

**THE EMPLOYEES' PERCEPTION OF THE  
PERFORMANCE APPRAISAL SYSTEM OF THE  
LOCAL GOVERNMENT OF ILOILO CITY,  
PHILIPPINES**

By

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**TO GOD BE THE GLORY!!!**

## TABLE OF CONTENTS

|   |     |
|---|-----|
| LIST OF TABLES .....  | vi  |
| LISTS OF FIGURES .....  | vii |
| ABSTRACT.....   | ix  |
| DECLARATION .....   | xi  |
| CHAPTER 1: Introduction.....  | 1   |
| <b>1.1. Introduction of the Study</b> .....   | 1   |
| <b>1.2. Background of the Study</b> .....   | 3   |
| <b>1.3. Statement of the Problem</b> .....  | 8   |
| <b>1.4. Significance of the Study</b> .....   | 9   |
| <b>1.5. Scope and Delimitation of the Study</b> .....                                 | 9   |
| CHAPTER 2: Review of Related Literature .....   | 11  |
| <b>2.1. Introduction</b> .....  | 11  |
| <b>2.2. Performance Appraisal System: Definitions, Processes, and Arguments</b> ..... | 12  |
| <b>2.3. Purposes of Performance Appraisal System</b> .....                            | 22  |
| <b>2.3. Errors in the Performance Appraisal</b> .....                                 | 26  |
| <b>2.4. Perception about Performance Appraisal</b> .....                              | 29  |
| CHAPTER 3: Methodology.....   | 33  |
| <b>3.1. Introduction</b> .....  | 33  |
| <b>3.2. Research Design</b> .....   | 34  |
| <b>3.3. Methods of Data Collection and Analysis</b> .....                             | 34  |
| <b>3.4. Sampling and Respondents</b> .....  | 37  |
| <b>3.5. Profile of Respondents</b> .....  | 39  |
| CHAPTER 4: An Overview about Iloilo City .....  | 46  |
| <b>4.1. Historical Perspective</b> .....  | 46  |
| <b>4.2. The Local Government Structure in the Philippines</b> .....                   | 49  |
| <b>4.3. Iloilo City as an interest of study</b> .....                                 | 55  |
| CHAPTER 5: Findings and Discussions .....   | 61  |
| <b>5.1. Introduction</b> .....  | 61  |

|  |     |
|--|-----|
| <b>5.2. Focus Group</b> .....  | 61  |
| 5.2.1. <i>PAS role in the promotion and termination of employees</i> .....                                 | 61  |
| 5.2.2. <i>Effectiveness of PAS in recognizing employees' performance</i> .....                             | 65  |
| 5.2.3. <i>Effectiveness of current PAS in the measurement of employee performance</i> .....                | 67  |
| 5.2.4. <i>PAS can identify areas of employees' strengths and/or weaknesses</i> .....                       | 71  |
| 5.2.5. <i>Suggestions / recommendations for the present PAS improvement</i> .....                          | 73  |
| <b>5.3. Perceptions on the Administrative Purposes of Performance Appraisal System (PAS)</b> .....         | 75  |
| 5.3.1. <i>PAS as guide for employee promotion</i> .....  | 76  |
| 5.3.2. <i>PAS as aid in the decision regarding the transfer of employee</i> .....                          | 78  |
| 5.3.3. <i>PAS can help in the decision whether to terminate the employee due to poor performance</i> ..... | 79  |
| 5.3.4. <i>PAS can help in the decision whether to recognize good performance of employee</i> .....         | 81  |
| 5.3.5. <i>PAS helps as basis for productivity bonus</i> .....  | 82  |
| <b>5.4. Perceptions on the Developmental Purpose of Performance Appraisal System (PAS)</b> .....           | 83  |
| 5.4.1. <i>PAS can help distinguish the strength of the employee</i> .....                                  | 84  |
| 5.4.2. <i>PAS helps confirm weaknesses of employee</i> .....   | 86  |
| 5.4.3. <i>PAS can aid in identifying the area where an employee needs training</i> .....                   | 87  |
| 5.4.4. <i>PAS can help provide feedbacks regarding employee's performance</i> .....                        | 88  |
| 5.4.5. <i>PAS can help employees know where they stand with respect to goal achievement</i> .....          | 90  |
| <b>5.5. Summary Tables of the Survey Results</b> .....   | 91  |
| <b>5.6. Performance Appraisal System of Iloilo City</b> .....  | 92  |
| <b>CHAPTER 6: Conclusion and Recommendations</b> .....   | 97  |
| <b>6.1. Introduction</b> .....   | 97  |
| <b>6.2. Perception of the employees on the PAS</b> .....   | 97  |
| <b>6.3. Description of the PAS</b> .....   | 99  |
| <b>6.4. Opportunities and Challenges of the current PAS</b> .....  | 100 |
| <b>6.5. Recommendations for the enrichment of the current PAS</b> .....                                    | 101 |
| <b>6.6. Insights from the study</b> .....  | 102 |

|  |     |
|--|-----|
| <b>6.7. Limitations of the study</b> .....                         | 104 |
| REFERENCES .....   | 105 |
| APPENDICES .....   | 109 |
| A. Survey Questionnaire .....                                      | 109 |
| B. Letter addressed to the City Mayor .....                        | 111 |
| C. Sample of Accomplished Performance Evaluation Report Form ..... | 112 |
| D. Images taken during the researcher’s visit to Iloilo City ..... | 113 |

## LIST OF TABLES

|  |    |
|--|----|
| Table 2.1 Some Purposes of Appraisal.....                                  | 24 |
| Table 2.2 Common Performance Rating Errors.....                            | 27 |
| Table 3.1 Items on Administrative and Developmental Purpose of PAS.....    | 36 |
| Table 5.1 Recommendations for PAS Improvement by the Heads of Offices..... | 73 |

## LISTS OF FIGURES

|  |    |
|--|----|
| Figure 2.1 A model of Performance Appraisal.....   | 18 |
| Figure 3.1 Respondents' Profile (Focus Group and Survey).....  | 40 |
| Figure 3.2 Gender of respondents combined from both the<br>focus group and survey.....                 | 41 |
| Figure 3.3 Age of respondents combined from both the<br>focus group and survey.....                    | 42 |
| Figure 3.4 Educational attainment of respondents combined<br>from both the focus group and survey..... | 43 |
| Figure 3.5 Years of work experience combined from both the<br>focus group and survey.....              | 44 |
| Figure 3.6 Position status of respondents combined from both the<br>focus group and survey.....        | 45 |
| Figure 4.1 Iloilo City during the Spanish era (1700-1998).....   | 46 |
| Figure 4.2 The New Iloilo City Hall during construction.....   | 47 |
| Figure 4.3 Local Government Unit Structure in the Philippines.....                                     | 51 |
| Figure 4.4 Organizational Structure of the Human Resource<br>Department of Iloilo City.....            | 55 |
| Figure 4.5 Map of Iloilo City.....   | 56 |
| Figure 4.6 Performance Trend Report by the Department of Interior and                                  |    |

|  |    |
|--|----|
| Local Government in the Philippines.....   | 59 |
| Figure 5.1 PAS as guide for employee promotion.....  | 76 |
| Figure 5.2 PAS helps in the employee transfer.....   | 78 |
| Figure 5.3 PAS helps in the decision whether to<br>terminate the employee due to poor performance..... | 79 |
| Figure 5.4 PAS helps recognizes good performance of employee.....                                      | 81 |
| Figure 5.5 PAS determines productivity bonus of employee .....   | 82 |
| Figure 5.6 PAS distinguishes the strengths of the employee.....  | 84 |
| Figure 5.7 PAS helps confirm the weaknesses of the employee.....                                       | 86 |
| Figure 5.8 PAS can aid in identifying the area where<br>an employee needs training.....                | 87 |
| Figure 5.9 PAS can help provide feedbacks<br>regarding the employee’s performance.....                 | 88 |
| Figure 5.10 PAS can help employees know where they<br>stand with respect to goal achievement.....      | 90 |
| Figure 5.11 Summary Tables of the Survey Results.....  | 91 |



## **ABSTRACT**

The Performance Evaluation System (PES) was introduced to the different agencies in the public sector of the Philippines which includes the local government units (LGUs) such as provinces, cities, and municipalities. The city government of Iloilo utilized the Performance Evaluation System introduced by the Civil Service Commission of the Philippines in evaluating its employees. The city of Iloilo is one of the fast developing cities in the Philippines both economically and politically. Iloilo City is one of the thousand LGUs that had been a recipient of the decentralization of power brought about by the Local Government Code of 1991. As a highly urbanized city, Iloilo City envisions itself to be one of the premier cities come 2015. In the previous years, the performance trend report shows the consistent increase in the performance index of the city, particularly with its human resource management and development.

To have an effective human resource system for organizations, the use of an appraisal system which is reliable and accurate is needed. The universal application of the use of performance appraisal in an organization is necessary to capitalize on its human resource. Authors have agreed that a decision on the purpose of appraisal is helpful in determining what is to be appraised.

This study explores the Performance Appraisal System (PAS) of the city government of Iloilo. It determines the level of perception of the employees regarding the purposes of the Performance Appraisal System (PAS) of the City of Iloilo, describes its nature, identifies its opportunities and challenges, and recommends for its enrichment which would be beneficial to the employees and constituents of the city. Descriptive-

exploratory method was used in this study by utilizing mixed methodologies with focus group interview and survey questionnaires. The respondents of this study were the local government employees with permanent, temporary, and casual appointment under the CSC Omnibus Rules on Appointment. The findings show that, overall the employees were in agreement with all the items regarding the administrative purposes and developmental purposes of their PAS, however, comments and suggestions on its improvement on its feedback system were recorded by the researcher. The study also described the current PAS of the city as a system that is giving a fair appraisal to its employees. The research also noted the opportunities and challenges of the current system and made recommendations for its enrichment. Insights and considerations for future studies were also given, as well as, the limitations of the present study.

## **DECLARATION**

I, Phillip Bernard H. Capadosa, hereby declare that this thesis is submitted for a degree of Masters of Science in International Cooperation Policy, is my own work and has not been submitted in any other university or educational institution for any conferment of an award of degree or diploma.

All the information utilized from other published or unpublished sources has been cited and acknowledged appropriately.

# **CHAPTER 1**

## **Introduction**

### **1.1. Introduction of the Study**

Human Resources are the backbone of any organization. In the government sector, responsive, adequate, courteous, and efficient service to the public is expected to be the goal of every agency (CSC, 2007). To achieve this goal, the agency in charge of the human resource in the government should focus on its greatest resource of all – its employees. Like any other organization, the government sector would in the long run fail to achieve its goal without good employees.

To achieve the goals and objectives that are targeted by an organization, performance management forms part of the many processes it has to undertake. In the civil service, performance management is a two-pronged approach, individual and organizational. Performance of individual employees in an organization is as crucial as the performance of the organization as both contribute to achieving the goals and strategic objectives of an organization. The Philippine government has emphasized the need for a viable and effective performance management system as one of the human resource systems necessary to promote a civil service envisioned to carry out the constitutional mandate and the provisions of its Revised Administrative Code of 1987 (CSC, 2007).

In the government setting, a well-developed and systematic employee's performance appraisal and maintenance system can serve in many ways (CSC, 2007). It

can be a tool to discover civil servants' weaknesses, stimulate them to continue improving themselves, and assist the organization in assigning work in accordance with their abilities.

The devolution of the significant powers, functions, responsibilities, and accountabilities to the thousands of local governments from a highly centralized regime in the Philippines became the most radical piece of legislation in the country (Berman, 2011). The enactment of Republic Act 7160, popularly known as the Local Government Code of 1991 transferred powers and functions to the local governments including delivery of basic services. With the devolution of services, the local government bureaucracy and personnel had flourished. Personnel were transferred from the national government agencies to local governments. Career and non-career civil servants comprises the local government bureaucracy.

A study reported that 71% of the local civil servants were career officials and 29% are non-career officials in the Philippines. Additionally, it found out that, as to local government performance measurement in the Philippines, there is a continuing (a) lack of a well-crafted and functional performance measurement system of local government units (LGUs), and (b) the proliferation of performance indicators and lack of awareness of such indicators by LGUs (Berman, 2011).

Iloilo City is one of the fast developing cities in the Philippines both economically and politically. One of the 43,739 LGUs that had been a recipient of the decentralization of power brought about by the Local Government Code of 1991, such law had made the city independent in its affairs from the national government. The law had given Iloilo

City an opportunity to evolve itself from its previous stagnant position into a more dynamic and active partner of the national government in achieving national goals. The city government of Iloilo formulated reforms and policies particularly with the development of its human resources. One of the policies created relative to the development of its human resources was the policy on the performance evaluation system which aimed at developing the performance of its employees and to give efficient and effective service to the constituents of the city government. As a highly urbanized city, it envisions itself to be one of the premier cities come 2015. Thus, this study is an attempt to describe the performance appraisal system (PAS) of that city, particularly, the nature of identification, measurement and management of its employee's performance in order to determine the possible opportunities and challenges of the current PAS. It is hoped also that this study will determine the perception of the employees of the city as to the purpose of their PAS as part of a larger examination of its effectiveness and for a possible amendments or enrichment of the current appraisal system.

This chapter is divided into four sections. Section one explains the reasons for the selection of the research problem and elucidates on the concepts upon which the study was based. Section two presents the general and specific objectives which this study is sought to answer. Section three establishes the benefits and advantages that could be derived from results of the study. Section four delineates the scope or coverage of the study in terms of the problem, the data-gathering procedures, and the statistics employed.

## **1.2. Background of the Study**

The Philippines has been taking serious efforts at enhancing the capability of its bureaucracy. The 1987 Constitution and other supporting policies including the Revised

Administrative Code of 1987 provided the policy framework for the professionalization of the Philippine bureaucracy. The Civil Service Commission (CSC) was mandated to “serve as the central government personnel agency for the civil service covering all the branches, instrumentalities, and agencies of the government including government owned and controlled corporations (GOCCs) with original charters.”

The CSC was also mandated to establish a “career service” and adopt measures to promote morale, efficiency, integrity, responsiveness, progressiveness, and courtesy in the civil service. Moreover, it is tasked to strengthen the merit and rewards system, integrate all human resource development programs for all levels and ranks, and institutionalize a management climate conducive to public accountability (1987 Philippine Constitution, Article IX, Sections 2-3).

The need to establish an effective system that accurately evaluates the performance of its workers for the purpose of determining tenure, transfer or promotions, and appropriate incentives is seriously urgent or imperative to the public sector of the country. Hence, a performance appraisal system administered in such manner as to continually foster the improvement of individual employee’s efficiency and organizational effectiveness had been continually introduced by the CSC.

The Local Government Code in the Philippines in 1991 brought about significant changes in terms of local governance in the country. This code is considered to be the “most revolutionary piece of legislation ever crafted by Congress since 1987 within the framework of the 1987 Constitution (Marcos Jr., 2012). Through this law, the central

government has devolved to the local government political, social as well as economic powers.

Since its inception, the Local Government Code of 1991 provided in its provisions the establishment in local governments units, like in cities, policies and systems for the evaluation of the performance of its personnel. The code had given LGUs local autonomy to attain their own development as self-reliant communities and as effective partners of the central government in the attainment of national goals. The system of decentralization had given more powers, authority, responsibilities, and resources to the LGUs. Additionally, to meet the priority needs and service requirements of its communities, the code deems to establish LGUs in the Philippines that are accountable, efficient, and having a dynamic organizational structure and operating mechanism (Local Government Code of 1991, Section 2, paragraphs (a) and (b)).

Moreover, the need for the Performance Evaluation System (PES) was pronounced in a similar law, stating that, “there shall be an established PES in every department or agency of the national and local government, including state universities and colleges and government-owned and controlled corporations.” (Rule IX Section 1, Omnibus Rules Implementing Book V of Executive Order No. 292).

Through the years, there have been a number of systems introduced by the CSC to establish an accurate and strategic measurement of performance. Notably, the CSC had issued policies on Performance Evaluation System (PES) requiring agencies including local government units to submit to the Commission their own versions of PES and to pilot-test its implementation. As part of the pilot-implementation process, the system was



evaluated through reports and feedbacks gathered from the LGUs prior to its final implementation. As a result, it was that most officials and employees remain unfamiliar with the system as it perceived to be too complex. In response to the feedback and meritorious demands of the LGUs, the Commission decided to defer the implementation of the revised policies on Performance Evaluation to give them more opportunity to design a system adapted to their organization needs. The LGU heads are given the discretion to, utilize the duly approved old Performance Evaluation System, or use the revised PES model designed and promulgated by the CSC corollary to the requirements of its policies on PES, or devise a Performance Evaluation System based on a combination of the old Performance Evaluation System and the revised Performance Evaluation System (CSC Memorandum Circular No.13 series of 1999).

The government has been implementing policies to improve the performance appraisal systems and procedures. However, tangible results and public accountability are not accounted by the existing systems. The appraisal systems disregard the fact that employee performance is a crucial factor in determining security of tenure and career development and in granting incentives and rewards to government employees (CSC Memorandum Circular No. 7, series of 2007). Recent efforts to establish an accurate and strategic measurement of performance by the CSC linked individual performance to the performance of the organization. The Strategic Performance Management Systems (SPMS) for agencies is the result of the effort. The SPMS is hoped to underscore that security of tenure of government employees is not absolute but is based on performance ([www.csc.gov.ph](http://www.csc.gov.ph)). However, the SPMS is on its initial implementation and agencies including LGUs have to come up with their approved agency SPMS until January 2014.

As observed in the public sector in the Philippines, most of the employees in the government either receive a performance rating that is Very Outstanding or Outstanding while the public in general perceives them to be incompetent and inefficient (Berman, 2011). Hence, an irony becomes a critical concern for the study of the performance appraisal system of the country. It is a good starting point to explore at the standpoint of the public employees, as in this study, the local government personnel, as their opinion or perception would be a part in explaining a larger phenomenon as to the effectiveness of the performance appraisal system in the country.

Kim (2010) assessed that corruption remains a sizable problem of the Philippine civil service; it reflects lack of public accountability and erodes the quality of the service delivery. Moreover, the performance measurement system lacks the capacity to show the real “truth and consequence” of the performance of civil servants. Hence, there persists security of tenure based on “non-performance.”

A distinction between a good and a poor performer at work is necessary for an organization to run effectively (Ilgen & Feldman, 1983). According to Muczyk and Gable (1987) the high degree of success or failure of any organization depends on how performance is managed within it.

A study in Pakistan on the perception of public sector employees regarding the purposes of a performance appraisal obtained various results. The study showed that the appraisal system in its public sector was highly perceived as not operating to record employees’ performance accurately. The role of the performance appraisal system is perceived by the employees as not clear, particularly with regards to performance

feedback and rating feedback. However, there is a high response on the perception of the PAS when the employees were asked about its role in supporting promotion (Ikramullah, Shah, Khan, ul Hassan, and Zaman, 2012). Moreover, there are only few attempts in the public sector to improve the effectiveness of their appraisal systems. This would suggest that the performance appraisal systems of public sector fail to operate with the demand of the modern human resource management practice. The system is not supporting human resource decisions particularly on the purpose for which it has been designed or implemented or that the existence of an effective performance appraisal system is not present (Ikramullah, et al. 2012). Youngcourt et al. (2007) contends that a decision on the purpose of appraisal is helpful in determining what is to be appraised.

It has been a long adage that performance appraisal system is a serious problem in the public sector (McEvoy, 1990). Thus, it is on this context that the researcher finds it important to determine the degree of perception of the employees in the local government unit of the city of Iloilo as to how their performance is being evaluated. It has been noted that there had been limited or no studies as to the fitness of the current policy or system for the employees' performance, and hence, there has been increasing demand for the review of the existing system.

### **1.3. Statement of the Problem**

The study aims to determine the employees' perception of the performance appraisal system of the Local Government of Iloilo City, Philippines.

