

# 2012 Modularization of Korea's Development Experience: Individual Performance Appraisal in the Government of Korea

2013



MINISTRY OF  
SECURITY AND  
PUBLIC ADMINISTRATION





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2012 Modularization of Korea's Development Experience:  
**Individual Performance Appraisal  
in the Government of Korea**

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2012 Modularization of Korea's Development Experience

# Individual Performance Appraisal in the Government of Korea



MINISTRY OF  
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UNIVERSITY



# Preface

The study of Korea's economic and social transformation offers a unique opportunity to better understand the factors that drive development. Within one generation, Korea has transformed itself from a poor agrarian society to a modern industrial nation, a feat never seen before. What makes Korea's experience so unique is that its rapid economic development was relatively broad-based, meaning that the fruits of Korea's rapid growth were shared by many. The challenge of course is unlocking the secrets behind Korea's rapid and broad-based development, which can offer invaluable insights and lessons and knowledge that can be shared with the rest of the international community.

Recognizing this, the Korean Ministry of Strategy and Finance (MOSF) and the Korea Development Institute (KDI) launched the Knowledge Sharing Program (KSP) in 2004 to share Korea's development experience and to assist its developing country partners. The body of work presented in this volume is part of a greater initiative launched in 2010 to systematically research and document Korea's development experience and to deliver standardized content as case studies. The goal of this undertaking is to offer a deeper and wider understanding of Korea's development experience with the hope that Korea's past can offer lessons for developing countries in search of sustainable and broad-based development. This is a continuation of a multi-year undertaking to study and document Korea's development experience, and it builds on the 40 case studies completed in 2011. Here, we present 41 new studies that explore various development-oriented themes such as industrialization, energy, human resource development, government administration, Information and Communication Technology (ICT), agricultural development, land development, and environment.

In presenting these new studies, I would like to take this opportunity to express my gratitude to all those involved in this great undertaking. It was through their hard work and commitment that made this possible. Foremost, I would like to thank the Ministry of Strategy and Finance for their encouragement and full support of this project. I especially would like to thank the KSP Executive Committee, composed of related ministries/departments, and the various Korean research institutes, for their involvement and the invaluable role they played in bringing this project together. I would also like to thank all the former public officials and senior practitioners for lending their time, keen insights and expertise in preparation of the case studies.

Indeed, the successful completion of the case studies was made possible by the dedication of the researchers from the public sector and academia involved in conducting the studies, which I believe will go a long way in advancing knowledge on not only Korea's own development but also development in general. Lastly, I would like to express my gratitude to Professor Joon-Kyung Kim and Professor Dong-Young Kim for his stewardship of this enterprise, and to the Development Research Team for their hard work and dedication in successfully managing and completing this project.

As always, the views and opinions expressed by the authors in the body of work presented here do not necessary represent those of the KDI School of Public Policy and Management.

**May 2013**

**Joohoon Kim**

**Acting President**

**KDI School of Public Policy and Management**



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# Abbreviation

360-Degree Evaluation	다면평가
Annual Merit Incremental Program	성과급적연봉제
Career Civil Service System	직업공무원제도
Civil Service Commission	중앙인사위원회
Individual Performance Appraisal System	개인성과평가제도
Job Evaluation System	근무성적평정제도
Job Posting System	직위공모제
National Civil Service Act	국가공무원법
Nepotism	정실주의
Open Position System	개방형직위제도
Performance Agreement System	직무성과계약제
Performance Appraisal System(PAS)	성과평가제도
Performance Bonus Program	성과상여금
Performance Management Card	성과관리카드
Position Assignment System	순환보직제
Public Officers Pension Act	공무원연금법
Public Officers Training Act	공무원 교육훈련법
Public Service Ethics Act	공직자윤리법
Senior Civil Service	고위공무원단
Senior Civil Service System	고위공무원단 제도
Seniority System	연공서열
Total Wage System	총액인건비제

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# Summary

This report describes Korea's experience with its individual performance appraisal system. The report explains the system's formal structures and its actual operations along with the political and social context in which the major changes took place. This approach will provide the audience, particularly developing countries, with insight into understanding "why certain things were possible in Korea" and exploring "what each developing country has to do, taking into account its own conditions."

Korea's results-based management theory emerged as a moral concept rather than a technical tool for management. Since the country had to rebuild the entire country from the ashes of the Korean War, the can do spirit was easily implanted in the minds of the people. Their hard work and sacrifice were efficiently managed toward national visions, known as five-year economic plans. Again and again, the country achieved these five-year visions, consisting of increasingly ambitious targets. And Korea earned the title of the "miracle economy."

Chapter 2 provides a broad summary of employee performance appraisal systems (hereafter PAS) in the context of the Korean government's civil service system. The chapter will briefly explain the core concepts and practices of PAS. It explains the important issues of PAS, including job analysis, evaluation criteria, fair and objective evaluation of performance, and the role of supervisors. A three-stage model exploring the evolution of PAS during the Korean government's civil service reforms from 1960 to 2012 will also be introduced. Chapters 3 to 5 provide additional details and analysis of political and social contexts, employee job monitoring systems, and stages of the PAS process. Finally, the chapter summarizes global trends in PAS and assesses the status of PAS in the Korean government compared to global trends.

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Chapter 3 provides an overview of Korean employee job evaluation systems in a merit-based civil service system between 1960 and 1992. The chapter introduces the Development Stage of PAS under the leadership of President Park Chung-hee (1963-1979), President Chun Do-hwan (1980-1988) and Roh Tae-woo (1988-1992). For analyzing the PAS evolution in Korea, the chapter discusses the following themes related to the evolution of PAS: 1) political context and PAS; 2) context of HRM reforms and their impacts on PAS; and 3) the impacts of organizational factors and culture on PAS and its implementation.

