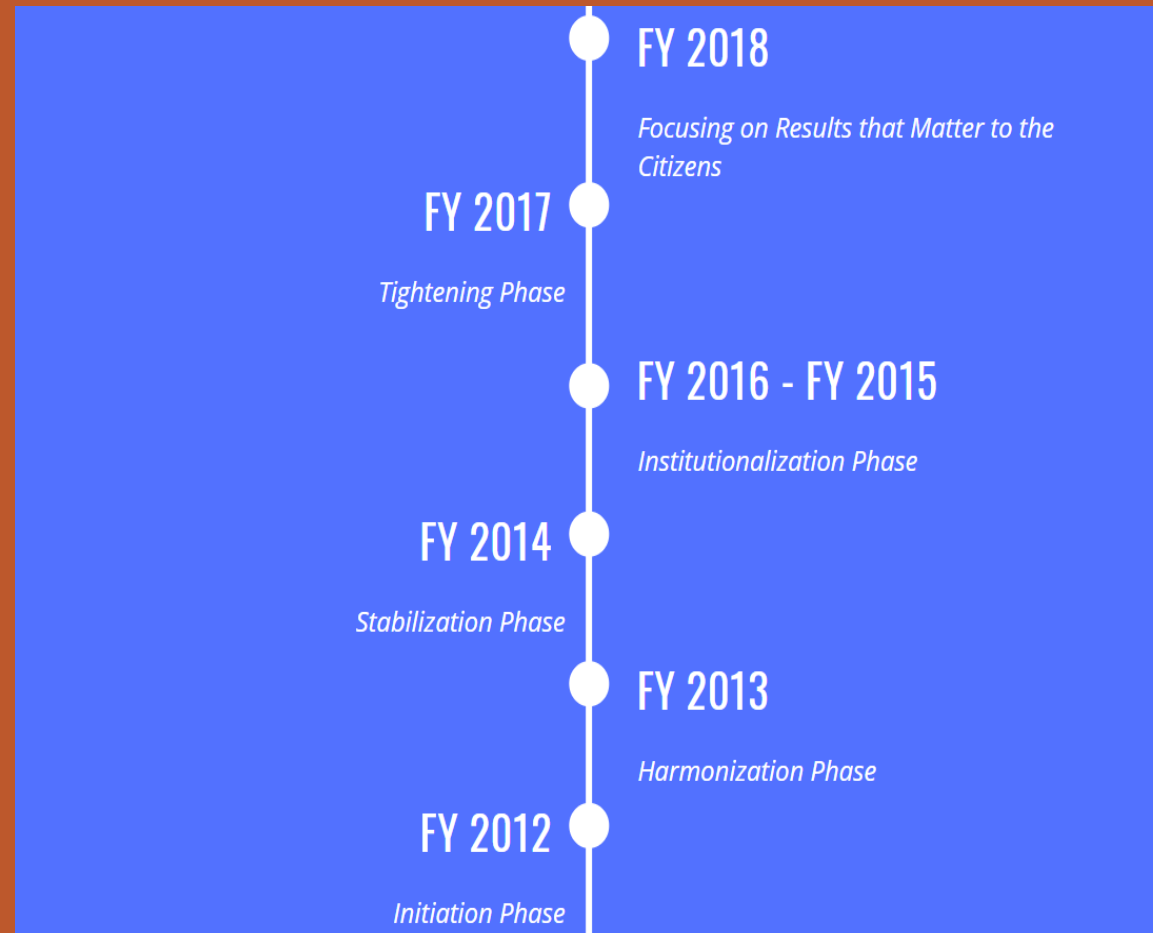
Target Respondents: Staff of various government entities in Metro Manila, Balance Luzon, Visayas & Mindanao

Study Respondents

Cluster	Number of Staff
NGAs	70
SUCs	107
DepEd	127
TOTAL	304



4. PBB DESIGN AND IMPLEMENTATION



4.1. PBB Description and Objectives

Based on MC No. 2012-1, the grant of PBB aims to:



recognize and reward exemplary performance in public sector to enhance service delivery;



nurture team spirit toward the effective execution of operational plans by linking personnel incentives to delivery unit's performance; and



rationalize distribution of incentives across performance categories of groups and individuals;



strengthen performance monitoring and appraisal systems based on existing systems like OPIF used by DBM to measure agency performance, the strategic performance management system (SPMS) of CSC, and RBPMS.

