

## Performance Rating and Promotion: The DBP Experience

FLORENCIA C. VILLANUEVA \*

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Section 1, Rule IX of the Civil Service Rules requires all government agencies to establish a performance rating system "which shall be administered in such manner as to continually foster the improvement of individual employee performance by providing effective supervision and counselling through the identification of the employee's weak and strong points, as well as to develop standards of satisfactory performance, strengthen supervisor-employee relations, and objectify the application of per-

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\* Chief, Personnel Services Division, Development Bank of the Philippines.

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sonnel policies in selection, placement and promotion, reduction in force and other processes of personnel administration."

For purposes of promotion, Section 4, Rule VII of the same Rules provides that "the degree of competence and qualification of an officer or employee shall be determined by the extent to which he meets the following requisite:

"a. Performance — This shall be based on the performance rating of the officer or employee for the last period of evaluation and no officer or employee shall be considered for promotion unless such performance rating is at least satisfactory."

The above provision of law underscores the importance of performance rating in public personnel administration. While it is intended to serve several purposes, it is widely believed to be tied up mainly with promotion although it has been concluded by many that selection for unknown future vacancies — with their variety of special qualification requirements—

cannot be geared to previously recorded appraisals of past performance.<sup>1</sup>

### Significance of the Study

Early in 1974, personnel officers of government financing institutions (CB, PNB, DBP, GSIS, SSS and Land Bank) formed themselves into an informal group that meets monthly in order to share ideas and experiences in the administration of personnel affairs in their respective agencies. With these collective ideas and experiences, they hope to adopt measures for more effective and meaningful management of their personnel. With the Development Academy of the Philippines as coordinator, representatives were also invited from the Civil Service Commission, the Department of Labor and the National Economic and Development Authority.<sup>2</sup>

One of the priority problems the group pinpointed is in the area of performance appraisal, a necessary and vital, but highly problematic aspect of personnel administration. Rating is the most widely used tool of performance appraisal. Since the result shown in the performance rating report is what Section 4, Rule VII of the Civil Service Law and Rules re-

quires as the basis for determining the degree of competence for purposes of promotion, they thought it was worth investigating whether a tie-up indeed exists between performance rating and promotion.

To find out if performance rating does influence promotion, or is merely deposited at some central point in the personnel office for future reference,<sup>3</sup> this informal group decided to conduct a survey of promotions in their respective agencies. The writer of this report is a member of the group, along with her superior, the Manager of the Personnel Administration Department. Since she happened to be enrolled in the PA 299.2 course which requires the undertaking of a research project, she proposed that the problem be made the subject of group research. Considering that all but one (a full-time scholar) member of the research group are civil servants and are therefore subject to performance appraisal, it was not very difficult to arrive at a consensus. The study has special significance to the two members from the DBP because it can be very useful in the review of their present performance rating system as a traditional method of judging the worth of DBP employees. Consequently, Group I formulated the research problem as follows:

Is there a significant relationship between performance appraisal rating

<sup>1</sup> Glenn O. Stahl, *Public Personnel Administration* (16th ed.; New York: Harper & Row, 1971), p. 187.

<sup>2</sup> The CSC and the Department of Labor are two government agencies that regulate public personnel operations, while the NEDA has the major function of coordinating the development activities of government financing institutions.

<sup>3</sup> The Second Hoover Commission (1955) on the federal civil service advised that a performance rating system "should not be an end in itself."

and promotion in a government financing institution?

Null hypothesis — Performance rating does not influence promotion.

Alternative hypothesis — Performance rating is directly related to promotion.

The research aimed at the following:

1. To find out if there is a significant relationship between performance rating and promotion.
2. To identify the variables that may affect the relationship, if any, between performance rating and promotion.
3. To find out the relationship of identified variables to either performance rating or promotion or both.

The Development Bank of the Philippines was particularly chosen for the research project because the group had access to materials pertinent to the study. The study covered four and one-half years — from July 1965 to December 1969. This inclusive time frame was used instead of the more recent years because the number of promotions of personnel in the DBP from 1970 to early 1973 was very insignificant. This was due to the retrenchment policy adopted by the Administration after the institution of the floating rate.

