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HUMAN CAPITAL AND PERFORMANCE APPRAISAL IN THE PUBLIC SECTOR: AN EMPIRICAL INVESTIGATION FROM EMPLOYEES' AND SENIOR MANAGERS' PERSPECTIVE

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Abstract

Human capital is often considered as one of the most fundamental requirements for high organizational performance, whereas key driver for the achievement of higher levels of employees' productivity is considered the employment of a suitable performance appraisal system. Based on this perspective, we assume that every organization needs to establish an effective appraisal system which will be sufficient to facilitate employees' continuous development. This is especially relevant for public sector organizations that in some countries implement fundamentally flawed performance appraisal systems. On the verge of the transition from the bureaucratic to the new public management model, the organizational units of the public sector seem to have an excellent opportunity to redesign their key processes, including human capital appraisal forms. This paper explores the context and role of a few critical human capital practices, which are mainly related to employees' self-evaluation and performance appraisal, and are currently implemented in the Greek public sector. To attain our goal, an empirical investigation was conducted via a questionnaire survey to specifically determine whether self-evaluation and appraisal problems exist, in particular in terms of objectivity, consistency, adequacy, and credibility. The questionnaires were addressed both to employees and senior managers. The empirical results obtained, highlight some core problems that the public sector faces, with regard to existing self-evaluation systems and appraisal practices. These, among others, include the following: a lack of objectivity both in employees' self-evaluation and in their appraisals assessed by the senior managers; inconsistencies between the way the public servants perceive the range and quality of their merits and those included in their job description; mistrust and lack of reliability on employees' evaluation reports and selection criteria. Finally, some policy reformations are proposed to cope with these problems.

Keywords: public sector; performance appraisal system; employees' self-evaluation.

1. INTRODUCTION

Traditional public administration, still being applied in Greece, is a centralized, hierarchical model of public services. Administrative rules are determined by the central government and implemented by all public organizations, the latter having relatively little potential for choosing strategies at a local level (Bach and Della Rocca, 2000). In this context, organizational success in the public sector presents as a major challenge. It seems that superior organizational performance is only accomplished when employees try hard enough to exceed themselves on behalf of the organization (Guest, 1997; Purcell, 1999; Armstrong, 2006). In other words, results can only be achieved due to the responsible work of employees (Pfeffer and Veiga, 1999).

Thus, organizational success strongly depends on people's knowledge, skills, and abilities. As Schuler and Macmillan (1984) claim, organizations that can acquire and use valuable and scarce resources, including human, have an advantage in meeting this challenge. Collins & Clark (2003) argue that there is a powerful link between how people are managed and organizational performance. Thus, the choice of appropriate human capital practices and their subsequent effective implementation can only make a substantial impact on any organizational performance.

Human capital practices like employee selection procedures, performance appraisals, rewards and benefits, employee training, and development, often have a direct effect on organizational productivity and performance. Schuler and Macmillan (1984) contribute to this aspect, supporting that effective human

capital management results in an increasing ability to attract and retain qualified employees. Having the right employees motivated to over-perform would result in greater profitability, lower employee turnover, higher product quality, lower production costs, and a more accurate implementation of organizational strategy. Human capital practices are the primary choice of any organization to influence and shape the skills, attitudes, and behavior of employees in order to do their work and, thus, achieve organizational goals (Collins and Clark, 2003; Martinsons, 1995). In this direction, the redefinition of human capital, especially in the public sector, can lead to the successful response of local governments to the new organizational reality and enhance the effectiveness of both the services provided to people and the growth of the local community.

The main purpose of this paper is to explore the context and role of a few critical human capital practices, mostly related to employees' self-evaluation and performance appraisal in the public sector. To attain our goal, an empirical investigation was conducted via a questionnaire survey to specifically determine whether self-evaluation and appraisal problems are present, in particular in terms of objectivity, consistency, adequacy, and credibility. The issue at hand was examined from both employees' and senior managers' perspective.

The remainder of this paper is organized as follows: Sections 2 and 3 provide a brief review on human capital and performance appraisal literature respectively; Section 4 outlines the research methodology; Section 5 presents the research results; and Section 6 summarizes the main conclusions of the study.

2. HUMAN CAPITAL

Human capital is one of the major components of the intellectual capital (i.e. the intangible assets and resources of an organization), others being customer capital, structural capital, and innovation capital (Edvinsson and Malone, 1997; Roos et al., 1997; Sveiby, 1997; Stewart, 1997; Chen et al., 2004; Tseng and Goo, 2005). Human capital is represented by the company's employees' individual knowledge asset (Bontis et al., 2000) and has long been argued as a critical resource in most firms (Pfeffer, 1995). Human capital has been thoroughly defined by Edvinsson and Malone (1997) as the combined knowledge, skill, creativity and individual capability of the employees, used for the duty accomplishment, as people are those resources that can learn, change, innovate, and provide creativity in such a way that, if properly motivated, are able to ensure competitive advantage and survival of the organization.