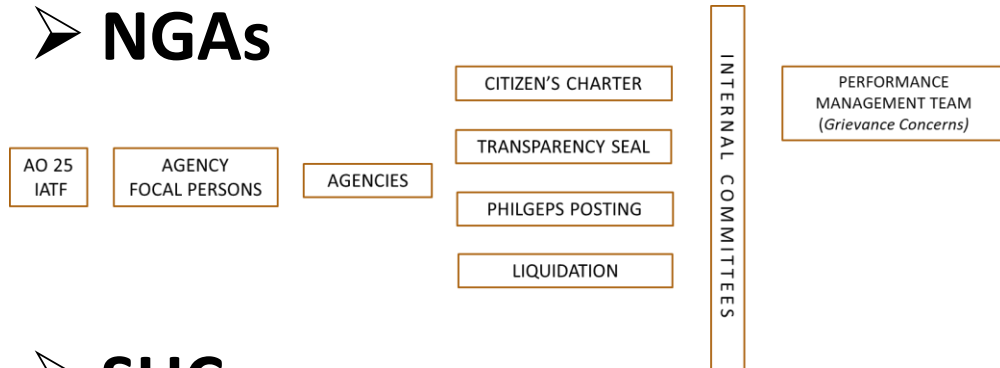
4.1.1. How PBB Cycle Works



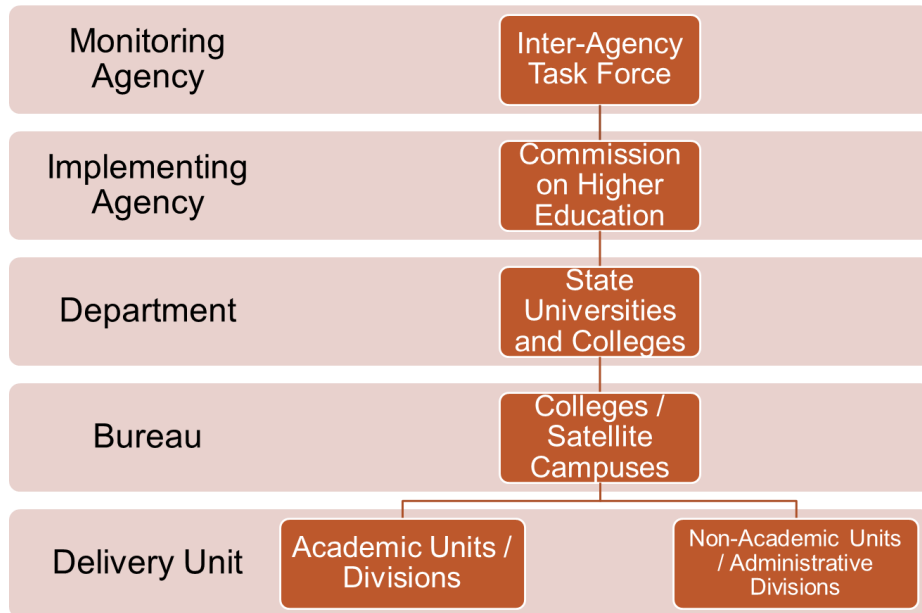
Source: AO 25 Secretariat

4.2. Institutional Arrangements for PBB

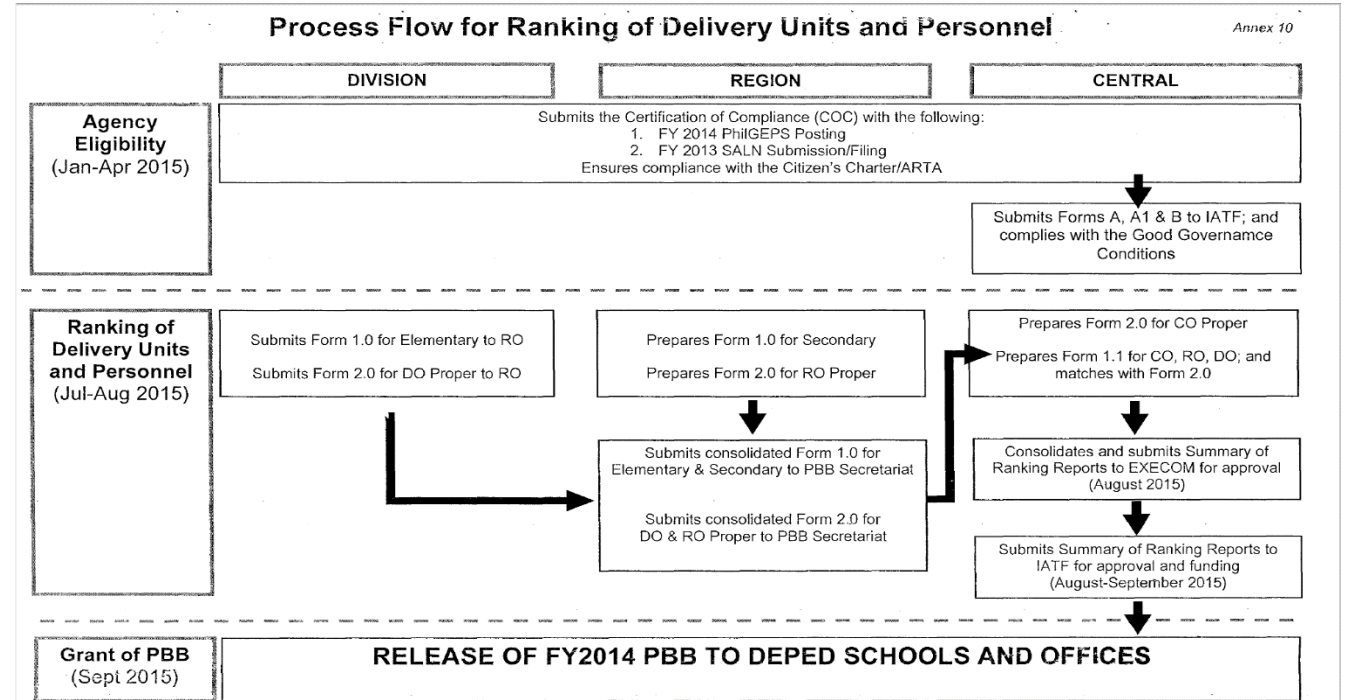
➤ NGA's



➤ SUCs



➤ DepEd



Information on PBB and eligibility requirements is meant to be cascaded to everyone.

4.3. Evolution of PBB Eligibility Requirements

GGCs	FY 2012 – FY 2018		
		<i>Other cross-cutting requirements</i>	
	1. TS	SALN *(2015)	
	2. PhilGEPS	SRR *(2016)	
	3. ARTA	FOI *(2017)	
4. Cash Advance (2012-2014)	SALN Procedure *(2018)		

STO	FY 2012 – FY 2018		
	1. 2 nd Indicator (<i>identified by HoA</i>)		
	2. QMS/OPS Manual (2014 -2016)		
	3. ISO certification/ISO-aligned *(2017)		
	4. ISO certification or equivalent *(2018)		

GASS	FY 2012 – FY 2018	
	1. Disbursements BUR *(2013)	6. APP Non CSE *(2015)
	2. Obligations BUR *(2014)	7. APCPI *(2015)
	3. COA FS *(2013)	8. APP CSE *(2017)
	4. BFARS *(2015)	9. 30% COA AR *(2017)
	5. Cash Advance (2015-2017)	10. Early Procurement *(2018)