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### Sampling Procedures

In choosing the sample, the Office of the Chairman and Board of Governors, the Auditing and Legal Departments, and the Medical and Dental Office were excluded from the population for the following reasons:

1. The Chairman and other members of the Board of Governors are presidential appointees with a staff whose terms of office are co-terminus with those of Board officials.
2. While the DBP pays the salaries of the employees of the Auditing and Legal Departments, personnel movements in said offices are handled by the General Auditing Office (now Commission on Audit) for personnel in the Auditing Department, and the Department of Justice for those in the Legal Department.
3. There were only 14 personnel in the Medical and Dental Office whose movements were understandably restricted because of the special nature of their positions (physicians, dentists, pharmacists, and nurses).

Of the remaining 11 departments which constituted the sampling unit with a total personnel complement of 848, it was agreed to get 10% or 85 to constitute the sample size. While this number was believed to be representative and adequate, it was decided that the sample size be 100 for convenience in computation and to minimize percentage of error.

To further insure representation, the sampling unit was stratified into: top management composed of Department Managers and Assistant Managers; middle management composed of Division Chiefs and Assistant Division Chiefs, Unit and Assistant Unit Chiefs; and the rank and file composed of technical, clerical and service personnel.

Since the composition of the strata is understandably not the same in size — the top management being very few and the rank and file considerably larger — stratified disproportionate sampling was used as dictated by analytical considerations which are as follow:

1. The Department Managers' work performance is no longer rated, and considering that their position is the highest a career employee can possibly be promoted to (next higher position is that of Governor which is filled up by the President), they were not anymore included in the study. This further limitation made the group decide to include all the 9 Assistant Managers.
2. The remaining number in the sample size (91) was distributed in proportion to the size of the personnel complement of each Department and the strata earlier mentioned but already excluding top management.
3. In the process of picking out names at random from the

sampling unit, it was determined at the same time whether the employee was still with the DBP up to the time of the study, otherwise, he was not included in the sample,

The data used in the study were gathered from existing records of DBP, viz:

1. Individual personnel cards
2. Employee's personal folder
3. Qualification standards
4. Compilation of performance ratings for 10 semesters from July 1965 to December 1969.

*Performance rating* was arrived at by assigning points to the adjective efficiency ratings (Outstanding — 4, Very Satisfactory — 3, Satisfactory — 2, Unsatisfactory — 1). Two average individual performance ratings were computed. One included ratings for 10 semesters for purposes of relating ratings of those promoted and not promoted. The second included only the ratings immediately prior to promotion for purposes of relating rating to quality of promotion.

*Promotion* was regarded as advancement from one position to another with an increase in duties and responsibilities, as authorized by law, usually accompanied by an increase in salary.<sup>4</sup> For purposes of this study, it will refer to the total number of

<sup>4</sup> Definition used in the *Civil Service Law and Rules* (Manila: Personnel Officers Association of the Philippines, Inc., 1962), Rule VII, Sec. 1.

salary ranges involved in one or more promotions of individual employees. Data showed that aggregate promotions ranged from 1 to 15 salary ranges. These were categorized into: Fast — 8 and above; Moderate — 4 to 7; and Slow — 3 and below.

### Results and Discussion

From existing DBP records for the period 1965-1969 of the 100 personnel in the sample, the following information was gathered.

Number promoted — 71

Number not promoted — 29

Total number of promotions of the 71 promoted is 106, with an average of 1.49 promotions per person.

The total number of salary ranges involved in the 106 promotions is 479, with an average of 4.52 salary ranges per promotion.

The data in Table I indicate that of the 100, only two had an average

performance rating of Outstanding, with 1 promoted and 1 not promoted; 69 had an average rating of Very Satisfactory, with 51 or 74% promoted and 18 or 26% not promoted; 29 had an average rating of Satisfactory, with 19 or 66% promoted and 10 or 34% not promoted; and not a single employee had an Unsatisfactory rating.<sup>5</sup>

The large percentage of Very Satisfactory ratings, the negligible number of Outstanding ratings and the absence of Unsatisfactory ratings showed the tendency of raters to assign high ratings to most individuals and to avoid giving either a very high or very low rating.<sup>6</sup>

<sup>5</sup> There really could not be anyone falling in this category considering the time frame of the study which consisted of 10 rating periods. An employee with 2 successive Unsatisfactory ratings is already in danger of being dismissed for inefficiency.

<sup>6</sup> E. E. Ghiselli and C. W. Brown, *Personnel and Industrial Psychology* (New York: McGraw-Hill, 1955), Chap. 4.

