RATER-RATEE PERCEPTION OF PERFORMANCE APPRAISAL ERRORS IN INDIAN RAILWAYS- A STUDY

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ABSTRACT

Performance appraisal as a strategy for human resource management in public service sector organizations has attracted the attention of researchers and heads of public sector units, due to the growing transition of the economy from manufacturing labor intensive model to a service-driven knowledge-centered one. The success and survival of an organization is influenced by the efforts of employees of the organization. An effective performance appraisal system potentially serves the purpose of aligning those efforts with the aims of the organization, motivating the employees and managing their performance. An effective appraisal system is one that satisfies the needs of all the stakeholders. Hence performance appraisal has received attention as one of the more heavily researched topics in human resource practices. Still, many organizations express dissatisfaction with their appraisal schemes. This may signal a lack of success of performance appraisal as a mechanism for motivating people and developing their performance. Performance appraisal in most of the organizations is affected by the different types of appraisal errors which reduces the effectiveness of an appraisal system. Thus, instead of motivating the employees it often loses its importance to the employees. Indian Railways follows an annual performance appraisal system. This study found that the present appraisal system is under the influence of seven types of errors and there is no significant difference in the perceptions between the 309 supervisory category of ratees and 86 raters of that category of employees about the fact that the performance appraisal system is affected by 7 types of errors. In addition, this study should also suggest that the organization must develop a sound procedure for the execution of Performance Appraisal System.

KEY WORDS: Performance Appraisal, Performance Appraisal errors, Rater-Ratee Perception.

1. INTRODUCTION

The performance of an organization depends on not only just the available resource but also the quality and competence as required by the organization time to time. An organization possessing competent human resource grows faster than the other organization. The performance appraisal is
essential to improve the performance of the public employees through Human Resource development (HRD). In fact performance appraisal is the foundation for HRD. Indian Railway being a public utility concern, its basic object is to serve the society. Railways have to generate fund through passenger and freight carrying, as all the expenditure cannot be made out of other public funds. But as the government is reducing subsidy and passing more burden to the organization for generating its own revenue, Indian railways should concentrate on reduction of input cost including the cost of human resources. Hence the productivity of staff of Indian Railways has to be enhanced so as to match the technological leap that the railways are planning to undertake. An effective appraisal system inspires the employees to contribute his best in return of recognition of his performance. But raters’ perception based appraisal system fails to distinguish a skilled performer from an unskilled performer. Various errors which are committed by the raters at the time of evaluation affect the accuracy and satisfaction with an appraisal system. The nature of errors may be different in different organizations as it depends on various factors related with performance appraisal system. Hence research will continue to identify the nature and causes of performance appraisal errors based on the performance appraisal system followed by a particular organization. Considering the fact that diagnosing the performance appraisal system of an organization for its errors would lead to a system with enhanced acceptability among the stakeholders, research has highlighted this need. The study therefore tries to find the errors that may be taking place in the Indian Railways from the perceptions of both raters and ratee.

2. LITERATURE SURVEY

Performance appraisal can be defined as a discrete, formal, organizationally sanctioned event, usually not occurring more frequently than once or twice a year, which has clearly stated performance dimensions and/or criteria that are used in the evaluation process [1]. Performance Appraisal is increasingly considered as one of the most important human resource practices [2]. The performance appraisal is a technique that has been credited with improving performance [3],[4] and building both job satisfaction and organizational commitment (which has been related to lower levels of turnover) [5], [7]. This is also studied that the contribution of appraisal is strongly related to employee attitudes and strong relationships with job satisfaction [8].The various authors, researchers and management gurus have defined the Performance Appraisal in different ways according to their knowledge. Probably, the differences in the definition of the word itself are due to the scale of impact it has caused to the people, organization, economy and so forth, individually [9], [10].

An appraisal system often influenced by the various types of errors when there is long time gap between the appraisal and the performance. The harmful effects of favoritism have two implications for the design of rewards. Incentive pay for employees will be de-emphasized and favoritism causes organizations to use bureaucratic rules in pay and promotion decisions.

3. RESEARCH ISSUES

Evaluation of the effectiveness of a Performance Appraisal System based on the perceptions of both rater and ratee has attracted attention of researchers across the world for its inherent potential to activate the human resources in all type of organizations. Though it is essential to select a fair and satisfactory method of conducting performance appraisal with an objective to boost employee motivation and productivity but in practice Performance Appraisal Systems often fail to achieve its goal in most of the organizations. Different types of errors committed by the raters adversely affect the effectiveness of an appraisal system. Unfortunately very few researches are there relating appraisal errors in public sector organization. The object of this study is to highlight the perception
of both rater and ratees about the 7 types of appraisal errors which are committed by the raters at the time of evaluation.