Human capital attributes such as education, experience and skills, especially when they are characteristics of top senior officers, are suggested by research that affect firm outcomes (Pennings et al., 1998; Finkelstein & Hambrick, 1996; Huselid, 1995; Wright et al., 1995). In this context, two classifications of knowledge are proposed: articulable and tacit (Polanyi, 1967; Lane & Lubatkin, 1998). Articulable knowledge can be systematically coded in a way that enables this knowledge to be written and easily transferred (Liebeskind, 1996). Tacit knowledge, on the other hand, cannot be easily transferred (Teece et al., 1997). Most of the times, tacit knowledge is embedded in uncodified routines and the social context within the organization is set (Liebeskind, 1996). Tacit knowledge may include the individual skills and the collaborative working relationships within the organization (Szulanski, 1996; Nelson & Winter, 1982). Maister (1993) supports that tacit knowledge is integral to professional skills. This makes it unique, and difficult to imitate (Mowery et al., 1996). The probability of creating strategic value through tacit knowledge is much higher (Lane & Lubatkin, 1998). The educational degree that an employee may possess is a value that holds throughout his/her professional career (D'Aveni & Kesner, 1993). The development of managerial skills such as leadership, decision making, allocation of resources, the ability to resolve conflicts and process information, in addition to making relationships with subordinates, peers, superiors and clients are really individual skills and, although they can be taught, they cannot be transferred (Harris & Helfat, 1997; Mintzberg, 1973). Recent scholars have argued in favor of the importance of human capital contribution on organization's outcomes (Lepak & Snell, 1999; Sherer, 1995; Pfeffer, 1995; Barney & Zajac, 1994). According to the results, an organization's strategy is strongly

affected by the human capital that the organization owns, but this relationship is more complex than originally assumed (for an in depth discussion, see Hitt et al., 2001).

3. PERFORMANCE APPRAISAL

Performance management, according to Mullins (1999), refers to a continuous judgment on employees' behavior and performance. It is essential for employees to know exactly what is expected of them, and the way their performance is to be measured. A well-designed appraisal system enables a reliable evaluation, highlighting the potentials, identifying the training and development needs, the financial rewards, and career progression. An effective appraisal scheme can offer the opportunity of future performance amplification.

It has become widely accepted that the evaluation of human resources is a necessary condition for the Public Administration's effective function. Through continuous evaluation, the management is able to collect those data necessary for defining priorities, formulating the necessary policies, adopting specific proposals and, then, taking corrective actions to continuously upgrade the quality of work produced, and the potentials of administration.

The application of advanced administrative theories (i.e. New Public Management, Public Governance etc.) and best management practices demarcate the transition from the bureaucratic public administration to an effective, flexible and extrovert public management (Boyle, 2006). In order to make the upcoming administrative change possible, it has become clear that it would be extremely useful to implement an effective system of measurement and management of performance (Pidd, 2012). However it should be noted that the actions of the public sector cannot be attributed solely to monetary terms, due to its multidimensional mission (social, political, economic development and other). Therefore, the recording and analysis of administrative efficiency is necessary, aiming at the continuous improvement of the existing level of service and the employees' skills (Behn, 2003).

Each human resources evaluation system should be based on a carefully designed scorecard system and performance management through specific targets (Kreitner, 2009). Under this administrative viewpoint, which is based on the core principles of management science, the evaluation of public sector employees should be determined by one or more realistic and workable objectives and performance measurement.

Also closely related to performance appraisal are the issues of employee selection and rewards. Huselid (1995) notes that when recruitment procedures are successfully joined with a reliable selection regime, they can provide a substantial influence over all employees. Armstrong (2006) supports that reward and benefits management is about rewarding people fairly and equitably in consistence to the value of the organization so as to assist the organization to achieve its strategic goals. Both employee selection and rewards are enabled by an effective appraisal system.

4. RESEARCH METHOD

This section provides a comprehensive view of how this study was carried out. Research method and measures used for the questionnaires' development are presented. The data analysis of the respondent population is also described.

The main purpose of this paper is to identify existing problems in employees' self-evaluation and performance appraisal practices as they are currently implemented in the Greek public sector. The research method that was decided to be used for the analysis of this study is empirical investigation through questionnaire survey. Questionnaires assist in gathering information for further analyses as all respondents face the same standardized questions and format. This kind of measurement is accurate and guarantees the collection of comparable data. A combination of the descriptive research method (to accurately portray the characteristics of relevant groups) and the statistical hypothesis testing was used.

Two questionnaires were developed, in order to obtain information of the public sector's serving personnel's point of view on human capital, performance appraisal, and the reactions to the current Evaluation Law enforced in the Greek public sector. The first questionnaire was addressed to employees, and the focus was put on self-evaluation questions. The second questionnaire, with the exact same questions, was addressed to senior managers. However, the focus for senior managers was put on evaluating their subordinates.

The questionnaires consist of the following three parts:

1. Demographics (i.e. gender, age, level of education, previous working experience in the Local Authorities and/or the private sector);
2. Human capital attributes evaluation;
3. Performance appraisal and Evaluation Law enforcement.

