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A COMPARISON OF THE APPRAISAL SYSTEMS AND APPRAISAL-COMPENSATION INTERLINKS USED BY ESTONIAN PUBLIC AND PRIVATE UNIVERSITIES

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Abstract

The performance appraisal and compensation aspects in the public and private universities have growing importance. Even publicly funded universities have to seek for additional resources from private market and thus monitor and develop their performance accordingly. The purpose of this study is to compare performance appraisal as well as compensation policies and systems in Estonian public and private universities in order to determine the possible differences. The results indicate no major differences between two investigated sub-samples. Yet, private universities seem to value student feedback and other

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market-driven appraisal aspects slightly more than public universities, who value more development interviews.

Keywords: performance appraisal and management, appraisal-compensation interlink, academic institutions, public vs. private

JEL: M12, I21, J31, J33

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INTRODUCTION

The appraisal of performance, and especially the compensation paid to educators have been major subjects in the public discussions about the future and quality of the Estonian education system. So far this discussion has predominantly focused on high school teachers salaries, however, the links between teachers' performance and compensation are still undetermined. The situation is in many respects similar in universities, who need to establish performance appraisal systems in order to have clearly defined causality between the performance and pay of their personnel. Unlike Estonian high schools, the universities have somewhat longer experience in performance appraisal as they periodically carry out elections of the academic staff to their posts. Yet, the connections between performance and compensation remain diversified.

Besides the determination of compensation, performance appraisal systems have several other important functions (e.g., career planning, service quality assurance). Moreover, a well-established performance appraisal system should help educators to position or reposition themselves in the organisational setting of their university. In this paper, though, the primary focus will be on the inherent interconnection of performance appraisal and compensation systems used by universities. Our intention is to determine to what extent these systems are market-driven and to what extent they are built on organisational values. One would expect that in the private sector market forces play a bigger role in determining the appraisal and compensation policies, while in the public sector intra-organisational traditions retain a strong position. However, in modern society operational differences between the private and the public sector might be far less influential than in the past, because public organisations adopt new organisation management concepts as well. Nevertheless, the present authors aim, on the basis of several sources of information, to compare the performance appraisal and compensation systems used by Estonian public and

private universities and reveal the differences. And even if this predominantly qualitative analysis fails to disclose major differences, it will nevertheless allow us to discuss the implications for the theory and practice of human resource management (HRM) in the education sector.

The purpose of this research is to compare the performance appraisal as well as compensation policies and systems of Estonian public and private universities in order to determine the possible differences. This intention may seem straightforward, but there are important limitations to comparing public and private institutions. In public universities, the number of state-funded students has been decreasing rapidly, and the share of tuition fees has increased accordingly. Thus, public universities have been exposed to market pressures that are in many respects similar to those affecting private universities. Despite this trend, some important differences in terms of organisational traditions and management structures are still in place, and might cause some interesting disparities between the two sectors. Faculty-level examples should help the reader to understand the disparities of interests.

The paper starts with a literature overview on performance appraisal and compensation in general terms and specifically in educational institutions. At the end of this section, the experiences of European, North American, and Australian universities are discussed and the general features of performance appraisal and compensation systems in Estonian universities are characterised. Thereafter the authors bring a faculty example, which is followed by a qualitative comparison, though incorporating some quantitative measures, of systems in public and private institutions. In addition to suggestions for improvement, also limitations of the results will be addressed. The paper concludes with an indication of pathways for future research.

In terms of methodology, the paper relies upon data triangulation by using several sources of secondary data (earlier appraisal system studies) as well as primary data (ongoing

survey of appraisal systems). The theoretical framework in the opening section will rely on research articles from leading HRM and management journals. The empirical analysis provided will be based on survey responses, but due to the limited number of observations (questionnaires were filled in mostly by personnel managers or other experts), the authors are going to use predominantly qualitative generalisations rather than quantitative methods.

INTERCONNECTION BETWEEN PERFORMANCE APPRAISAL AND COMPENSATION IN THEORY

Performance appraisal is a process aimed at determining the results of an employee's work, one of its main functions being to offer a justified compensation for his/her efforts. It can be based directly on a particular employee's work results, or on his/her activities or competencies and is regarded as the main component of performance management, through which it is also possible to evaluate the effectiveness of an organisation. Performance management is a much broader concept than performance appraisal, its main purpose being to create suitable conditions for management by objective and effective work. Performance management defines, measures and motivates an employee's performance on the job and aims to increase the effectiveness of the company. (Hartog *et al* 2004: 556)

Like many other management tasks, performance appraisal and performance management have a longer history than usually thought. References to performance management − an 'imperial rater' − have been found from the era of Wei Dynasty in China from 3 AD (Pratt, 1991). However, in modern times the re-emergence of performance appraisal is related to the Industrial Revolution in the late 18th century, but it gained popularity among managers only before World War I. At first, performance appraisal systems were dominated by quantitative figures of units produced.

Thus, initially performance appraisal was directed towards evaluating production workers by setting them work standards. In the middle of the 20th century, the qualitative aspects of performance gained more recognition. However, the qualitative appraisal of employees' performance started from the subjective judgements of the boss. Then the concept of management by objectives offered a meaningful alternative in the form of appraising professionals and managers by achievement of their preset goals. Later on the appraisal by objectives has been criticised as problematic, because evaluated employees tend to lose interest in setting challenging goals in favor of easy-to-achieve goals, due to which organisational development will suffer. This has led to modern multifactor appraisal systems which combine goals and objectives, quantity and quality standards, and key accountability elements. (Pratt, 1991)

The performance appraisal activities enable determination of whether the employees' performance accords with the established objectives and are primarily based on the appraisal of employees' work results and activity (behavior), but also on their competence (skills, abilities and characteristics). To analyse the employees' performance, diverse appraisal methods and their combinations are used. During the appraisal process primarily those work results are valued that create preconditions for their improvement in the future and enable differentiation between compensation, rates, thereby, on the one hand, diminishing equalisation and on the other hand, increasing fair compensation. Evaluators often tend to attribute too much importance to the situational circumstances, regardless of whether they evaluate their own activities or the activities of others, especially when the results were not satisfactory. In order to avoid that, more appraisal interviews between the appraiser and the appraised should be used and special computer programs would be useful, enabling most efficient and accurate registration and evaluation of the information obtained during the appraisal (McHale, 2003). The decisions based on evaluation can be backed up by properly documented performance appraisals which can also include additional

documentation in the form of a journal, notes, diaries and other materials (Crawford, 2003).

The advantages and disadvantages of various appraisal criteria contribute to their balanced usage. For example, the appraisal systems of several well-known British companies are based on their employees' skills and competence, behavioral traits and outputs from the job. As work is very diverse by its nature and it lacks objective measures in more than 1/3 of cases, it is difficult to establish the exact objectives of the work and make them congruent with individual interests. Therefore, British companies exploit distinct appraisal criteria simultaneously, while increasingly placing value on cooperation (Sisson, 1994). A performance appraisal criterion has to be relevant, reliable and justly measurable, while also closely linked with the objectives of the organisation and its subdivisions. Such criteria are relatively difficult to set and in consequence the best result is achieved through balanced combination of distinct criteria.

However, as indicated above, in modern management, performance appraisal is viewed in the broader context of performance management, whereas precision of measurement and accuracy of ratings are accompanied by social and motivational aspects of the appraisal process (Fletcher, 2001). Boyd and Kyle (2004) also stress that one of the antecedents to distributive and procedural justice of performance appraisal is social justice that defines the non-discriminatory nature of the process between social groups (no gender, racial or other similar discrimination). Here distributive justice refers to the fairness of compensation in the light of an employee's performance and procedural justice to the accuracy and suitability of appraisal procedures (Boyd, Kyle 2004, see also Brown, Benson 2003).

Alongside with task performance, which covers job-specific behaviors and an employee's core responsibilities, in the appraisal process more attention has been devoted to non-job-specific behaviors, such as cooperation, dedication, enthusiasm and persistence. These aspects form contextual performance,

which because of increasing organisational and task complexities, is becoming more and more important (Boyd, Kyle 2004). The notion of contextual performance is also related to organisational citizenship which incorporates pride of being a member of the organisation. A study by Fletcher and Williams (1996) showed that the characteristics of the performance management system are related to job satisfaction and positive employee attitudes.

Performance appraisal and management practices should be regularly reviewed and evaluated, especially in terms of their impact on performance and employee development. The introduction of total quality management and the use of teamwork have rendered unsuitable the traditional appraisal schemes that encourage competition among employees rather than cooperation and integration. Therefore, performance appraisal schemes should take into account the strategic objectives of the organisation. (Smith et al., 1996)

However, performance appraisal has also been viewed as a "painful annual event" when the manager evaluates the employees' performance; it rarely had close links to the overall mission and program of the organisation that were designed to maximise human effort. Yet, in the ideal case, a performance appraisal system should establish a connection between the organisational and personal goals as well as shape and change organisational culture towards a result-driven climate (Grote, 2000).