PHYSICAL	FY 2012 – FY 2018		
	1. MFOs ** (<i>retained for SUCs in 2018</i>)		
	2. OP Planning Tool/EODB (2014-2015)		
	3. Streamlining and Process Improvements *(2018)		
	4. Citizen/Client Satisfaction *(2018)		

Source: AO 25 Secretariat

*started as a requirement
**graduated

4.4. Agency Ratings and Rankings Across FYs

Delivery Units	FY 2012		FY 2013	FY 2014 – FY 2015		FY 2016 – 2018	
	Rank	Distribution		Rank	Distribution	Rank	Distribution
	Best	10%	Same	Best	10% (15%)	Best	10%
	Better	25%		Better	25% (30%)	Better	25%
	Good	65%		Good	65% (55%)	Good	65%

* Delivery units that did not meet at least 90% of targets are excluded from ranking

Individuals	Rank		Rank		Rank			No forced ranking of individuals
	Rank	Distribution	Rank	Distribution	Rank	Best DU	Better DU	
	Best	10%		Good(Better/Best)				
	Better	25%	Best	10% (15%)	Best	20%	15%	10%
	Good	65%	Better	25% (30%)	Better	35%	30%	25%
			Good	65% (55%)	Good	45%	55%	65%

• Individuals with less than “Satisfactory” rating excluded from ranking

* **Rating of Heads of Agencies for FY 2014 & FY 2016:** Pass/Fail for NGAs & GOCCs; Good, Better, Best for SUCs

4.5. PBB Payouts Across FYs

FY 2012- FY 2015

Performance Category	Incentive
Exceptional	35,000
Outstanding	25,000
Excellent	20,000
Superb	15,000
Brilliant	13,500
Great	10,000
Good	7,000
Satisfactory	5,000

FY 2016 - Present

Performance Category	Ranking	PBB Incentive as % of Monthly Salary
Best Delivery Unit	Top 10%	65%
Better Delivery Unit	Next 25%	57.5%
Good Delivery Unit	Next 65%	50%

4.6. Trends on PBB Eligibility

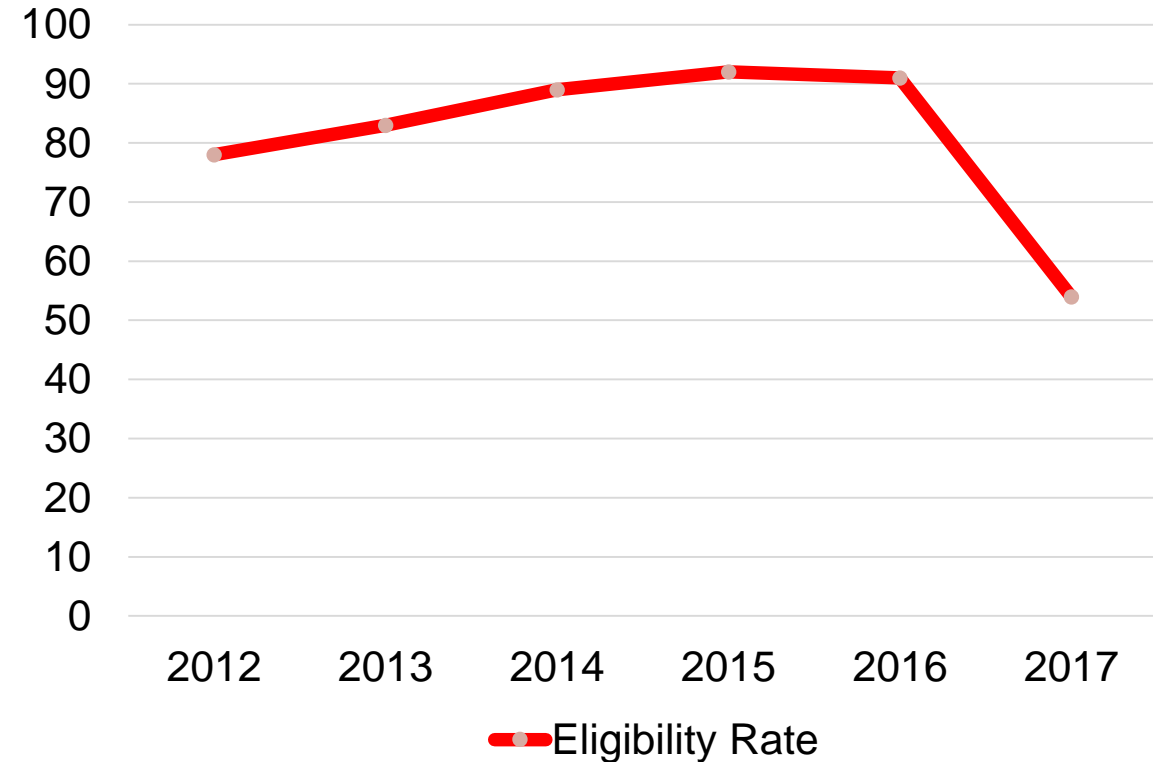
Number of Eligible and Ineligible Agencies