Specifically this study seeks to answer the following questions:

- What is the perception of the employees regarding the purpose of the Performance Appraisal System?
- What is the Performance Appraisal System of the Local Governments of Iloilo City, Philippines, particularly the nature of identification, measurement and management of its employee's performance?
- What are the opportunities and challenges of the current Performance Appraisal System of the city?
- What are the possible amendments or enrichment to the current Performance Appraisal System of the city?

#### **1.4. Significance of the Study**

This study can give feedback to the city government of Iloilo in the objective evaluation of the overall performance of its employees in order to improve the delivery of services to its respective constituents.

This study also aims to enrich or improve the performance appraisal system for the employees of the local government unit, which could help in their effective administration, in consonance with the policies of the Civil Service Commission of the Philippines.

The findings of this study could likewise benefit the clientele who are transacting business with the local government employees in the City of Iloilo, Philippines.

#### **1.5. Scope and Delimitation of the Study**

This study was conducted to determine the level of perception of the employees regarding the purpose of the Performance Appraisal System. Likewise, this study sought

to find out the whether the said Performance Appraisal System can measure and identify the effectiveness of the employees performance in the city government office of Iloilo City, Philippines. Furthermore, the researcher would find out whether the current Performance Appraisal System could provide possible opportunities and challenges beneficial to the employees and constituents of the city government of Iloilo, Philippines.

The respondents of this study were limited to the local government employees with permanent, temporary, and casual appointment under the CSC Omnibus Rules on Appointment. There were 122 employees who were randomly selected to answer the survey questionnaires distributed by the researcher. It focused only on the perception of the local government of one city; hence, a generalization of the perception of other LGUs in the Philippines is not possible. Nevertheless, the study presented an insight on how an LGU would possible perceive the purpose of its appraisal system. Areas for further studies are also identified. The study was conducted within a period of two months but the researcher was able to obtain the necessary data for the study.

## CHAPTER 2

### Review of Related Literature

#### 2.1. Introduction

Performance appraisal is a disputed management practice. With so much controversy in it, appraisal is continually used in the public sector around the world as an instrument to oversee the performance of its personnel (Vallance, 1999).

In spite of the controversy, performance appraisal remains to be a standard practice in the public sector for the reason that personnel agencies find it useful in advocating public accountability. Public sector organization may be considered as a business relying on its human resources. The quality of its human resources as a business determines the existence and buildup of the organization (Tyson, 2006). Authors have contended that, to have an effective human resource system for organizations the use of an appraisal system which is reliable and accurate is needed (Armstrong, 2003; Bohlander & Snell, 2004; Desler, 2008).

Thus, performance appraisal is needed for a more responsive way of evaluating the quality employees. An emphasis on an appraisal system that effectively examines and evaluates work behavior of its employee in relation to the standards set by organization, proper documentation of the results of the evaluation, and using it for feedback purposes is a must to have an effective human resource system for organizations, especially with the public sector.

This chapter attempts to highlight the literature review related to the following topics: (1) Performance Appraisal System, (2) Purpose of the Performance Appraisal

System, (3) Errors in the Performance Appraisal, and (4) Perceptions about Performance Appraisal. Moreover, to highlight concepts and studies related to the above-mentioned topics, the literature review will be presented in the following order: Topic one on the Performance Appraisal System gives the definitions, processes and arguments about performance appraisal; Topic two on the Purpose of the Performance Appraisal System elucidates the use and purpose of appraisal system in every organization particularly in public sector organization; Topic three on the Errors in the Performance Appraisal System presents the errors and biases commonly committed in the conduct of the appraisal process; and Topic four on the Perceptions about Performance Appraisal demonstrates the various perceptions regarding the application of the appraisal process.

## **2.2. Performance Appraisal System: Definitions, Processes, and Arguments**

Through the years, different literatures have discussed about the definitions, processes, and arguments of the term ‘performance appraisal’.

Authors Murphy and Cleveland (1991) and Cardy and Dobbins (1994) came up with the traditional definition of performance appraisal as a formal process of employee monitoring.

In the present paper, the term ‘performance appraisal’ is defined as the systematic evaluation of the performance of employees and the understanding of the abilities of a person for further growth and development. The term ‘performance appraisal’ have been described in other terms such as, ‘performance management’, ‘performance evaluation’, ‘performance review’, and ‘performance assessment’. The meaning of the term ‘performance appraisal’ is universally understood compared to the other terms above-

mentioned, though the other terms have their own individual meanings on a variety of settings (Vallance, 1999).

DeNisi (2000) defines performance appraisal as “the systems whereby an organization assign some “score” to indicate the level of performance of a target person or group’.

Fletcher (2001) defines performance appraisal more broadly as ‘activities through which organizations seek to assess employees and develop their competence, enhance performance and distribute rewards’. The focus was on performance ratings and other limited and measured-focused issues, but more recently has broadened and currently addressed social and motivational aspects of appraisal. Fletcher’s definition reflects this shift in focus.

Mondy et al. (2002) defines performance appraisal as a system of review and evaluation of an individual’s (or team) performance and the process of appraising performance (who appraises and how is it done) within organizations. The emphasis on the organizations signals a further evolution in the nature of performance appraisal.

Jackson and Schuler (2003) describes it as evaluating performance based on the judgments and opinions of subordinates, peers, supervisor, other managers and even workers themselves, while, Bohlander and Snell (2007) sees performance appraisal as an annual regular undertaking developed to assist employees in understanding their roles, objectives, expectations and performance success conducted by a supervisor to a subordinate.



Along the same line, Desler (2008) gives meaning to performance appraisal as any procedure that involves setting of work standards, assessing the employees' actual performance relative to those standards, and providing feedback to employees with the aim of motivating him or her to eliminate performance deficiencies or to continue to perform above average.

Vance (2006) explains that performance appraisal is intended to engage, align, and coalesce individual and group effort to continually improve overall organizational mission accomplishment. He stated that, it provides a basis for identifying and correcting disparities in performance. Thus, it is according to him, performance appraisal is activities oriented. He added that it also may provide the basis for other personnel actions which typically include: (1) performance pay, (2) training and career development, (3) promotion and placement, (4) recognition and rewards, (5) disciplinary actions, and (6) identifying selection criteria. Its success depends primarily on the (1) system and measures (criteria), (2) culture, and (3) the perceived attitudes and needs of participants—i.e., their degree of “engagement” with their jobs.

Abu-Doleh and Weir (2007) describes performance appraisal or performance evaluation as a systematic and periodic process that assesses an individual employee's job performance and productivity in relation to certain pre-established criteria and organizational objectives.

Without question, authors are of the same opinion that performance appraisal is a process of evaluating the performance of an individual (Bohlander & Snell, 2007; Cardy & Dobbins, 1994; Desler, 2008; Murphy & Cleveland, 1991; Vallance, 1999).

Performance appraisal system pertains to the whole process and procedures governing the performance appraisal in the entire organization as well (Jawahar, 2007). It is the primary human resource management function of an organization (Dulebohn & Ferris, 1999). The significance of performance appraisal in an organization is upheld by organizational researchers, for instance, (Bohlander & Snell, 2007; Desler, 2008; Gomez-Mejia, et al., 2010).

A distinction between a good and a poor performer at work is necessary for an organization to run effectively (Ilgen & Feldman, 1983). According to Muczyk and Gable (1987) the high degree of success or failure of any organization depends on how performance is managed within it. It would be impossible for an organization to achieve its goals, for instance, giving best employees a sizable pay increase, spot individuals ready for promotion, justifiable grounds for termination of poor performer, and undertaking successful human resource planning, if managers do not give prime concern to make better the performance appraisal of the organization. As to date, it is argued that every performance appraisal system created by organizations contains deficiencies hindering it from successfully attaining its goals in the organization.

An effective performance appraisal requires considerable time and effort of managers and gathering of information and receiving employees' feedback. Some managers do not take the task seriously or do not have the skills needed to do a good job of evaluating performance and providing feedback (Gomez-Mejia, Balkin, & Cardy, 2010). For instance, some employees do not calmly accept the feedback, and others may become frustrated with an ineffective performance appraisal system and end-up believing that the system is unfair and does not matter (Jackson & Schuler, 2006).

There exists a strong desire for a frequent performance feedback and evaluation by employees, though there are many difficulties and disapproval against performance appraisal systems. For example, employees prefer an appraisal of more than once in a year. There are many good points of conducting a frequent appraisal, but Gomez-Mejia, et al. (2010) observe that informal appraisal, including feedback and discussion with workers, should occur on a continuous basis.

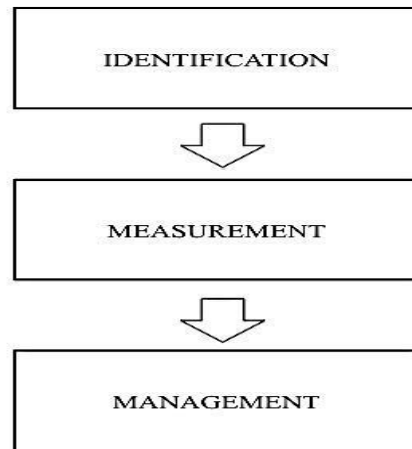
On the other hand, Grubb (2007) views performance appraisal as a deficient process because it is costly, widespread and counterproductive activity. Performance appraisal according to him is a useless activity even though it is administered with the intention to oversee and make better the performance of individual employees and to improve overall efficiency, effectiveness and productivity of an organization.

Grubb (1999) mentions that supervisors and employees seem to dislike performance appraisal, as they probably know that it is just a game of make believe but still it goes on as a practice. Some are of the opinion that performance appraisal should not be practiced anymore even if it is a process to know how they perform individually, how they can improve their work performance and contribute to the performance of the organization. The practice of performance appraisal is constantly resisted as a hopeless method of attempting to improve performance because it is erroneous and degrading. This argument is supported by Gomez-Mejia, et al. (2010) maintaining that, a performance not measured accurately and a feedback that is poorly given; its costs may exceed its potential benefits in conducting the appraisal.

Arguably, performance appraisal has aroused more controversy than most human resource management practices. Although regarded by its advocates as a pivotal tool to a successful human resource strategy, its critics on the other hand, view it as unnecessary and potentially destructive to workplace harmony (Vallance, 1999). Performance appraisal is used despite evidence that it is counterproductive. Gomez-Mejia et al. (2010) observed that some people perceived that performance appraisal should be eliminated as a practice in organizations because of the problems and errors in evaluating performance. Bohlander and Snell (2007) posits that, some argue that performance appraisal discourages teamwork because it frequently focuses on individual achievement and produces a self-focus rather than team focus. Yet, performance appraisal practices in the public sector remains rooted in the personnel agencies around the world because it created the impression that governments are concerned about the performance of their employees and that they are keen to detect poor performance and reward excellence. Vallance (1999) maintains that the symbolic benefits of appraisal should not be underestimated.

Gomez-Mejia, et al. (2010) elucidates performance appraisal as the identification, measurement, and management of human performance in organizations.

**Figure 2.1 A model of Performance Appraisal**



Source:Gomez-Mejia, et al. (2010)

Performance Appraisal as shown in Figure 2.1 includes the identification, measurement, and management of human performance in organizations.

Gomez-Mejia, et al. (2010) discussed that the first step in the performance appraisal process is identifying what is to be measured. It means determining what areas of work the manager should be examining when measuring performance. According to them, the appraisal system should focus on performance that affects organizational success rather than performance-irrelevant characteristics such as race, age, or sex.

In the identification process, the appropriate dimensions, an aspect of performance that determines effective job performance, must be decided by an organization. Such dimensions involving, quality of work done, quantity of work performed, and interpersonal effectiveness must be consider in identifying the

performance to be measured. The mechanism by which performance dimension is identified is through job-analysis process (Gomez-Mejia, Balkin et al. 2010).

The second step in the appraisal process is measurement. Gomez-Mejia, et al. (2010) considers measurement as the centerpiece of the appraisal system as it give rise to making managerial judgments of how “good” or “bad” an employee performance is. Measurement must be consistent throughout the organization or must be aligned with the organization’s business strategy and organizational culture (Jackson & Schuler, 2006). Jackson and Schuler (2006) argue that effective performance measurement and feedback enhances employee motivation and productivity, facilitates strategic planning and change, and ensures legal compliance and fair treatment.

The last step in the appraisal process as presented in the model of Gomez-Mejia, et al. (2010) and the most important goal of any appraisal system is management. To achieve higher level of performance, managers must provide workers with feedback and coach them. Appraisal must take a future-oriented view of what workers can do to achieve their potential in the organization. According to them, appraisal should be more than a past-oriented activity that criticizes or praises workers for their performance in the preceding year.

Desler (2011) states that, effective appraisal begins long before the actual appraisal. He put into detail the steps in appraising performance as follows: First, is to make sure that employee’s job and performance criteria are defined. Defining the job means making sure that the superior and subordinate agree on his or her duties and job standards and on the appraisal method that will be used. Secondly, appraising

performance means comparing the subordinate's actual performance to the standards which involve the rating form. Finally, an effective appraisal requires a feedback system, where superior discusses with the subordinate on his or her performance and progress, and make plans for any development required.

To have a fair appraisal, Desler (2011) suggests the following practices in an organization that would help in administering a fair performance appraisal.

- Performance review on duties and standards must be based from a job analysis.
- Performance review must be based on observable job behaviors or objective performance data.
- Performance expectations must be made clear ahead of time.
- Standardized performance review procedure must be used for all employees.
- Frequent opportunities to observe the employee's job performance must be given to the raters.
- Organizations must use either multiple raters or have the rater's supervisor evaluate the appraisal results.
- Organizations must include an appeal mechanism on the appraisal.
- Organizations must document the appraisal review process and results.
- The conduct of the reviews and the use of the results must be made known to the employees ahead of time.

- Employees must provide inputs on the assessment given to him or her.
- There must be an indication on the appraisal on what the employees need to do to improve.
- Supervisors who will be doing the appraisal must be trained thoroughly.

Desler (2011) argues that, it is better to have an appraisal which has problems than to have no appraisal at all, contrary to what Grubb (1999) has stated in the earlier literature that appraisal should be discontinued as a practice in the organization because it is flawed and demeaning method of improving performance. The problems in a performance appraisal can be remedied by actually minimizing them. Desler (2011) suggest that five (5) things should be done to have an effective appraisal. First, he suggested that potential appraisal problems should be learned and understood. Knowing the problem and anticipating it would help in avoiding it in the process of appraising. Second, it would be proper to choose an appropriate appraisal tool or a combination of tools to use. Third, he suggested that a proper recording of an employee's performance for the year in appraisal is a must. Hence, he suggested that a diary of employee's performance is proper. Fourth, there must be an agreement to improve unsatisfactory performance of employees. And fifth, the process of appraisal must be rendered fairly every time.



### **2.3. Purposes of Performance Appraisal System**

The universal application of the use of performance appraisal in an organization is necessary to capitalize on its human resource (Prowse, P. & J. Prowse, 2009).

Performance appraisal is conducted for two basic purposes: administrative and developmental (Cleveland, J. N., Murphy, K. R., Williams, R. E. (1989); Gomez-Mejia, L. R., Balkin, D. B., & Cardy, R. L. (2010); Youngcourt, S. S., P. I. Leiva, et al. (2007)). Top-down and control-oriented style of performance management was the conventional purpose of appraisal (Vance et al., 2006).

Appraisal is for administrative purpose when an individual's performance is evaluated as basis for his or her promotion, pay increase, transfer or reassignment, and termination. Performance appraisal on this objective must be carried out in such a manner as to tell the difference between individuals or assess individuals against a measuring system.

On the other hand, appraisal is for developmental purposes when evaluation is done for soliciting information to further individual's improvement in his or her performance or as a basis for improving the function of the organization as to recruiting, selecting, placing, and training of its employees. Decisions for administrative purpose need information on what happened, while decisions for developmental purpose need information on how the outcome occurred (Gomez-Mejia et al., 2010; Youngcourt et. al., 2007).

Youngcourt et al. (2007) contends that a decision on the purpose of appraisal is helpful in determining what is to be appraised. In the government setting, a well-

developed and systematic employee's performance appraisal and maintenance system can serve in many ways (CSC, 2007). It can be a tool to discover civil servants' weaknesses, stimulate them to continue improving themselves, and assist the organization in assigning work in accordance with their abilities.

Desler (2011) gives four reasons to appraise subordinate's performance. First, from a practical point of view, most employers still base pay and promotional decisions on the employee's appraisal. Second, the appraisal lets the boss and subordinate develop a plan for correcting any deficiencies, and to reinforce the things the subordinate does right. Third, appraisals should serve a useful career planning purpose. They provide an opportunity to review the employee's career plans in light of his or her exhibited strengths and weaknesses. Fourth, appraisals play an integral role in the employer's performance management process.

In addition, Grubb (2007) states that there are at least four reasons offered in support of performance appraisal: first, it promotes the organizational efficiency and effectiveness; second, it enhances individual employee's performance and satisfaction; third, it simplifies administrative proceedings; and lastly, it ensures that management retains control of its employees' behaviors and attitudes.

Stated in another way, Grubb (2007) expressed that, performance appraisal is done because at first, it fits direct approach to management. Secondly, people are suited into the system. He argued that, employees are organized to fit into the "production machine." Employees are viewed as an accessory to the organizational structure and machinery of producing goods and services. Additionally, performance appraisal is

needed to control performance. Performance appraisal is present because management has to set a performance standard for its employees.

Moreover, performance appraisal exists in organizations because every organization does it (Ikramullah et al., 2012). It has been a tradition and a scientific management (Vallance, 1999). Lastly, performance appraisal is there because people have been conditioned to believe it works. If people are confident that an appraisal system is working effectively, it motivates them to perform better for the reason that people themselves trust that a good result at the end of the evaluation process will provide them with good rewards or incentives. Thus, performance appraisal is the best way to manage people.

**Table 2.1 Some Purposes of Appraisal**

|   |   |
|---|---|
| <p style="text-align: center;"><u>Organizational</u></p> <ul style="list-style-type: none"> <li>• Set and Measure Goals</li> <li>• Measure Individual Performance</li> <li>• Give Feedback</li> <li>• Get Performance Improvement</li> </ul>        | <p style="text-align: center;"><u>Administrative</u></p> <ul style="list-style-type: none"> <li>• Award Pay Increases</li> <li>• Promotion Screening/Decisions</li> <li>• Career Advancement</li> <li>• Downsize/Layoff Decisions</li> <li>• Legal Documentation</li> </ul> |
| <p style="text-align: center;"><u>Individual</u></p> <ul style="list-style-type: none"> <li>• Motivate/Provide Recognition</li> <li>• Coaching and Mentoring</li> <li>• Counsel Problem Performers</li> <li>• Development/Training Needs</li> </ul> | <p style="text-align: center;"><u>Control</u></p> <ul style="list-style-type: none"> <li>• Management Direction</li> <li>• Employee Compliance</li> </ul>   |

Source: Grubb (2007)

Chiang, F. F. T. and T. A. Birtch (2010) pointed out that, the employees' behaviors are driven by the purpose of a performance appraisal. Appraisal is used for many purpose, specifically, it is done for documentation, administration, subordinate expression, and development. Authors have acknowledged appraisal's important role in employee coaching, communication, evaluation, and development (Desler, 2008; McEvoy , 1990).

The development of the performance appraisal has included communication development as its purpose. It can be used to communicate performance gaps relative to expectations, clarify job objectives, and guide training and development plans aimed at increasing the skills and capabilities of human capital (Cardy and Dobbins, 1994). The present-day focus of appraisal is determining the strengths and weaknesses of employees, creating targeted skills supply strategies, and assessing training needs (Chiang, F. F. T. & T. A. Birtch, 2010)

The same is true in the civil service and the local government units' implementation of the performance appraisal in the Philippines. Performance Appraisal has become a structured formal intercourse between a subordinate and supervisor, where the work performance of the subordinate is to be taken into consideration, with a view to identifying weaknesses and strengths as well as opportunities for improvement and skills development. Appraisal results are used to determine reward outcomes. That is, the appraisal results are used to identify the better performing employees who should get the productivity bonuses and promotion.