Performance appraisal ratings might be used during layoffs in order to retain more valuable employees, to determine the quality of training programs, to measure equality of treatment, to manage employees' compensation, and to promote or dismiss them. Thus, appraisal results have a very important role in the HRM activities of the organisation. A well-established appraisal system helps make justified decisions and avoid litigation by terminated employees (Mani, 2002). Thus, the modern appraisal process is an essential part of organisational life, for it helps

justify, besides compensation differentiation, for example, promotions, demotions, selection validations and terminations (Longenecker, Fink 1999).

A well-established performance appraisal system should render enough information for determining justified compensation. Employees' compensation is a process of rewarding employees with monetary and non-monetary benefits according to the value of their work contribution, thus compensating them for their efforts. The value of work (employee's worth) done during a set time period is determined via performance appraisal, while taking into account the value of other factors. This appraisal-compensation link shows a very close connection between these two HRM functions.

The traditional compensation process has three components: (1) determination of internal job value by job analysis and evaluation; (2) determination of job value in external labor market by using, for example, salary survey analysis; and (3) determination of an employee's individual value by means of performance appraisal (Newman, Milkovich 1990). The compensation process should also strive towards fair distribution of benefits. Procedural justice of compensation can be judged on the basis of six rules (*Ibid.*):

1) Consistency – compensation allocation should be consistent across time and employees;
2) Bias suppression – allocation should not be influenced by the allocator's personal interests
3) Correctability − procedures should be set that permit to modify decisions when needed;
4) Accuracy – allocation should be based on accurate input information;
5) Ethicality – allocations must follow the existing moral and ethical guidelines;
6) Representativeness – all employees affected by the process should have their interests represented.

However, the study by Newmann and Milkovich (1990) showed that there are considerable gaps in procedural justice, especially in terms of measuring external market wages for determining external job value, although modern compensation systems tend to offer reinforced safeguards that should offer gradual increase in procedural justice and more justified connections between the labor market situation and employees'compensation.

In modern context, external job value depends not only on the local labor market conditions, but also on the international market. This means that compensation systems have to address international influences as well. Bloom et al. (2003) have studied the balance between the local context and integrated global systems in the setting of multinational companies. Similar international influences have to be taken into account in universities because top researchers and professors are competitive not only on the national labor market, but also internationally. This means that compensation systems should incorporate more and more the aspects required to balance the local possibilities with competitive offers from both foreign and international organisations. The mobility of the academic personnel plays an increasingly important role here.

A more recent study has found that in terms of compensation design, individual level factors play an important role, making earned variable pay dependent on the type of the job performed as well as on the level of the particular employee's job in the organisational hierarchy. On organisational level, performance risks, company size, and strategy all influence short-term variable incentives, but differences in the provided long-term incentives between the companies are associated with differences in organisational performance, but not with risks and strategies (Marler et al., 2002). Indeed, the study of Bloom and Milkovich (1998) indicated that emphasising (long-term) incentive pay based on higher performance risks of the company could even have detrimental effects on performance compared to those organisations that never use risk-based incentives.

Although performance-based compensation has been traditionally very common, and sometimes complemented by experience-based compensation portion, more contemporary compensation systems are based upon employee's skills and competences. Interestingly, a comparative study of the HRM functions showed that private-sector companies tend to use skills-based or competency-based systems, while public organisations prefer more traditional compensation systems (Budhwar, Boyne 2004). This allows us to conclude that compensation policies develop faster in the private sector.

Until the late 1970s, the public sector was considered a 'model employer' offering more permanent employment opportunities, union benefits, and pay advantages. However, Morgan and Allington (2002) claim that job restructuring in public service has increased the share of part-time and short-term contracts, thereby making these officials more insecure about retaining their placement, which in turn might render their consultation services more cautious and less objective. The impact of trade unions on job security has been reduced as well, and the public sector no longer offers significant pay advantages. Thus, at least in the UK, public-sector employment has lost some of its appeal in comparison with private-sector placement.

So far we have been discussing the essence of performance appraisal and compensation systems in rather general terms, also describing the features of these functions in the context of public-sector organisations. The next section of the paper will analyse the processes of performance appraisal and compensation in universities.

PERFORMANCE APPRAISAL AND BASICS OF COMPENSATION IN THE HIGHER EDUCATION SECTOR

The higher education sector is rather conservative by its very nature and management style. This is mainly due to traditions and academic freedom, and therefore the payment-by-results system is still looked upon as a rather new approach. However, state budget difficulties have called for better management and more efficient motivation of lecturers and researchers in higher education.

In the UK public universities, more formalised staff appraisal systems were introduced in the 1980s to facilitate their flexibility to changes in economic conditions as well as to improve the quality and effectiveness of their performance. The study of attitudes vis-à-vis appraisal showed that the academic staff considered the appraisal scheme beneficial if they believed it to be oriented towards supporting individual development rather than managerial control. The identification of training needs, the possible increase in staff motivation, and increased accountability of performance results were put forward as positive aspects of the appraisal system introduced. Arguments against appraisal were related to the fear that under-funded universities would not be capable of implementing training programs to back up the appraisal results with appropriate corrective actions. Yet a vast majority of the university staff was in favor of the new appraisal schemes, although some concerns were expressed about the cost and objectives of the appraisal process. (Haslam et al., 1992) However, Townley (1997) has shown that even though the introduction of the appraisal system and the accountability aspect are considered appropriate, the type of appraisal is a much more controversial issue. For example, universities resisted to the introduction of judgemental appraisals initially proposed by the government and adopted development reviews more in line with their inherent needs. The same author has also analysed the resistance to appraisal procedures in universities,

and explains it with academic traditions that form a reason for opposing formalised appraisal (Townley, 1999).

Appraisal and management of performance have recently attracted much attention in European universities and colleges. With increase in the number of students, total costs have risen and, with limited state funding, there is strong competition for money among various social services, therefore much more attention has to be paid to the quality of performance and total quality management (TQM) in tertiary institutions. Higher education is one of the major service sectors that has been slow in transition to quality management. Universities and colleges have generally had a superficial awareness of TQM. (McCarthy, Keefe 1999)

Gatfield, Barker and Graham (1999) claim that in the last decade the issue of quality has become a significant subject and will continue to be one of the predominant points of debate in higher education. The drive to quality is dictated by consumer demands for increased standards and performance, and by the need for organisational excellence. Admittedly, in recent years there has been rising interest in quality as perceived and determined by the consumer. Sinclair (2003) considers private for-profit universities to be providers of best quality credentials accepted by end-users at lower than public universities' prices.

Some authors (e.g., Stilwell, 2003) question the suitability of commercial criteria and economic incentives, which have been popular political choices, in the setting of higher education. They may lead to the corporate managerial model that lays too much stress on the economic rationale, seeing competition and markets as the most appropriate means for achieving high quality in teaching and research. Scott (1999) in turn argues that the "student as customer" view is often rejected because of its implicit reference to the marketing view that "the customer is always right". In order to be aware about customer interests, universities should monitor more closely their customers' expectations. Thus, awareness about these expectations is

important even if the customer aspect is only one of several performance appraisal criteria.

Elliott and Shin (2002) suggest that to determine student satisfaction, the multiple-item weighted gap score analysis approach should be used as the diagnostic method. This method outlines the gaps between the ideal and actual scores, and consequently those areas which need more attention. Regarding producer-consumer relationships in higher education, Houston and Rees (1999) describe postgraduate students as having variable roles that range from co-producer to consumer. They also analyse the complex process of developing a quality management system for postgraduate education which incorporates appraisal aspects.

Performance in higher education is not necessarily related to academic standards — universities (colleges) must establish procedures to monitor the quality of their graduates. This can be done through formal survey processes or informal feedback. For example, the evaluation of the education provided by different universities and colleges does not clarify the reasons why some companies prefer particular graduates. It may be because certain companies need to hire individuals that have received training in a particular academic field. Improvement in the quality of graduates begins with the recognition of their position on the labor market and also the requirements of possible employers.

The three key functions of tertiary establishments are teaching/advising, research and service. The establishments continually need to re-evaluate course offerings, testing/grading procedures, admission requirements, student services, and the employee skills and personal traits required by hiring firms. (Willis, Taylor 1999) The present article examines mainly the problems surrounding the appraisal processes of teaching and research work.

There may be a focus on particular stages of the education process (McNay, 1997):

1) on input, e.g., quality/qualification of staff, curriculum design, nature of students recruited, resources for books, computing, equipment and materials;
2) on processes, e.g., approaches to teaching, integration of teaching and assessment, student involvement, feedback;
3) on output, e.g., qualifications of students, employment rates, staff publications.

Quantitative data, such as exam pass rates, citation levels for research articles; cost per graduate, etc. may be available. In other cases, survey data from students or employers might be collected. The more criteria are presented, even without rigid detailed scoring scales, the better the evaluation will be. But statistical performance indicators should support judgement, not replace it.

The quality of performance in teaching at tertiary institutions would include measures such as alumni feedback that consists of several questions, for example: What were the most helpful courses? What was least beneficial? What do you need more of? (Mergen *et al*., 2000). Teaching does not include only what is done, but also how it is done.