In order to gather the information needed for the human capital attributes evaluation, Standard Questionnaire Intellectual Capital (Bontis, 1998) was used on: (i) self-evaluation of certain characteristics from the employees' point of view (i.e. how they evaluated their own skills, abilities, knowledge, and efficiencies), and (ii) appraisal of the same characteristics from the senior managers' point of view (i.e. how they evaluated the same traits of their subordinates). This approach allows for direct comparison between self-evaluation and third-party appraisal scores. This measure consists of 12 items, and in the present study the Cronbach's alpha coefficient was very high (>0.86). The rest of the questions, regarding the existence of inadequate serving personnel, the existing evaluation problems, as well as the reactions to the current Evaluation Law, were common across the two questionnaires and chosen after literature review and extensive discussions with the Local Authorities serving personnel.

The main part of the questionnaire consists of structured questions giving the respondent multiple choice selections, mainly by a 5-point scale. Also, unstructured open-ended questions were used in order for the respondents to answer in their own words, ideas, standpoints or opinions. The questions were developed on the basis of clarity and easy understanding. A pre-test was used to both categories of respondents.

Data were gathered through questionnaires, which were electronically distributed to Local Authorities in the region of Central Macedonia, Greece. A total of 182 questionnaires from employees and 83 from senior managers were gathered. However, 4 questionnaires from employees were eliminated, due to their poor completion. The majority of the respondents were women (61%), as they appeared more willing to participate in the research than men. The overwhelming majority of the employees (86%) and senior managers (95%) were between the ages of 35–54 years. In addition, a relatively large number of the participants held a master or a PhD (19% of employees; 35% of senior managers) and a bachelor degree (48% of employees; 62% of senior managers). Another fact worth mentioned is that almost 40% of employees and 20% of senior managers had over 5 years of experience in the private sector.

5. RESULTS

This section presents the results of the empirical survey as follows:

- Comparison between self-evaluation and third-party appraisal scores
- Employees' demographic factors effect on their self-evaluation scores
- Senior managers' demographic factors effect on the appraisal scores given to their employees
- Matching between personal merits and job description
- Employees' role in appraisal processes
- Evaluating the evaluation reports
- Evaluating the criteria for selecting or positioning personnel
- Evaluating the current Evaluation Law

5.1 Comparison between self-evaluation and third-party appraisal scores

One part of both questionnaires deals with human capital, as it is self-evaluated by employees in contrast to their supervisors' appraisal. More specifically, employees were asked to evaluate the prevalence of 12 items (obtained from the Standard Questionnaire Intellectual Capital) by representing their own skills and abilities on a 5-point scale. Senior managers responded to the same items, evaluating the traits of their employees. The following research hypothesis was formulated, in order to examine the possible gap between self-evaluation and third-party appraisal scores:

| | |
|--|---|
| <i>H₁ (accepted)</i> | <i>Human capital attributes are not equally evaluated by employees (self-evaluation) and senior managers (evaluation of employees).</i> |
|--|---|

The above hypothesis was examined for employees (n=178, m=4.06) and senior managers (n=83, m=3.62) using the independent samples t-test. The test results in the rejection of the null hypothesis at a 99% level of significance (t=6.219; p<0.01). This means that employees evaluate their skills and abilities much higher than these characteristics are evaluated by their senior managers.

This result confirmed a gap between employees' self-evaluation and the way these traits are evaluated by senior managers. This could originate from employees' inability to evaluate their skills clearly, thus thinking higher of themselves. It could be also possible that senior managers do not evaluate their subordinates properly. Either reasoning leads to the fact of an objectivity and consistency problem between self-evaluation and third-party appraisal.

As shown in Figure 1, most of the individual items examined present significant gaps, the highest of which are found on:

- Share knowledge, experience and information
- Respond positively to the needs of colleagues
- Carry out organizational tasks successfully

On the contrary, no significant gaps are present on:

- Participation on training programs
- Skills and abilities have positive effect on department

The responses on the comparison between self-evaluation and third-party appraisal scores are shown in Figure 1. Statistical differences are also provided for each individual item and in total (independent samples t-test).