4. RESEARCH METHODOLOGY

This study is based on the perceptions of both the raters and ratees collected through a structured questionnaire from the head Office and few divisions of South Eastern Railway. Data are based on Gr. C 309 supervisory category of employees who shared their opinion as the raters and 86 ratees who are evaluating them. The raters consists of 51 direct reporting officer and 35 reviewing officer who are the direct officer of the reporting officer. The data are analyzed by SPSS 17. The cronbach alpha value of the item scale is .879 represents a good internal consistency amongst the questionnaire items. The responses were measured on 5 point likert scale ranging from Don’t Know (1), none of the raters (2), some of the raters (3), most of the raters (4) and all the raters (5). ‘Don’t know’ implies that the appraisal system is completely free from the respective errors which are mentioned in the questionnaire. This study will hypothesize that the exiting appraisal system is under the influence of 7 types of errors and perceptions of the raters and ratees relating the 7 types of errors do not differ significantly.

5. RATERS’ AND RATEES’ PERCEPTION ABOUT PERFORMANCE APPRAISAL ERRORS

The appraisal errors that may arise at the time of evaluation of performance of the subordinates acts as a hindrance in reflecting the true performance of a ratee and affect the effectiveness of a Performance Appraisal System. The following table shows the means and standard deviations of the study variables used to evaluate the perceptions of both rater and the ratee about the different appraisal biases.

<table>
<thead>
<tr>
<th>Items</th>
<th>Category</th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Std. Error Mean</th>
<th>t-values</th>
<th>Sig values</th>
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<tbody>
<tr>
<td>Hallo Error</td>
<td>rater</td>
<td>86</td>
<td>2.78</td>
<td>1.022</td>
<td>.110</td>
<td>2.989</td>
<td>.003</td>
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<tr>
<td></td>
<td>ratee</td>
<td>309</td>
<td>2.39</td>
<td>1.200</td>
<td>.068</td>
<td></td>
<td></td>
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<tr>
<td>Horn error</td>
<td>rater</td>
<td>86</td>
<td>2.65</td>
<td>1.026</td>
<td>.111</td>
<td>.630</td>
<td>.530</td>
</tr>
<tr>
<td></td>
<td>ratee</td>
<td>309</td>
<td>2.57</td>
<td>1.181</td>
<td>.067</td>
<td></td>
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</tr>
<tr>
<td>Recency error</td>
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<td>2.80</td>
<td>.934</td>
<td>.101</td>
<td>2.194</td>
<td>.029</td>
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<tr>
<td></td>
<td>ratee</td>
<td>309</td>
<td>2.54</td>
<td>1.014</td>
<td>.058</td>
<td></td>
<td></td>
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<tr>
<td>Error of Strictness</td>
<td>rater</td>
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<td>2.79</td>
<td>.883</td>
<td>.095</td>
<td>2.983</td>
<td>.003</td>
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<tr>
<td></td>
<td>ratee</td>
<td>309</td>
<td>2.45</td>
<td>1.111</td>
<td>.063</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Leniency error</td>
<td>rater</td>
<td>86</td>
<td>2.64</td>
<td>.893</td>
<td>.096</td>
<td>2.136</td>
<td>.034</td>
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<tr>
<td></td>
<td>ratee</td>
<td>309</td>
<td>2.39</td>
<td>1.090</td>
<td>.062</td>
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<tr>
<td>Central Tendency error</td>
<td>rater</td>
<td>86</td>
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<td>.931</td>
<td>.100</td>
<td>.530</td>
<td>.597</td>
</tr>
<tr>
<td></td>
<td>ratee</td>
<td>309</td>
<td>2.77</td>
<td>1.165</td>
<td>.066</td>
<td></td>
<td></td>
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<tr>
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<td>.906</td>
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<td>2.243</td>
<td>.026</td>
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<td></td>
<td>ratee</td>
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<td>2.53</td>
<td>1.024</td>
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<td></td>
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<td>.711</td>
<td>.077</td>
<td>2.674</td>
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<td></td>
<td>ratee</td>
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<td>.823</td>
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The means of most of the variables are more than 2.5 for the ratees and all of the items for the raters imply that all appraisal biases, investigated in this study influence the current performance appraisal system. The overall mean values for raters and ratees are 2.76 and 2.52 respectively shows that both the raters and ratees perceived that the appraisal system is negatively affected by performance appraisal errors and moreover raters have more adverse opinion than the ratees. Raters’ perception about the existing errors being higher than the ratees’ perception is a significant finding of this study. Since these reports have been compiled from the self appraisal done by the raters, one may believe that the raters are aware of their limitations.