The quality of performance in teaching requires that the higher educational institutions prepare the students for their first position as well as provide the basis for performance in future positions. Part of the quality of performance is to maintain an awareness of the needs of the customer and to have the ability to build on strengths and eliminate weaknesses. Understanding what kind of personnel needs business employers have is necessary because it will enable assessment and will raise the quality of college (university) graduates. The challenge to universities is to produce graduates who meet the requirements of employers. (Willis, Taylor 1999)

The quality of teaching depends on the qualifications and research potential of the academic staff. Research outputs, as well as successful teaching, are expected of everyone; so

additionally they help to keep one's employment. This is also important for the future success of a university, as it helps to attract students of different levels. Hence the following new performance targets have become important to universities: the number of doctoral, graduate and MBA students; the number of research contracts; and most naturally the quality of research and publications. Furthermore,, it is important that the academic staff should believe in the necessity of research and higher degrees to get promotion and they know that adequate support will be available for research. (Pratt, Margaritis 1999).

The staff's performance appraisal and compensation are related on several levels. The faculty (staff) compensation system could be based on the following goals and objectives (ASHE-ERIC, 2001, p. 59):

1) Maintaining the faculty members' real purchasing power, equity, and morale;
2) Rewarding the faculty's accomplishments in line with the institutional mission and goals;
3) Providing incentives to the faculty to change their behaviour if needed;
4) Improving faculty performance as defined by the institution;
5) Maintaining parity with market to retain and attract faculty in high demand disciplines;
6) Rewarding faculty for producing benefits to society;
7) Rewarding collective faculty performance;
8) Retaining high quality and productive faculty;
9) Encouraging continual improvement by faculty;
10) Providing faculty incentives to develop courses for non-traditional (e.g. internet based) study programs.

According to Gerhart and Milkovich (1990), the jobs characterised by low programmability, where it is difficult to set standards for desired behaviors, and high impact on organisational performance could benefit from pay mix which consists of base pay and contingent pay. They showed that it was this contingent part of the compensation package that had a con-

siderable impact on organisational performance. However, although contingent pay is deemed suitable for managerial jobs, it is not solely the hierarchical aspect that matters. Research scientists do not have many subordinates, but their work is low in programmability and high in potential consequences of organisational performance. These characteristics justify the use of contingent pay also in universities (Gerhart, Milkovich 1990).

These suggestions offer a balance between the compensation of individual and collective efforts in line with organisational performance and development intentions. In academic placement, monetary compensation and physical working conditions form only one, though important, aspect of the reward. Study has shown that the academic staff values autonomy and flexibility as job characteristics so highly that they tend to remain in the academic sector even when their working conditions deteriorate (Bellamy et al., 2003). This autonomy is further reinforced by tenure systems, which may even make it difficult to agree on system-wide changes between universities (Chevaillier, 2001). This leads to the suggestion that in academic work non-monetary compensation in terms of greater autonomy and flexibility retain their importance.

PERFORMANCE APPRAISAL AND PAY-FOR-PERFORMANCE OF THE ACADEMIC STAFF IN ESTONIAN UNIVERSITIES

Performance appraisal and pay-for-performance of the academic staff (lecturers and researchers) has become increasingly topical in Estonia over the recent years. The results of performance appraisal are closely linked with the pay-for-performance system, on the basis of which the final salary of an employee is calculated. The impact of performance appraisal results on salaries differs in universities (faculties). For

example, performance appraisal results and salaries are very closely linked in the Faculty of Economics and Business Administration, Tartu University, whereas in many other faculties this is not the case and the results are taken into consideration mainly when calculating the overall basic salaries and bonuses.

Next we will analyse the differences in academic staff job performance appraisal systems in Estonia's leading universities, including four public universities and two private universities. Several universities, more specifically, some faculties in these universities have implemented particular appraisal systems and improved them over time. In order to investigate the appraisal and compensation systems used by Estonian universities, the authors compiled a questionnaire and carried out empirical research in six Estonian universities. The questionnaire involved 19 questions, including both multiple choice and open answer questions**.** The majority of the questions were opinion-based and respondents had a four-point scale to use.

The questionnaires were distributed among the personnel managers or other experts of the universities, who engage in and are responsible for the management, appraisal and remuneration of the academic staff. Altogether 41 questionnaires were sent out via traditional mail. A total of 25 people from six universities responded to them: the University of Tartu (5 respondents), the Estonian Agricultural University (3), Tallinn University of Technology (4), Tallinn University**,** (3), Audentes University (4) and the Estonian Business School (6). The questionnaire was delivered to the personnel managers and other experts, which explains the relatively small number of respondents as there are not many experts in the field of performance appraisal and compensation. A more specific analysis was only carried out in the Faculty of Economics and Business Administration of the University of Tartu, where the questionnaires were also given to lecturers and researchers.

During the research project, the respondents were asked, through an open question, to describe their appraisal system. In

addition, the information on the university home pages was studied. The following representation of main appraisal principles was derived from these two sources.

The questionnaire contained 19 questions, including both multiple choice and open-ended questions**.** The majority of the questions were opinion-based and used a four-point scale. The first three questions involved the main principles of staff appraisal, through which it was possible to determine the main principles and appraisal basis of a particular university. Questions 4 and 17 asked the respondent' opinions about appraisal and appraisal-development interviews and whether they thought they were necessary.. Questions 5–9 established specific aspects of academic staff appraisal in universities through multiple choice and open answer questions. Questions 10–12 dealt with the implementation of student questionnaires and their appraisal criteria. Questions 13–15 looked at the implementation issues of appraisal and development interviews. Question 16 studied the problems related to the publication of appraisal results, and the last question requested the respondents to state the pluses and minuses of appraisal in an open answer.

Research showed that there are academic staff appraisal systems in place that apply either to an entire university or to a particular faculty. In universities where appraisals are carried out on various structural levels, the appraisal methods, forms and frequency depend on the structural levels involved and vary considerably. Appraisals are carried out also on lower levels, such as institutes or departments. 90% of the respondents claim that lecturers and researchers are evaluated during the period between the faculty elections. Many faculties evaluate their lecturers regularly. However, this is still done rather superficially and without sufficient regulation. Often a more unified appraisal system still needs to be developed.

Tallinn University of Technology has based its academic staff appraisal system on a work program-report. Lecturers and researchers create their personal work programs for each term

separately and the department or institute approves them. At the end of each term, a report is compiled about the fulfilment of the personal work program, and the direct supervisor, after carrying out an overarching development interview, will evaluate its effectiveness. During the development interview the past work period is evaluated and main directions of development are set. The work program-report is the basis for the council and the academic commission for usage also during regular faculty elections. Tallinn University of Technology uses also student questionnaires, in which the students appraise the lecturer. Their results are included in their personal work programs. Tallinn University of Technology is now developing a new appraisal system, planning to engage the pay-by-performance system into it more efficiently.

Tallinn University has based its appraisal system on teaching, research and development, and draws conclusions once a year. The human resource department of the university does not get directly involved with the appraisal of the academic staff. The appraisal system is directly linked to the remuneration system and when determining total salaries, heads of structural units take into consideration the post of the lecturer, as well as the results of teaching and research work, and development work done by the lecturer. The head of a structural unit is allowed to pay bonuses for increased responsibility, fruitful work, extra work, fulfilment of urgent tasks and in other cases. Performance-based bonuses are paid monthly and are awarded to a lecturer or researcher for one term on the basis of the results from the previous term. When determining teaching loads, preparation and exam marking time are taken into consideration. Published articles and study materials form the basis for research evaluation. Faculty deans use the compiled reports for conducting development interviews firstly with heads of structural units and later on with lower-level supervisors. A more thorough evaluation takes place in the faculties of philology, social sciences and pedagogy.

The Estonian Agricultural University implements academic staff appraisals mainly in the framework of faculty elections and more advanced appraisal is used only in the faculties of veterinary medicine and economics, where appraisal forms also the basis for the pay-for-performance system. Performance-based bonuses can be paid to employees who have performed their tasks very well during the appraisal period. The head of the structural unit, who also has to justify the payments, pays bonuses monthly. Appraisal takes account of the teaching results, level of research and teaching methodology, as well as the results of development and administration. Appraisal of the academic staff also depends on regular self-analysis, which is mainly based on teaching loads and scientific publications. The results from student and alumni questionnaires are incorporated, too. Student feedback has helped to modify the teaching of subjects. The university is planning to develop the internal appraisal system systemically.

Audentes University evaluates lecturers in all their faculties. The appraisal components are: lectures and other teaching work (e.g., examinations, research project supervision), research and development and administrative tasks. Appraisal is based on individual reports, in addition to which deans and heads of departments carry out annual development interviews. During a development interview, the past period is assessed and targets are set for the forthcoming term. The appraisal results are not directly linked to payment-by-result systems, but have a general effect on determining basic salaries and renewing work contracts.