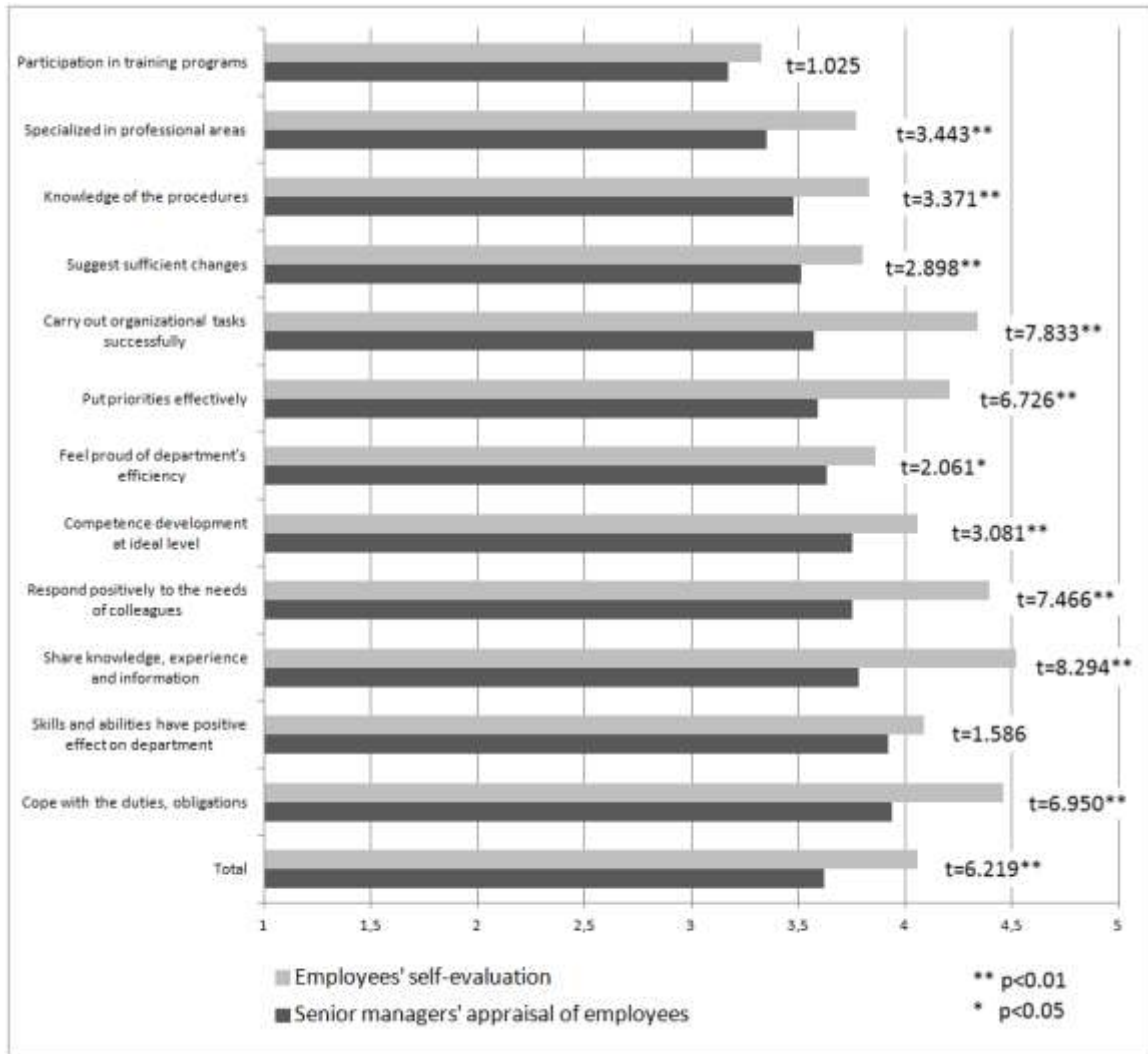


Figure 1: Employees' self-evaluation and senior managers' appraisal of employees

5.2 Employees' demographic factors effect on their self-evaluation scores

Next, we examine some research hypotheses regarding the employees' demographic factors that possibly affect their self-evaluation scores.

| | |
|--|--|
| <i>H_{2.1} (not accepted)</i> | <i>Employees' gender affects their self-evaluation scores.</i> |
|--|--|

To test this hypothesis, independent samples t-test was used. The test does not result in the rejection of the null hypothesis ($t=0.410$; $p>0.05$). The meaning of this result is that men do not differ from women in their self-evaluation scores. Men appear to evaluate themselves higher than women ($t=2.860$; $p<0.01$) only on the "Suggest sufficient changes" item.

| | |
|--|---|
| <i>H_{2.2} (not accepted)</i> | <i>Employees' age affects their self-evaluation scores.</i> |
|--|---|

To test this hypothesis, one-way ANOVA was used. The test does not result in the rejection of the null hypothesis ($F=1.599$; $p>0.05$). The meaning of this result is that older employees do not differ from younger ones in their self-evaluation scores. Older employees seem to evaluate themselves higher than younger ones ($F=2.945$; $p<0.05$) only on the "Put priorities effectively" item.

| | |
|--|---|
| <i>H_{2.3} (accepted)</i> | <i>Employees' educational level affects their self-evaluation scores.</i> |
|--|---|

To test this hypothesis, one-way ANOVA was used. The test results in the rejection of the null hypothesis at a 95% level of significance (F=3.040; p<0.05). The meaning of this result is that employees of lower educational level generally evaluated their own traits higher than employees of higher educational level. Thus, well-educated employees might be stricter to themselves on self-evaluation. This applies to most individual items. However, it is interesting to note that the well-educated employees appear to evaluate two individual items higher than employees of lower educational level, namely:

- Skills and abilities have a positive effect on the department (F=3.481; p<0.05).
- Participation in training programs (F=3.649; p<0.05).

| | |
|--|--|
| <i>H_{2.4} (accepted)</i> | <i>Employees' previous experience in the Local Authorities affects their self-evaluation scores.</i> |
|--|--|

To test this hypothesis, one-way ANOVA was used. The test results in the rejection of the null hypothesis at a 95% level of significance (F=3.145; p<0.05). The meaning of this result is that employees with more previous experience in Local Authorities evaluated their own traits higher than employees with less experience. Thus, it seems that the longer they serve, the higher is the self-evaluation score recorded. This is particularly evident on two individual items:

- Suggest sufficient changes (F=4.823; p<0.01)
- Knowledge of the procedures (F=7.118; p<0.01)

| | |
|--|---|
| <i>H_{2.5} (not accepted)</i> | <i>Employees' previous experience in the private sector affects their self-evaluation scores.</i> |
|--|---|

To test this hypothesis, one-way ANOVA was used. The test does not result in the rejection of the null hypothesis (F=0.387; p>0.05). The meaning of this result is that employees with more previous experience in the private sector do not generally differ in their self-evaluation scores from employees with less or no experience in the private sector. However, the former seem to evaluate their "Skills and abilities (that) have positive effect on department" lower (F=3.155; p<0.05) than the latter. This is an interesting result, requiring further investigation in future research.

