

Evaluation Interviews and Organisational Changes

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Extended abstract

Evaluation interviews or formal appraisal systems are a usual employer practice in OCDE countries. Murphy and Cleveland (1991) show that about 90% of large private firms in the US use formal appraisal systems and around 75% of public organisations. Diaye and Greenan (2008) using an agency theory framework show that subjective evaluation by supervisors through formal appraisal systems has two main functions: *ex ante* selection of workers for work organisation purposes and *ex post* evaluation of performance. A firm using formal appraisal systems attracts workers with lower effort disutility. These employees working more than expected increase their probability of having a good performance evaluation. Evaluation interviews can also be used as a solution for free-riding problem in team work. The first survey in France studying evaluation interviews is the 1997 linked employer/employee survey on Organisational Changes and Computerisation ([C.O.I.](#)). Crifo, Diaye and Greenan (2004) find that evaluation interviews cover 52% of employees in French manufacturing firms over 50 employees in 1997 and study their relationships with task discretion and teamwork. Diaye, Greenan et Urdanivia (2008) explore in more detail the employee outcomes of evaluation interviews in terms of productive and cognitive effort, wages settings and work overload. However the 1997 C.O.I. survey is limited to the manufacturing sector. The 2006 edition of the C.O.I. survey covers the whole private sector.

In a first section of the paper, we analyse the determinants of performance appraisals in France with a focus on organisational changes. We benchmark our results obtained with employee level data against the ones obtained by Brown and Heywood (2005) using Australian establishment data from the Australian Workplace Industrial Relations Survey (AWIRS, 1995) and by Addison and Belfield (2008) using British establishment data from the Workplace Employment Relations Survey (WERS, 2004). We take into account employee level and employer level determinants. At the employee level, we take into account socio-demographic factors (gender, age, and education) as well as the characteristics of the employment relationship (occupation, tenure, employment security and performance related pay) and work organisation features like task discretion and teamwork. At the employer level we characterise the structure of the workforce (gender composition, occupational and age structure), HRM practices (HRM department, turnover rate, further training) and structural factors (size, sector, share of labour costs and union presence). We also introduce two types of organisational change indicators: one based on answers given by employers and another one based on employee declarations. At the employer level, we create three measures of change: change in ICT uses, change in use of management tools and perception of a major organisational change from the point of view of the management. In the employee level surveys, interviewees declare whether they have experienced changes in their work environment: changes in the technology used, changes in work organisation and changes in the management structure. Moreover we distinguish between workers with or without management or supervisory responsibility and between team workers and individual workers. The results show that the determinants of evaluation interviews in France are similar to the ones observed in the UK and Australia, with one exception. The proportion of workers on fixed term contact at the establishment is positively correlated with the use of formal appraisal systems in UK whereas workers with fixed term contracts are less frequently evaluated in France (the correlation is not significant in Australian establishments). We also observe major differences in determinants depending on the management or supervisory role of the employee and/or on his involvement in team work. In France, like in UK or Australia, organisational change positively affects the incidence of evaluation interviews. Furthermore, employee level measures of change have a stronger influence than employer level ones. We are going to investigate more thoroughly these differences between employer level and employee level measures of change.

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In a second section of the paper, we study the use of formal appraisal systems as a management tool in contexts of changes at the workplace. We start from a theoretical framework where evaluation interviews are used by employers to generate signals directed toward employees. Is the signal sent to employees different in a context of change? In the C.O.I survey, four employee outcomes of evaluation interviews are considered: wages, training opportunities, promotion and other outcomes. The employee declarations about consequences of evaluation interviews are indications of the type of signal received: about expected effort, expected skill obsolescence, expected mobility or other type of signal like fairness criterion. We use a multivariate probit model to explain simultaneously the non exclusive different consequences of evaluation interviews. Our preliminary results show that changes measured at the employee level increase all types of perceived consequences. However results are stronger for employees working in team. We also note differences among the types of changes that are measured. Technological changes have no consequences for employees with management or supervisory responsibilities while the reverse is true for organisational changes: they have no consequences on employee with no management or supervisory responsibilities. Changes in the management structure are perceived as having no impact for both managerial and non managerial staff. We find no impact of employer level measures of change in ICT uses or in uses of management tools, on the employees' perception of the consequences of evaluation interviews. But the employer dummy variable indicating a major organisational change from the point of view of management increases the perception of the consequences of evaluation interviews for employees with management or supervisory responsibilities. We intend to deepen the understanding of these preliminary results in relation with our theoretical framework and from a methodological standpoint, we are going to look more closely into endogeneity issues and into issues of data weighting for complex sampling frames.

Keywords: M50, M54.

JEL Classification: Subjective evaluation, personnel economics, workplace changes.

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