The Estonian Business School applies a work program-report regarding teaching during the last term. Appraisals are carried out in all the institutes. The departments analyse their lecturers' work reports and make plans about how to guarantee high work quality during the next term. The heads of department evaluate work programs and make a summary for the management. At the end of each semester online student questionnaires are answered, on the basis of which the effectiveness of a lecturer's

work is assessed. The results of student questionnaires are processed in departments and then forwarded to the head of department or institute, who in turn compiles a report for the vice rector for academic affairs. The appraisal results are taken into consideration when assigning basic salaries and bonuses, however, a systematic approach is still to be worked out.

The University of Tartu evaluates its academic staff once a semester at most. At the moment there is no unitary and compulsory appraisal system for the academic staff and it differs considerably from one faculty to another. When evaluating the work of lecturers and researchers, the results of teaching, research, teaching methodology, development and administrative work are taken into consideration. According to the university compensation scheme, the academic staff will be paid bonuses for very good results during the period evaluated.

From the beginning of 2004, development interviews have been recommended, during which employees will have a structured discussion with the head of the structural unit or work organiser. Development interviews enable exchange of information; clarify goals and aims of the university or specific structural unit, and also discuss the role of each individual employee by specifying the aims and priorities of their work. An interview enables the interviewer and interviewee to convey reciprocal expectations and give feedback about their work, to find out about the training needs of the employees and to give recognition for their good results. The appraisal results of the development interview are the basis for revision of compensation terms and/or assignment of bonuses according to that scheme.

The appraisal of the academic staff in the University of Tartu is carried out differently in separate faculties,there being no unified system at present. There are unified requirements for how to compile the yearly reports of lecturers and researchers, which are the basis for their job appraisal and activity planning. Also, regular anonymous student questionnaires are carried out, the results of which are communicated to the lecturers, their

work organisers and the dean. For example, the Faculty of Economics and Business Administration has implemented a detailed appraisal system which takes into account a varied mix of work components and where appraisal is directly linked to the pay-for-performance system. The Council of the Faculty of Economics and Business Administration approves the appraisal methodology and it is implemented by the Dean's Office.

From the above we can conclude that Estonian universities do not have a unified appraisal system. The universities and their faculties adopt various appraisal systems in accordance with their specific needs. The university councils usually approve the procedures and main rules for the implementation of the academic staff appraisal, but in several universities faculty councils establish more detailed systems on the basis of these rules. In most cases, human resource departments have a nearly minimal role in the process.

Although the principles of appraisal vary in universities and their faculties, there are still some common features. The similarities involve the use of teaching loads in the form of lectures and supervision of papers, scientific research and teaching material publications and results of student surveys, which all contribute to the appraisal of the quality of teaching. Relatively less value is attributed to administrative workloads, negotiated and fulfilled contracts.

The analysis of the effects of performance appraisal on the organisations involved indicated all respondents' agreement that appraisal of the academic staff is necessary or rather necessary, and that it is possible to evaluate the work results of the academic staff. Almost all the respondents agreed that appraisals would help universities to reach their goals. At the same time, the negative effect of appraisal on teamwork was noted – 45% of the respondents believe that regular appraisals will not/rather not enhance cooperation. It was indicated that appraisal-based bonuses should form 20–30% of the total compensation package.

Attitudes towards the appraisal and development interviews were generally positive and the majority of the respondents believed it was necessary to have a link between appraisal and compensation (see Table 1). Heads of units consider it useful to evaluate lecturers and researchers, and to apply appraisal-development interviews at the end of appraisals. At the same time, almost half of the respondents think that the interviews do not have to be official, after which an official form has to be filled.

Table 1. The general importance of appraisal and its characteristics

Propositions	Right/Rather right
Appraisal of lecturers and researchers is necessary	100%
The results of student questionnaires have to be taken into consideration at appraisals	96.5%
Appraisal results should be discussed and conclusions drawn during appraisal-development interviews	96.5%
Appraisal-development interviews should be official, after which an official form is filled	62%
Job performance appraisal should be directly linked to remuneration	86.2%

Source: The survey of performance appraisal in Estonian universities, 2005

One question in the questionnaire explored the determinants of pay-for-performance bonuses from nine different angles. 82% of the respondents said that bonuses were directly or considerably related to academic qualifications (especially academic degrees). The second most important determinant is the size of the student groups. More than a half claim that bonuses are directly or considerably related to group size. The rest of the work components, including the level of teaching and specifics of a student group, teaching language, preparation and marking of test papers and exams, defending of papers and theses, work at admissions boards and advanced training courses are to a lesser degree the basis for bonus payments.

The majority of the universities carry out student questionnaires for particular courses in order to evaluate tuition quality. The Estonian Agricultural University also carries out questionnaires among their alumni, which enables the trustworthiness of results regarding particular lecturers to be increased. Student questionnaires are very popular in the majority of the universities and are one of the most important information sources for academic staff appraisals. It is important to carry out questionnaires among alumni more often, as this would enable the university to determine the influence of the academic staff on the development and careers of the alumni.

Usually student questionnaires contain two types of questions – multiple-choice and open answer questions. Opinions about which appraisal criteria to use were rather different. (See the second column of Table 4 in the next section) We can see from the table that the majority of the criteria used in student questionnaires were considered relevant. Only two of the criteria used (co-operation between the lecturer and students outside course hours and the level of difficulty of the subject) were considered irrelevant by almost half of the respondents.

There are different opinions about the necessity and form of development interviews. Their usefulness is accepted and they are conducted, but it is mostly done unofficially and no official form is filled. Development interviews of the academic staff are usually made by direct supervisors (heads of departments, heads of institutes, and deans). Less than half of the academic staff in universities takes part in development interviews and the interviews are often regarded as overly time- and work-consuming. The majority of the respondents believe that appraisal results should be communicated to the staff in private, without involving departments, institutes or faculties. However, it was also suggested that the results should not remain a secret as then they wouldl not be motivating and the staff would not develop sufficiently.

In the framework of the questionnaire, the respondents were also asked via an open-ended question to point out the pluses and minuses of academic staff appraisals (see Table 2). According to the answers, performance appraisal of the academic staff has several important pluses, including a rise in the motivation of the staff through feedback and acknowledgement. This all will guarantee employee development, effectiveness of their work and improved work quality. The main minuses, however, are the complexity and time consumption of the systems. Also, job performance appraisal does not enhance teamwork and causes tensions and problems in departments and institutes.

Table 2. Pluses and minuses of appraisal of the academic staff in universities (in random order)

PLUSES	MINUSES
• Feedback about your work; • Enables self-analysis; • Stimulates training and development; • Rise in motivation and discipline; • Rise in quality and level of results; • Acknowledgment and attention from heads; • Students are given an opportunity to express their opinions; • Gives an overview of which courses and lecturers students are happy/unhappy with; • Gives an overview of the quality of lecturers; • Appraisal is functional when it is acted upon; • Helps to fulfil the strategy and goals of university; • Directs lecturers towards results and achievements; • Employees have a better understanding of what is expected of them.	• Does not enhance team work; • Time-consuming administrative side; • Difficult to administer and record; • Student feedback depends upon subject − interactive courses get higher marks; • Results of student questionnaires are not trustworthy where there are only a few respondents; • May create tensions between departments; • Only works where thorough methodology and appraisal system are in place; • Unsystematic appraisals might bring forth more negative than positive results.

Source: The survey of performance appraisal in Estonian universities, 2005.

On the basis of the questionnaire we can conclude that the need to appraise the academic staff is widely accepted. At the same time, appraisal systems in the universities are still rather basic and as no unified appraisal systems exist, each faculty uses its own appraisal system.

DIFFERENCES BETWEEN THE APPRAISAL SYSTEMS AND APPRAISAL-COMPENSATION LINKAGES OF ESTONIAN PUBLIC AND PRIVATE UNIVERSITIES

As described earlier, the survey included four public and two private universities. In terms of the appraisal level there are no major differences by ownership type. However, one of the two private universities, Audentes University, does not use university-wide appraisal methods at all, the staff being evaluated only on faculty level. On the other hand, even though in the Estonian Business School university-level appraisal activities do exist, institute-level appraisals tend to be the most dominant. In public universities appraisals of lower levels are very important too, but also university-wide appraisals were reported.

In public as well as in private universities the appraisal system is not related solely to election to positions, but takes place also between the elections. Only three respondents from public institutions expressed the opinion that there is no regular appraisal in between elections. Regarding the selection of appraisal criteria, private universities are more unified in valuing the feedback from student questionnaires. Yet, negotiated and fulfilled contracts are not viewed as the basic factor in the appraisal system in Audentes University. This criterion was likewise least mentioned by the respondents from the Estonian Business School. However, two public institutions did not consider the contracts to be important indicators either.

Respondents from private universities found the appraisal of teaching and research staff definitely important in 9 out of 10 cases, while only 63% of public university representatives were absolutely sure in its importance. However, the remaining 37% still considered it important rather than unimportant. This result indicates that private universities are somewhat more interested in appraisal-based feedback. Private universities are on average also slightly more convinced that students evaluations should be used as a component of the appraisal system.