The abovementioned results are summarized on Table 1.

Table 1: Employees' demographic factors effect on their self-evaluation scores

| H | Demographic Factor | Test | H_A acceptance |
|------------------|--|---------------------|---------------------------------|
| H _{2.1} | Gender | Ind. samples t-test | ○ |
| H _{2.2} | Age | One-way ANOVA | ○ |
| H _{2.3} | Educational level | One-way ANOVA | ● |
| H _{2.4} | Previous experience in Local Authorities | One-way ANOVA | ● |
| H _{2.5} | Previous experience in private sector | One-way ANOVA | ○ |

●: H_A accepted (p<0.05); ○: H_A not accepted (p>0.05)

5.3 Senior managers' demographic factors effect on the appraisal scores given to their employees

Next, we examine some research hypotheses regarding the senior managers' demographic factors that possibly affect the appraisal scores given to their employees.

| | |
|--|---|
| <i>H_{3.1} (not accepted)</i> | <i>Senior managers' gender affects the appraisal scores given to their employees.</i> |
|--|---|

To test this hypothesis, independent samples t-test was used. The test does not result in the rejection of the null hypothesis ($t=-0.213$; $p>0.05$). The meaning of this result is that men do not differ from women in the appraisal scores given to their employees. Men appear stricter than women ($t=2.860$; $p<0.01$) only on the "Competence development at ideal level" item.

| | |
|--|--|
| <i>H_{3.2} (not accepted)</i> | <i>Senior managers' age affects the appraisal scores given to their employees.</i> |
|--|--|

To test this hypothesis, one-way ANOVA was used. The test does not result in the rejection of the null hypothesis ($F=1.973$; $p>0.05$). The meaning of this result is that older senior managers do not differ from younger ones in the appraisal scores given to their employees.

| | |
|--|--|
| <i>H_{3.3} (not accepted)</i> | <i>Senior managers' educational level affects the appraisal scores given to their employees.</i> |
|--|--|

To test this hypothesis, one-way ANOVA was used. The test does not result in the rejection of the null hypothesis ($F=1.125$; $p>0.05$). The meaning of this result is that senior managers of lower educational level do not differ from senior managers of higher educational level in the appraisal scores given to their employees. Well-educated senior managers appear stricter than senior managers of lower educational level ($F=2.945$; $p<0.05$) only on the "Share knowledge, experience and information" item.

| | |
|--|---|
| <i>H_{3.4} (not accepted)</i> | <i>Senior managers' previous experience in Local Authorities affects the appraisal scores given to their employees.</i> |
|--|---|

To test this hypothesis, one-way ANOVA was used. The test does not result in the rejection of the null hypothesis ($F=0.171$; $p>0.05$). The meaning of this result is that senior managers with more previous experience in Local Authorities do not differ from senior managers with less experience, in the appraisal scores given to their employees. The less experienced senior managers appear stricter than the more experienced ones ($F=3.012$; $p<0.05$) only on the "Feel proud of department's efficiency" item.

| | |
|--|--|
| <i>H_{3.5} (accepted)</i> | <i>Senior managers' previous experience in the private sector affects the appraisal scores given to their employees.</i> |
|--|--|

To test this hypothesis, one-way ANOVA was used. The test results in the rejection of the null hypothesis at a 95% level of significance ($F=3.458$; $p<0.05$). The meaning of this result is that senior managers with more previous experience in the private sector appear stricter than senior managers with less or no experience in the private sector. This is particularly evident on two individual items:

- Cope with the duties, obligations ($F=4.346$; $p<0.01$)
- Participation in training programs ($F=4.275$; $p<0.01$)

The abovementioned results are summarized on Table 2.

Table 2: Senior managers' demographic factors effect on the appraisal scores given to their employees

| H | Demographic Factor | Test | H _A acceptance |
|------------------|--|---------------------|---------------------------|
| H _{3,1} | Gender | Ind. samples t-test | ○ |
| H _{3,2} | Age | One-way ANOVA | ○ |
| H _{3,3} | Educational level | One-way ANOVA | ○ |
| H _{3,4} | Previous experience in Local Authorities | One-way ANOVA | ○ |
| H _{3,5} | Previous experience in private sector | One-way ANOVA | ● |

●: H_A accepted (p<0.05); ○: H_A not accepted (p>0.05)

5.4 Matching between personal merits and job description

A part of the survey was focused on employees' perceptions of how they evaluate their own merits in relation to those required by their job description. The following research hypothesis was formulated, in order to examine this matching:

| | |
|---------------------------------|--|
| H₄ (accepted) | <i>The matching between personal merits and those required by job description is not equally perceived by employees and senior managers.</i> |
|---------------------------------|--|

The results showed that over 50% of the employees consider their merits as higher or much higher in comparison with their job description requirements. On the contrary, most senior managers think that their job description matches their merits. Thus, the gap between employees' merits and those required by their job description is larger than the senior managers'. This difference is significant at the 99% level (t=-2.702; p<0.01).

