

REMUNERATION

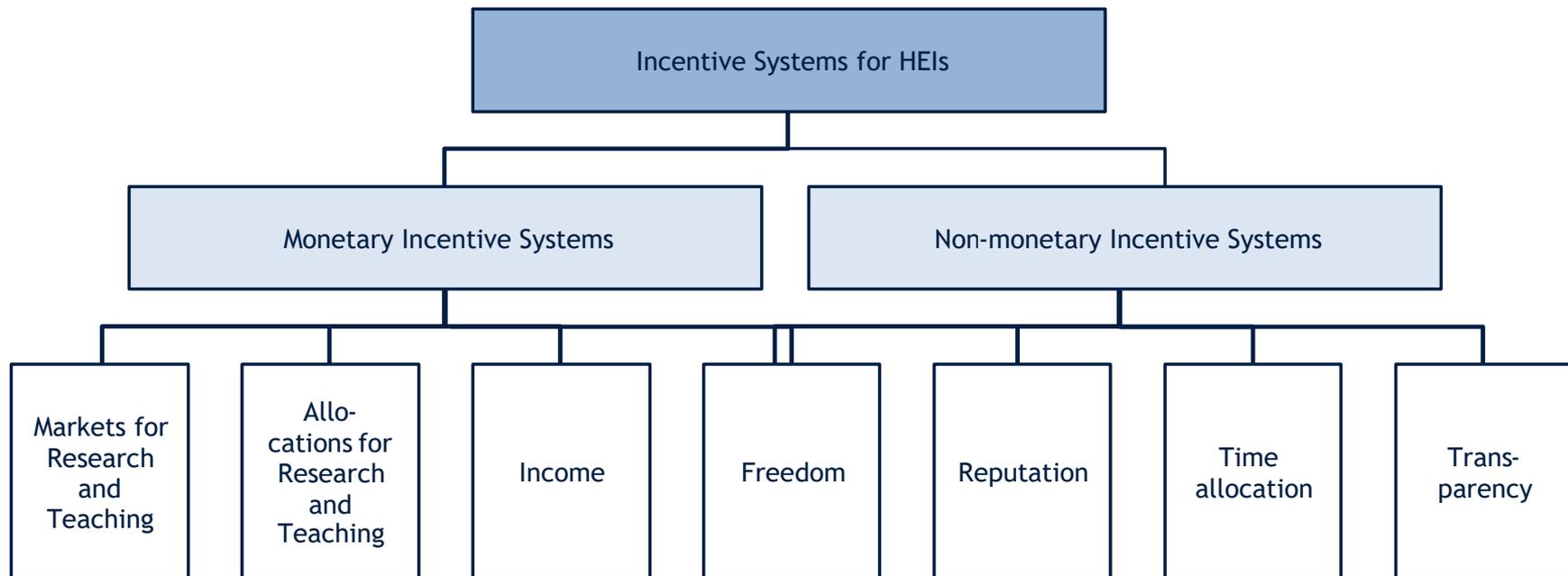
MEASURING AND REWARDING PERFORMANCE



WORLD BANK GROUP

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Good international practice: comprehensive incentive systems