Simultaneously appraisal results are also used to identify the poorer performers who may require some form of counseling, or in extreme cases, demotion, dropping from the rolls, and dismissal of from service. Performance Appraisal is a part of career development (CSC Memorandum Circular No. 13, s. 1999).

The policy of the civil service in the Philippines as to the uses of the performance ratings are specifically stated as follows; First, as promotion of performance-based security of tenure. Security of tenure of those holding permanent appointments is not absolute but is based on performance. Employees who obtained unsatisfactory ratings for two rating periods and poor rating for one evaluation period may be dropped from the rolls. Second, as an eligibility or qualification for performance-based awards and incentives. Grant of incentives like the productivity incentive bonus is based on the final ratings of employees as approved by the Performance Evaluation Review Committee (PERC) of every agency. The PERC also validates the Outstanding Performance and may recommend the concerned employee for performance-based awards. Lastly, as basis for personnel actions. Performance ratings are used as basis for promotion, training and scholarship grants and other personnel actions. Only employees with Outstanding and Very Satisfactory Performance are considered for the above mentioned personnel actions (CSC MC No. 13, s. 1999).

### **2.3. Errors in the Performance Appraisal**

A variety of errors occur in the appraisal process when criteria and incentives associated with rating accuracy are not clearly specified during the rating process. Rater

errors described in Table 2.2 affects all stages of the appraisal process particularly at the final stage after the rating have been actually recorded (Jackson & Schuler, 2006).

**Table 2.2 Common Performance Rating Errors**

|                  |   |
|------------------|---|
| Halo and Horn    | A tendency to think of an employee as more or less good or bad is carried over into specific performance ratings. Or stereotypes based on the employee’s sex, race, or age affect performance ratings. In either case, the rater doesn’t make meaningful distinctions when evaluating specific dimensions of performance. All dimensions of performance are rated either low (horn) or high (halo). |
| Leniency         | All employees are rated higher than they should be rated. This happens when managers aren’t penalized for giving high ratings to everyone, when rewards aren’t part of a fixed and limited pot, and when dimensional ratings aren’t required.   |
| Strictness       | All employees are rated lower than they should be. Inexperienced raters who are unfamiliar with environmental constraints on performance, raters with low self-esteem, and raters who have themselves received a low rating are most likely to rate strictly. Rater training that includes a reversal of supervisor-incumbent roles and confidence building can reduce this error.                  |
| Central Tendency | All employees are rated as average, when performance actually varies. Raters with large spans of control and little opportunity to observe behavior are likely to use this “play-it-safe” strategy. A   |

|                  |   |
|------------------|---|
|                  | forced distribution format requiring that most employees be rated average also may create this error.   |
| Primacy          | As a cognitive shortcut, raters may use initial information to categorize a person as either a good or a bad performer. Information that supports the initial judgment is amassed, and unconfirming information is ignored.           |
| Recency          | A rater may ignore employee performance until the appraisal date draws near. When the rater searches for cues about performance, recent behaviors or results are more salient, so recent events receive more weight than they should. |
| Contrast Effects | When compared with weak employees, an average employee will appear outstanding, when evaluated against outstanding employees, an average employee will be perceived as a low performer  |

Source: Jackson & Schuler (2006)

Moreover, subordinates relying on performance keep all parties working as a unit. The members of the organization, including the leader, adopt a supportive attitude in which they share one another's needs, values, aspirations, goals, and expectations. Performance appraisals are generally not very popular in organizations. Ironically, they are valuable tools for maintaining and improving performance. At the organizational level, some appraisal systems are outdated and cumbersome and seem to measure only that which can be qualified. On the personal level, some managers resent the time

consumed by appraisal and feel uncomfortable sitting in judgment upon another person (Kolb et al., 1995).

There are at least three reasons why managers are reluctant to conduct evaluation of performance. First, they are generally uncomfortable discussing performance weaknesses with subordinates. Second, many employees tend to become defensive when their weaknesses are pointed out. Instead of accepting feedback as constructive and a basis for improving performance, employees challenge the evaluation by criticizing the manager or redirecting the blame on someone else. Finally, employees tend to have inflated assessment of their own performance.

Berr (1985) claims that, when performance and potential are good, when superior and subordinate have an open relationship, when promotions or salary increases are abundant, and when there is plenty of time for preparation and discussion, performance appraisal is easy to do.

The difficulties managers and subordinates experience in the appraisal interview may be traced to the quality of their relationship, to the manner and skill with which the interview is conducted, and to the appraisal system itself, that is, the objectives the organization has for it, the administrative system in which it is embedded, and the forms and procedures that make up the system.

#### **2.4. Perception about Performance Appraisal**

The main aim of performance appraisal system is evaluating personnel fairly. But, because people operate these systems, total objectiveness cannot be guaranteed. Many



managers fail to comply with these systems in the organization and employees perceive that their managers are not concerned about them and do not appreciate their work.

Perceptions are affected by the object being perceived. One of the basic characteristics of human perception is selective organization. Perception is selective or in other words, only some of the characteristics of an object or event affect a given individual while others are ignored or are of no effect (Reitz, 1977). Perceptions are organized in that individual stimuli are perceived to be related to each other in recognizable or familiar pattern. Youngcourt et al., (2007) contends that employees' perception about their performance appraisal system forms part of a larger examination of the effectiveness of the appraisal system of the organization.

In a study about employees' perception of a PAS, finding shows that the perception is affected by subjectivity and influenced by some major errors. It shows that the results have a serious managerial implication for training, motivation and provision of resources for effective performance appraisal (Boachie-Mensah and Seidu, 2012).

Along the same line, a study on the perceptions of civil servants regarding various purposes of the performance appraisal system in the two public sector departments in Pakistan obtained variety of results with regards to performance appraisal's purpose. Respondents from the civil service had diverse responses as to their performance appraisal system. The study found out that there is high degree of perception from the civil servants that the performance appraisal system of the organization is not used to record their performance accurately (Ikramullah, Shah, Khan, ul Hassan, and Zaman's, 2012).

The finding of the study showed that, respondents who were civil service employees were not fully aware of the purpose by which performance appraisal is conducted in their organization, except that there is a high response when asked about appraisal's purpose of supporting promotion of employees. Moreover, the civil servants perception about the role of the performance appraisal system is not clear, particularly with their performance feedback and appraisal rating feedback. Additionally, the performance evaluation reports were not prepared regularly at the end of each year to record employees' performance; therefore, the discrepancy ultimately affects promotion discussions of civil servants (Ikramullah, et al., 2012).

Meyer et al. (1997) posits that perception of fairness exemplifies organizations' commitment to its employees. Often, managers perceive performance appraisals as a yearly event. In reality Kolb and associates (1995) stress that appraisal is a process that begins long before the appraisal interview and consists of reviewing legal requirement; translating organizational goal into individual objective or requirements; setting clear expectations for job performance and communicate both training and coaching that they require to meet the expectations; supplying adequate supervision, feedback, and coaching throughout the years; acknowledging employee accomplishments and diagnosing employee's relative strength and weaknesses and presenting all of these objectively during the appraisal interview to establish performance goals and development, plan with the employee, which include an action plan for improved performance or further education and the efficient future use to the employees' abilities.

It was noted that in the eyes of civil servants in Pakistan, PAS is not performing optimally and unable to achieve the desired results (Ikramullah, et al., 2012). However,

in the Philippines, it was observed that most of the employees in the public sector get either a Very Satisfactory or Outstanding performance rating. Ironically, the public perceives the civil servants as generally incompetent and inefficient in the country (Berman, 2011).

## **CHAPTER 3**

### **Methodology**

#### **3.1. Introduction**

The main purpose of this descriptive-exploratory study was to determine the employees' perception of the performance appraisal system of the Local Government of Iloilo City, Philippines, specifically, their perception regarding the purposes of the PAS. Data for this study were collected as part of a larger examination of the effectiveness of a local government unit's performance appraisal system.

This chapter describes the research design, methods of data collection, sampling method, respondents, and survey-procedure. Data analysis and interpretation employed in this study are also described in this chapter.

The researcher conducted this study at the city government of Iloilo on March 2012. As an exploratory study, mixed methods were employed to administer it. Methods of data gathering used included interview, survey, and secondary data collection.

- Focus Group Interview – Focus group interview aims to collect information from the managerial level who actually are the ones conducting the performance appraisals to their employees. A different set of guide questions comprising five (5) items was prepared by the researcher.
- Survey Questionnaire – The survey questionnaire aims to solicit the responses of the respondents as regards their perception of the Performance Appraisal System (PAS) used by the Local Government of Iloilo City. Respondents to the questionnaire were department heads, employees with permanent, temporary, and casual appointments under the CSC Omnibus Rules on Appointment. The survey

was conducted with the assistance of two regular employees from the Human Resource Office of the local city government of Iloilo.

- Secondary Data – The secondary data were used to gather more information that would substantiate the items used for both the survey and the interview. The information came from internet, books, newspapers, magazines, and journals.

### **3.2. Research Design**

Descriptive-exploratory method was found by the researcher to be most appropriate data collection. The design captured the attitude and perception of the respondents towards the Performance Appraisal System of the Local Government of Iloilo. As authors Stebbins (2001) and Creswell (2009) would suggest that, the above-mentioned research design has their place in forming a better understanding of a problem or issue. Specifically, the researcher chose a focus group interview for this study because it is a flexible method that permits the gathering of a large amount of information from a number of people in a fairly short amount of time (Jackson, 2011). Additionally, the focus group interview allowed the researcher who also acted as moderator to explore topics that arouse from the discussion of the group (Jackson, 2011), hence, the interview revealed the perception of the respondents from the management level who are the real users of the PAS. The secondary data would substantiate whatever perceptions given by respondents from both the interview and survey.

### **3.3. Methods of Data Collection and Analysis**

The study combined both primary data and secondary data (e.g. internet sources, books, newspapers, magazines, and journals) in generating data for analysis based on

mixed methods of research. Interview and survey were used to gather primary data, while secondary research materials were used to gather more information that confirmed the veracity of information collected through interview and survey. Five (5) items were used during the focus group interview as guide questions and other questions were subsequently asked during the natural flow of the discussion. The interview was conducted at the conference room of the Iloilo City Hall as it is the most convenient place for all participants who were rendering their respective offices at the different floors of the city hall. The interview lasted for about an hour and a half and the questions for the focus group were as follows:

- How does the Performance Appraisal System assist you in your decisions regarding promotion or termination of an employee?
- In your opinion, how effective is the PAS in recognizing the performance of an employee?
- Do you think the current PAS really measures the performance of an employee?
- What steps do you undertake after identifying the area where an employee needs training?
- What are your suggestions to improve the current PAS?

In the case of survey, perceptions regarding the purposes of the local government's performance appraisal were measured with ten (10) items: (five (5) administrative and five (5) developmental) were taken from the existing research of Ikramullas, et al. (2012). Response options ranged from 1 (strongly disagree) to 5 (strongly agree). The items taken from previous research were chosen based on how

representative they were of the constructs of interests. The items used to assess perceptions of an administrative purpose and developmental were as follows:

**Table 3.1 Items on Administrative and Developmental Purpose of PAS**

| <b>Administrative Purpose</b>   | <b>Developmental Purpose</b>   |
|---|--|
| 1) The PAS can guide in the promotion of employee   | 1) The PAS can help distinguish the strengths of the employee                        |
| 2) The PAS can aid in the decision regarding the transfer of employee                         | 2) The PAS can help confirm the weaknesses of the employee                           |
| 3) The PAS can help in the decision whether to terminate the employee due to poor performance | 3) The PAS can aid in identifying the area where an employee needs training          |
| 4) The PAS can help in the decision whether to recognize good performance of employee         | 4) The PAS can help provide feedbacks regarding the employee's performance           |
| 5) The PAS can help as basis for productivity bonus   | 5) The PAS can help employees know where they stand with respect to goal achievement |

Source: Ikramullahs, et al. (2012)

Survey data were tabulated using frequency count and was analyzed through quantitative methods and substantiated through qualitative methods. Findings and results gathered from interview were descriptively interpreted.

### **3.4. Sampling and Respondents**

Only individuals appointed as employees of the city government of Iloilo with permanent, temporary, and casual appointments under the CSC Omnibus Rules on Appointment and Personnel Action were included in this study. The respondents were chosen through random sampling and two (2) regular staff from the Iloilo City government's Human Resource Office assisted the researcher. Under the CSC Omnibus Rules on Appointment and Personnel Action the following were considered as employees with, (a) permanent appointment, an appointment issued to a person who possesses all the qualifications prescribed for the position occupied which includes, the appropriate educational qualifications, training, experience, and the appropriate civil service eligibility; (b) temporary appointment, an appointment issued to a person who possess all the qualification prescribed for the position occupied such as those of the person with a permanent appointment except the appropriate civil service eligibility; and (c) casual appointment, an appointment issued to a person hired on an emergency or seasonal basis and whose salary is drawn from lump sum appropriation. Temporary and Casual employees were included as respondents in this research as they are subject of the evaluation system. Employees with temporary appointments may be issued a permanent appointment after they possess the appropriate civil service eligibility. The results of the evaluation of both the temporary and casual employees are necessary in any personnel actions (e.g. promotion, demotion, transfer, termination, etc.) that are to be taken by the city government of Iloilo in favor or against them.

A total of 122 respondents were selected (ten from the management level) and 112 from rank and files regardless of their position status. The number represents ten per



cent of the total 1,220 employees and management staff of the local government of Iloilo City.

In getting the random sampling, the formula was used:

$$\begin{aligned}
 P(n) &= 1 - \frac{N-1}{N} \cdot \frac{N-2}{N-1} \cdots \frac{N-n}{N-(n-1)} \\
 &\stackrel{\text{canceling}}{=} 1 - \frac{N-n}{N} \\
 &= \frac{n}{N} \\
 &= \frac{100}{1000} \\
 &= 10\%
 \end{aligned}$$

The formula above was used in getting the random samples. Since there are 1220 employees in all, divided equally into males and females, getting ten per cent of the total number of population,  $N = 1220$  is equals to  $n=122$ . According to Jackson (2011), sample population of 100 and more for every 1000 population is already a large number. Each of the person comprising 122 does not have only an equal chance of having been selected; also the probability of each person being chosen is easily calculated since we know the sample size ( $n$ ) and the population ( $N$ ). Meanwhile, the first 122 respondents who were contacted and were confirmed availability for the interview and survey represented the sample group.

There were ten department heads that comprised the focus group while the 112 respondents were selected through random sampling through contact-based approach. The city government of Iloilo City has more than 20 departments but only ten were available for the interview. The heads come from the following departments.

- 1) City Accounting Office
- 2) City Budget Office

- 3) City Engineers Office
- 4) City Health Office
- 5) City Legal Office
- 6) City Planning and Development Office
- 7) City Tourism and Development Office
- 8) Human Resources Management Office
- 9) Local Civil Registrar Office
- 10) City Treasurer's Office

A total of 112 questionnaires for the survey part were distributed to individuals and 94 were returned during the retrieval stage, for a response of 93.8 percent. Participants were told that this was a university-based research designed to evaluate the city government's performance appraisal system, that completion of questionnaires was voluntary, and that all individual responses would be kept confidential. Participants were given two weeks to return the questionnaire, with a personal reminder from the human resources staff two days before the deadline. The questionnaires were returned to the human resource department in envelopes marked as confidential and were seen only by the researcher responsible for data entry.

### **3.5. Profile of Respondents**

The focus group for the interview phase was comprised by ten department heads/managers of the City Government Office of Iloilo City.

They were made to answer five items about their own perceptions of the PAS that they were themselves administering to their own employees. On the other hand, there were 94 respondents who answered the survey who all came from the rank and file

employees regardless of their position status. They were made to answer the ten items from the questionnaire that would determine their perceptions of the PAS of the local government of Iloilo City.

**Figure 3.1 Respondents' Profile (Focus Group and Survey)**

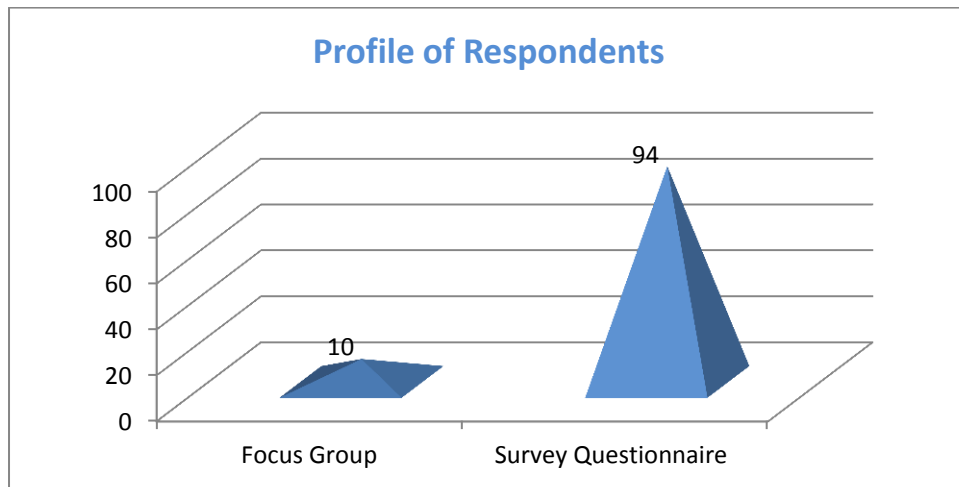
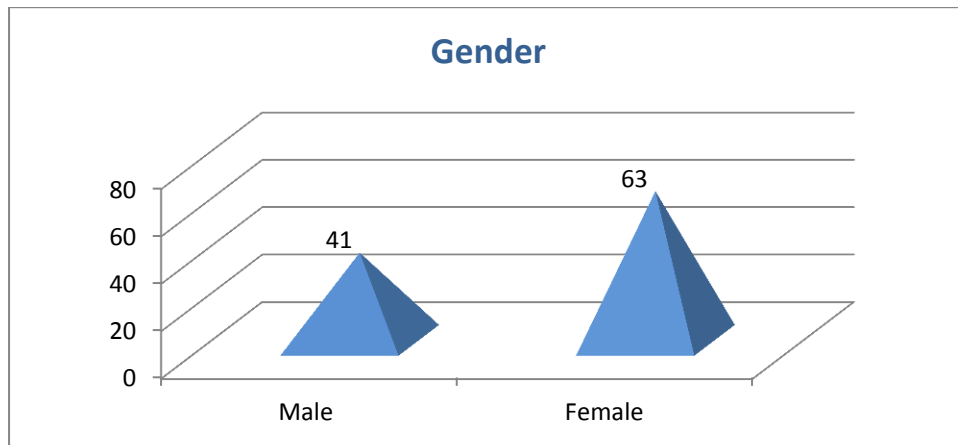


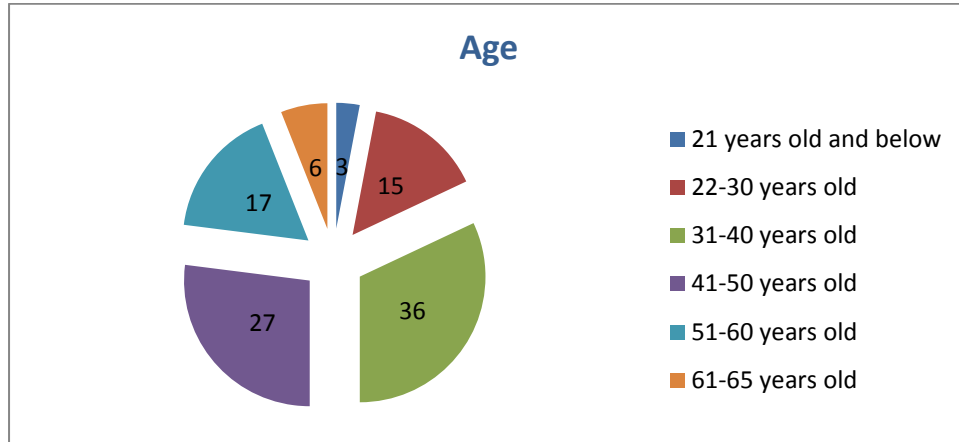
Figure 3.1 shows the number of the respondent for the focus group interview and the survey questionnaires. In this research, the focus group comprises raters from the managerial level position or the heads of offices looking at how they would perceive collectively the effectiveness of the PAS of Iloilo City government. In contrast, the survey aims to give an individual local government employee respondent enough breathing space and freedom to perceive the effectiveness of the PA of Iloilo City government.