Public universities in turn were more convinced that appraisal results should be summarised during the development interview (average scores in 4-point scale 3.74 for public and 3.30 for private universities), whereas the responses of respondents from private universities had also a much higher variability (standard deviations 0.42 and 1.25, respectively). Furthermore, the private sector considered it marginally more important that the conducted development interviews should be official and well recorded. 60% of private university respondents found that performance appraisal and compensation should be definitely directly related and yet another 20% founds that they should be rather related than unrelated. In the public sector, about 37% of the respondents definitely supported this interlink, while 53% (rather) tended to support the idea as well. Thus, private universities are somewhat more convinced of the benefits of appraisal-based compensation.

Comparison of the scores attributed to the selected compensation criteria revealed that both university types consider employee qualifications (degree, practical experience) to be the most important criterion used when assigning pay-for-performance. However, on the 4-point scale the average score was 3.90 for private universities and merely 3.00 for public universities, which indicates that performance-based pay depends more on staff qualifications in private education. The same trend in responses characterised the dependency of scores of other pay-for-performance criteria, because private universities considered them to be rather important parts of their systems, while the respondents from public universities deemed several of them to be rather unimportant (see Table 3).

An especially large difference characterises the use of a foreign language as the language of instruction as the compensation criterion. Two private universities use this as an inherent part of their compensation system, while pay-for-performance systems in public universities do not depend on that aspect to any considerable degree. One compensation aspect that is more prominent in the public sector is the specific form of instruction (full-time, distant learning or open university). The general importance of this criterion, however, remains below the average Likert score (2).

In most universities, the appraisal principles takes place on the level of university councils. There are no clear cut differences between public and private sector, because in Audentes University standards are set by the rector, while the Estonian Business School involves all academic levels in the standard setting process. However from the responses it became evident that in the Estonian Business School the appraisal system is established jointly by the academic as well as non-academic management. If this is true, it suggests an important feature that might differentiate private educational organisations from public institutions, but further evidence is needed to generalise this case.

The frequency of appraisal is also somewhat more unified in the private sector (in Audentes once a year; in the EBS twice a year), while answers by respondents from public universities vary from 'as needed' to 'once per election period', although including some more regular options as well.

The comparison of the universities' attitudes about the content of student feedback again showed higher average positive scores from private university respondents (see Table 4). Although the difference in averages could be partially put down to the small sample sizes, some tendencies could still be discussed. The ability to demand maximum deployment of ability from students is viewed as a very important aspect by private universities, whereas for public universities this aspect is less important.

Table 3. The comparison of selected pay-for-performance criteria in public and private universities

	Public institutions			Private institutions		
	N	Mean	Standard Deviation	N	Mean	Standard Deviation
Level of study (bachelor, master, doctor)	18	2.42*	1.30	10	2.70	1.25
the qualifications (degree, practical experience)	18	3.00+	1.11	10	3.90+	0.32
Language of instruction (foreign language)	18	1.47+	0.84	10	3.10+	0.88
Preparation and marking of tests/ exams	17	1.26+	0.87	10	2.30+	1.25
Defence in front of a board (board membership, reviewing)	18	2.21	1.23	10	2.70	0.95
Participation in admission boards	18	1.63	0.90	10	1.90	0.57
Number of students enrolled on the course	18	2.32	1.34	10	2.80	0.63
Specifics of the group (full-time or distant learning/ open university)	17	1.95	1.27	10	1.60	1.07
Continuing education	16	1.84	1.34	9	1.90	1.37

* pay-for-performance in university: 1 – does not depend; 2 – rather does not depend; 3 – rather depends; 4 – depends on…

+ Difference statistically significant at alpha=0.05 level

Source: The survey of performance appraisal in Estonian universities, 2005.

Public universities tend to see cooperation between lecturer and student outside course hours as a slightly more important performance quality indicator than private universities. The same tendency characterises attitudes towards the difficulty of the subject as appraisal criteria. It has to be said, however, that both these aspects failed to be seen as the most appropriate components of student questionnaires. Nevertheless, these differences can be partially explained by the nature of the cohort, where private universities offer more evening classes for working students, which make contacts outside course more complicated.

Table 4. A comparison of the estimations of suitability of the evaluation criteria in student questionnaires

	Right/ rather right	Public institutions			Private institutions		
		N	Mean	Std Dev.	N	Mean	Std Dev.
Subject matter of lectures	93%	19	3.42*	0.69	10	3.60	0.52
Clarity and logical presentation of lectures	100%	19	3.74	0.45	10	3.80	0.42
Competence of lecturer	86%	19	3.21^{+}	0.71	10	3.60^{+}	0.70
Level of preparation for lectures	86%	19	3.21	0.71	10	3.40	0.70
Responding to student reactions, ability to create rapport	100%	19	3.32^{+}	0.48	10	3.70^{+}	0.48
Readiness for discussions with students	93%	18	3.32	0.95	10	3.60	0.70
Ability to demand maximum deployment of abilities from students	75%	18	2.74^{+}	1.05	10	3.50^{+}	0.71
Ability to promote students' active participation in the course	86%	19	3.32	0.67	10	3.30	0.82
Visual aids were informative and helpful for learning	100%	19	3.53	0.51	10	3.60	0.52
Subject matter of written teaching material	89%	19	3.26	0.65	10	3.50	0.71
Relationship between the amount of written teaching material and the need for it	68%	19	2.84	0.69	10	2.80	0.92

	Right/ rather right	Public institutions			Private institutions		
		N	Mean	Std Dev.	N	Mean	Std Dev.
Illustrations and examples to support lectures	100%	19	3.26+	0.45	10	3.60+	0.52
Lecturer associates the subject with other subjects and practical life	93%	19	3.63	0.68	10	3.70	0.48
Lecturer treated students equally and fairly during the course	93%	19	3.63	0.68	10	3.70	0.48
Cooperation between lecturer and student outside course hours	58%	19	2.74	0.73	10	2.50	0.71
Keeping to schedule	100%	19	3.42+	0.51	10	3.80+	0.42
Level of difficulty of the subject	55%	19	2.58	0.77	10	2.40	0.84
Overall evaluation to lecturer	96%	19	3.26+	0.56	10	3.80+	0.42

* Evaluation criteria in student questionnaires: 1 – wrong 2 – rather wrong 3 – rather right 4 – right

+ Difference statistically significant at alpha=0.05 level

Source: The survey of performance appraisal in Estonian universities, 2005.

On average, private universities seem to put marginally more importance on interaction with students during the course, as indicated by average scores to 'considering student reactions, ability to create rapport' and 'readiness for discussions with students', and on illustrative aspects of the lectures (see again Table 4). They set higher value also on keeping to the planned work schedule and on the overall evaluations given by students.

There were no major differences in the percentages of staff participating in development interviews, except that the partici-

pation ratios of 80–90% reported by Audentes University exceeded considerably those reported by the other respondents. Again, the answers of private universities were in general less diversified than those of their public counterparts. The results about the preference of official or unofficial interviews as well as about the need to record the interview results with signed protocols did not reveal any pattern that would set the private or public universities apart. If usually development interviews are conducted by the professors of departments or faculty deans, then in the Estonian Business School certain interviews are made jointly by the management and professors. Both public and private universities prefer personal disclosure of appraisal results to more public disclosure.

More detailed responses about the role of the appraisal process show that the opinions in public and private universities do not differ dramatically in questions about the need for appraisal (both groups find it very important), about the visibility of academic staff appraisal (both find it possible), and about the interrelationship of the appraisal function and the organisation's objectives (both groups find that appraisal facilitates realisation of objectives). The only difference in that segment of questions concerns the interrelationship of the appraisal with cooperation between employees. The answers indicated that neither group has a very strong impression that a regular appraisal would facilitate employee cooperation, whereas private university respondents were somewhat more optimistic (average scores on 4 point scale were 2.47 (public) and 2.80 (private)). Although, due to the small number of respondents, the differences identified are not very reliable, it can be cautiously concluded that Estonian private universities have slightly more feedback-based, customer-oriented, and organisation-wide appraisal systems than public educational institutions. This might be partially attributed also to the differences in size and profile of these institutions (the two private universities included are oriented to teaching business administration). Nevertheless, some signs of stricter management control and governance were identified. In the following section we will describe more

detailed faculty-level results,, describing the appraisal system in the University of Tartu Faculty of Economics and Business Administration (FEBA). This example should give further insight into the appraisal and pay-for-performance interlink on the level of a faculty considering all the unique characteristics of lecturers and subjects. Although this section is based on a separate survey, the design of the questionnaire was basically the same as used in the other survey. In that sense, it represents the results of a pilot study.

ANALYSIS OF THE APPRAISAL AND COMPENSATION SYSTEM OF THE FACULTY OF ECONOMICS AND BUSINESS ADMINISTRATION (FEBA), UNIVERSITY OF TARTU

The staff's performance quality in the Tartu FEBA is controlled by the improved election process on vacancies and by well-documented procedures. The experience of the attestation commission has also developed, which has led to improved decision-making. The quality of staff performance is supported by stimulating remuneration as well as by feedback systems; student questionnaires are also used for that purpose every semester and for all courses. They are processed in the Office of Academic Affairs and not by the Faculty itself. The results of the feedback will be disclosed to the employee as well as to her/his direct supervisor. In Open University courses, the employee's salary is dependent on these evaluations; but the most important aspect of the questionnaires is still the feedback to the lecturer about her/his own work.