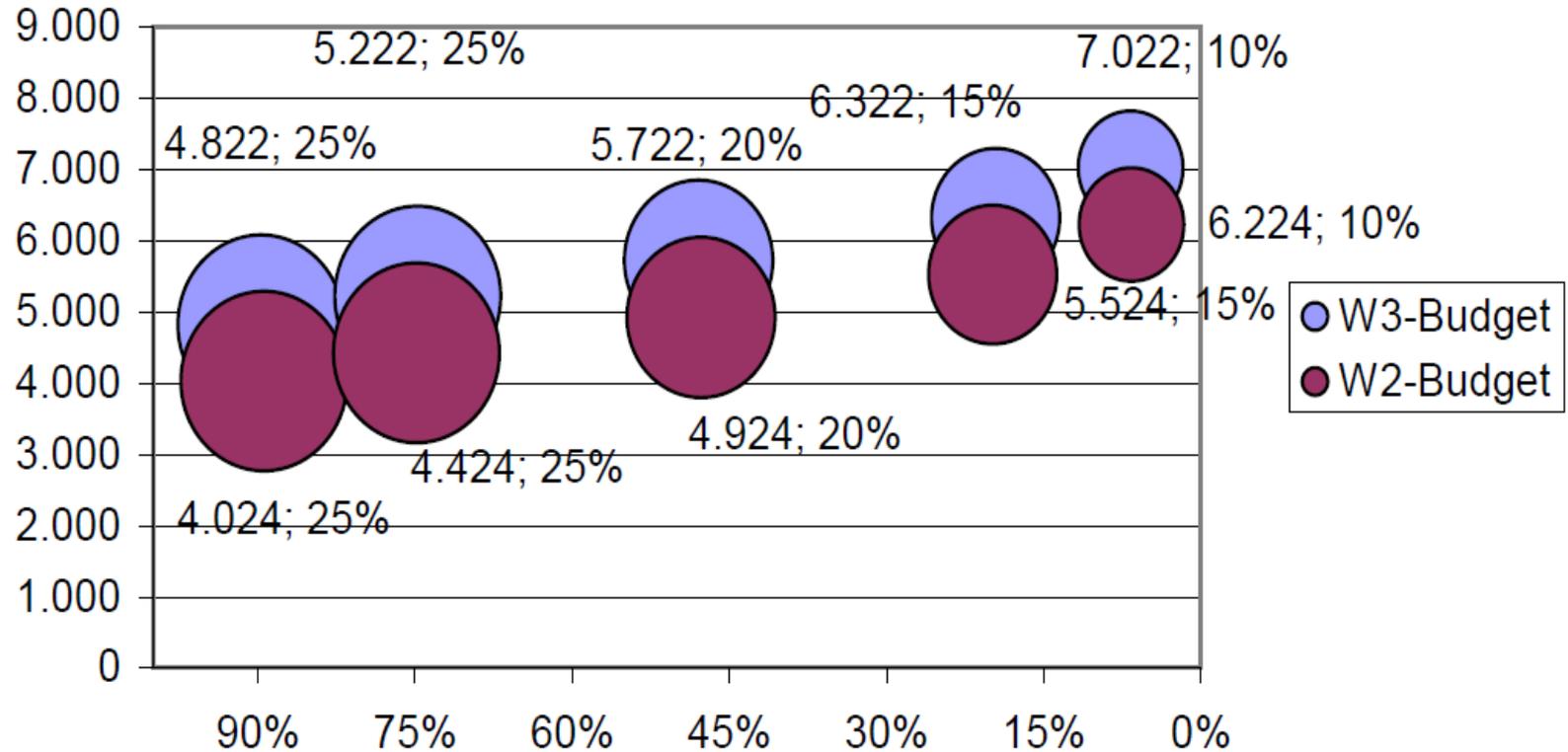


Source: Ziegele and Handel, 2004, 6.

Good international practice: connect system-level and institution-level frameworks

System level	Institution level
<p>Employment legislation and policies</p> <ul style="list-style-type: none">• Employment status of academics• Salary regulations• Wage agreements with unions	<ul style="list-style-type: none">• Use of different remuneration elements (e.g. basic salaries, retention premiums, merit pay, one-off bonuses)• Degree of structuring: systematic approach vs. free negotiations• Formalization of policies, guidelines and procedures
<p>Financial autonomy</p> <ul style="list-style-type: none">• Lump sum budgeting vs. line items• Fixed amounts for certain remuneration elements	<p>➤ Prominent model:</p> <ul style="list-style-type: none">• Salary categories for academic positions with several levels each• Progression <i>within</i> positions based on seniority and/or performance; progression <i>among</i> them via promotion

Example: multi-stage model University of Bremen



Source: Arnhold and Handel, 2004, 18.

Good international practice: key aspects of performance-based remuneration

- (1) **Measuring** performance
- (2) **Relating** performance to remuneration
- (3) Designing **procedures**
- (4) Relation to **internal funding**

The Latvian situation

- **Basic positions and minimum salaries** are established in the law.
- Institutions are **autonomous** in determining the **details of remuneration** approaches.
- The election criteria reflect **different dimensions of performance**, and institutions with a special profile have the possibility of adapting the criteria.
- While there is no framework for PBS models on the national level, **system-level regulations do not prevent institutions** from establishing such models.
- While there are no PBS models at the institutional level, there are some initial considerations on introducing **monetary rewards for performance**.
- Performance-based funding allocations to institutions are geared toward research, which is **likely to reflect on bonus systems** at the institutional level.
- Early-stage bonus systems are primarily geared toward **research**. Also, criteria might not sufficiently reflect disciplinary differences.
- Current arrangements surrounding academic employment and remuneration make **basic salary components more volatile** than in comparator systems.

Recommendations for Latvian universities

1. **Further develop the concept** of, and provide incentives for, **performance** on the institutional level.
2. Ensure the **integration of teaching and research** functions, including in individual academic careers, at the institutional level.
3. Strive to achieve a **more balanced view on performance**, particularly by incentivizing excellence in both teaching and research.

If Latvian HEIs develop PBS models...

- **Combine fixed salary components with performance rewards** (and ensure that the fixed part is substantial, as performance is also required as part of normal duty).
- Develop PBS systems that **reflect institutional strategies**.
- **Avoid crowding-out effects** by developing incentive systems that do not reward every single (small) activity and that accommodate different types of performance with a clear goal to enhance individual motivation.
- Make sure that performance criteria, assessments, and the related award process are **fair, transparent, and clearly structured**.
- Develop models that are **“actionable,”** that is, that reflect constraints with regard to administrative and financial management.
- Combine **top-down** and **bottom-up aspects** (in development and execution of PBS models).

Recommendations for Latvian authorities

1. Maintain **clarity on basic principles** of remuneration and types of positions in the legislation while exploring ways to make salaries more adequate and performance-oriented.
2. Strengthen the role of **unions** at the institutional level and, where appropriate, the system level, while at the same time seeking measures to enhance the capacity of unions.
3. Maintain **transparency and adaptability** of election criteria while **exploring diverse ways of career advancement**.
4. Further develop the concept of performance by encouraging HEIs to consider—and provide incentives for—the introduction of **performance-supporting measures** on the institutional level.
5. Promote a more **diverse approach to performance** (beyond incentivizing academic functions).
6. **Consider broadening the criteria for performance allocations (“Pillar 2”)** to HEIs in future to incentivize teaching excellence and third-mission-related activities.

Thank you!

Paldies!

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