**Figure 3.2 Gender of respondents combined from both the focus group and survey**



Philippines population shows more females than males (National Statistics Office, 2012). The respondents to the interview and survey show more females than males. According to gender, 41 or 39.42% of local government employee respondents were male while 63 or 60.58% were females. Female employees may have different views or opinions than males and they may affect the findings of the study.

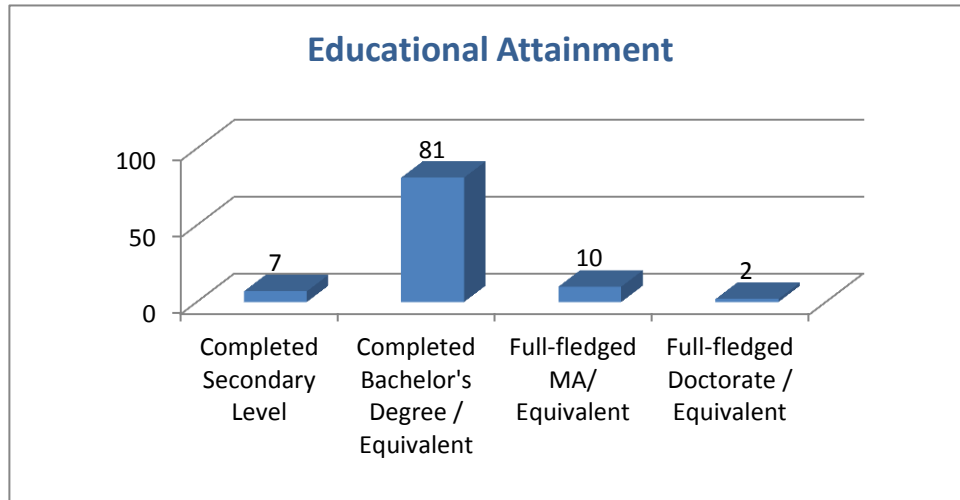
**Figure 3.3 Age of respondents combined from both the focus group and survey**



According to age, 27 out of 104 or 25.96 % of the LGU employee respondents belong to the 41-50 years old age bracket. 17 out of 104 or 16.35% are 51 to 60 years old. Majority of the respondents (34.61%) are in the 31 to 40 years old age bracket. Fifteen out of 104 or 14.42% are 22 to 30 years old. Six percent (6%) of the respondents are between 61 to 65 years old. Three percent (3%) of the respondents are 21 years old and below.

Figure 3.3 shows that the more number of respondents were in ages between 31-40 years old and followed by ages 41-50 years old. The distribution of respondents by ages suggests that majority of the Iloilo City government employees were relatively youthful. However, the study of Gurbuz and Dikmenli (2007) stressed that ages do not vary significantly as regards perception of performance appraisal.

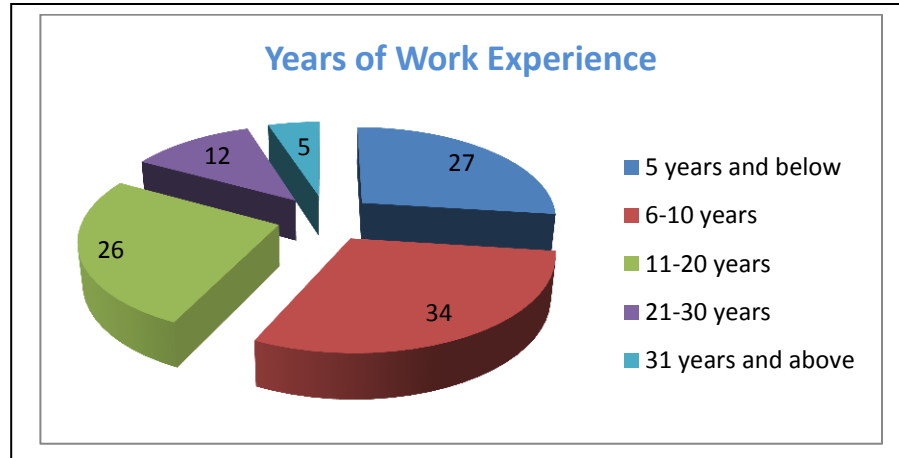
**Figure 3.4 Educational attainment of respondents combined from both the focus group and survey**



According to educational attainment, 81 out of 104 or 77.88% of the LGU employee respondents completed a Bachelor’s degree or its equivalent. Ten out of 104 or 9.61% completed a Full-fledged Master’s degree or its equivalent. Seven percent (7%) completed Secondary Level. Two percent (2%) completed Full-fledged Doctorate degree or its equivalent. Four percent (4%) did not give an answer.

The highest percentage when it comes to educational qualification belongs to that of employees with Bachelor’s degree or its equivalent. Only 12 employees earned post graduate degrees and their equivalent. Again, from the same study of Gurbuz and Dikmenli (2007), it is possible that employees with high qualifications (Bachelor degree and higher) might extend more cooperation, willingness, commitment and honesty to answer the survey especially if it aims for their career development.

**Figure 3.5 Years of work experience combined from both the focus group and survey**



According to years of work experience, 26 out of 104 or 25% of LGU employee respondents had worked for 11 to 20 years in the city government of Iloilo. Twenty-six percent (26%) worked for 5 years and below. Majority of the respondents (32.69%) worked for 6 to 10 years. Twelve out of 104 respondents or 11.53% worked for 21-30 years. Five percent (5%) worked for 31 years and above.

Figure 3.5 shows that a higher percentage of employees have work experience of 6 to 10 years. The employees who work longer might have gained greater insight into the PA system. Gurbuz and Dikmenli (2007) said that employees who had underwent PA many times previously might give more significant knowledge, information, and experience about the process and may contribute to the credibility and reliability of the survey.

**Figure 3.6 Position status of respondents combined from both the focus group and survey**

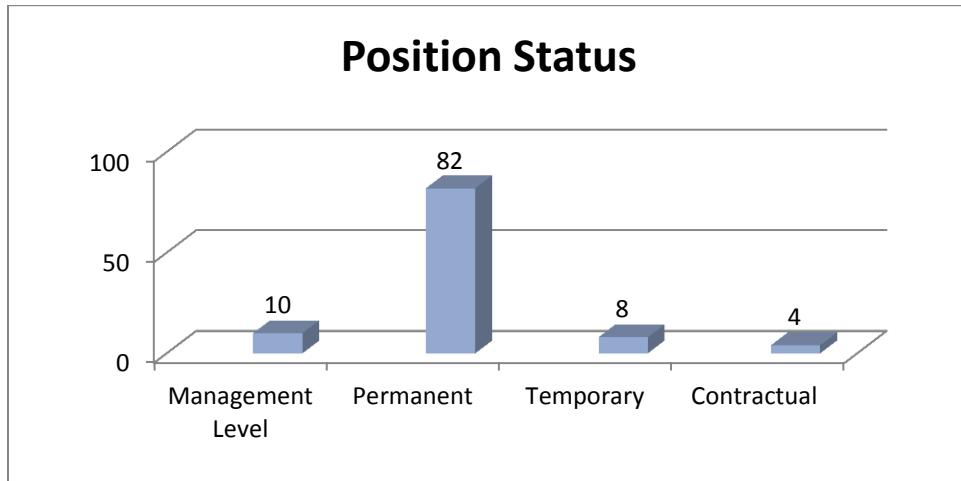


Figure 3.6 shows the distribution of respondents with regards to position status. Eighty two (82) out of 104 or 80.77% of LGU employee respondents were enjoying permanent position status in the city government office. The position status will have positive impact to the survey and interview because their commitment and cooperation are more pronounced as compared with employees with temporary and casual/contractual status.



## CHAPTER 4

### An Overview about Iloilo City

#### 4.1. Historical Perspective

Iloilo is a beautiful island with countless tourist attractions. It has everything and anything you need. The framework of success for the growth and development of Iloilo City is brought mostly by tourism and industrial business ([www.iloilocity.gov.ph](http://www.iloilocity.gov.ph)). Perhaps, the effectiveness of the local government and the people who are managing the resources available to it, contributed to the speedy development of this city. Also, the natural hospitality of the Ilonggos, the people of Iloilo contributes largely to the success of its economic development.

**Figure 4.1 Iloilo City during the Spanish era (1700-1998)**



Source: [www.exploreiloilo.com](http://www.exploreiloilo.com)

**Figure 4.2 The New Iloilo City Hall during construction**



Source: [www.exploreiloilo.com](http://www.exploreiloilo.com)

The Spaniards colonized the Philippines in 15<sup>th</sup> century. It is also during this time when they disembarked in the island called Panay which is currently composed of four provinces, Aklan, Antique, Capiz and Iloilo. Iloilo City is fondly called the “city of love”. It is the capital city of the province of Iloilo. It takes a 45 minute plane ride or a day’s travel by boat from Manila, the country’s capital city. The majority of the residences in Iloilo are Catholic-Christians, influenced by the Spaniards since the 1500s. Iloilo is rich in beautiful and historical churches, such as Molo, Lapaz, and Jaro Cathedral. Remains of Spanish occupation are depicted in every design and nook of these churches. Although the people are fluent in English and Filipino, the commonly spoken language is the dialect, Ilonggo.

From the culinary standpoint, it is the melting pot of the famous La Paz Batchoy, a delicacy made of egg noodles, beef broth, tripe, pork liver, diced pork meat, and different local spices. The taste of Ilonggo foods reflects so much of the history of the

place; a combination of Spanish, Chinese, and American influence. There is also this native delicacy known as Balut; a tasty duck egg morsel, steamed and served in its shell like a hard-boiled egg, with addendum of the 18 day old duck embryo.

The name Iloilo originated from the local dialect called “irong” in reference to the shape of a nose and which at the same time is relevant to the shape of the Iloilo River. Chinese merchants who frequent the place during that time kept mispronouncing the word “irong” to “ilong” which became popular hence the adaptation of the name. History also relates that the name was similar to the aborigines’ fish which was a staple food of the early inhabitants.

During the 15<sup>th</sup> century, the district places of Iloilo that were occupied by the Spaniards and became a central district were Oton, Arevalo, Villa and Sta Cruz. Here a gallery of soldiers was built. But in the 16<sup>th</sup> century, the trading and industry became more active. Trading of tobacco and textiles started and strong churches were built. Sugar and rice became the resource and were in abundance. A great transformation in the economy during the 17<sup>th</sup> and 18<sup>th</sup> century happened when Iloilo opened its port to foreign trade even to the non-Spanish commercial transactions. The city became known as the “Queen City of the South” and also the seat of the government of the province. By the 20<sup>th</sup> century, Iloilo became known for the Visayan entry of commerce because of its ports. Investment of business establishments increased as well as the average annual family income percentage.

It is worthy to note that sometime by the end of World War II, the blooming economy of Iloilo went to its demise. But the resiliency and persistence of the Ilonggos

enabled the city to stand up strong again with the establishment of fish ports, international seaport, and other commercial firms. Iloilo became one of the leading cities of the Panay Island.

Currently, Iloilo offers a positive investment opportunity to both foreign and domestic clientele. The easy access to the capital city of Manila and the metropolis city of Cebu opens potential industrial businesses. Iloilo City's primary asset is its hospitable and loving people. Ilonggos have the distinctive traits of dedication to work and self-reliance. The population has a quality, trainable and skilled labor force. Literacy rate of 92.8% makes up a strong manpower pool. Majority of the Ilonggos can speak and write English. Employment is service sector which is predominantly 82%, followed by the industry at 14% then agriculture 4%. Great opportunities for industrial business exist at the city of Iloilo. The local government is maximizing its effort in providing a positive, investor-friendly business opportunities in order for Iloilo City to become one of the best cities in the entire country (Iloilo City Planning and Development Office).

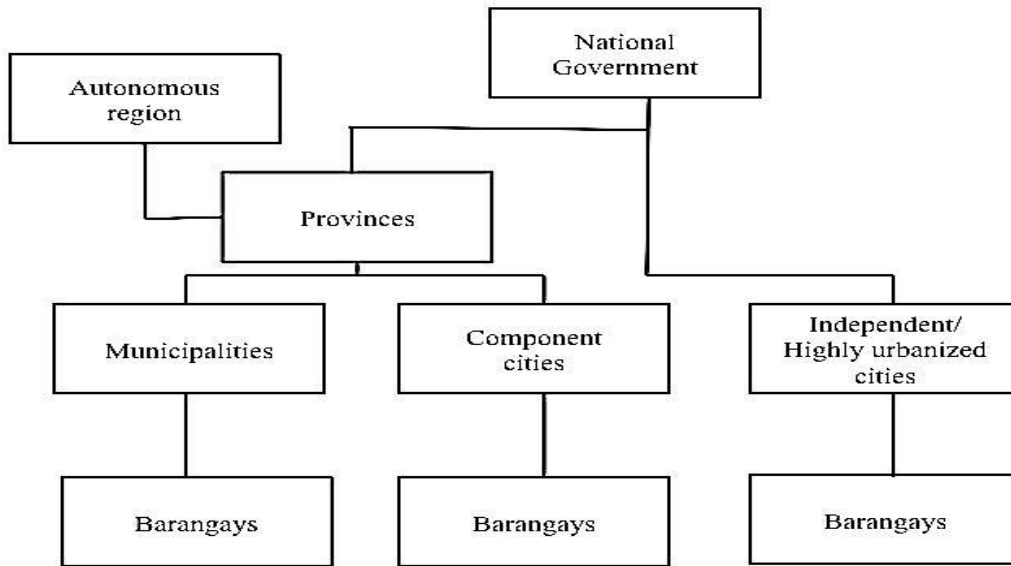
#### **4.2. The Local Government Structure in the Philippines**

The Philippine government is a presidential-unitary, representative and democratic republic. There are three divisions in the government of the country that are co-equal branches; they are the executive, legislative and the judicial branches. The president is the head of the executive branch and acts both as head of state and head of government. The president has a six-year term and cannot seek re-election. The legislative branch is composed of a bi-cameral legislature, the House of Representative and the Senate, the former being the lower house and the later the upper house. There are more than 220 seats in the lower house for congressional representative and a few more

for sectoral-party list representatives, while; in the upper house there are 24 senators who are elected on a national election. The judiciary or the judicial branch of the government is composed of the different courts in the country with the Supreme Court acting as the final arbiter of all cases.

The 1987 Constitution of the Philippines provided for the policy of decentralization that was enabled by the passing of the 1991 Local Government Code of the Philippines. It enabled the promulgation for a genuine local autonomy in the country. The local government units consist of a three-layered structure. It is composed of the provinces, cities/municipalities, and the lowest political unit, the barangays. The Autonomous Region of Muslim Mindanao was also created and is headed by an elected governor. As of 2011, there are 80 provinces, 122 cities, 1512 municipalities, and 42,025 barangays. Out of the 122 cities, 33 cities are considered highly urbanized cities where the city of Iloilo is currently classified ([www.dilg.gov.ph](http://www.dilg.gov.ph)). As shown in figure 4.3 the structure of the local government units are as follows:

**Figure 4.3 Local Government Unit Structure in the Philippines**



Source: Based on the Local Government Code of 1991 of the Philippines

Based on the Local Government Code of 1991 of the Philippines, figure 4.3 shows the local government unit structure in the Philippines from the national government to the lowest political system, the barangays.

Under the Local Government Code of 1991, the authority to create, divide, merge, abolish, or the boundaries substantially altered of a local government unit is either by a law enacted by Congress in case of a province, city, municipality, or other political subdivision, while in the case of a barangay located within its territorial jurisdiction, an ordinance passed by the appropriate Sangguniang Panlalawigan (Provincial Board) or Sangguniang Panlungsod (City Council).

The basic requisites as provided by the Local Government Code of 1991 to qualify for a status, as a certain local government unit in the Philippines are the income, land area, and population. As in the case of cities, it may be further classified as a component or highly urbanized city. In this study, the focus of the researcher is on Iloilo City, a highly urbanized city, thus, it is proper that a description of its creation as a local government unit be made. A highly urbanized city in the Philippines should meet the following requirements: (a) an annual income of at least fifty million (P50,000.00) pesos based on the 1991 constant prices, as certified by the city treasurer, (b) a contiguous territory of at least one hundred (100) square kilometers, as certified by the Lands Management Bureau; or, (c) a population of not less than one hundred fifty thousand(150,000) inhabitants, as certified by the National Statistics Office. All of these minimum requirements have been met by the city thus, upon proper application as a highly urbanized city and ratification in a plebiscite by the qualified voters therein; the President of the Philippines declared it as such, as a final and official approval of its status.

A city mayor heads the city government and acts as the chief executive. Other officials include the following, city vice mayor, Sangguniang Panlungsod (City Councilors) members, a city treasurer, a city assessor, a city accountant, a city budget officer, a city planning and development coordinator, a city engineer, a city health officer, a city civil registrar, a city administrator, a city legal officer, a city veterinarian, a city social welfare and development officer, and a city general services officer (Sec. 454 (a), Local Government Code of 1991 of the Philippines).

Additionally, the code allows the city mayor to appoint a city architect, a city information officer, a city agriculturist, a city population officer, a city environment and natural resources officer, and a city cooperatives officer. All of these officials and public officers required by the local code are part of the personnel of the Iloilo City.

Moreover, other heads of departments not specifically mentioned by the local code which are deemed necessary for the proper conduct of the organization (i.e. Head of the Human Resource Department) may be created by an ordinance passed by the Sangguniang Panlungsod (City Council). The appointment of the heads of the department and offices is under the power of the city mayor subject to the concurrence of the majority of all the members of the city council and subject to the civil service law, rules and regulations.