TABLE I  
RELATIONSHIP BETWEEN PERFORMANCE RATING  
AND PROMOTION OF 100 DBP PERSONNEL, 1965-1969

Performance Rating	Promoted	Not Promoted	Total
Outstanding	1 (50%)	1 (50%)	2 (100%)
Very Satisfactory	51 (74%)	18 (26%)	69 (100%)
Satisfactory	19 (66%)	10 (34%)	29 (100%)
Unsatisfactory	0	0	0
T o t a l	71	29	100

It appears that promotability of employees did not seem to be a consequence of very high performance rating. Chances for promotion, therefore, were almost equal for everybody regardless of their performance ratings.

It was also noted that at that time; the next higher position to Assistant Manager which is that of Manager was occupied.

From the foregoing personal data of the employee, it appeared that he had very high qualifications. A closer

TABLE II  
AVERAGE PERFORMANCE RATING AND RATE OF PROMOTION  
OF 100 DBP EMPLOYEES, 1965-1969

Average Performance Rating	Rate of Promotion				Total
	Fast	Moderate	Slow	No Promotion	
Outstanding	0	1 (50%)	0	1 (50%)	2 (100%)
Very Satisfactory	16 (23%)	26 (38%)	9 (13%)	18 (26%)	69 (100%)
Satisfactory	9 (31%)	7 (24%)	3 (10%)	10 (35%)	29 (100%)
T o t a l	25	34	12	29	100

The records of an employee who obtained an average rating of Outstanding but who was not promoted showed the following information:

Age (at the time of the study) — 53; Sex — male; Civil Status — married; Educational Attainment — Bachelor of Science in Agriculture; Position at the Time of Study — Assistant Manager, Agricultural Department; Civil Service Eligibilities — First Grade, Junior Fiber Inspector, Agent, Fiber Inspection Service; Training Courses Attended — UN Fellowship to Australia on Economic Development, ICA-NEC Fellowship to the United States, FAO's Program of Supervised Agricultural Credit in Latin America held in Italy.

look, however, revealed some interesting points:

- (1) He was already an Assistant Manager, and for purposes of this study was classified under top management.
- (2) His educational attainment is in a highly specialized field — agriculture.
- (3) There was no opening in the Agricultural Department to which he might have been promoted.

His not being promoted for 5 years, despite his Outstanding performance rating, may be explained by these. Considering his level of position and

the specialized nature of his education and training, it seemed that his only chance for promotion was for the position of the Agricultural Department Manager to become vacant.<sup>7</sup> It may not be amiss to conclude, therefore, that a consistently high performance rating is not necessarily a guarantee for promotion.

#### *Change in Approach*

Since the main hypothesis was not upheld, the concept of "with and without promotion" was replaced by the concept of "quality of promotion." Attention was therefore shifted to the possible association between total

number of salary ranges for every promotion earned by the 71 employees promoted and the corresponding average performance rating for the periods prior to each promotion. Likewise, no significant relationship was found, using the same test, as shown in Table III.

It can be gleaned from Table III that the bulk of the promotions, 58 out of 106 or 55% were classified as "moderate," in the same way that the majority of average performance ratings, 62 out of 106 or 58% were "Very Satisfactory." This trend seems to confirm Ghiselli's finding that the tendency of raters is to play it safe

TABLE III  
RELATIONSHIP BETWEEN PERFORMANCE RATING AND PROMOTION OF 71 DBP EMPLOYEES PROMOTED, 1965-1969

Average Performance Rating	Rate of Promotion			Total
	Fast	Moderate	Slow	
Outstanding	0	1 (100%)	0	1 (100%)
Very Satisfactory	3 (5%)	33 (53%)	26 (42%)	62 (100%)
Satisfactory	3 (7%)	24 (56%)	16 (37%)	43 (100%)
T o t a l	6	58	42	106

<sup>7</sup> In the recent organization of DBP, the position of Executive Officer for Agricultural Projects was created to which the Manager of the Agricultural Department was promoted. The official concerned in this study filled the resulting vacancy. Over a year ago, the Executive Officer retired and again such official took over the position. He still holds the position today.

by avoiding the extremes. It also showed a tendency for promotions to be given only at a "moderate" rate. This may be seen more clearly in Table IV using the test variable of position level. It will be noted that of the 58 "moderate" promotions, 49 or 84% were earned by employees in

the rank and file level and that out of the 62 Very Satisfactory ratings, 54 or 87% also belong to this group. Since there is understandably more room for movement in the rank and file level as compared to middle management and top management levels in terms of number of positions available, this finding only seems logical. With respect to performance rating, personnel in the rank and file obviously have to show more efficiency if they are aspiring for promotion.