As per the above table mean values of central tendency error is the highest for both rater and ratee i.e. 2.84 and 2.77 respectively. The high prevalence of central tendency error which has been reported by both rater and ratee may occur due to the raters’ belief that the appraisal is waste of time, as the promotion of candidates is not directly linked with the performance or they may not be fully aware of the performance of their subordinates, and consider appraisal to be routine and mundane task.

This is also to be noted that in this appraisal system the supervisors are evaluated firstly by the direct reporting officer belonging to Group B category and finally that is reviewed by the reviewing officer of Group A category. Due to large number of ratees in comparison to small number of raters, lack of direct contact of Group A reviewing officers with Group C supervisors and lack of sufficient time given to the evaluators, act as hindrance in proper evaluation and hence there is the tendency of an average marking. Moreover to avoid conflicts with subordinates and also accountability to explain the reason for giving below average grade they usually give “average” grade. Doing so distorts the evaluations, making them less useful for promotion, salary increment or counseling purposes.

An independent t-test at 5% level of significance shows that regarding central tendency error and the horn error there is no significant difference in the mean values of responses between rater and ratee. But there are significant differences in the mean values relating halo error, recency error, error of strictness, leniency error and error due to similarity effect. This implies that though both the rater and ratee think that the appraisal system is under the influence of the above mentioned errors but the raters’ perceptions about halo error, recency error, error of strictness, leniency error, similarity error and overall errors are significantly higher than the ratee.

The halo error occurs as the rater gives the subordinates good grades although their performances may not be worthy either because raters sometimes cannot evaluate the employee's other characteristics specifically or overlook poor performances, if they like the subordinate.

The error due to horn effect arises when the rater gives poor grade although ratee’s performance is worthy. In such a case the rater views all behaviors or actions of a subordinate negatively as he dislikes a particular behavior or action of the subordinate.

This recency error arises due to the gap between the actual performance and the time of evaluation. This is because raters’ memories influence their recall abilities. As the gap increases the raters memory affects the rating system. Recency errors are most likely to occur when the evaluation is an annual practice that might be very long for the rater to remember all performance-relevant information of the employees. As a result, recent events are weighted more heavily than the whole year performance of the employees. But performance appraisal should range all appraisal period. This error can be minimized by keeping ongoing behavioral or critical incident files in which good and poor behaviors and outputs are recorded which ensure that information for the entire period is incorporated into the appraisal. This will also help to avoid the problem regarding tendency of some employees to work very hard and demonstrate good performance when appraisal time is approaching to get higher rating.

The leniency error occurs when the raters have a tendency to be liberal in rating. They give ‘high rating’ irrespective of the actual performance of the employees unless they have a clear
deficiency. Such raters do not want to "adversely impact" the future of subordinates and to be perceived as "unwanted person" on the eye of the ratees by giving the poor grade. Leniency errors may occur if a supervisor feels uncomfortable with comforting the aggressive employees with less than favorable evaluations. So to avoid conflict, the supervisor might choose to rate everyone high. The error of strictness is the opposite of the leniency error. Here raters assigns ‘Poor rating’ regardless of actual performance level of the ratees. Such ‘tight raters’ have very high evaluation standards.

Central tendency error is the most commonly found error. The rater assigns “average rating” rather than giving extreme poor or good grades irrespective of the actual performance. Such error takes place when most employees are appraised as being near the middle of the performance. This error is mostly occurs if the raters are not fully aware of the performance of the ratees, raters are not made accountable to justify the rating and raters have low faith on the benefits of the performance appraisal system.

The similarity error arises when appraisers overlook the actual performance of the ratee; on the other hand, these kinds of raters have the tendencies to give better rating to those subordinates similar to themselves in behavior, personality or background [11]. Also the ratee might take the advantage of this error. Some ratees make efforts to demonstrate that their behaviors, tastes and tendencies match those of the superior or hide those not matching with the superior's, with the intention that such would please the superior and consequently receive better ratings. This is studied that the appraisal system is under the influence of all types error as mentioned above which affect the effectiveness of the existing appraisal system.