The annual self-appraisal of the entire Faculty is related to the preparation of annual reports and drawing up of next year's budget. The FEBA has established comprehensive procedures for keeping record of the staff members' tuition loads and

publications . This annual report of tuition and publications is used for allocating funds for tuition among the institutes and for differentiation between the staff's salary rates.

The staff motivation system is aimed at improving the overall quality of tuition and research process. In order to stimulate staff members by competitive comparison, the formalised performance results (teaching load, publications) are disclosed annually in a particular report. The monetary stimulation, such as salaries and additional compensation, are based on a person's actual work contribution/performance.

In difficult financial situations management by objective systems is crucial and a system of pay-for-performance should be worked out. The pay-for-performance system can be successfully used for directing and motivating the activities of the academic staff at the universities and seeing that their activities are in accordance with the aims and facilities of the university and its subdivisions. Because of considerable changes in the teaching of economics (e.g., greater teaching loads) and research in the field, it is important to implement specific motivation schemes and work out a unified system of performance appraisal and payment system by results. An overview of the principles implemented in the Tartu FEBA will follow. Work compensation of the academic staff at the University of Tartu in general is carried out according to the remuneration directives in which the regulations of paying bonuses are also stated. In the process of evaluating job efficiency, the following aspects are taken into consideration: (1) quality and efficiency of the tuition process; (2) quality of scientific research; (3) results of innovation; (4) efficiency of management activities; (5) implementation of refresher courses; (6) application of research and (7) development of contracts with partners of the university. According to the abovementioned regulations and the salaries budget fund, the faculties shape their policy of job compensation. Here we can use the salaries of the academic staff as proxies for this compensation.

The comparison of average salaries of the faculties at the University of Tartu indicates relatively high differences in wage levels (see Table 5), which is caused by the different capacity of privately paid tuition fees, the number of students per lecturer and the amount of credits per lecturer. Table 5 shows that the number of students per lecturer and the teaching load is remarkably higher in the FEBA than in the other faculties. In a relatively similar position are also the faculties of social sciences and law; the average salary in the latter being comparable to the level at the FEBA.

Table 5. Efficiency indicators and average salaries of the academic staff in the faculties of the University of Tartu

Faculty	Number of students (2002)	Number of lecturers (2002)	Number of students per lecturer	Number of credits per academic staff (2001/2002)	Average monthly salary (2002, EUR)
Theology	246	13	18.9	299	684
Law	862	31	27.8	644	975
Medicine	1535	162	9.5	244	735
Philosophy	2823	173	16.4	384	624
Biology and Geography	1444	59	24.4	299	785
Physics and Chemistry	1001	57	17.6	254	752
Education	964	24	41	291	618
Exercise and Sport Sciences	597	30	19.9	315	624
FEBA	1488	36	41.6	873	1102
Mathematics	752	50	15	406	786
Social Sciences	1986	49	40.9	681	746

Source: Annual report of University of Tartu 2002 (2003).

In compensating the academic staff of the Tartu FEBA, the established pay-by-performance system is based on the implementation of the objectives established by institutes and their

subdivisions. Every year a performance appraisal involving the whole faculty is carried out. In order to differentiate between salaries according to the employee's performance in the previous period, the teaching staff will receive annual performance-related bonuses, which are bounded by the institute's budgetary payroll fund and regulated by the University of Tartu remuneration directives. The sum of the staff member's basic salary, tutoring bonuses and performance-related bonuses must be in accordance with the employee's performance. Formalised evaluation of an employee's performance is related to the projection of the institutes' shares from tuition fees; whereas 20% of individually earned income will be assigned for covering the subdivision's overheads and for taking into account the non-formalised factors. After the numerical evaluation, each department will conduct development interviews. The head of the institute might, according to the suggestions made by the direct supervisor after interviews, increase the evaluation of an employee's contribution based on the non-formalised aspects of scientific and administrative work.

Tuition workload is the sum of teaching and tutoring workloads. Teaching workload consists of the lecturing, tutoring and theses defence workloads. In order to find the normative workload in hours, the sum of course credits assigned to students during each course will be corrected using the formula 0.9+10/n, where n is the number of students graded/credited. For works evaluated by a board (final exams, master's exams, dissertation defences) the accumulative workload will be calculated as a product of the number of students evaluated, the normative size of the board and the time spent. Tutoring workloads will be determined according to the standard hours assigned to different tutoring jobs. For example, a tutor of a course paper or internship will receive 6 hours, while a bachelor's thesis will give 12, master's thesis 18, and doctoral thesis 24 hours per each thesis in one year of study. In order to calculate qualification bonuses, the normative teaching workload will be multiplied by the following coefficients:

professor – 1.7; associate professor or senior researcher – 1.4; and lecturer or researcher 1.15.

This pay-by-performance system enables the assigning of basic salaries and bonuses to each employee separately, depending on her/his performance and such wage policy is directed towards stimulating an increase in the work contribution of employees. Because the wage resources are quite limited, the wages are differentiated to a maximum extent. As a result, considerable differentiation of salaries has emerged: the salary of a lecturer at the FEBA may be higher than that of a professor, depending on the workload and productivity. Payment of bonuses presupposes performance of higher capacity and quality from that required and/or and essential activity in the organisation, for example, the accomplishment of managerial tasks, working during the weekends or evening hours, etc.

To conclude, as discussed, the salaries and bonuses are appointed to the academic staff once a year on the basis on the performance of the previous period and within the boundaries of the institutes' and its subdivisions' budget fund, and also in accordance with the remuneration regulations. Head of the institute may on the basis of a development interview correct the employee's performance appraisal according to the qualitative appraisal of non-formalised aspects of performance.

As a result of the described system, the highly motivated core of the staff dedicated to academic work is maintained, and the publishing and research activity of the teaching staff has increased in the FEBA. But even though the number of publications and conference presentations by the FEBA staff has grown considerably over the last five years (the number of international events visited has doubled), there are still important improvements to be made concerning research work. Namely, research has to be stimulated to facilitate publication in high-level scientific journals. Thus, the faculty members have a strong domestic reputation, as indicated by the number of research grants given by different institutions, but have yet to

reinforce their position in the international scientific community.

However, although the implemented measures have resulted in positive changes in the work of the faculty, there have been some negative aspects as well. As the number of students has substantially grown with the implementation of the new programs, the staff is working under greater strain than in normal circumstances. This is supported by the abovementioned evidence about the student-lecturer ratio and the number of credits given by one lecturer (see Table 5), but also the research activities and publishing in high level peer-reviewed journals are still on a modest level. It cannot last like this for very long and the system needs some improvement in order to make it more lecturer-friendly and thus reduce the workload of the academic staff.

In order to study the level of contentment of lecturers with the appraisal system in the Faculty of Economics and Business Administration of the University of Tartu, one of the present authors carried out a survey in the period 15–30 March, 2004. 25 of 49 distributed questionnaires were returned (completion percentage was 50). The sample included 6 professors, 11 lecturers, 4 assistants, 3 researchers, (one of the respondents did not classify his/her position). The questionnaire rated seven aspects of the lecturer appraisal system through many sub-questions, and aspects.

Regarding the question whether it is necessary to appraise the lecturers at all, 72% of the respondents answered positively. The respondents had a rather good idea of the appraisal system implemented in the FEBA, 44% considered themselves to be well informed, 28% felt that they were informed well rather than not at all. However, it is quite worrying that as much as 28% of the respondents consider themselves to be insufficiently informed of the appraisal system. To the question whether they thought the appraisal system was comprehensive and practical , 44% of the respondents answered that it was rather not. 36% of

the lecturers responded that the appraisal system was rather comprehensive and practical. Thus, it can be said that the lecturers have a negative rather than positive opinion about the appraisal system being comprehensive and practical.

It was also asked whether the appraisal process should conclude with a development interview. 44% of the respondents answered yes rather than no. One fifth of the respondents believed that the appraisal process should end with a development interview, and 36% of the respondents stated that the appraisal process should not or should rather not end with an interview. The question about the form of the development interview received very different answers. 60% of the respondents preferred a non-official interview where the results are not recorded. The majority of respondents supported the idea of development interviews, while being against keeping records of these interviews. 80% of the respondents agreed or rather agreed to the direct supervisor being responsible for showing and discussing the appraisal results with an employee.

To the question whether the results of student questionnaires should be taken into account when calculating the pay of lecturers, 52% of the respondents answered 'no' or 'rather not'. Regarding the question whether attendance of their lectures should count as an appraisal criterion for lecturers, 76% of the respondents answered 'no' or 'rather not'. The majority of the respondents, 68%, answered that there should be a clear link between assessing one's job contribution and pay.