As far as the demographic factors that possibly affect this gap are concerned, the following can be obtained from the research results: the employees' gap is larger for men (t=-4.617; p<0.01), well-educated (F=6.207; p<0.01), less experienced in the Local Authorities (F=3.127; p<0.05), and more experienced in the private sector (F=3.127; p<0.05). Age (F=1.400; p>0.05) does not seem to affect the gap. The senior managers' gap does not seem to be affected by any of the demographic factors.

5.5 Employees' role in appraisal processes

The role of employees is also examined, in terms of their participation in the evaluation of their (i) senior manager and (ii) colleagues. Two research hypotheses were formulated respectively, as presented below.

| | |
|---------------------------------------|---|
| H_{5,1} (not accepted) | <i>The participation of employees in the appraisal of their senior manager is not equally perceived by employees and senior managers.</i> |
|---------------------------------------|---|

The above hypothesis was examined for employees (n=177, m=4.42) and senior managers (n=83, m=4.33) using the independent samples t-test. The test does not result in the rejection of the null hypothesis (t=0.942; p>0.05). This means that both employees and senior managers strongly agree that the former should participate in the appraisal of the latter.

| | |
|---------------------------------------|---|
| H_{5,2} (not accepted) | <i>The participation of employees in the appraisal of their colleagues is not equally perceived by employees and senior</i> |
|---------------------------------------|---|

The above hypothesis was examined for employees ($n=178$, $m=3.58$) and senior managers ($n=81$, $m=3.67$) using the independent samples t-test. The test does not result in the rejection of the null hypothesis ($t=-0.492$; $p>0.05$). This means that both employees and senior managers agree that the former should participate in the appraisal of their colleagues.

5.6 Evaluating the evaluation reports

The value of evaluation reports currently in use by the Greek public sector is also addressed in the survey. Figure 2 presents the perceptions of employees and senior managers on the information the reports actually show.

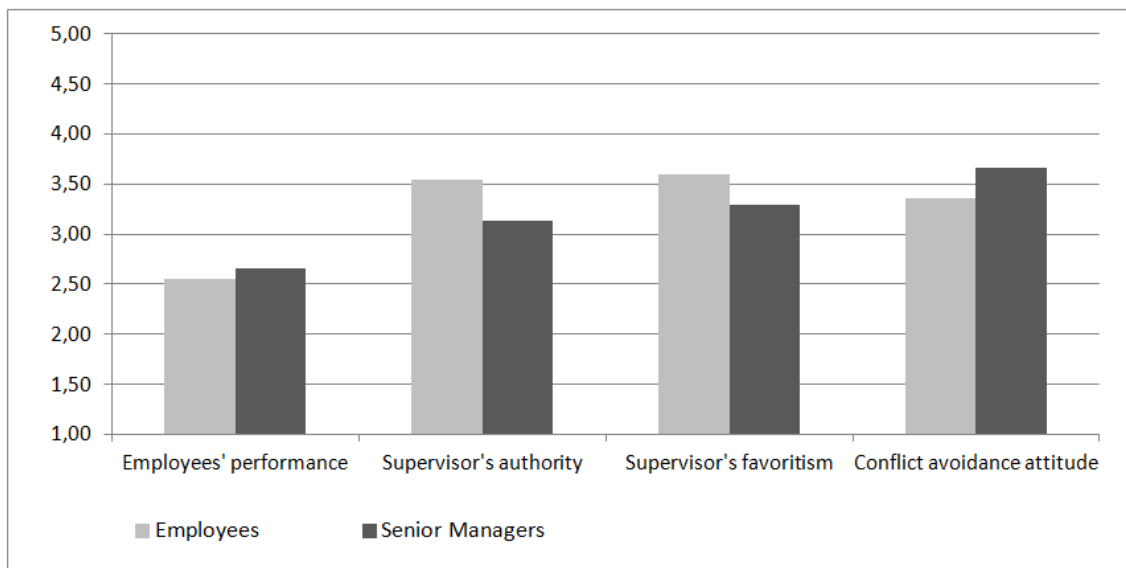


Figure 2: The information actually shown by evaluation reports

Firstly, it is obvious that the reports fail to meet their main objective, i.e. to evaluate employees' performance, as both employees and senior managers agree ($t=0.757$; $p>0.05$). Employees mostly believe these reports actually show the supervisors' favoritism to certain employees. On the other hand, senior managers mostly believe the reports are indicative of their good intention to avoid conflicts with employees. In either case, it is a common belief that the evaluation reports, as used to date, are of very limited practical use.