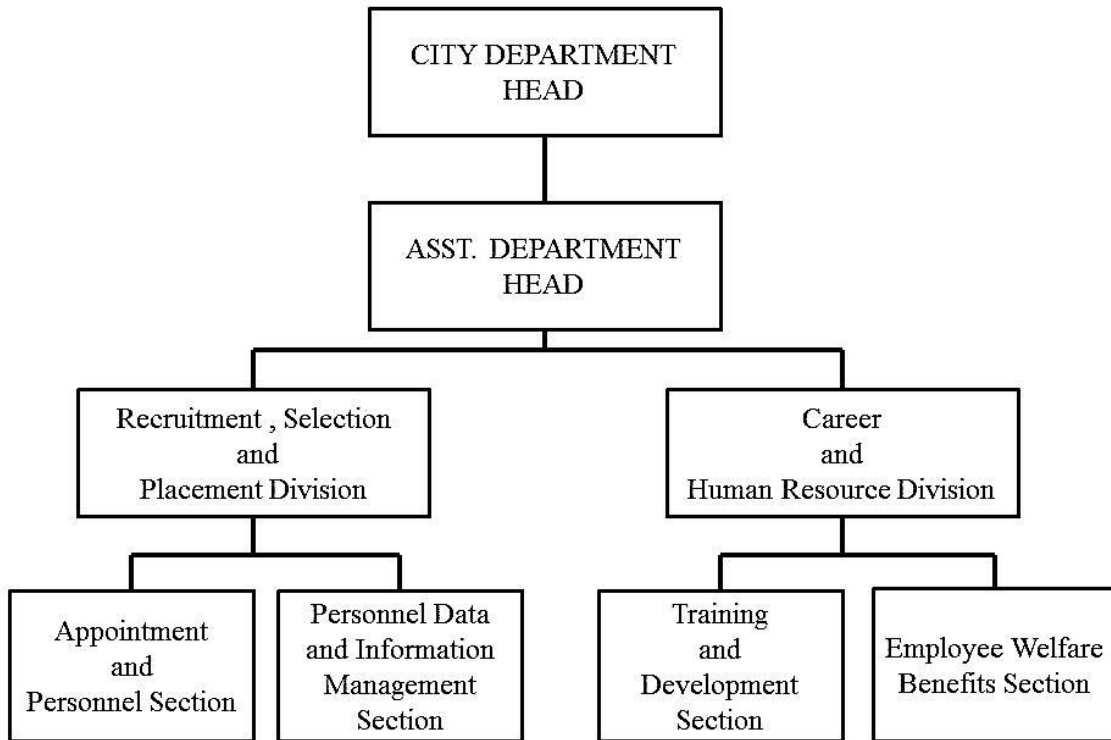
As of 2012, there are more than 20 heads of the departments in the city government of Iloilo, which includes the Human Resource Department created through a city ordinance. The Human Resource Department of the city government is currently headed by a department head together with an assistant department head. The department is composed of two divisions, the Recruitment, Selection and Placement Division and the Career and Human Resource Division. Under the Recruitment, Selection and Placement Division, there are two sections, the Appointment and Personnel Section and the Personnel Data and Information Management Section, while under the Career and Human Resource Division, are the Training and Development Section and the Employer Welfare Benefits Section. The Human Resource Department (HRD) of the city is in charge of facilitating the conduct of the Performance Evaluation System or commonly known in the organization as “PES”, this is the appraisal system of the city which is



conducted twice in a year or for two rating periods starting from the first day of January to the last day of June as the first rating period, and the first day of July until the last day of December as the second rating period.

At the start of each rating period, the HRD distributes the standard Performance Evaluation Report Form (PERF) either by hard copies or by computer generated form readily available for download by the different departments in the city. The employee then together with their respective heads fills up the form indicating therein the following items: (a) duties and responsibilities, which includes the employee's actual job as assigned by their respective supervisors, (b) performance targets, which includes the planned target for quantity of work, quality of work, and the duration of time for the work to be accomplished, and lastly, (c) the agreement signed by the employee-ratee and the supervisor rater at the end of the form wherein the employee signs agreement to achieve his targets for the rating period and the supervisor agrees to assist the employee to achieve his/her targets for the said rating period. Figure 4.4 shows the organizational structure of the Human Resource Department of the city government of Iloilo.

**Figure 4.4 Organizational Structure of the Human Resource Department of Iloilo City**



**4.3. Iloilo City as an interest of study**

Iloilo City is located in the western part of the visayan region and within the middle part of the Philippine archipelago. Figure 4.5 shows the map and actual location of the city. It is one of the 33 highly urbanized cities in the country. Its cityhood was established in October 5, 1889 during the Spanish colonial period and was reestablished on July 16, 1937. It is also considered as one of the old cities in the country. It is composed of six (6) districts namely: Arevalo, City Proper, Jaro, La paz, Molo, and Mandurriao districts. Overall, the six (6) districts have a total of One Hundred Eighty

(180) barangays. It has a land area of more or less 78.34 square kilometers, which features a flat and low-level mass. In 2012, it has a total population of about 437,366 with a 1.49% of population growth. Economic activities include 82% in the service sector, 14% in the industry, and 4% in the agriculture.

**Figure 4.5 Map of Iloilo City**



Source: Google maps

Iloilo City envisions itself to be a premiere city in the year 2015. Its potential to become a blooming city is evidenced by various programs and projects it has accomplished this past decade. Programs and projects established by the city government

have contributed a lot to the development of the city as it captures the attention not only by its neighboring cities or the whole country but also, international communities. As evidence of this recognition, a notable distinction given to the city of Iloilo in 2010 was the LivCom International Awards for livable communities. The award was given because of the city government's project on the Iloilo River Development Program. This award giving-body is a one of a kind in the world because it is focusing on International Best Practice regarding the management of the local environment. It is also created for the objective of developing and sharing international best practices and improving the quality of life of individual citizen through the creation of livable communities ([www.livcomawards.com](http://www.livcomawards.com)). Another distinction from the international community that the city has received was the 2009 Palladium (Hall of Fame) award. This award honors that organization achieving "*execution premium*" – extraordinary performance results-through the use of the Kaplan-Norton Balanced Scorecard, the world's preeminent strategy management framework ([www.thepalladiumgroup.com](http://www.thepalladiumgroup.com)).

Moreover, the city government also received notable awards locally. In 2011, the Department of Interior and Local Government (DILG) of the Philippines awarded the Seal of Good Housekeeping to the city government. The award for local government units (LGUs) is in line with the Department's commitment to aggressively scale up interventions to elevate the practice of governance that values transparency, accountability, participation and performance into an institutionalized status. It aims to recognize LGUs with good performance in internal housekeeping focusing in four areas, namely: (1) Good Planning; (2) Sound Fiscal Management; (3) Transparency and Accountability; and (4) Valuing of Performance Information. LGUs with the Seal of





Good Housekeeping will be entitled to the Performance Challenge Fund for LGUs ([www.dilg.gov.ph](http://www.dilg.gov.ph)). Another award was the “Gawad Pamana ng Lahi (GPL) Award” given also by the DILG. This is a total award concept conferred to provinces, cities and municipalities that have exhibited exemplary performance in Administrative, Social, Economic and Environmental Governance. Exemplary performance information is drawn from the database of the on-line Local Governance Performance Management System (LGPMS), Seal of Good Housekeeping (SGH), International Organization or National Government Agency-bestowed Award(s), and acknowledged innovations achieved by the awardee. Lastly, the most recent achievement of the city is that it ranked third as top performing metropolis in terms of locally-sourced revenue generation from among 106 urban centers outside National Capital Region (NCR) as cited by the Department of Finance (DOF). The city generated 59.30 percent of its income coming from local sources for fiscal year 2011, based on DOF’s report entitled “How good is your LGU in creating own revenues?”. The current city mayor, Mayor Jed Patrick E. Mabilog, credited the city finance team and expressed confidence on the capability to perform efficiently in every aspect of governance with dependable local income sources to deliver quality basic services to residents. It is worth to be noted, that the city jumped three notches from 6th place in 2010 with 57.80 percent local income generation performance ([www.iloilocity.gov.ph](http://www.iloilocity.gov.ph)). The capacity of city government to generate revenues from local sources showed the degree of fiscal independence from national government. Undeniably, the city is on its way to achieve its vision and a model to be emulated by other cities. It is quite interesting to study the mechanics on how it achieved its present status as a blooming city. Perhaps really, the effectiveness of the local and the people

who are managing the resources available to it, contributed to the speedy development of this city.

Since 2009 to 2011 the performance index of the city as reported by the Department of Interior and Local Government of the Philippines has been consistently increasing. A notable increase is on its Human Resource Management and Development which reached its highest performance index of “5” for two recent years, 2010 to 2011 (www.dilg.gov.ph). Figure 4.6 shows the report of DILG as to the performance trend of the city compared to neighboring provinces and cities.

**Figure 4.6 Performance Trend Report by the Department of Interior and Local Government in the Philippines**

| Performance Area                                     | Aklan | Antique | Capiz | Guimaras | Iloilo | Negros Occ | Bacolod City | Iloilo City |
|--|-------|---------|-------|----------|--------|------------|--------------|-------------|
| <b>Overall Performance Index</b>                     | ▲     | ▬       | ▲     | ▬        | ▬      | ▲          | ▬            | ▲           |
| <b>I. Administrative Governance</b>                  |       |         |       |          |        |            |              |             |
| 1 Local Legislation                                  | ▬     | ▬       | ▲     | ▼        | ▬      | ▲          | ▬            | ▲           |
| 2 Development Planning                               | ▲     | ▬       | ▲     | ▼        | ▬      | ▲          | ▬            | ▲           |
| 3 Revenue Generation                                 | ▲     | ▲       | ▲     | ▬        | ▬      | ▬          | ▬            | ★           |
| 4 Resource Allocation and Utilization                | ▬     | ▬       | ▬     | ▼        | ▬      | ▬          | ▬            | ▼           |
| 5 Customer Service - Civil Applications              | ▲     | ▬       | ▲     | ▲        | ▲      | ▬          | ▬            | ▲           |
| 6 HRMD   | ▲     | ▬       | ▲     | ▬        | ▬      | ▬          | ★            | ★           |
| <b>II. Social Governance</b>                         |       |         |       |          |        |            |              |             |
| 7 Health Services                                    | ▬     | ▬       | ▬     | ▬        | ▬      | ▼          | ▬            | ▲           |
| 8 Support to Education Services                      | ▲     | ▬       | ▲     | ▬        | ▲      | ▲          | ▬            | ★           |
| 9 Support to Housing and Basic Utilities             | ▬     | ▲       | ▲     | ▲        | ▲      | ▬          | ▬            | ★           |
| 10 Peace, Security and Disaster Risk Mgt'            | ▬     | ▲       | ▲     | ▬        | ▬      | ▬          | ▼            | ▲           |
| <b>III. Economic Governance</b>                      |       |         |       |          |        |            |              |             |
| 11 Support to Agriculture Sector                     | ▲     | ▲       | ▲     | ▬        | ▲      | ▲          | ▬            | ▲           |
| 12 Support to Fishery Services                       | ▲     | ▬       | ▲     | ▲        | ▬      | ▬          | ▼            | ▲           |
| 13 Entrepreneurship, Business and Industry Promotion | ▬     | ▲       | ▲     | ▲        | ▬      | ▲          | ▬            | ▬           |

| Legend:   |   |
|---|---|
|  | <b>Increasing Performance.</b> Performance Index consistently increasing from 2009 to 2011.                             |
|  | <b>Skewed Performance.</b> Performance Index has no pattern. It may decrease at one point or increase at another point. |
|  | <b>Decreasing Performance.</b> Performance Index consistently decreasing from 2009 to 2011.                             |
|  | <b>Double Up.</b> Reached the highest Performance Index of "5" for two recent years (CYs 2010 and 2011).                |

Source: [www.dilg.gov.ph](http://www.dilg.gov.ph)

Thus, it is meritorious to study the performance appraisal system of the city, an aspect of the overall human resource management of the city government, which would likely explain or contribute in the larger examination of the effectiveness of its human resources.

## CHAPTER 5

### Findings and Discussions

#### 5.1. Introduction

This chapter presents the findings from the interview of the focus group and the results of the survey questionnaire. The information collected from the focus group were summarized under the headings of each item asked. They were descriptively discussed and analyzed by the researcher. Performance Evaluation System (PES) as the term is used in the city government of Iloilo and Performance Appraisal System (PAS) as a universal term may be used interchangeably in this discussion. This chapter also includes the findings and discussion of the nature and process of the Performance Appraisal System (PAS) of the city government of Iloilo.

#### 5.2. Focus Group

##### *5.2.1. PAS role in the promotion and termination of employees*

This section presents the perceptions of the ten department heads of the city government of Iloilo regarding the role of Performance Appraisal System (PAS) in the promotion and termination of employees. The ten heads were the only available respondents among the 22 department heads of the city government. Among the ten participants available, the head of the HR department was one of them. The group confirmed the role of the HR in conducting a twice a year performance appraisal in the city government of Iloilo. This also supports the early literature of Dulebohn and Ferris (1999) that PAS is a primary human resource management function. The appraisal system is known to them as Performance Evaluation System or commonly known in the organization as “PES”. The HR head affirmed that the PES has a big role in the



promotion and termination of employees. As for promotion, she stated that, one important requirement before an employee may be qualified is that, he or she must obtain a rating of at least Very Satisfactory (VS) for two consecutive rating period or at least VS ratings in a year in his or her PES. Thus, according to her, an employee in the city government strives to have a higher rating in anticipation of an upcoming promotion. This was affirmed by the members of the group stating that the PES makes their subordinates active in achieving their performance targets by the end of each rating period. An example given by the head of the Budget Office was regarding a next-in-rank employee for a position which had been left vacant by reason of retirement or transfer of the former occupant. The next-in-rank employee does his or her best to have a good rating in the PES in the hope that he or she would get the position. Otherwise, if he or she does not meet the high ratings in the PES, another employee or sometimes an outsider, though not the “next-in-rank” for the position, maybe the one who will be appointed for the vacant position. In the addition, the head of the Planning Office stated that, under the merit and promotion plan of the city, as approved by the Civil Service Commission of the Philippines, a next in rank employee is qualified for promotion only if he or she has obtained a rating of at least Very Satisfactory (VS) for the two previous rating periods prior to his or her promotion.

As to the termination of employees, 10 out of 10 stated that they are aware of the role of the PES in this issue. The researcher posed a question on why a strong awareness on this issue. The head of the local civil registrar’s office stated that, he is aware because as a head of department, he becomes an automatic member of the Performance and Review Committee (PERC) during the review of his subordinates’ performance targets

and ratings, and that they (the heads of department) are responsible in closely monitoring the status of the performance of their subordinates and provide support and assistance for the attainment of the targets set by their individual staff. His statement was concurred by the other 9 heads of department. The head of the health office stated that, they must inform a staff who had received an unsatisfactory rating in a rating period and that a succeeding unsatisfactory rating would warrant a staff's dropping from the rolls and will eventually result to a separation from office. There was a concern from a head of office regarding a failure to inform or give feedback about the poor ratings to a particular staff. It was answered by the legal office head, stating that, failure on the part of the superior or head to give notice to their subordinates who had obtained a poor rating or unsatisfactory rating during a rating period is a ground for filing an administrative offense against the superior or head of office for neglect of duty under the Civil Service Rules.

The HR head added that, terminating employees is a strategic decision of the city government and must be planned and should undergo the appropriate process. She emphasized that employees with permanent or temporary appointment cannot be terminated at will because they are protected by their security of tenure under the law. A question was then asked to the group, on how to deal with employees with security of tenure but is underperforming in the city government? Two heads suggested that they can talk to motivate underperforming employees or give them simple task or work to perform. But the 10 out of 10 were aware that the PES can have a role on the issue. The head of the tourism office stated that, the PES can be a tool to deal with underperforming employees with security tenure, as the PES of the city makes it a ground for dropping from the rolls an employee, whether with a permanent, temporary or casual appointment,

if he or she had obtained a succeeding unsatisfactory performance during two rating periods, thus, according to him, security of tenure is not a guaranty for continued service of an underperforming employee in the city and the PES is an effective tool for this. This statement was also affirmed by the other 9 members of the focus group.

Other scenarios regarding the role of the PAS in promotion and termination in the city were also given by the 3 different heads in the discussion. For instance, the head of the accounting office said that she had people in her department that were promoted with the use of PAS or after the PAS was used to assess performance. That was the time when the city government had some restructuring to streamline the right people with the right job. The legal department head said that when it comes to termination, the legal department coordinates closely with the HR department because the legal department wants to make sure that all actions must always conform to legal guidelines to avoid future litigation and court cases. The head of the health department stated that, he once had a medical staff that because of frequent absenteeism, the staff's PES reflected that it did not reached the targeted performance rating and obtained an unsatisfactory rating for two rating periods as attendance is one of the behavioral dimensions in the city government's PES that affected the staff's performance rating and eventually resulted from his separation from office.

Thus, based on the discussion of the group, it would imply that the 10 heads of office were aware of the role of the PAS in the city government of Iloilo in the promotion and termination of the employees. Further, based on the information collected from the 10 heads of office regarding role of the PAS in this topic of discussion and from the guidelines in administering the merit and promotion plan of employees, it

implies that PAS has a greater role in the promotion and termination of employees in the city of Iloilo. This gives the PAS an opportunity to make employees of the city government strive to have a higher rating in anticipation of an upcoming promotion and eventually would increase employees' outputs leading to an increase in the performance outputs of the city. It also promotes performance-based security of tenure as the PAS guidelines contain stricter rules regarding poor performers without exempting employees with permanent appointments in the civil service. Lastly, the proper documentation of the results of the appraisal gives PAS the opportunity to eliminate court proceedings against the city by terminated employees due to poor performance.

#### *5.2.2. Effectiveness of PAS in recognizing employees' performance*

The 10 heads of office were asked about their perception on the effectiveness of the PAS in recognizing employees' performance. 9 out of 10 agreed that the PAS recognized employees' performance. This high degree of perception regarding the role of PAS is supported by the literature stating that, performance appraisal practice in the public sector remains around the globe because it created the impression that governments are concerned about the performance of their employees and that they are keen to detect poor performance and reward excellence (Bohlander & Snell, 2007). 90% of the heads of office agreed that the PES of the city is effective in recognizing employee's performance. The researcher made a follow up question on how they would support that the PES of the city is effective in recognizing employees' performance. They gave the following justification:

- It helped the management on its decision to terminate a medical staff of the city government due to frequent absenteeism.

- The PES is a basis for dropping from the rolls of an employee who had obtained an Unsatisfactory or Poor ratings for two consecutive rating periods.
- It supported the city government in providing the Christmas bonus to employees. An employee with the highest PES rating received the biggest bonus as compared to those who have average rating. Average rating is between Satisfactory (S) to Very Satisfactory (VS) ratings, while those categorized above average are those who received Very Satisfactory (VS) to Outstanding (O) ratings.
- The PES is the basis for the city government in giving of the yearly productivity bonuses to employees who had obtained a Very Satisfactory (VS) rating.
- The PES is also a basis for the grant of study leave and scholarships for employees with Very Satisfactory (VS) rating.

The researcher asked the group on how they would rate the effectiveness of PAS in recognizing employee's performance in a scale of 1-10, 1 being the lowest and 10 as the highest. When summed up, the average score that the 10 heads of office had given regarding this question was between 7- 8. This would imply that the role of the city government's PAS in recognizing the performance of the employees is quite acceptable and effective as well. This question also confirms the literature that an effective and well-structured PAS can successfully recognize the performance of employees (Landy, F. J., & Farr, J. L. (1980). PAS recognizing the performance of employees gives the city government an opportunity to choose among its roster who will act on the frontline of

delivering efficient service to its clients, the general public, which would eventually lead to client's satisfaction and organizational success.

However, an observation from a head of office was that, sometimes after the results of the PES have been shown, there are divisions or sections in some departments in the city where all employees receives a Very Satisfactory (VS) rating or higher, wherein in fact, according to him, he observed that there are employees known to him that were underperforming, thus, the PES does not recognize performance effectively. This observation is significant and is supported by the literature regarding the errors committed in performance appraisal. This appears to be a "leniency error" wherein all employees are rated higher than they should be rated, which usually happens when managers are not penalized for giving high ratings to everyone (Jackson & Schuler, 2006). As observed from the guidelines in the implementation of PES in the city government of Iloilo, there appears to be no sanction for supervisors in giving high ratings, the only sanction is when they fail to notify an employee who received a poor rating, thus, this would imply that it is possible for the city's PES to have this error which would be a barrier to an effective appraisal. As the literature would add that because people operate the PAS, total objectiveness cannot be guaranteed. Thus, this also poses as a challenge to the current PAS of the city government on how to minimize or eliminate the perceived errors committed by the raters.