When asked whether it would be necessary to introduce a basic/post salary remuneration system, 56% of the respondents answered 'no' or 'rather not'. However, the majority (84%) believed that the present appraisal system should be developed and refined. One respondent answered that there is a need to create an altogether new appraisal system.

The majority of the respondents believed that the points system for publications that is based on the number of characters in the

article is too complicated and should be simplified (by 2005 it had already been simplified). 52% of the respondents agreed that it would be necessary to simply take into consideration the number of publications. One of the respondents added that for lower-level publications the by piece rating should be applied, whereas for higher-level publications the above method should rather not be applied.

The answers about workload show two strong tendencies. Firstly, the coefficients based on the teaching level and qualifications are considered to be high. Secondly, the points given for tests, papers, research projects, exams, defences, and reviewing are considered to be low (see Table 6). In addition, the respondents also said that the qualification coefficient was too high for professors, too high rather than low for associate professors, and too low for lecturers. These coefficients have been corrected to some degree. One of the respondents said that the coefficient for a test hour is too low and for taking an exam and assessing papers low rather than high. One of the respondents added that the coefficient for supervising Bachelor's theses is fair, but for supervising Master's theses it is low rather than high, and for supervising Doctoral theses too low.

Table 6. Contentment of the lecturers of the faculty with the coefficients used for calculating teaching load

Coefficient for calculating teaching load	Too/ Rather low	Too/ Rather high
Dependent on the level of study (master's: 1.5; doctorate: 2.0)	32%	48%
Dependent on qualifications (currently prof: 1.7; assoc. prof: 1.4; lecturer: 1.15)	20%	76%
Preparation and marking of tests/ exams (10 minutes of preparation per test hour; 20 minutes for marking a paper; 20 minutes for taking an exam)	76%	
Defence in front of a board (defence of a Bachelor's thesis and final exams −30–40 min per person; Master's and Doctoral theses −one hour per paper)	52%	20%

Coefficient for calculating teaching load	Too/ Rather low	Too/ Rather high
Work load as a supervisor (supervision of research and work experience − 6 hours; supervision of a Bachelor's thesis −12 hours; supervision of a Master's thesis −18 hours; supervision of a Doctoral thesis − 24 hours)	68%	24%
Research reviews (review of a Master's or a Doctoral thesis − 10 hours, review of a Bachelor's thesis −5 hours)	48%	28%

Source: The survey of performance appraisal in Tartu FEBA, 2004.

The lecturers found the questions and appraisal criteria in the student questionnaires relevant and believed that they would enable an objective and comparable evaluation of the work by lecturers. See Table 7 for the lecturers' evaluation of the specific questions.

Table 7 shows that lecturers are in general satisfied with the questions posed to students in the evaluation questionnaires, and the majority of them answered right/rather right to the questions. The only question considered unsuitable was about the level of difficulty of a particular subject, where as many as 72% of the respondents consider this criterion to be unsuitable. Almost half of the respondents did not consider the relationship between the amount of written teaching material and the need for it; and cooperation between the lecturer and students outside course hours to be relevant and appropriate questions.

Concerning the issue of how should the sum of points, used for determining an employee's contribution and pay be calculated, over half of the respondents (56%) answered that it should be calculated by the weighted average of the detailed evaluation results. 28% of the respondents believed it to be justified to calculate the sum of points influencing individuals' work contribution and pay according to the overall appraisal results.

Table 7. Faculty members' opinions about the evaluation criteria used in student questionnaires

Evaluation criterion	Wrong/ rather wrong	Right/ rather right
Subject matter of lectures	20%	80%
Clarity and logical presentation of lectures	8%	92%
Competence of lecturer	8%	92%
Level of preparation for lectures	28%	72%
Considering student reactions, ability to get rapport	16%	84%
Readiness for discussions with students	12%	88%
Ability to demand maximum deployment of abilities from students	36%	64%
Ability to promote student's active participation in the course	8%	92%
Visual aids were informative and helpful for learning	16%	84%
Subject matter of written teaching material	16%	84%
Relationship between the amount of written teaching material and the need for it	44%	56%
Illustrations and examples to support lectures	20%	80%
Lecturer associates his/her subject with other subjects and practical life	12%	88%
Lecturer treated students equally and fairly during the course	20%	80%
Cooperation between the lecturer and students outside course hours	44%	56%
Keeping to the schedule	20%	80%
Level of difficulty of the subject	72%	28%
Overall evaluation to the lecturer	28%	72%

Source: The survey of performance appraisal in Tartu FEBA, 2004.

To the question "How well informed are you about your work efficiency through which your pay is calculated?" 24% of the lecturers answered that they were comprehensively informed, and 44% of the respondents said that they were sufficiently informed. Unfortunately, 32% of the respondents considered

themselves to be insufficiently informed (of which 24% were somewhat informed, and 8% were not informed at all). When asked about the period the data of which should be considered when calculating pay, 48% of the respondents answered that the results of three years would be appropriate.

It is possible to bring out certain tendencies: the allocated hours for performing administrative work given to a dean, a head of institute, a board secretary, a coordinator of international cooperation were considered to be low rather than high. The administrative hours given to vice- deans (research), heads of division, members of the faculty council, members of the UT Academic Council, members of the UT Council commissions and members of the faculty council committee were considered high rather than low. Also the allocated hours for administrative work given to the coordinators of the Erasmus and Hermes projects were considered to be high rather than low. The allocated administrative hours given for occupational safety inspectiong were considered to be high or too high rather than low. One of the respondents also said that the allocated hours to heads for administrative work should depend on the staff numbers of the respective chairs.

The last section of the questionnaire contained open-ended questions. We asked the respondents to express their opinion about the overall satisfaction with the appraisal system in the faculty. The main pluses and minuses of the appraisal system indicated by the respondents are shown in Table 8.

Table 8. Pluses and minuses of of the academic staff appraisal system used by University of Tartu Faculty of Economics and Business Administration

PLUSES	MINUSES
• The appraisal system is reasonably open, transparent and improves the appropriacy of remuneration • It motivates to move on, the more you do the more you get, it has considerably increased the amount of publications; • It functioned well as long as there was enough money for salaries and the salaries increased yearly; now the negative points/aspects prevail; it used to be a motivating system but has ceased to be one; • It gives an overview of the amount of work done during the year and enables a person to compare him/herself to other staff members; • Guarantees the development of the faculty and is a role model to other faculties; • Less time is spent on administration and control.	• It has brought about frequent changes, excessive competition and conflicts; • It has impaired the work climate and diminished cooperation between colleagues; • Overly customer-focused/selling-oriented, • Not enough attention is paid on structural changes and personal reasons; • Need to prove oneself all the time can cause burnout and also increases the possibility of being trapped by numerous tasks; • Social Darwinism (only the strongest will survive); • The criteria used to measure efficiency are limited and fail to consider the staff's contribution to the development of the University and Estonia as a whole; • Too much attention is paid to quantitative measurements and the system is misused.

Source: The survey of performance appraisal in Tartu FEBA, 2004.

The respondents were also asked to disclose their suggestions for what would be the best faculty-level appraisal system (main principles, publications, coefficients for teaching loads, student

appraisals, and administrative workloads). Some of the suggestions:

1. To work out a formal appraisal system but not to apply it formally. The main aim should be to create stability and the conditions should not be changed constantly.
2. The main principles can remain the same. Yearly discussions and refinements of the system. To consider the evaluation results of full time students on appraising and maybe also on remunerating lecturers. Disclosure of appraisal results by direct supervisor during appraisal and development interviews. To guarantee feedback to lecturers.
3. One part of the problem is appraising the job, the other part dividing the workload. When we develop only one side and leave the other side without attention, the system will inevitably remain unfair. Unfortunately, there is no personnel policy as such, and the faculty has only payment policy.
4. There should be a certain base salary (for example 50% of the position minimum) and the rest could be dependent on the quality and quantity of the work done. The quality of the work done should be calculated similarly to the Open University (basic pay * coefficient of student appraisal).
5. There is no need to pay excessive attention to publications as voting to positions will be enough. Teaching load coefficients are necessary, however, they create subjectivity. Student appraisals are justified only when a minimum of 20% of students fill in the questionnaires. The administrative workload should be duly appreciated.
6. Differentiation is necessary between publications by researchers and publications by lecturers, and it is necessary to show the points given for each category.
7. In teaching more attention should be paid to the quality of teaching and student satisfaction, as we are after all service providers and our competitors “do not sleep”.
8. The main problem lies within the so-called low-level publications, which are produced at a fast rate and bring down the point levels. For example, very often it is easier to write 5 conference papers and one book per year.

9. In a longer perspective, it would be a good idea to abolish the system of counting points for publications altogether and establish a bonus system for exceptionally high-quality publications.
10. There is no ideal system – all systems have their pluses and minuses, one of the main minuses of the present system is also that it ignores pedagogical abilities and competence. The more time a lecturer spends on self-development in pedagogical issues, the more attention he/she will pay on teaching, and the less time will be left for research work. By paying more and more attention to the quality of teaching, the lecturer will minimise his/her chances of being employed as a lecturer in the future and being re-elected. Student appraisals may be unobjective and students may want to fling dirt at a strict lecturer.