#### *Further Tests Made*

To test further the finding of non-association between performance rating and promotion, other variables<sup>8</sup> — sex, age, civil status, education, training, civil service eligibility, experience in position level, and nature of function performed (operating or service) — earlier hypothesized as having influence on the relationship between the main variables, were introduced into the model, using the Chi-square test of association. Results likewise showed no sufficient evidence that promotion is a direct result of performance rating.

Except in the test of relationship between function performed and pro-

<sup>8</sup> In all the tests, the hypothesis is that "There is no relationship between performance rating and promotion controlling for . . . ." Except the table for "functions performed," the specific variable assigned to this writer, all the tables reflect tests on the latter approach (quality in terms of number of salary ranges of the 106 promotions earned by 71 employees promoted and average performance rating prior to each promotion).

motion, all other tests did not yield any evidence of association. The association found in Table V may be explained in this manner:

Positions in the service departments such as Administrative, Accounting, Secretarial, Treasury, etc. mostly require general educational qualifications such as Business, Secretarial, AB, or even BSE degrees. Promotions, therefore, can easily be made from one service department to another. Operating personnel, on the other hand, have comparatively lesser mobility. Their specialized training accounts for this. An Agriculturist or Fisheries expert from the Agricultural Department cannot possibly be considered for promotion in the Real Estate Department, in the same manner that an Architect or a Civil Engineer cannot be promoted in the Agricultural Department.

While the various tests revealed only very few significant relationships, they showed some statistical facts which may be of interest, such as:

1. The male employees outnumbered the females by a ratio of more than 2 to 1. Promotions-wise, however, they lagged behind. Of the 29 employees not promoted, 23 or 79% were males.
2. The married far outnumbered the single by a ratio of 6 to 1.
3. Only a very small number, 10% actually, had attended training courses or seminars.



TABLE IV  
 RELATIONSHIP BETWEEN PERFORMANCE RATING AND  
 PROMOTION CONTROLLING FOR POSITION LEVEL

Average Performance Rating	Rate of Promotion									
	Fast			Moderate			Slow			TOTAL
	Top Manage't	Middle Manage't	Rank & File	Top Manage't	Middle Manage't	Rank & File	Top Manage't	Middle Manage't	Rank & File	
Outstanding				1						1 ( 1%)
Very Satisfactory		1	2	2	3	28		2	24	62 (58%)
Satisfactory			3		3	21		1	15	43 (41%)
T o t a l		1	5	3	6	49		3	39	
	6 (5%)			58 (55%)			42 (42%)			106 (100%)

TABLE V  
RELATIONSHIP BETWEEN FUNCTION PERFORMED  
AND PROMOTION

Function Performed	Rate of Promotion			Total
	Fast	Moderate	Slow	
Operating		31 (64.5%)	17 (35.5%)	48 (100%)
Service	6 (10.5%)	27 (46.5%)	25 (43%)	58 (100%)
<b>T o t a l</b>	6	58	52	106
Degree of Freedom	— 2			
Level of Significance	— .05			
$\chi^2$	= 6.95			

4. There were only 3 Unsatisfactory ratings (given to 3 different employees) for the entire four and one-half years under study, consisting of 10 rating periods.

The finding that performance rating did not seem to influence promotion directly should not be very depressing. Performance appraisal happens to be the only tool used by personnel administration to achieve a multitude of purposes ranging from management development and preparation for advancement, telling the individual how he stands, identifying potential for promotion, measuring or judging "worth," improving performance and effectiveness, manpower planning, to salary administration. Identifying potential for promotion, therefore, is only one of its many uses. To find, however, that it also does not substantially accomplish any one or more of the other uses would be alarming.

But for the DBP in particular, the result of the study seems to be very significant in the light of the waning prestige of the Bank's performance rating system among the supervisors and employees alike.<sup>9</sup>

On the part of the employees, the general impression is that in matters of promotion, considerations other than performance (supposed to be reflected in the rating) seem to carry more weight. Employees claim that supervisors choose first who to promote and find out later his performance rating. If it is at least Satisfactory, then he gets the promotion. This leaves out all the others, whether they have Outstanding or Very Satisfactory ratings and who may have all the necessary qualifications

<sup>9</sup> This is considering the fact that the only uses of the performance ratings in the DBP are for promotions, salary adjustments, and securing loans from the Provident Fund and the Individual Housing Plan.

for the position to be filled. Unless an employee who feels aggrieved files a protest against the promotion (a rigorous process), then the promotion goes through smoothly.