### *5.2.3. Effectiveness of current PAS in the measurement of employee performance*

This item questioned the perception of the 10 heads of office regarding the PAS as an instrument to measure employees' performance. By measure it means a "tool" for determining the performance of employee. As the literature provides, measurement is

considered as the centerpiece of the appraisal system as it gives rise to making managerial judgments of how “good” or “bad” an employee performs. Out of the 10 heads of office, 7 agreed that the current PES of the city of Iloilo is an effective tool to measure employees’ performance. They described why the current PES as a tool is perceived to be effective for measurement as follows; first, the current PES identifies the employees’ job and performance criteria, it has a criterion for quality of work, quantity of work, and timeliness. There is an agreement between the employee and the superior as to the accomplishment of the performance targets. According to them, the Performance Evaluation Report Form (PERF) requires that the employee and the rater supervisor must agree with their planned performance targets and the supervisor agrees to assist the employee of his targets within the rating period. Second, the current PES has a uniform standard for the performance criteria where the employees could compare their actual performance. And lastly, the current PES has a feedback system where the superior can discuss with his or her subordinate his or her performance and the results of the rating. The PERF results are signed by the employee and the supervisor after they have finished discussing the results thereof.

Moreover, according to the 7 heads of office, the PAS of the Iloilo City government is quite an effective tool to determine the performance of employees in this particular organization. The HR head added that, while the PAS primary goal is to determine who among the employees are performing at the city government office, it also develops employee do better because the employees are aware of the purposes of the PAS (i.e. chance for promotion, productivity bonus, and scholarship grant). Because the PAS measures performance based on the performance indicators aligned with the

city's organizational vision and mission, it gives an opportunity for the overall improvement of the performance of the city government of Iloilo as an organization. As a matter of fact, the city government is recognized as one of the best performing city governments in the country (Iloilo City Government Officials, 2012). Accordingly, the PAS of the organization serves a dual purpose because while the employees are evaluated it develops personal goals as well as the goals of the organization. Also, the PAS of the organization is clear of its goals and also is profound in defining the performance targets that employees and their supervisors will have to achieve. It also prescribes in the PAS that the organization is willing to extend support to employees on their desire to improve their work performance.

From the answer of the 7 heads who agreed as to the effectiveness of the current PAS on measuring performance, it implies that the PAS of the organization is an adequate performance evaluation tool for employees. A review of the literature would indicate that the current PAS of the city of Iloilo complies with the model set by Gomez-Mejia., et.al (2010) and Desler (2011) as to be an effective appraisal tool, as it provides the ethical, legal and visible evidence that employees are really involved and understood the requirements of their performance and jobs.

However, there are 3 from the heads of offices that disagree on the effectiveness of the current PAS in the measurement of performance appraisal. The 3 heads of office viewed some pitfalls or errors on the current PES of the city. The head of the engineering office stated that, the duties and responsibilities or the job description indicated in the Performance Evaluation Report form (PERF) sometimes does not correspond to the actual duties or work done by his employee. For example, according to



him, a driver in the city has on its job description, e.g. dispatching of mails, which according to him would indicate that the employee's actual performance might not be measured correctly. The researcher asked him the reality of having this error and the actions taken to correct this error. The engineering head stated that, the PERF is an old form and sometimes employees are not informed properly on how to go about with their PERF. To correct the error in the PERF, he calls the attention of the employee concerned to change the proper job description and performance targets. The other 2 heads also confirmed that such a situation happened to their department. Another head of office added that, after the rating has been given, sometimes the discussion with employees was limited with agreeing or disagreeing with the results, instead of giving a thorough feedback of the performance and progress, and making plans for development. These responses of the heads of offices support the findings of Kolb et al., (1995) that some appraisal systems are outdated and cumbersome and seem to measure only that which can be qualified and that some managers resent the time consumed by appraisal and feel uncomfortable sitting in judgment with another person. Thus, this also poses another challenge to the city government's PAS.

There was one head that added that in order for PAS to be more effective, the results should be communicated to the employees after the conduct of the PAS. Accordingly, 7 out of 10 said that it would be useless that employees' performances were measured but the results are just kept in a filing cabinet. An element of the effectiveness of PAS in measuring the employees' performance depends on feedback from the HR department and the superiors. Employees have different motives on their desire for improvement, but all of them want to know how well they are performing.

An employee with high perception and moral judgment should be able to accept a feedback and try to improve in areas where his weaknesses have been determined by PAS. Feedback is needed especially if the PAS shows a positive result for the employee. Any positive results as long as they are communicated to the employee can be an encouraging affirmation of the employee's individual worth. The city government of Iloilo has a feedback system but is not done so well and this poses a challenge against its current PAS. The HR head confirmed this by stating that sometimes head of office or supervisor does not give detailed feedback to employees, rather, they just call the individual and tells him of his PAS results. This implies also that the creation of the PAS of the city government is not exempt from containing deficiencies that may hinder it from successfully attaining the goals in the organization and this poses a challenge for its PAS (Muczyk & Gable, 1987).

#### *5.2.4. PAS can identify areas of employees' strengths and/or weaknesses*

The 10 heads of offices were asked whether or not the current PAS could identify areas of employees' strength and/or weaknesses. The responses were summarized as follows:

*Employees work efficiency* – PAS can determine workers in the city who are efficient with work. PES determines employees, who work beyond the targets they planned to achieve under the PERF, employees who just complied with their targets, and employees who do not achieve the planned performance targets. It develops the hard work nature of the employees. PAS can determine employees who are hard-working and those who are mediocre. The organization has to develop hardworking people to increase output and contribute to overall organizational performance. The group

explained that hardworking employees are those who do not refuse any assigned task although it is not under his job description or performance target. The hardworking employee even takes an extra mile to accomplish a task. He does not complain as long as he knows that the result of his extra work contributes to organization's increased productivity. PAS can determine whom among employees are not hard working and since it is a measure of performance, the organization extends its support through motivational techniques to help an employee who is underperforming.

*Reduction of resistance to change* – PAS in the city determines employees who always resist to change. According to the 10 heads of offices, these people if not quite old in the service, are probably are candidates for retirement. They do not want change because an adjustment in their current working conditions would make them uncomfortable and there is insecurity that a slight change occurring in the organization may displace them from their current working conditions. When given a different task or an additional one in their job description in the PERF, these people would normally clamor a lot as they are given different or additional targets which as they believe, they might not achieve satisfactorily.

*Removal of technological roadblocks* – The PAS of the city determines employees who are good or bad with technological related work. Griffith (2012) said that one of the very important areas for employees' development is to remove the technological roadblocks. This is indeed related to change resistance. With the emergence of technological advances, utilization of technology to support the business process becomes a competitive advantage of the organization. There are employees who are about to retire in the city government of Iloilo as they are reaching the compulsory

retiring age of 65. Computers are one of the newest technologies that support business activities. Computers are technological tools for a more efficient work output and old employees of the city government were not eager to learn computing. Computer skills are devoid among the experienced or seasoned employees in the city government of Iloilo. In fact, according to the group, there are among them in the different city government offices that until now do not know yet how to use computers. Even the simple encoding of the details of PERF entails the use of computers, and the HR head of office stated that, there are a number of employees who after a review of the PERF commits errors in accomplishing the forms. This implies that there is a need for a training to overcome these technological roadblocks. Thus, this poses both as a challenge and opportunity for the PAS. As an opportunity, because it identifies employees with technological roadblocks, while as a challenge, because the organization has to remove such roadblocks.

*5.2.5. Suggestions / recommendations for the present PAS improvement*

The 10 heads of offices were asked of their recommendations for the improvement of their PAS. The researcher summarized them on Table 5.1.

**Table 5.1 Recommendations for PAS Improvement by the Heads of Offices**

| Areas for Improvement         | Specific Activities   |
|-------------------------------|---|
| Strengthen Feedback Mechanism | <ul style="list-style-type: none"> <li>• Feedback must not be limited to discussing the ratings but must include discussion of areas that need to be improved and further career development of employees.</li> </ul> |

|                                 |  |
|---------------------------------|--|
|                                 | <ul style="list-style-type: none"> <li>• PAS should facilitate regular feedback for all employees.</li> <li>• Employees have to be updated of what the office is expecting from them.</li> <li>• Their heads should always update them of what things they are doing well for further encouragement and motivation.</li> <li>• Encourage support of one another.</li> <li>• PAS should promote 360 feedbacks which mean that employees should know all things that might affect their work performance.</li> </ul> |
| Strengths and Improvement areas | <ul style="list-style-type: none"> <li>• Make the PAS as the most effective measurement in bringing out the best in the employee such as his strength and area for improvement.</li> <li>• PAS should also determine the weaknesses of the employee so that he and his organization can find ways to make his weaknesses converted into strengths.</li> <li>• PAS should also identify the skills of the employee so that he can put it in optimum use.</li> </ul>   |
| Support and Plan                | <ul style="list-style-type: none"> <li>• When PAS is able to determine the strengths and weaknesses of the employee, it should be able to determine the kind of support it can give to the employee. PAS should determine effectively the intervention it is willing to extend so that employees could get rid of his weaknesses and sustain his strengths.</li> </ul>   |
| Eliminate Errors in Rating by   | <ul style="list-style-type: none"> <li>• Conduct higher level of management training for heads of offices and supervisors to minimize or eliminate</li> </ul>  |

|             |                                  |
|-------------|----------------------------------|
| Supervisors | subjective ratings of employees. |
|-------------|----------------------------------|

### **5.3. Perceptions on the Administrative Purposes of Performance Appraisal System (PAS)**

The items under this portion of the paper will discuss the level of awareness of the employees of the city government of Iloilo regarding the administrative purposes of PAS. Administrative purpose of PAS is evaluating employees' performance as basis for his or her promotion, pay increase, transfer or reassignment, grant of incentives, and termination (Gomez-Mejia et al., 2010). The five items used to assess the perception of the employees regarding the administrative purpose of PAS of the city were as follows:

- 1) The PAS can guide in the promotion of employee.
- 2) The PAS can aid in the decision regarding the transfer of employee.
- 3) The PAS can help in the decision whether to terminate the employee due to poor performance.
- 4) The PAS can help in the decision whether to recognize good performance of employee.
- 5) The PAS can help as basis for productivity bonus.

5.3.1. PAS as guide for employee promotion

**Figure 5.1 PAS as guide for employee promotion**

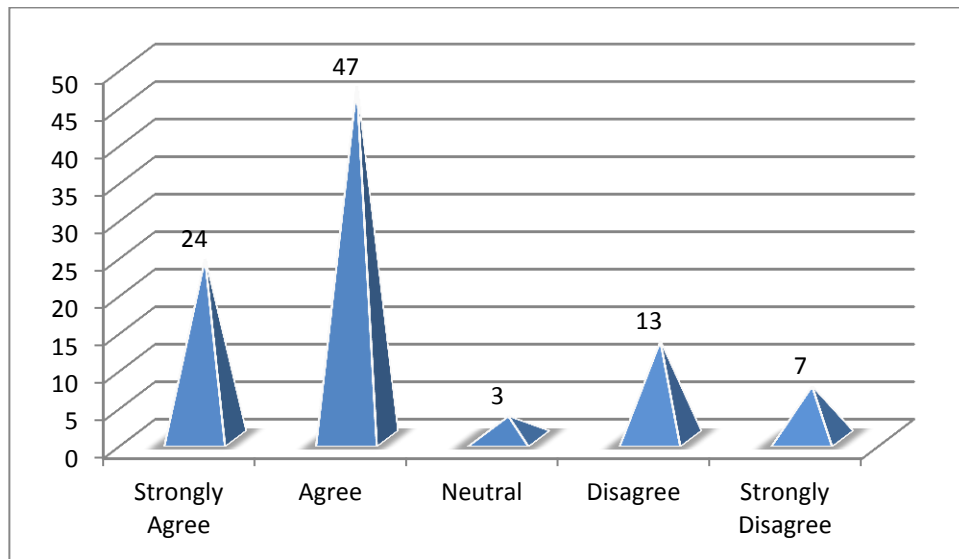


Figure 5.1 shows 47 out 94 respondents or an equivalent of 50% agreed that Performance Appraisal System (PAS) can be a guide of the management to promote employees in the city government of Iloilo. This figure was supported by 24 of the 94 respondents who strongly agree that the PAS is a great help to determine promotable employees. The high degree of perception would imply that the employees were aware as to the purpose of the city's PAS for support of their promotion. The findings is supported by a study showing that there is a high response on the part of the civil servants when asked about their perception on the appraisal's purpose of supporting promotion (Ikramullah, et al., 2012). The high rating given by respondents in this item implies also that the city government is really using PAS as one of the determining

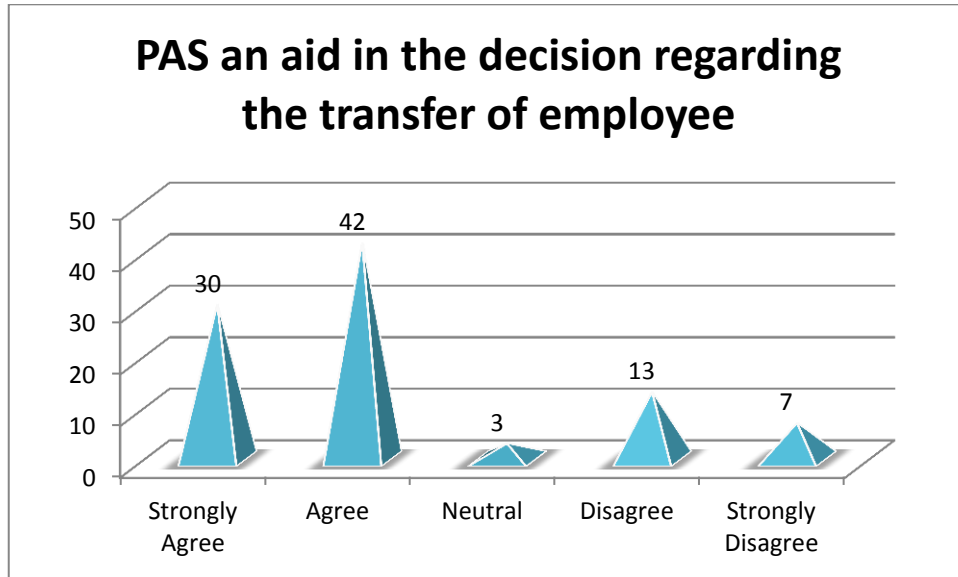
factors for employees' promotion. This is also corroborated by the answers of the heads of departments on the focus group discussion stating that the PES of the city has a role in the promotion of employees. It was in the focus group that it was stated, that for an employee to be promoted in the city government, he or she must obtain a Very Satisfactory (VS) rating in the PES.

The literature emphasized also that performance appraisals has a vital role in many administrative areas such as promotions, legal protection, and transfers. With the use of its PAS for this purpose, the city government of Iloilo is having a better decision on matters that affect the employees' promotion. Using the results of the PAS, heads of office of the city can make a better decision on the promotion of the employee. The high level of awareness in this item implies also that, employees have better understanding of the requirements of promotion based on the results of their PAS.



5.3.2. PAS as aid in the decision regarding the transfer of employee

**Figure 5.2 PAS helps in the employee transfer**

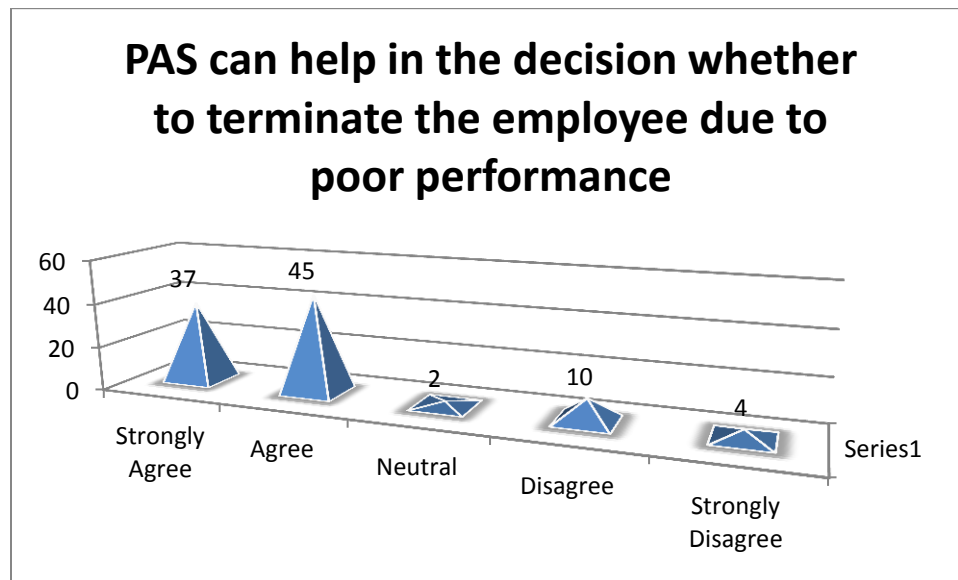


This item shows the level of perception of the employees regarding the purpose of PAS as an aid in the decision regarding the transfer of an employee. There were a combined 72 respondents out of 94 who answered ‘Strongly Agree’ and ‘Agree’, which means that the 72 respondents is aware that PAS can produce data that can aid in the decision of the management whether or not to transfer an employee. While, there were 13 who disagreed and 7 people strongly disagreed, on the other hand, there were 3 respondents that did not commit their answers. This implies that employees of the city are aware that the PAS may be used in case of transfer, detail or reassignment, from one unit or department within the organization. This is supported by the literature that appraisals should serve a useful career planning purpose. Moreover, this is an opportunity for the city government to use PAS in making decisions on its plans to

transfer its employees for career development and would help employees in their career advancement and the needed experience at work. The PES of the city can serve its purpose by distinguishing between employees who might need transfer, detail or reassignment. For instance, when an employee asks the management for transfer, the results of the PAS of the employee can be reviewed for consideration. This is very helpful especially when there are many applicants or aspirants for a transfer. PAS results can give equal opportunity to distinguish among applicants who desires for a transfer, detail or reassignment.

*5.3.3. PAS can help in the decision whether to terminate the employee due to poor performance*

**Figure 5.3 PAS helps in the decision whether to terminate the employee due to poor performance.**



The item shows the awareness of the employees regarding the purpose of PAS in the issue of whether it can help in the decision to terminate employee due to poor performance.

Figure 5.3 shows that there were 45 out of 94 or an equivalent of 45% who agreed that PAS can help in the decision of the city government to terminate an employee and supported by 37 out of 94 employees that strongly agreed to the item. There are however 10 out of 94 who disagreed and 4 out of 94 who strongly disagreed. The high level of perception by the employees implies that they are aware as to the purpose of PAS in supporting decisions to terminate an employee for poor performance. This finding is validated by the response in the focus group by the heads of office as to the role of the city PES regarding the termination of employees. It was noted that the city PES can be a basis for the termination of employees in the city, if at the end of the rating period; an employee obtained unsatisfactory rating for two rating periods and poor rating for one evaluation period. The employee obtaining such poor ratings may be dropped from the rolls and eventually separated from office. This implies further that the employees of the city is aware that obtaining an unsatisfactory or poor performance will be a basis for their dismissal from service, thus, they have a high perception on the purpose of the city PAS on this item.