6. SUGGESTION & CONCLUSIONS

Despite the heavy reliance on the Performance Appraisal System, it is generally acknowledged that they are too often contaminated by various types of errors (leniency error, halo error, central tendency error etc.). The researchers are trying to reduce these rating errors. Unfortunately little progress has been made. This is studied that most the raters commit central tendency error, as a result poor performers are neither punished nor corrective action is taken against them. On the other hand most of the efficient performers are also not awarded. Such a situation may create an illusion in the mind of the ratees about the purpose of the appraisal system. Hence the system should be developed so that poor performers and efficient performers can be distinguished properly and necessary action can also to be taken based on the appraisal report. Otherwise it will be treated as a routine work by the participants.

Relative performance standard should be avoided which acts as a hindrance to assure quality output by discriminating between the poor performers and skilled performers. It also tends to pit workers against each other, impairing the effective team work and cooperation. Absolute standards should be fixed which should provide goals for individuals and without worrying the employees about their competitive position in respect of their peers.

Proper training in impartial treatment to all the ratees involved directly or indirectly in the appraisal is needed to overcome the problems regarding the rater's biases, subjectivity, leniency, error of strictness and inconsistent rating. Such training should aim at clarifying the purpose of appraisal, developing common understanding about the processes, the norms and the dimensions of performance appraisal. Besides, training should develop a culture of openness and trust to facilitate feedback and post-performance appraisal review, if necessary. Training should clarify the weight should be given to each behavior when combining them to determine a final evaluation. Before raters are asked to observe and evaluate the performance of others, they should be allowed to discuss the performance dimensions on which they will be rating.
In practice several other factors including the extent to which pay is tied to performance ratings, time constraints in Performance Appraisal System and the need to justify rating may be more important than training. This means that reducing appraisal errors also requires reducing these effects of outside factors. Sometimes the rater exploits the power of appraisal and the ratees may feel threatened. Though it is necessary in a performance appraisal context, that both positive and negative information will have evaluative implications and it is not known which will be perceived as most meaningful or which is most likely to be retrieved during recall. But in practice the raters consciously determines which type of information will be useful as a result it provides a raters’ perception based appraisal system. Therefore, proper attention must be given to fix up the accountability of the rater to justify the rating. Keeping of records of both positive and negative performances should also be maintained throughout the year to justify the rating.

As the appraisal system is a year-end exercise in Indian Railways the time gap between the performance and the evaluation may also influence raters’ memory and acts as a hindrance to evaluate each employee’s performance more accurately. Employees’ performance should be a continuous process in the organization. Therefore it is needed that the performance of the employees should be monitored on a timely basis rather once a year. This will ensure the continuous improvement of performance of the employees; help to identify the gap between the actual performance and standard performance; help to identify the opportunities that can assist employees with unfamiliar task or challenges; help to identify the difficulties in advance to achieve the existing standard; help to collect data relating employees’ performance for documentation at the time of final appraisal.

The time gap in an annual performance appraisal system between the actual performance and the evaluation time often become responsible for the recency errors. The recency effect means letting a recent act of the employee to blind the rater to what the ratees’ performance has been over the years. This is suggested that the perennial evaluation is needed based on the whole year performance of the employees. The evaluation of performance by the raters based on selective memory can be eliminated by reducing the time gap between the performance and the evaluation. Hence the organization may take initiative to perform the reviews on a more frequent basis.

Attitude of the raters is an important issue in the success of the Performance Appraisal System. The high prevalence of central tendency error may occur due to the raters’ belief that the appraisal is waste of time, as the pay structure is not directly linked with the performance level and in most of the cases they are not fully aware of the performance of their subordinates. Moreover to avoid conflicts with subordinates and also evade the burden of accountability to explain the reason for giving below average grade they usually prefer to give a middle level grade thus central tendency error occurs. Proper training to the raters about the appraisal purpose can reduce this error. As the performance appraisal provides vital input in times of promotion and gives a feedback about actual performance of the employees the raters should differentiate the employees based on their actual performance.

In addition, this study should also suggest that the organization must develop a sound procedure for the execution of Performance Appraisal System. Organizations must provide leadership from above. Middle and lower level managers cannot be expected to provide accurate ratings if intentional inaccuracy is practiced higher in the organization [12]. The organization should also arrange for audit of performance appraisal procedure to ensure the accuracy of information gathered to evaluate the performance. Though Indian Railways is one of the largest public sector organizations, the study based on limited number of respondents will provide a direction to the future researcher to study the reasons of such errors in other zones of Indian Railways as well as other public sector organizations and to find way of increasing the effectiveness of Performance Appraisal System.
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