5.7 Evaluating the criteria for selecting or positioning personnel

The perceptions of employees and senior managers on the actual criteria used in the Greek public sector for selecting or positioning personnel are presented in Figure 3.

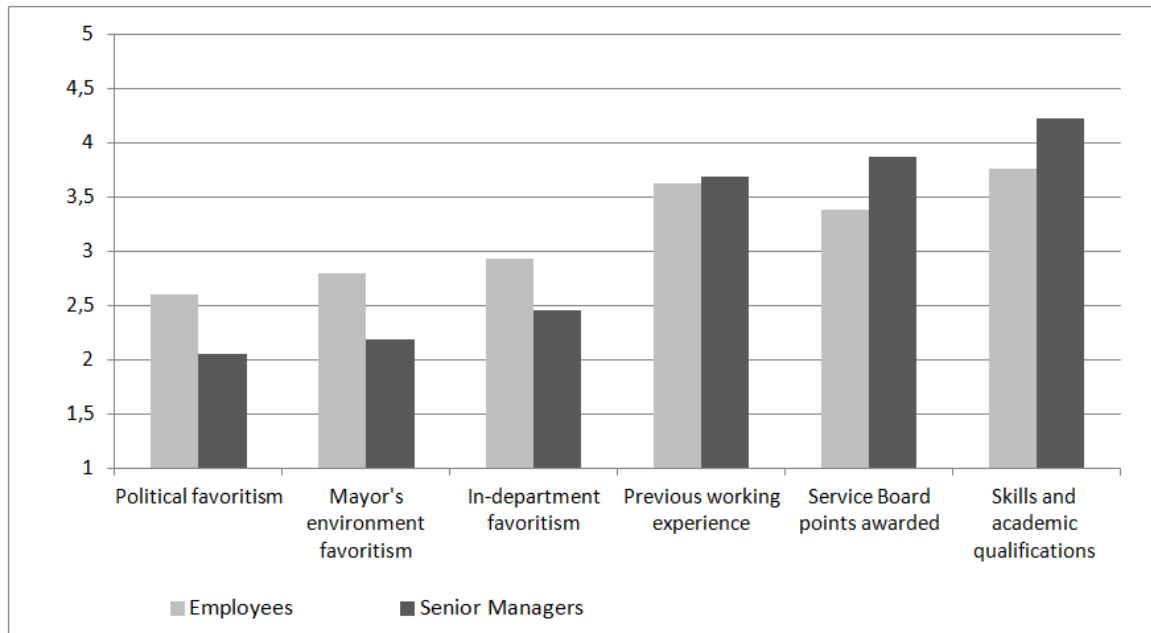


Figure 3: The actual criteria used for selecting or positioning personnel

The survey results indicate that decisions on selecting and positioning public sector personnel are mostly based on meritocratic criteria. This belief is more profound among senior managers than employees, regarding skills and academic qualifications ($t=-3.881$; $p<0.01$), and service board points awarded ($t=-3.753$; $p<0.01$).

However, favoritism also plays a significant role in the decision, especially from the employees' perspective, as they may feel that they are held back due to injustice. On the other hand, it is obvious that senior managers do not share this belief, probably because they have already been selected for a higher rank. The differences in their answers are indicative of their perceptions:

- Political favoritism ($t=3.078$; $p<0.01$)
- Mayor's environment favoritism ($t=2.508$; $p<0.05$)
- In-department favoritism ($t=3.753$; $p<0.01$)

5.8 Evaluating the current Evaluation Law

The perceptions of employees and senior managers on the actual role of the current Evaluation Law enforced in the Greek public sector are presented in Figure 4.