Departments, Constitutional Offices, Other Executive Offices, GOCCs

Fiscal Year	Eligible Agencies	Ineligible Agencies
2012	65	18
2013	65	13
2014	70	9
2015	179	15
2016	175	18
2017	102	87

Source: DAP

Eligibility Rate (%): NGAs



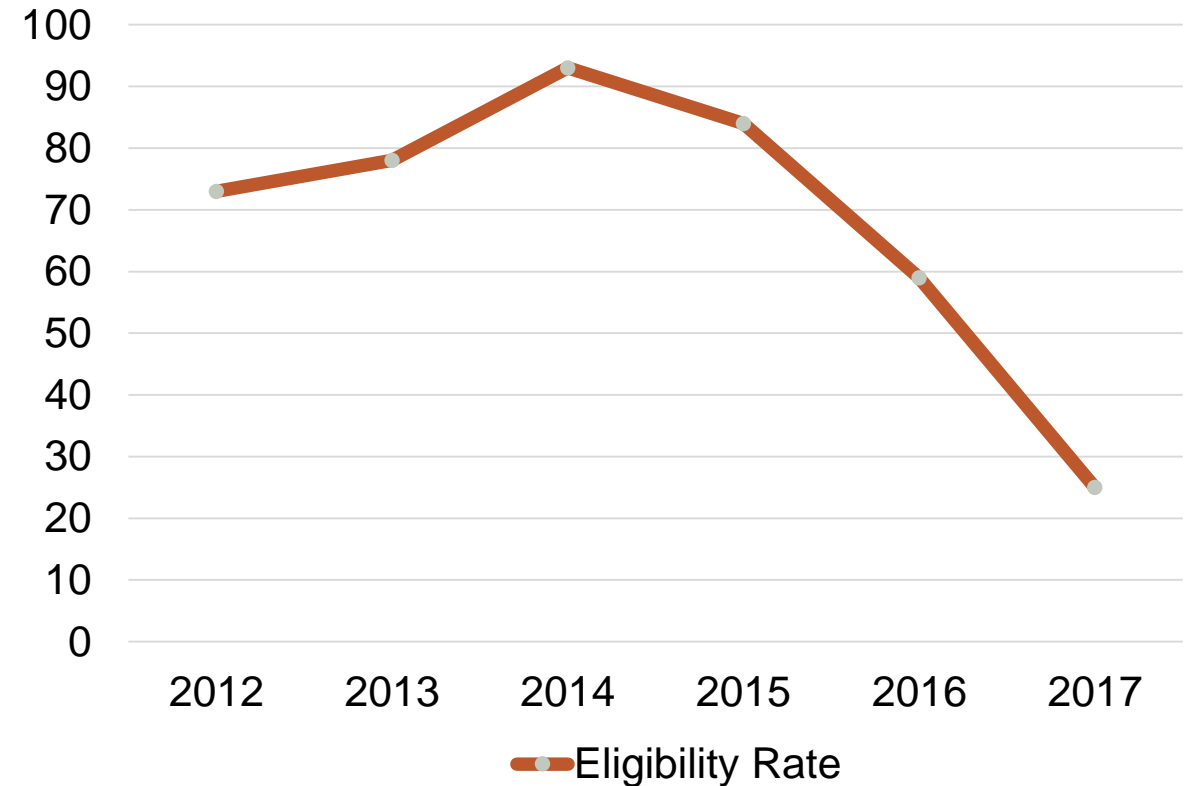
4.6. Trends on PBB Eligibility

Number of Eligible and Ineligible SUCs

State Universities and Colleges (SUCs)

Fiscal Year	Eligible Agencies	Ineligible Agencies
2012	81	30
2013	87	24
2014	103	8
2015	93	19
2016	66	46
2017	28	84