The results of the questionnaire show that there are objections to all the applicable appraisal criteria, including publications, teaching loads, student questionnaires and administrative workload. The staff of the Faculty find the present appraisal system to be complicated and have brought out more minuses than pluses. One of the problems is that the system is changed and refined frequently and the staff has to constantly adjust to new requirements. Yearly changes decrease personal security, cause conflicts, and inhibit cooperation.

The majority of the staff said that they were sufficiently informed about the faculty's appraisal system. At the same time, it is far from normal that almost one third of the staff are insufficiently informed about the appraisal system and their work results which directly influence their pay. In order to improve the situation, official development interviews (without a filed protocol) should be carried out by direct supervisors. Only one third of the respondents did not consider development interviews necessary.

It can be concluded that the majority of lecturers (84%) consider appraisal necessary and believe that the present appraisal

system should be developed and refined. In the next section we will compare the appraisal systems used by public and private institutions.

CONCLUSIONS AND IMPLICATIONS

The performance appraisal and compensation process has gone through several important phases of development. From the simple measurement of output produced by blue-collar workers it has developed into a sophisticated management function characterised by a close relationship between individuals' goals and organisational objectives. In the higher education sector, appraisal systems have been implemented at the organisation-wide level mostly since the 1980s and 1990s. University staff usually accepts appraisal if it is oriented towards personal and organisational development and not towards stricter control. There is also a discussion going on about how extensively staff appraisal in universities should be oriented to student evaluation questionnaires, and thus to customer-oriented performance quality measures. This is also partially related to public university funding systems that range from enrolment-based financing to performance-based funding. Faculty compensation systems should strive for procedural, distributive and social justice as well as facilitate not only individual efforts, but also cooperation and teamwork.

Estonian universities use several types of appraisal systems. Although staff attitudes towards appraisal are positive, the systems are often still underdeveloped and fail to encompass the whole organisation. Different faculties in large universities have their own appraisal systems that vary considerably. On the positive side, these appraisal systems give feedback about the performance (including the opinions of students), support the individual development of staff, increase motivation, and help to achieve the quality goals of the university. On the negative side, the existing systems do not facilitate teamwork, are too

costly and complex to administer, provide possibly biased student feedback, might create tension between departments, and, if improper procedures are applied, even cause more HRM problems. The appraisal-compensation interlink has yet to be improved, although in some faculties the pay-for-performance system is already in place. Yet, much like in the case of appraisal systems, there are often no unified university-wide compensation rules that would incorporate the entire compensation package.

The faculty-level example of the University of Tartu Faculty of Economics and Business Administration showed that appraisal systems are often perceived controversially, depending on one's placement and job description in the faculty. Although the vast majority of academic staff support appraisal and development interviews, their opinions about the exact structure and level of formalisation vary considerably. This also indicates the complications that might arise when building a university-wide system.

The comparison of Estonian public and private institutions did not yield very large differences. However, private universities seem to set more store by student feedback in the appraisal process and value the appraisal function somewhat more highly than their public counterparts. Public universities, on the other hand, see development interviews as a more valuable tool for summarising the appraisal results. The appraisal-compensation connection is again more straightforward in the private sector. Unlike public universities, private institutions find that teaching in a foreign language should be used as an important determinant of the pay-for-performance. Private universities also involve their management more actively in the elaboration of the appraisal methods and their appraisal processes are reportedly taking place frequently. In general, appraisal systems in private universities tend to be more direct feedback-based, student-oriented, and university-wide. This is in part made possible by the smaller size of these institutions, which allows them to be more flexible. However, this result should be viewed with caution because the present study has several limitations.

The first limitation is related to the sample size. The survey of the universities unfortunately yielded only 29 usable responses, among which the sub-sample of private institutions was 10 observations, and the remaining 19 respondents were from public institutions. The low number of observations is likely to provide unstable results which should be verified by other surveys. Although the respondents were in most cases experts of HRM aspects, the dataset is still too small for making any conclusive generalisations. The second limitation concerns the specific profile of private institutions included in the survey. Both universities are teaching economics and management, which makes them inherently more conscious about appraisal management. Hence the results can probably not be generalised to all private universities. The third limitation involves the dynamic nature of appraisal systems. Because appraisal procedures are still being developed and evolve constantly, the described systems might no longer represent the *status quo* of all the aspects of appraisal. This is even more so in the case of the compensation aspect.

The implications of this research to human resource management theory relate to the difficulties in adopting organisation-wide appraisal systems. Different faculties may indeed have various requirements that the appraisal information must meet. This does not mean, however, that organisation-wide coordination is not necessary. It would be best to establish a layered system where organisation-wide procedures and support are inherently built in so as to allow for some customisation on faculty or department level. The experience of the private sector suggests that coordination also helps to create a more unified vision about the nature of appraisal. The managerial implications suggest closer cooperation between faculties and the human resource department for the establishment of more unified appraisal procedures. This would help to accelerate the development processes and the application of pay-for-performance systems in universities, which in turn would help to raise the quality of higher education. This aspect is especially important for large public institutions.

The future research in the field should devote more attention to the compensation systems that have close connections to appraisal results. Pay-for-performance solutions have found usage in both public and private sector alike. Yet, it is important to define performance and to determine performance indicators that are measurable, objective, and support the achievement of organisational objectives. The other issue concerns the impact of performance-based funding on the appraisal and compensation systems.

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KOKKUVÕTE

EESTI AVALIK-ÕIGUSLIKES JA ERAÜLIKOOLIDES RAKENDATAVATE PERSONALI HINDAMISSÜSTEEMIDE NING HINDAMISE-TASUSTAMISE SEOSTE VÕRDLUS

Haridustöötajate töötulemuse hindamise ja tasustamisküsimused on Eesti haridussüsteemi kvaliteedi ja tuleviku üle peetavates aruteludes üheks keskseks teemaks. Senini on keskendutud kooliõpetajate töötasustamisele, kuid seos õpetaja töötulemuste ja töötasu vahel on siiski jäänud ebaselgeks. Olukord ülikoolides on sarnane ning sealgi on vaja võtta töötajate töötulemuste ja -tasude seosed põhjaliku vaatluse alla. Erinevalt Eesti koolidest on ülikoolidel selles vallas juba aastatepikkusi kogemusi ametikohtadele valimiste raames. Siiski jäävad töötulemuste ja töötasu vahelised seosed enamasti ebaselgeks.

Artikli eesmärgiks on võrrelda töötulemuste hindamise ja töötasustamise põhimõtteid ja süsteeme Eesti avalik-õiguslikes ja eraülikoolides ning tuua välja võimalikud erinevused nende vahel. Avalik-õiguslikes ülikoolides on viimastel aastatel vähenenud riigi finantseeritavate õpikohtade arv, mis on kaasa toonud õppemaksude olulisuse kasvu finantseerimisallikana. Seega on avalik-õiguslikud ülikoolid avatud enam turusurvele, mis mitmes plaanis on samalaadne eraülikoolide poolt kogetavaga. Vaatamata sellele eksisteerivad mitmed olulised erinevused antud ülikooligruppide juhtimises kui ka traditsioonides, mis mõjutavad ka hindamis- ja tasustamissüsteeme.

Eesti avalik-õiguslike ja eraülikoolide akadeemilise personali tulemustasustamise süsteemide võrdluse käigus selgus mitmeid olulisi erisusi, kuigi põhiküsimustes võib täheldada sarnast suhtumist hindamisse. Eraülikoolid omistavad näiteks enam tähtsust üliõpilashinnangutest saadavale tagasisidele ning väärtustavad hindamise rolli veidi kõrgemalt kui avalik-õiguslikud

ülikoolid. Avalik-õiguslikud ülikoolid väärtustavad kõrgemalt hindamis- ja arenguvestlusi hindamistulemuste üldistamisel ja avalikustamisel.

Hindamise ja töötasustamise seos on eraülikoolides selgepiirilisem. Eraülikoolide esindajad arvavad ka, et õppetöö läbiviimine võõrkeeles on tulemustasustamise oluline kriteerium. Eraülikoolide hindamissüsteemid on oma suunitluselt üleülikoolilised ja üliõpilashinnangute kesksed ning neis juhindutakse enam vahetust tagasisidest. See on arvatavasti võimalik tänu eraülikoolide väiksemale suurusele, mis võimaldab neil olla üleülikooliliselt paindlikum.

Ülikoolide juhtimisel oleks soovitav teha tihedamat koostööd personaliosakonna ja teaduskondade (instituutide) vahel, tagamaks võimalikult ühtsete hindamispõhimõtete rakendamine. See aitaks kaasa tulemustasustamise süsteemide väljaarendamise ja sisseviimise kiirendamisele ülikoolides, mis omakorda võimaldaks tõsta kõrghariduse kvaliteeti, mis on eriti probleemiderohke suurtes avalik-õiguslikes institutsioonides.