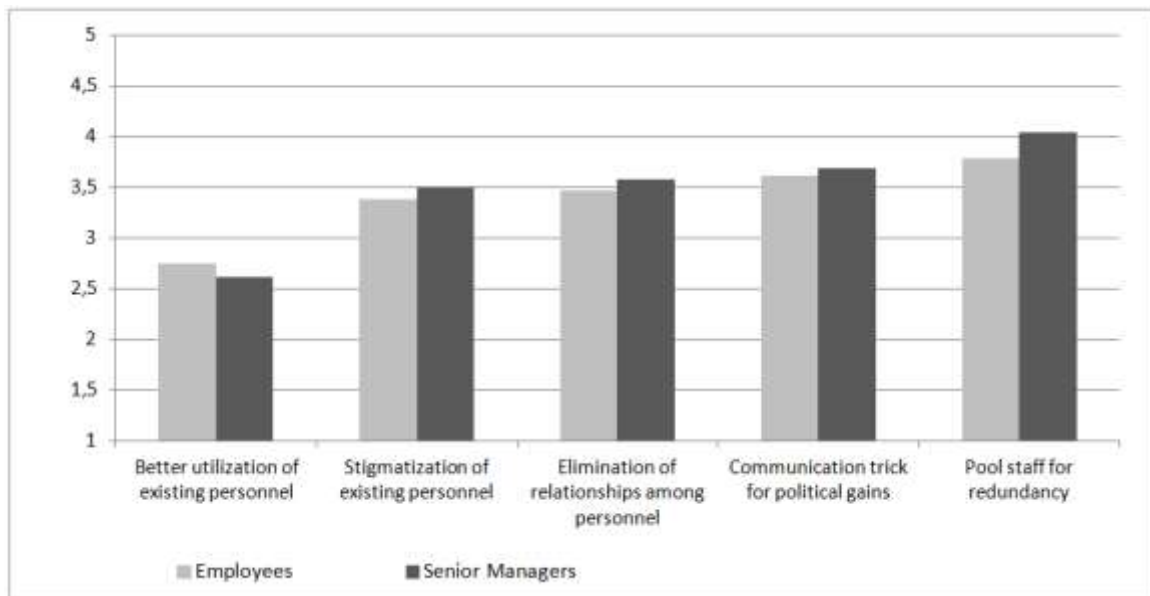


Figure 4: The actual role of the existing Evaluation Law

Both employees and senior managers unanimously stated that the current Evaluation Law does not lead to a better utilization of the existing personnel as it should. On the contrary, it seems that its actual role is anything but an effective appraisal system. Thus, the fear of redundancy due to the application of the Evaluation Law is pervasive in the public sector, especially for older ($F=3.682$; $p<0.05$) and female employees ($t=-2.995$; $p<0.01$). Under these circumstances, its failure is certain.

6. CONCLUSIONS AND DISCUSSION

Today, it is evident, particularly in traditional public administration, that when mismanagement in employee appraisal appears, a lack in achieving goals also emerges. It is something of a hindrance, undermining performance and demotivating individuals. The findings of this paper provide an interesting insight into the role of some critical human capital practices, mostly related to employee self-evaluation and performance appraisal, in the public sector and particularly in Local Authorities. Both employees and senior managers' perceptions were examined separately, or in comparison with each other.

A first significant finding is the differences emerged regarding the assessment of human capital attributes, between employees evaluating themselves and senior managers evaluating their subordinates. More specifically, employees seem to evaluate their own skills, abilities, knowledge, and efficiencies much higher than their senior managers would evaluate them. This result confirmed an evident gap between employees' self-evaluation and their appraisals assessed by the senior managers. This could originate from employees' inability to evaluate their own characteristics objectively, thus thinking higher of themselves. More specifically, employees of lower levels of education evaluate their own skills higher than others. The same applies to employees serving longer time in Local Authorities. Another possibility is that senior managers do not appreciate their subordinates objectively. Senior managers evaluation of their subordinates' traits seem to be particularly influenced by their previous experience in the private sector, since those with over 5 years of experience seem to be stricter than the rest. Either reasoning leads to the conclusion that a problem of appraisal exists, in terms of consistency and objectivity.

Regarding the issue of self-evaluation of qualifications in relation to present job description, the senior managers answered that their merits are roughly equivalent to the needs of their position. However, the employees appear rather disappointed, since their job description did not come close to their perceived qualifications. This gap was greater for men, employees of higher educational level, and employees with some private sector experience. The latter feel that their abilities were rather wasted on a public sector job position, most certainly in comparison with their private sector experience.

In the crucial issue of whether subordinates opinion should be taken into consideration during their senior manager's appraisal, the answers were shaped positively from both sides. Thus, both employees and senior managers strongly believe that when senior managers are to be evaluated, the opinion of their subordinates should count as well. The evaluation among co-workers was also rated positively but in a lower degree.

In an effort to examine the serving personnel's viewpoint on the evaluation reports already used in the public sector, it seems that these reports do not actually show the performance of each employee. Employees tend to believe that these reports show the supervisor's favoritism. The senior managers regard the reports' results as more indicative of their intention not to come into ruptures with their subordinates.

The answers on the criteria in use for selecting or positioning personnel in Local Authorities varied among the responders. Senior managers consider the selection processes as quite fair, based on academic qualifications, skills, previous working experience, and award points of the Service Board. On the other hand, employees seem more skeptical, since they believe that the selection processes are also frequently based on political criteria, such as favoritism from the Mayor's environment. On the basis of the latter results, it can be stated that a serious credibility problem in Local Authorities selection processes exists.

Additionally, in an effort to examine whether the current, enforced by the Greek government, Evaluation Law addresses possible challenges in appraisal processes adequately, the results showed that both employees and senior managers share quite the same opinion: the Law enforcement is definitely not about solving the existing problems and rather aims to create a pool staff for redundancy. Factors affecting these answers were age and gender (i.e. the fear of the Evaluation Law enforcement is higher to the older employees and women).

Overall, this paper highlighted a number of critical issues the Greek public sector is confronted with, regarding the existing evaluation and appraisal practices. The abovementioned issues seem not to be addressed by the existing Evaluation Law, thus a lot more needs to be done in this field in the future. First, the government should ensure that the appraisal system to be implemented is objective, useful, feasible, reliable and intelligible, so as to be generally accepted by the public sector employees. It should also be conducted by appropriately trained and experienced personnel. Furthermore, it should be based on specific objectives and aim at the collective and individual improvement rather than in punishment and redundancy. Finally, it should be noted that the appraisal system should not be seen in a fragmented way but as a part of a wider upgrade of the public sector management system, as a whole. All the above issues could be practically addressed in future research.

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