Eligibility Rates (%): SUCs

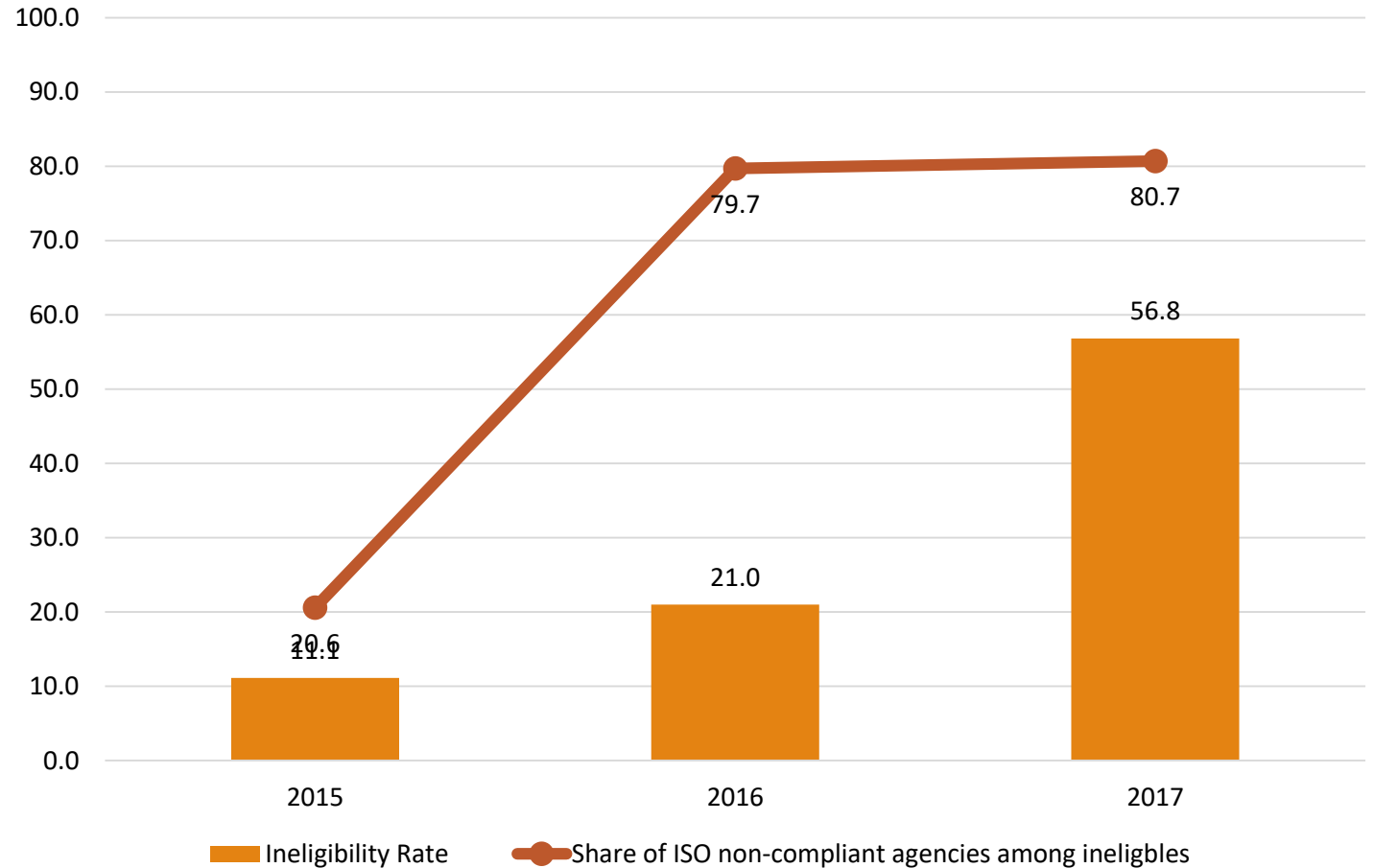


Source: DAP

4.6. Trends on PBB Eligibility

Amid rising ineligibility rates in the period 2015 to 2017, we find an increasing share of agencies among the ineligibles that were not ISO-compliant.

Rising Ineligibility Rates (%) in Recent Years



Source: DAP

4.7. Expenditure and Financing (in '000 Php)

PBB for	FY Released	Appropriations	Actual Release	% Utilized
2012	2013	9,970,406	9,902,932	99%
2013	2014	12,307,567	10,444,204	85%
2014	2015	14,641,486	11,413,495	78%
2015	2016	13,528,719	9,857,154	73%
2016*	2017	16,658,527	7,650,701	46%
2017*	2018	11,625,270	20,494,235	176%
2018	2019	13,506,483	7,014,752	34%

**Delayed disbursement of funds*

4.8 PBB Implementation

NGA Cluster



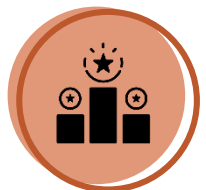
PBB helped improve delivery of services to the public.



Information on PBB operational procedures (memoranda and other issuances) disseminated by focals through general assemblies



Operational procedures well-established; compliance high but some suggest guidelines vague, and forms difficult to fill out.



While PBB meant to instill culture of excellence, some jealousy takes place regarding incentives received

4.8 PBB Implementation

NGA Cluster



Employees and agencies tend to focus on needed PBB paperwork rather than main tasks



Some agencies pursue certain schemes (e.g. sharing bonuses) to pacify employees



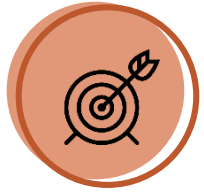