On the part of the supervisors, as gathered from an informal interview conducted by this writer in connection with an experiment on a new performance rating system being proposed, the present system, although recognized as a valuable tool, is regarded as an exercise in futility. It is a matter of fact that most of them consciously avoid giving Unsatisfactory ratings unless they are really determined to resist pressures for reconsideration, because in the DBP, there is a formal machinery for requesting revision of performance rating. The request is invariably initiated by employees who obtain an Unsatisfactory rating, as a failing mark (which they do not believe they deserve in the first place) will not entitle them to the yearly step-increase in salary as well as to borrow funds from the Provident Fund and the Individual Housing Plan, and it will definitely disqualify them from promotion. If the supervisors do not reconsider, they are made to feel guilty by the employees about their failure to avail themselves of these privileges. So what happens, according to them, is they tend to pass everybody even if they have certain misgivings for some.

The group's finding, therefore, seems to support the accusation that

the performance rating system in the DBP, as a true measurement of performance on the job, is a farce.

A mitigating factor that may cushion the impact of the results of this study may be found in Chapter 10 of Stahl's *Public Personnel Administration*:

"How much promotion opportunity an organization has depends on:

1. kind of career system that exists
2. initial recruitment and examining policy, that is, the degree to which people are selected on the basis of capacity for advancement
3. elements of dynamism, growth or change in the organization's program of work
4. size and heterogeneity of the organization."<sup>10</sup>

Perhaps a study of these factors would answer the question of what really affects promotions in the DBP.

### Conclusions and Recommendations

In the study of 100 employees of the DBP for the period 1965-1969, certain conclusions were formed. To what extent these conclusions will apply to the whole DBP during the time of study cannot be determined. It is probable that the stratified random sampling may have failed to yield a sample that is truly representative of the total population of DBP. There is also the possibility that the introduction of other variables not in-

<sup>10</sup> Glenn O. Stahl, *op. cit.*, p. 148.

cluded in this study, or the combination of two or more test variables,<sup>11</sup> could have modified these findings:

1. Promotion was not a direct consequence of performance rating, nor was quality of promotion, in terms of salary ranges, affected by performance rating.
2. Supervisors tended to avoid rating in the extremes, thus the greater number of ratings were found midway between Outstanding and Unsatisfactory, with Very Satisfactory more favored.
3. Promotions ranged from slow (1-3 ranges) to moderate (4-7 ranges), with the latter having the bigger number of cases.
4. Receiving very high performance ratings was not a guarantee for promotion.
5. Employees in the service departments had better quality promotions (8 to 15 ranges).
6. The top and middle management groups were more efficient as evidenced by their very high performance ratings.
7. The biggest percentage (48%) of employees was in the young (24-35) age bracket. The share

of promotions of this group was exactly in the same percentage.

8. Manpower development was wanting as evidenced by the negligible 10% who had training.
9. There were more promotion opportunities in the rank and file level.
10. Close to a majority of employees, actually 47%, had work experience ranging from 11 to 20 years, as compared to 37% with 21 or more years of experience and the remaining 16% with 1 to 10 years.

So much water has passed under the bridge from 1969 to the present. Within that period and up to this time, the DBP had undergone and is still undergoing reorganization.

A happy note in the revamp was the creation of the Personnel Administration Department barely a year ago. (Before this, personnel functions were handled by a single division in the now defunct Administrative Department).

The Personnel Administration Department has many on-going projects and several others being mapped out with heavy emphasis on manpower development and management services. In the particular area of performance appraisal, the Personnel Manager himself, along with this writer, is a member of the informal

<sup>11</sup> The task is beyond the present capability of this writer, due to the fact that there was very little time left before submission of the report when the other group members handed in their tables.

group composed of personnel officers from government financing institutions, earlier discussed in this report, which is currently reviewing their performance rating systems in the light of the report on the Study of Performance Appraisal Systems of Five Government Institutions. (CB, DBP, GSIS, PNB and SSS). The main objective of this group now is to review their methods and to devise a new one, if necessary, which hopefully will be uniform for all. Along this line, structured interviews will be conducted in all these institutions to

determine exactly what factors must be included in the rating sheet.

Since the DBP is already in the right track in reviewing its criteria for performance appraisal, there is only one thing that this writer wishes to recommend: that the DBP embark on a continuing appreciation course of the Performance Rating System, its objectives, and goals, and its mechanics. For no amount of revising it will help if the people involved in the implementation do not have a clear and healthy outlook of the system.