5.3.4. *PAS can help in the decision whether to recognize good performance of employee*

**Figure 5.4 PAS helps recognizes good performance of employee**

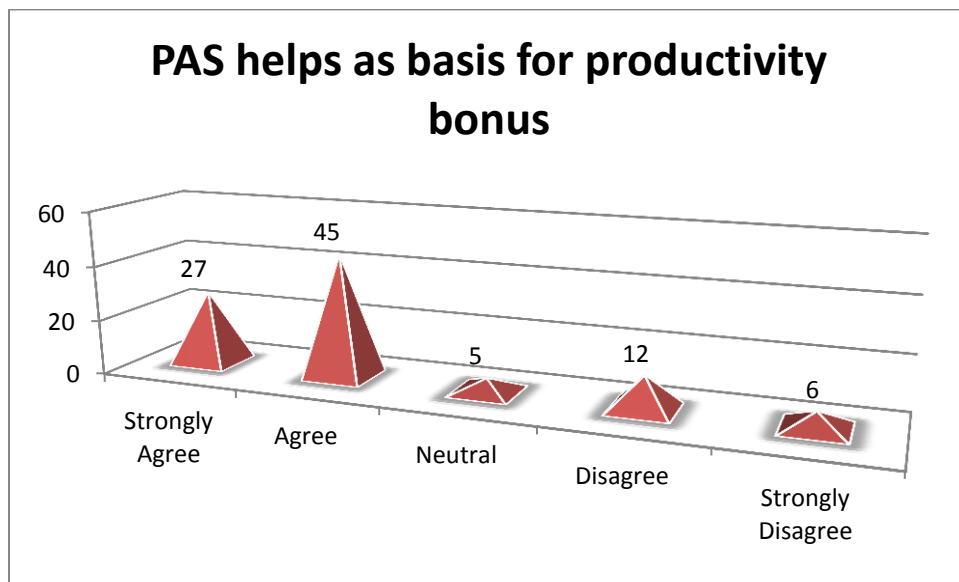


Figure 5.4 discusses the perception of the employees as to the purpose of the PAS of Iloilo City as to whether it can help in the decision to recognize good performance of its employees. The literature states that, PAS that is not properly administered will not produce better results. In short, poor administration of the PAS will not effectively recognize the good performance of the employees. The city government of Iloilo rates its employees twice every year on a regular basis. The city government of Iloilo has benefited from its PAS since it has been one of its tools in determining the performance of its employees. The result showed that 45 out of 94 respondents agreed together with the 37 respondents who strongly agreed that the purpose of the PAS helped in the decision of the city government in recognizing employee's performance. PAS directs the

behavior of the employee towards achieving the goal of the city government. Since the employees know what is expected of them, they would strive harder to meet the expectations, hence it supports the city government in attaining its goals.

5.3.5. *PAS helps as basis for productivity bonus*

**Figure 5.5 PAS determines productivity bonus of employee**



One of the policies in the civil service of the Philippines as to the use of performance appraisal is eligibility or qualification for performance-based awards and incentives. Grant of incentives like the productivity incentive bonus is based on the final ratings of employees as approved by the PERC. Productivity bonus is based on the performance of an employee. The literature states that, all organizations in the world almost observed this decision in granting productivity bonus to employees. The item asked respondents if they agree or not whether productivity bonus can be determined by performance appraisal. For this item, 27 out of 94 strongly agreed and another 45 out of

94 respondents agreed that PAS determined the giving of productivity bonus to the employees of the city government of Iloilo. The results imply that employees of the city were aware that the PAS can determine the giving productivity bonus. This implies further that the employees were aware that their good performance might be rewarded. The finding were corroborated by the heads of office who participated in the focus group stating that the PES is the basis for the city government in giving the yearly productivity bonuses to employees who had obtained a Very Satisfactory (VS) rating. Giving rewards because of good performance motivates employees to perform better. This is captured by the PES of the city government as a high level of awareness of the employees as to this item is reflected in the above findings. Moreover, the organization considers PAS as one of the tools in determining the productivity bonus of their employees because PAS is documented evidence that will reveal the real performance of employees. The results of the PES might help the city government decide who among its employees are more productive as compared to others.

#### **5.4. Perceptions on the Developmental Purpose of Performance Appraisal System (PAS)**

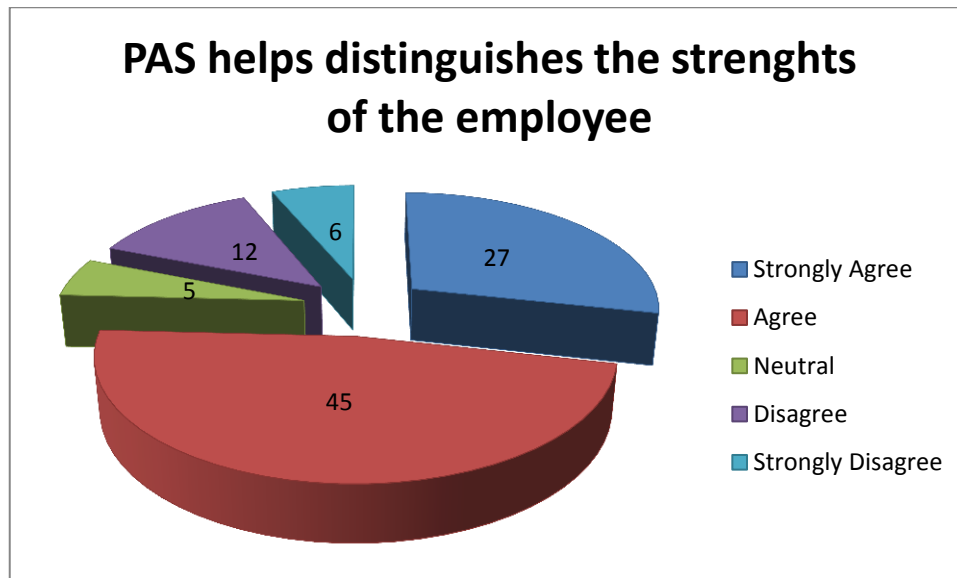
The items under this portion of the paper will help in determining the level of awareness of the employees of the city government of Iloilo regarding the developmental purpose of PAS. Developmental purpose of PAS is evaluating employees' performance in order to solicit information of furthering his or her performance or as a basis for improving the function of the organization as to recruiting, selecting, placing, and training of its employees (Youngcourt et.al, 2007). The five items used to assess the

perception of the employees regarding the developmental purpose of PAS of the city were as follows:

- 1) The PAS can help distinguish the strengths of the employees.
- 2) The PAS can help confirm the weaknesses of the employees.
- 3) The PAS can aid in identifying areas where an employee needs training.
- 4) The PAS can help provide feedbacks regarding the employee's performance.
- 5) The PAS can help employees where they stand with respect to goal achievement.

#### 5.4.1. PAS can help distinguish the strength of the employee

**Figure 5.6 PAS distinguishes the strengths of the employee**



The item is used to assess perception of employees whether PAS can distinguish the strengths of employees. It was found out that, a total of 45 out of 94 or 47% said that

they agreed that PAS can distinguish the strengths of the employee. Another 27 or 28% strongly agreed to the item. While the answers for 'neutral', 'disagree', and 'strongly disagree' options were insignificant as they receive a very low percentage that could not affect the strong perceptions of the respondents regarding PAS distinguishing the strengths of the employees. The findings imply that the employees are aware that the city PAS can distinguish their strengths while working in the city government. It is argued that, when PAS is done in a systematic way and procedure are strictly followed in doing it, reliable data are obtained to show employees good side. Based from the literature review, one of the most important objectives of PAS is to identify the strengths and weaknesses of employees and to put the right man on the right job. The city government of Iloilo is using its PAS to identify the strengths of its employees and had been successful in doing it. The identified strength eventually helps the employees to be positioned on the right job, thus a bigger chance for them to be improved. Subsequently, this propels them to a possible promotion, additional compensation, or transfer of work for career development. This finding is also corroborated by the members of the focus group stating that the PAS of the city can identify the strength of an employee.



5.4.2. PAS helps confirm weaknesses of employee

**Figure 5.7 PAS helps confirm the weaknesses of the employee**

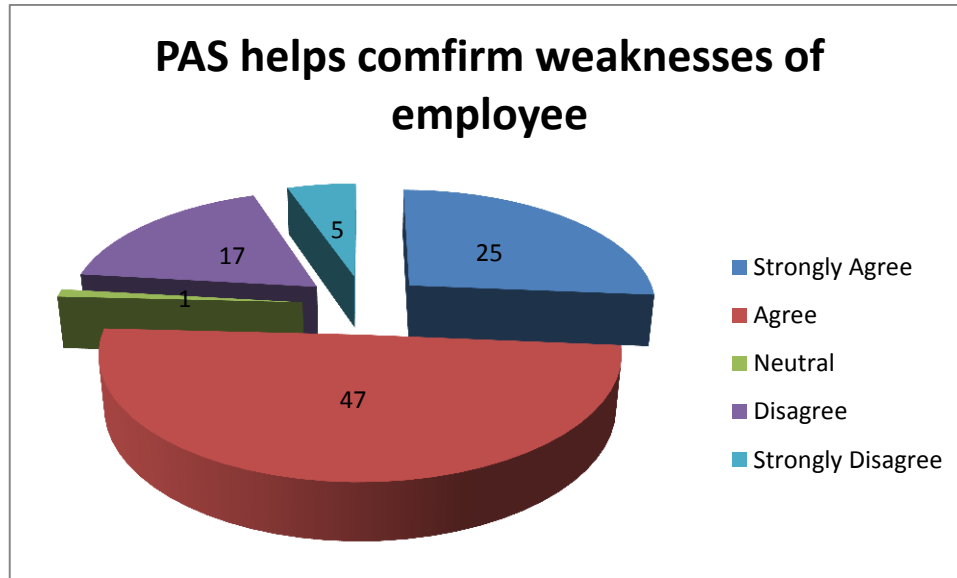
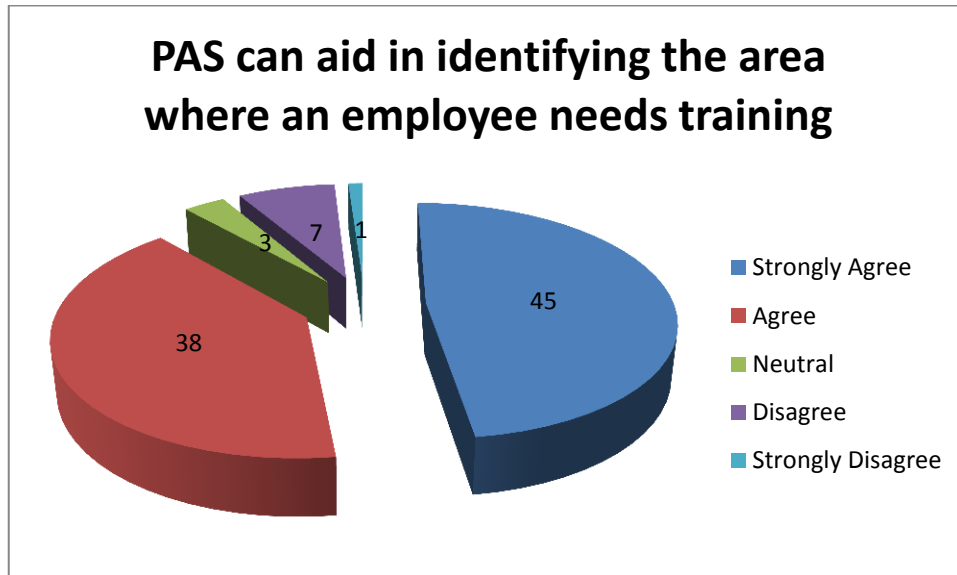


Figure 5.7 shows the findings on the perception of the employees whether the PAS of the city government of Iloilo can help confirm the weaknesses of the employee. 47 out of 94 said that they agree to the item and also the other 25 out of 94 employees strongly agreed that it does help confirm the weaknesses of the employee. The findings imply that the employees of the city were aware that the PAS can help confirm their weaknesses while working in the city government. This also implies that the PAS of the city government of Iloilo is used to distinguish weaknesses of employees. This further implies that employees who have demonstrated weaknesses have received interventions for improvement, while those that do not improve in spite of the training and development the city government provided them have either been recommended for demotion or termination. An employee determines the success of the organization.

Employees who have shown weaknesses are those that could not deliver their outputs on time resulting to delays which would subsequently affect the overall performance of the city government of Iloilo. Determining employees for the right work and the right team composition is a crucial activity for a city government. PAS can be a tool to track the weaknesses of the employees so that they would either receive training to improve performance or place them on tasks that probably suit the level of their working capabilities. This finding is also corroborated by the members of the focus group stating that the PAS of the city can identify the weakness of an employee.

5.4.3. *PAS can aid in identifying the area where an employee needs training*

**Figure 5.8 PAS can aid in identifying the area where an employee needs training**



This item asked the 94 respondents on their perception whether PAS can identify the area where they needs training. The respondents showed high percentages for both

the 'agree' and the 'strongly agree' options with 47.87% and 40.5% respectively. The findings would imply that the employees of the city government of Iloilo were aware that the PAS could identify the area where they will be trained. This implies also that the PAS of the city government of Iloilo is a reliable tool to identify the area where the employees need to improve their skills and knowledge. It is vital for every employee to know where they stand in an organization. PAS should be transparent. Supervisors or the HR department of the city government of Iloilo is updating the individual employee of their PAS results as to have an idea about their strengths and weaknesses which would be a basis to determine areas where they need to improve.

*5.4.4. PAS can help provide feedbacks regarding employee's performance*

**Figure 5.9 PAS can help provide feedbacks regarding the employee's performance**

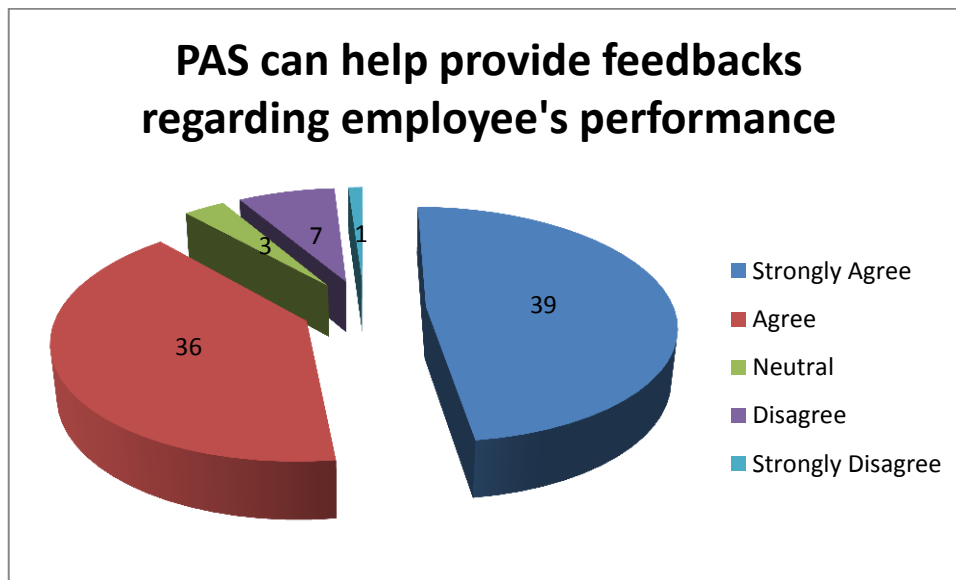


Figure 5.9 shows that 39 out of 94 respondents strongly agree that the PAS can help provide feedbacks regarding employee's performance. The 36 out of 94

respondents who answered 'agree' on the item whether PAS can help provide feedback regarding the employee's performance confirmed the high percentage of respondents who voted for 'strongly agree' comprising almost 41.5%. This would imply that the employees were aware that the feedback mechanism in their current PAS is an important phase of performance appraisal process. The findings on this item would imply that the employees of the city were aware that the PAS could help provide feedback regarding their performance. As the literature on PAS would provide that, feedback is a needed requirement of an effective performance appraisal since it is a venue where the superior and his employee will discuss the latter's performance and progress, and make plans for any development. One of the most important functions of manager is giving effective feedback, though such function might sometimes be neglected or taken for granted by him or her. 7 out of 94 perceive it to be a neglected purpose of the PAS, which implies that it might be virtually impossible for them to know if they are meeting the job expectations required. This is somehow supported by findings in the study of Ikramullah et al., (2012) where it was stated that the role of the PAS is not clear particularly with their performance feedback. However, as there was a high degree of perception regarding the role of PAS in giving feedback in the city of Iloilo, the claim of Ikaramullah et al., (2012) was negated in this study.

5.4.5. PAS can help employees know where they stand with respect to goal achievement

**Figure 5.10 PAS can help employees know where they stand with respect to goal achievement.**

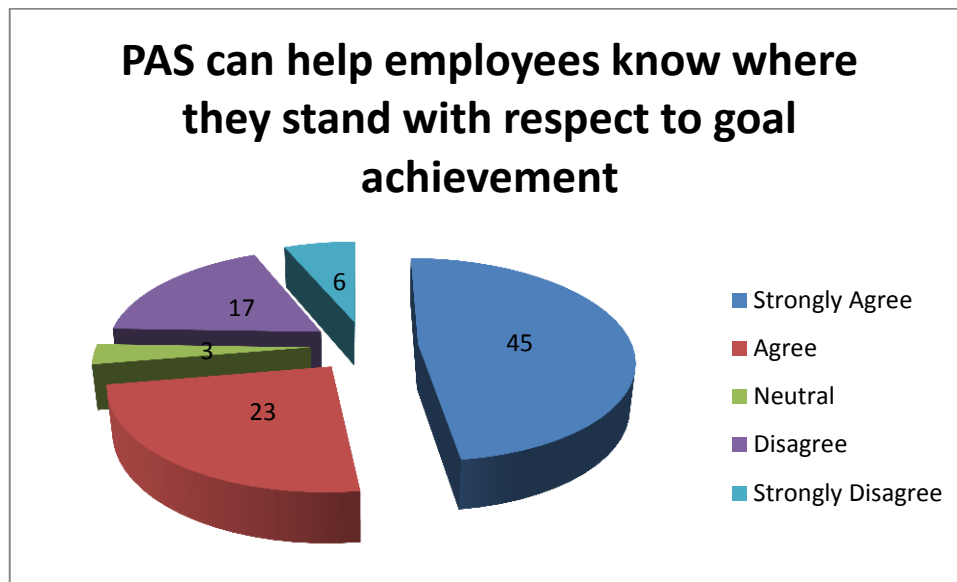


Figure 5.10 shows that 45 out of 94 employees strongly agree and 23 out of 94 agreed that the PAS could help employees know where they stand with respect to goal achievement. There are 17 out of 94 who disagreed on this item and 6 out of 94 strongly disagreed. The findings on this item would imply that the employees of the city were aware that the PAS can help them know where they stand with respect to their goal achievement. PAS and career development of employees go hand in hand. By determining the performance of the employees, they are guided to the right career path that they should pursue. This also implies that the city government of Iloilo is conducting the PAS to determine the areas where employee would show his weaknesses and

strengths. This is one way to show that the city government is concerned with its employees by helping them decide which career development they would like to pursue. The present city government of Iloilo is helping the employees determine their career by using the data produced by the current PAS, thus, the high degree of awareness of the employees as to this purpose of the PAS.

### 5.5. Summary Tables of the Survey Results

This summary was taken from the results of the survey. The summary was tabulated and the results were presented in graphs and pie charts as shown in the previous section.

**Figure 5.11 Summary Tables of the Survey Results**

| Administrative Purpose  | Strongly Agree | Agree       | Neutral  | Disagree   | Strongly Disagree | Total N = 94 |
|---|----------------|-------------|----------|------------|-------------------|--------------|
| 1) The PAS can guide in the promotion of employee.  | 24 = 25.5%     | 47 = 50%    | 3 = 3.2% | 13 = 13.8% | 7 = 7.5%          | 94 = 100%    |
| 2) The PAS can aid in the decision regarding the transfer of employee.                        | 30 = 31.9%     | 42 = 44.7%  | 6 = 6.4% | 12 = 12.8% | 4 = 4.3%          | 94 = 100%    |
| 3) The PAS can help in the decision whether to terminate the employee due to poor performance | 22 = 23.4%     | 48 = 51.1%  | 3 = 3.2% | 16 = 17.0% | 5 = 5.3%          | 94 = 100%    |
| 4) The PAS can help in the decision whether to recognize good performance of employee.        | 37 = 39.4%     | 45 = 47.87% | 2 = 2.15 | 10 = 10.4% | 4 = 4.3%          | 94 = 100%    |
| 5) The PAS can help as basis for  | 41 = 43.6%     | 42 = 44.7%  | 0        | 9 = 9.6%   | 2 = 2.1%          | 94 = 100%    |

| productivity bonus  |                |            |          |            |                   |              |
|---|----------------|------------|----------|------------|-------------------|--------------|
| Developmental Purpose   | Strongly Agree | Agree      | Neutral  | Disagree   | Strongly Disagree | Total N = 94 |
| 6) The PAS can help distinguish the strengths of the employee                         | 27 = 28.7%     | 45 = 47.9% | 5 = 5.3% | 12 = 12.8% | 6 = 6.4%          | 94 = 100%    |
| 7) The PAS can help confirm the weaknesses of the employee                            | 25 = 26.6%     | 47 = 50%   | 1 = 1.1% | 17 = 18.1% | 5 = 5.3%          | 94 = 100%    |
| 8) The PAS can aid in identifying the area where an employee needs training           | 45 = 47.87%    | 38 = 40.5% | 3 = 3.2% | 7 = 7.5%   | 1 = 1.1%          | 94 = 100%    |
| 9) The PAS can help provide feedbacks regarding the employee's performance            | 39 = 41.5%     | 36 = 38.3% | 2 = 2.1% | 10 = 10.6% | 7 = 7.5%          | 94 = 100%    |
| 10) The PAS can help employees know where they stand with respect to goal achievement | 45 = 47.9%     | 23 = 24.5% | 3 = 3.2% | 17 = 18.1% | 6 = 6.4%          | 94 = 100%    |

## 5.6. Performance Appraisal System of Iloilo City

The performance appraisal system of the city government of Iloilo was created pursuant to the Civil Service Commission's (CSC) revised policies on the performance evaluation system. The CSC policy was aimed at enhancing the performance evaluation system being implemented government-wide in the country (CSC Memorandum Circular No. 13, s. 1999).