Majority find PBB implementation effective, though some note that requirements have been increasing over the years, and are currently more stringent

4.8 PBB Implementation

SUC Cluster



Huge volume of documents and low utilization of IT systems for PBB



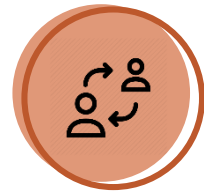
Need to streamline targets of several QA mechanisms (PBB, NBC 461, SUC leveling) given commonalities in documentations.



Some PBB guidelines do not respond to SUCs operational contexts



M&E of PBB requirements is challenging for SUCs with multiple campuses



Communication problems given annual changes in PBB focals

4.8 PBB Implementation

SUC Cluster

OUTPUTS

INCENTIVES

Research Publication (ISI-indexed journals)

PHP 65,000 (estimates, varies per SUCs)

Research Publication (SCOPUS)

PHP 55,000 (estimates, varies per SUCs)

Research Publication (CHED-approved; local journals)

PHP 15,000 – 30,000 (estimates, varies per SUCS)

Citations in ISI Journal/SCOPUS

PHP 10,000 – 50,000 (depending on SUCs)

Patents

PHP 10,000 – 100,000 (depending on SUCs)

Professorial Chair Grants

Depending on SUCs

Research Presentation and Travel Incentives

Local and International budgets vary (depending on SUCs)

Collective Negotiation Agreement

Based on the amount of savings in SUCs

4.8 PBB Implementation

DepED Cluster



While PBB objectives are met, parameters of PBB evaluation do not capture real ‘productivity’ of teachers (many equate exemplary performance to ‘working hard’ or ‘working longer hours’).



Among non-teaching personnel PBB goals, purposes, objectives are clearly articulated.



School KPIs, such as NAT scores and dropout rates, are misreported and/or manipulated to qualify for PBB.



Several believe that the PBB scheme is ‘gamed’.

4.8 PBB Implementation

DepED Cluster



Some teachers do not understand how schools are ranked, or how they could improve their ranking, thus, fostering *'inggitan'*



Some teachers assert that even principals do not understand the nature and processes of PBB, and fail to cascade PBB information



Teaching personnel are reportedly performing liquidation and other clerical tasks related to the PBB, which sometimes compels them to abandon teaching responsibilities.



A few complain of arbitrary dates of release of PBB payouts: "*paasa buwan-buwan*".

5. CONCLUSION

MAIN FINDINGS *COMPLIANCE*

 **Varying compliance by agencies**, with different coping strategies to qualify for PBB, and some potentially perverse outcomes.

- **Massaging data reported** to comply with PBB requirements.
- **Tension between quantitative and qualitative targets and goals** (e.g. Zero dropout target)

MAIN FINDINGS *PERCEPTIONS*


 **Mixed views** on whether and to what extent PBB improves services.

- Strong understanding and appreciation of PBB rationale among agencies.
- PBB works, by incentivizing more outputs (though not necessarily better services).
- With or without PBB, govt workers will still accomplish tasks.

5. CONCLUSION

MAIN FINDINGS *COLLABORATION EFFECTS*

 **Strengthened team work and accountability** in some agencies.

 Bad practices in some agencies, e.g. **‘sharing of incentive’**; **discord** resulting from perceptions of **unfair ratings**

MAIN FINDINGS *INDICATORS AND REQUIREMENTS*

 SUCs raised issues on indicators and targets, and prospects for attainment.

NGAs report **increasing number of requirements** for PBB through the years—with requirements becoming **more stringent**

5. CONCLUSION

MAIN FINDINGS *UNINTENDED CONSEQUENCES*



Jealousy among employees



Perception of arbitrary ratings



Tendency to increase overtime



Unnecessary competition

5.1. Policy Recommendations

GIVEN:

- *Mixed Compliance*
- *Mixed Perceptions*
- *Unintended Side Effects*
- *Confusing Requirements*



CRUCIAL TO REVISIT POLICY OBJECTIVES:

- *Macro-level (Or Agency-level)*
- *Meso-level (Or Team-level)*
- *Micro-level (Or Staff member-level)*

PBB instrument generates at least three main channels of impact:

- **Agency-wide** incentive effects have **different impacts across agencies**
- **Team-level** collaboration effects vary as some teams cohere better to achieve team-based targets; while other teams collude in gaming the PBB
- **Staff member-level** effects also vary, depending on perceptions, information about the reform, capabilities and other factors

5.2. Though PBB can be continued, IATF should re-think PBB design with some Policy Questions in mind:

- Should PBB be juxtaposed against a broader state capacity building agenda?
- Should gov't focus on using PBB only for agency-level objectives?
- Should gov't consider supporting weaker agencies, in order to avoid inequality in compliance capabilities and outcomes?
- Is PBB still effective given SSL and other public sector “income enhancing” reforms?



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Service through
policy research

Process Evaluation of the Performance-Based Bonus (PBB) Scheme, PIDS Discussion Paper No. 2019-15

Examining the implementation of PBB scheme in the public sector, PIDS Policy Note 2020-01.



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