Pursuant to the policy, the city government of Iloilo created its own Performance Evaluation Review Committee (PERC), which is composed of five or more members. The members are the City Mayor or his authorized representative (e.g. City Administrator, or City Legal Officer), highest-ranking official in charge of the personnel management, head of the planning unit, and two (2) representatives from the rank and file employees. The department heads and division chief become automatic members of the PERC during the review of their subordinates' performance targets and performance ratings. The PERC is responsible for the review of employee's performance targets, review of performance standards, determination of final rating, and monitoring and evaluation of the performance evaluation system (PES). The PERC of the city of Iloilo has also established its own procedures and strategies pertaining to the above responsibilities.

The evaluation system of the city of Iloilo provides a target setting period, a period within which the employee's targets are set and discussed by the supervisor and employee to be rated. The targets that were set and discussed by the supervisor and employee are then reviewed and concurred by the head of the department or office and submitted to the PERC. Performance targets are based on the approved work program or performance contract of the division where the employee belong and in consonance with the city government's vision and mission. Performance standards in the city's evaluation system are created as a result of the mutual agreement among the member of the organization or between the supervisors. In the case of the city of Iloilo, performance standard or measures includes measure of quality, quantity, and timeliness of work of the



employee. The employees' performance targets are confirmed by the PERC before the rating period but not later than the fifteenth day of the start of each rating period.

There are two rating periods in a year established in the appraisal system of the city. The first rating period start from the first day of January and ends on the thirtieth day of June, while the second rating period start from the first day of July and ends on the thirty-first of December. The overall rating of employees consists of two parts: Part I- Performance and Part II- Critical Factors. Part I- Performance, consists of the actual job planned and accomplished by the employees. The ratings derived from this part reflects the level of performance the employees are able to achieve during the rating period based on the criteria of quantity, quality, and time as measured against the performance standards agreed upon between the employees and the supervisors as duly confirmed by the PERC. Part I accounts for seventy (70%) percent of the overall rating of the employees. On the other hand, Part II- Critical Factors, consist of the behavioral dimension that affects the performance of the job of the employees. The behavioral dimension in the city's appraisal system includes aspects such as, courtesy, human relations, punctuality and attendance and initiative. Dimensions such as, leadership and stress tolerance are added on employees exercising supervisory functions. This part of the appraisal accounts for thirty (30%) percent of the overall rating of the employees.

The computation of the ratings in the appraisal system of the city is based on the range of each adjectival or numerical rating, as follows: Outstanding – performance exceeding targets by 30% and above of the planned targets; Very Satisfactory – performance exceeding targets by 15% to 29% of the planned targets; Satisfactory- performance of 100% to 114% of the planned targets; Unsatisfactory- performance of

51% to 99% of the planned targets; and Poor- performance failing to meet the planned targets by 50% or below.

The results of the final rating of the employees or the number of employees who got a particular rating (e.g. O, VS, S, US, and Poor) per division are made known to both supervisor and the rank and file employees on a general information. This is to foster competitive spirit among offices or units and a way to validate the rating of the employees against the perceived accomplishment of the unit. Further, this can provide employees basis for assessment and feed backing on the PES administration (CSC MC No. 13, s. 1999).

The supervisors have been given a particular role in the appraisal system of the city. The supervisors are given the role to closely monitor the status of the performance of their subordinates and provide support and assistance for the attainment of the targets set by their individual staff. They should give written notice to subordinates who obtain unsatisfactory performance during a rating period not later than one (1) month from the end of said period with a warning that a succeeding unsatisfactory performance shall warrant their separation from the service. They shall also inform employees with poor performance in writing not later than the 4th of the rating period with sufficient warning that failure to improve their performance shall warrant their separation from the service. Failure on the part of the supervisors to comply with the required notices to their subordinates for their unsatisfactory or poor performance during a rating period shall be a ground for an administrative offense of neglect of duty (CSC MC No. 13, s. 1999).

The appraisal system of the city has also established a mechanism for an appeal or protest of the ratings obtained by an employee. Employees who feel aggrieved or dissatisfied with their final performance ratings can file an appeal with the PERC within ten (10) days from the date of receipt of their Performance Report Form from the PERC. However, employees are not allowed to protest the performance ratings of other colleagues. Ratings obtained by other employees can only be used as basis for reference for comparison in appealing one's performance rating. Decisions on the appeal or protest are rendered by the PERC within one month from receipt.

## **CHAPTER 6**

### **Conclusion and Recommendations**

#### **6.1. Introduction**

This study is about the perception of the employees of the local government unit in the city of Iloilo, Philippines, regarding the purposes of their Performance Appraisal System (PAS). The researcher sought to determine the level of awareness of the employees of the city as to their PAS, highlighting on the purposes for which it has been established in the city government and identifying its opportunities and challenges. The findings on the perception of employees will form part of a larger examination of its effectiveness and for a possible amendments or enrichment of the current appraisal system. This is also an attempt to describe the PAS of that city, particularly as to the nature of identification, measurement and management of its employees' performance. This chapter summarizes the above objectives, the limitations of the study, and insights for future studies.

#### **6.2. Perception of the employees on the PAS**

The current study has been conducted to determine the employees' perception about the purpose of their PAS in the city government of Iloilo. Overall, the study finds that the employees are in agreement with all the items regarding the administrative purpose and developmental purpose of their PAS. As to the administrative purpose of the PAS, it finds that the civil servants have shown agreement with the purpose of the PAS which can guide in the promotion of an employee, as the current appraisal system of the city makes it necessary for the promotion of an employee the attainment of a very

satisfactory rating, thus, the high awareness of the employees on this item. Findings also show that, it can aid in the decision regarding the transfer of employee, as the PAS is a basis for the employees' career development including transfers. Additionally, the PAS can help in the decision whether to terminate the employee due to poor performance, as the PAS of the city makes it a ground for dropping from the rolls and termination of an employee who obtains an unsatisfactory or poor rating. Also, the employees have a higher perception when asked about their perception that the current PAS can help in the decision whether to recognize good performance. Moreover, the study finds that the employees are in agreement that the PAS can help as basis for the giving of their productivity bonus, as a very satisfactory rating is need for them to be entitled.

Regarding the perception of the employees as to the developmental purpose of PAS of the city, the research finds that the employees has a high perception when asked whether it can distinguish their strengths, weaknesses, and aid in identifying the area where an employee needs training. Findings also show that the current PAS can help provide feedbacks regarding employee's performance as there is a high level of awareness from the employees when asked on this item. Though there is a high degree of agreement on this item, however, comments and suggestions on the improvement of the current PAS by the heads of offices as to its feedback system were recorded by the researcher. Thus, this would explain that the current PAS of the city is not clear with errors which might affect its overall operation in the organization. Finally, findings show that the employees have a high perception regarding the current PAS helping the employees know where they stand with respect to goal achievement, as the indicators in its PAS are aligned with the vision and mission of the city government, thus, the

employees know that whenever they achieve their performance targets, they also contribute to the overall performance of the city.

### **6.3. Description of the PAS**

One of the objectives of this study is to describe the current performance appraisal of the city as to the nature of its identification, measurement, and management of its employees' performance. Using the existing literature and corroborated by the findings of this research, the researcher is describing that the current PAS of the city government of Iloilo as a system that is giving a fair appraisal to its employees because of the following reasons:

- It determines the appropriate dimensions for an effective job performance by basing its performance review on duties and standards from a job analysis. The PERF considers the dimensions involving quality of the work done by the employees, quantity of work performed, and the behavioral dimension of an employee in measuring performance.
- The current PAS of the city makes clear ahead of time to the employees its performance expectations by setting the planned performance targets in the PERF.
- The city PAS uses a standardized performance review for its employees and its supervisors evaluate the appraisal results.
- The city PAS includes also an appeal mechanism wherein the employees may contest their ratings and giving them a chance to explain their performance.

- The city PAS documents the appraisal review process and results and is in the keeping of the HR department.
- The city PAS discuss the appraisal results with the employees through their heads of offices or supervisors.
- The city PAS informs the employees of the time that the appraisal will be conducted.
- The city PAS provides the employee inputs regarding supervisors assessment of their performance.
- The city PAS indicates what the employee needs to do to improve.

#### **6.4. Opportunities and Challenges of the current PAS**

In this study, the researcher described that the current PAS of the city government of Iloilo is one that gives a fair appraisal to its employees. During the investigation of the system, one of its objectives was to identify the opportunities and challenges that the current system might encounter. The opportunities and challenges of the current PAS maybe utilized by the city government either for its organizational effectiveness or in order not to hinder on its operations, to improve on such opportunities and challenges. The following are the identified opportunities and challenges for the current PAS of the city:

- PAS increases employees' outputs that contributes to an increase in the organizational outputs also. The current system makes employees strive to have a higher rating in anticipation of an upcoming promotion, productivity bonuses, study leave or scholarship grant, thus, the PAS increases the

employees' outputs. The current PAS measures performance based on the performance indicators that are aligned with the city's organizational vision and mission, thus also, it gives an opportunity for overall improvement of the city government of Iloilo.

- PAS promotes performance-based security of tenure of employees. The PAS guidelines has stricter rules regarding poor performance, thus, it creates an opportunity to terminate employees even those with permanent appointments and supposedly with security of tenure.
- The current PAS has the challenge to minimize or eliminate the perceived errors such as the leniency errors and tendency errors committed by the raters.
- It needs to make clear the duties and responsibilities or job description which does not corresponds to the actual work done by employees.
- It is a challenge on the current PAS to improve the feedback system, as some in the organization perceives it, as not done so well.

### **6.5. Recommendations for the enrichment of the current PAS**

Based on the findings of this research the following recommendations for the improvement of the current PAS of the city government of Iloilo are deemed appropriate by the researcher:

- Review feedback mechanism of the current PAS especially on effective ways of asking and receiving feedbacks on performance of employees in the city.



- Training for the heads of offices or supervisors for higher level performance management techniques that would equip them on how to improve employee's performance.
- Continuous training for employees on achieving higher performance outputs.
- Eliminate the common rating errors such as the leniency errors and tendency errors committed by the heads of offices or supervisor.
- Modification of some guidelines on PAS regarding identification of criterion on duties and responsibilities or the job identification of employees.

#### **6.6. Insights from the study**

This research has described the PAS of the city government of Iloilo. It can be concluded that the current PAS of the city government is administering a fair appraisal of its employees based on the literature and corroborated by the findings of this study.

The current study has given a valuable insight as to the employees' perception about the purpose of their PAS in the city government of Iloilo. Overall, the study has shown that the employees are in agreement with all the items regarding the administrative purpose and developmental purpose of their PAS. Though the results of the present study contradicts the findings of the earlier study by Ikramullah et al., (2012) that public sector employees' perception are not in agreement with the purposes of their PAS. As noted, both studies used the similar scales in determining the level of awareness of the employees regarding the administrative and developmental purpose of PAS. However, this study obtained different results as that of the previous research of Ikramullah et al., (2012) though the same items presented to respondents who were civil servants. The

study contradicts the finding of the previous research of Ikramullah et al., (2012) specifically with the following:

- The previous research found that civil servants perceived that PAS is not used for recording their performance accurately, as the evaluation reports are not prepared regularly, however, the results of this study shows that evaluation reports are prepared regularly in the city, that is, the PERF is prepared twice a year and there is a high degree of perception among the employee of the city, which are also civil servants that their performance is recorded accurately.
- The previous research found that civil servants have not shown agreement with the purpose of the PAS to aid employees' transfer decisions, while, the results of the present study shows that employees of the city shown an agreement on this purpose of the PAS.
- The previous research found that the PAS is perceived to have no role in the termination of employees, while the results of the present study showed that employees of the city perceived PAS to have a role in the termination of employees.
- The previous research showed that the civil servants perceive no obvious role of PAS in training and development, while the results of the present study showed that PAS is perceived to have a role in training and development.
- The previous research showed that the civil servants perception of the purposes of the PAS are not clear, while the results of the present study showed that overall the employees perceived the purposes of the PAS to be clear.

Nevertheless, the findings in the previous research of Ikramullah, et al. (2012) cannot be disregarded as a valid evaluation of the perceptions of the civil servants regarding the different purposes of the PAS, as several factors, such as culture, religion, race, and etc. might be a limitation in having a different finding, which could be a good area for further investigation by researchers.

It may be inferred that irrespective of the intended purpose of PAS, the perceived purpose will influence the employees' attitudes toward the system. Therefore, there should be a clear purpose behind establishing PAS and it must be achieved.

#### **6.7. Limitations of the study**

This study is limited by the following conditions:

- This study has been conducted in one highly urbanized city in the Philippines, and therefore the findings on this study may not be generalized as to the perception of the civil servants in the whole country.
- Correlations with regards to the demographic profile of employees had not been included, which might have explained further the in depth perception of the employees, nevertheless, the perception obtained from the present samples are sufficient to explain the objectives of this study.

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|   |   |   |   |   |   |
|---|---|---|---|---|---|
| 2. The PAS can aid in the decision regarding the transfer of employee                         | 5 | 4 | 3 | 2 | 1 |
| 3. The PAS can help in the decision whether to terminate the employee due to poor performance | 5 | 4 | 3 | 2 | 1 |
| 4. The PAS can help in the decision whether to recognize good performance of employee         | 5 | 4 | 3 | 2 | 1 |
| 5. The PAS can help distinguish the strengths of the employee                                 | 5 | 4 | 3 | 2 | 1 |
| 6. The PAS can help confirm the weaknesses of the employee                                    | 5 | 4 | 3 | 2 | 1 |
| 7. The PAS can aid in identifying the area where an employee needs training                   | 5 | 4 | 3 | 2 | 1 |
| 8. The PAS can help provide feedbacks regarding the employee's performance                    | 5 | 4 | 3 | 2 | 1 |
| 9. The PAS can help employees know where they stand with respect to goal achievement          | 5 | 4 | 3 | 2 | 1 |
| 10. The PAS can help as basis for productivity bonus  | 5 | 4 | 3 | 2 | 1 |

Thank you very much for your cooperation.

(SGD)

**PHILLIP BERNARD H. CAPADOSA**

JDS Scholar, Ritsumeikan, Asia Pacific University (APU)

Beppu-shi, Oita-ken, Japan

**B. Letter addressed to the City Mayor**

March 12, 2012

**MAYOR JED PATRICK MABILOG**  
City Mayor  
Iloilo City, Philippines 5000

Dear Mayor Mabilog:

Greetings!

I am Mr. Phillip Bernard H. Capadosa, a Special Investigator of the Civil Service Commission Regional Office VI. Currently, I am undertaking a two (2)-year scholarship program of the Japanese Grant Aid for Human Resource Development and studying at Ritsumeikan (Asia Pacific University), Beppu City, Oita, Japan. I am a master's degree student of the Graduate School of Asia Pacific Studies and presently writing my master's thesis particularly on the current Performance Appraisal Systems of this city.

With regards to this research, I would like to interview department heads, supervisors, and civil service employees of the city, including yourself, to hear your insights on the present Performance Appraisal System used by the city.

Thank you very much in anticipation for your kind approval.

Sincerely Yours,

(SGD)  
**PHILLIP BERNARD H. CAPADOSA**



**D. Images taken during the researcher's visit to Iloilo City**



*The researcher (right) with City Mayor Patrick Mabilog (center) and a member of a press (name unknown to author) during the latter visit to the city hall to conduct the study.*



*Dinagyang Festival, a religious activity, and Chinese New Year are two of the most popular celebrations in the city attended by national and foreign dignitaries, celebrities, visitors, and guests.*

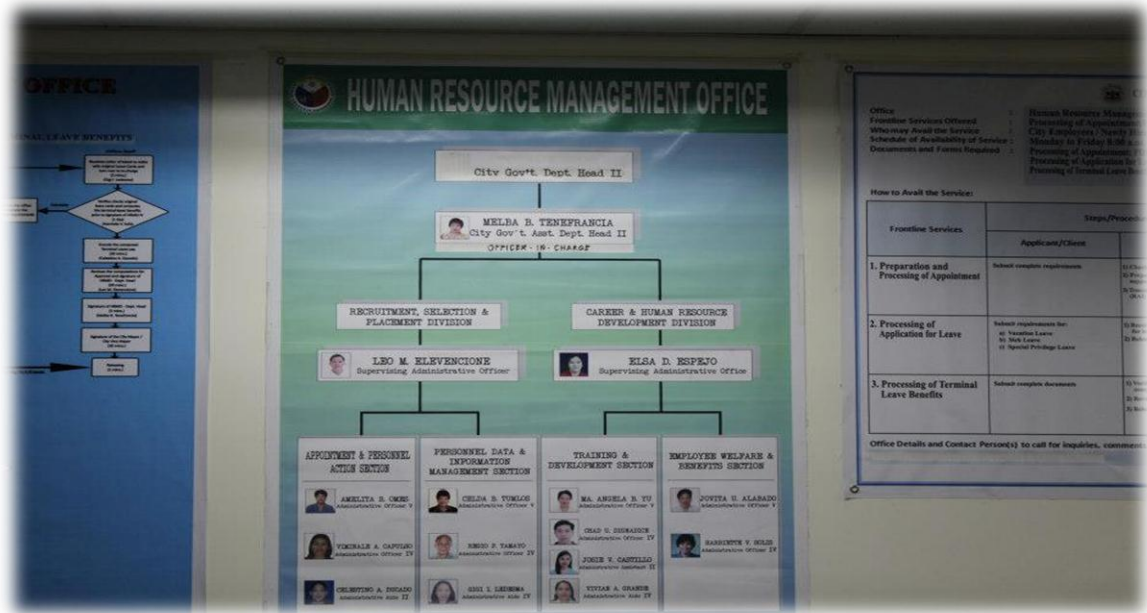




*Aerial view of the five-storey City Hall. The hall serves as the Iloilo City government office*



*The researcher (2<sup>nd</sup> from left) with City Mayor Mabilog (1<sup>st</sup> from left) former Senator Zubiri (3<sup>rd</sup> from left) and OIC HR Head Tenefrancia (4<sup>th</sup> from left) in one of his visits to Iloilo City Hall in connection with his research studies.*



*Iloilo City Government Organizational Structure of its Human Resource Department*



*The researcher (3<sup>rd</sup> from left) with Human Resource Department staffs, Leo M. Eleveccion (1<sup>st</sup> from left) and Elsa D. Espejo (in the middle) assisting the researcher in collecting data in one of his visits to Iloilo City Hall in connection with his research studies.*