Chapters 4 and 5 provide overviews of the more democratic and open personnel systems focusing on individual performance evaluations that were introduced and implemented during the Kim Young-sam administration (1993-1997), the Kim Dae-jung administration (1998-2002), Roh Moo-hyun administration (2003-2007), and Lee Myung-bak administration (2008-2012).

Chapter 6 introduces the five most current systems, including Performance Agreement, Job Evaluation System, 360-Degree Evaluation, Performance Management Card, and Pay for Performance. Each system will be overviewed in terms of its background, operational process, and its impacts and limitations.

Lastly, Chapter 7 highlights lessons and implications of the Korean government's experiences and practices. In conclusion, what worked for Korea may not be appropriate for certain developing countries. This report's historical approach in a political/social context would provide more developing countries with insight into exploring their own applicable approaches and tools. No matter what the configurations of a particular country's performance management system are, one should note that a performance appraisal is intended to build a competent and accountable government that eventually produces better performance and productivity for the country.



2012 Modularization of Korea's Development Experience  
Individual Performance Appraisal in the Government of Korea

# Chapter 1

## Introduction

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# Introduction

The Republic of Korea, which is part of the G-20 leadership, has had successful and diverse experiences in achieving economic development, social development, and citizen-led democratization in the past 60 years. This growth has garnered the attention of developing countries around the world. Its success, often called an *economic miracle*, would have been impossible without the hard work of the Korean people and good government management. Results-based management is one of the critical components of good government management in the modern history of Korean governance.

Korea's results-based management emerged as a moral concept rather than a technical tool for management. Since the country had to rebuild the whole country from the ashes of the Korean War, the *can do* spirit was easily implanted in the minds of the people. Their hard work and sacrifice were efficiently managed toward national visions, known as five-year economic plans. The country achieved its first five-year visions, and then the ones that followed, featuring increasingly ambitious targets – earning Korea the “miracle” reference.

While the Korean government has made a great deal of progress in government efficiency and effectiveness through reforms and innovations in the last decades, it faces ongoing challenges related to complex governance issues in the 21<sup>st</sup> century. These challenges include capacity building for effective governance, social equity, balancing centralization and decentralization, integrity of public leadership, transparency, and accountability. Furthermore, there are increased social concerns regarding the low birth rate, an aging society, welfare policy, suicide rates, non-permanent workers, youth unemployment, workforce diversity, and the political culture of antagonism.

The field of public administration emphasizes that a well-developed civil service system and effective human resource management practices are essential for creating an effective and accountability-oriented organizational culture in government. From 1961 to 2012, human

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resource management (HRM) in the Korean Government has made good progress in both the intellectual diversity of topics and the innovative reforms of personnel management. Yet many more challenges remain for enhancing and strengthening the managerial capacity of HRM to respond to complex and uncertain issues facing personnel management in government within the context of governance and an era of globalization. One of the ongoing challenges of HRM in Korea's public sector is designing and implementing employee performance appraisal systems that embrace the values of objectivity, reliability, validity, fairness, and competency development.

This report describes Korea's experience with its individual performance appraisal system. This study explains the system's formal structures and its actual operations along with the political and social context in which the major changes took place. This approach will provide the audience, particularly developing countries, with insights into understanding "why certain things were possible in Korea" and exploring "what each developing country has to do, taking into account its own unique circumstances."



2012 Modularization of Korea's Development Experience  
Individual Performance Appraisal in the Government of Korea

## Chapter 2

### An Overview of Performance Appraisal Systems in Korea

1. Performance Appraisal Systems in the Public Sector
2. Evolution of PAS: A Historical Overview in Korea
3. Current Systems of Employee Performance Appraisal in Korea

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# An Overview of Performance Appraisal Systems in Korea

This chapter will provide a broad summary of employee performance appraisal systems (hereafter PAS) in the context of the Korean government's civil service system.<sup>1</sup> The chapter will briefly explain the core concepts and practices of PAS. It explains the important issues of PAS, including job analysis, evaluation criteria, fair and objective evaluation of performance, and the role of supervisors. A three-stage model exploring the evolution of PAS during the Korean government's civil service reforms from 1960 to 2012 will also be introduced. Chapters 3 to 5 provide additional details and analysis in the political and social context, also discussing employee job monitoring systems and each stage of the PAS process. Finally, the chapter summarizes global trends in PAS and assesses the status of PAS in the Korean government against global trends.

## 1. Performance Appraisal Systems in the Public Sector

Scholars and practitioners in the field of public administration have put forth the key question for government leaders in the 21<sup>st</sup> century as how to cultivate and foster an organizational culture that focuses on shared behavioral expectations and normative beliefs pertaining to innovation and high performance within work units (Hartmann & Khademian, 2010; Khademian, 2002). Various forms of 'new public management' (NPM) practices have also been adopted by governments across global communities in an effort to enhance the quality of public services, and to address accountability by managing for results, reforming human resources management (HRM), and delegating responsibilities to managers (Pollitt & Bouckaert, 2001). Furthermore, special attention has been paid to the need to understand

1. For more information on the Korean government's civil service system evolution in general, see *The Establishment of Career Civil Service Systems in the Korean Government* (Chai & Park, 2013).

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the ways in which human resource management capacity and processes can contribute to improved performance in public organizations (Ingraham, Joyce, & Donahue, 2003). Significant HRM reforms in the context of managing for results and performance applied to many countries are performance appraisal systems for civil servants and various incentive systems for recognizing civil servants' work performance (Daley, 2010; Organisation for Economic Co-operation and Development [OECD], 2011).

This section will draw from public sector human resources management literature to review why a performance appraisal is important, core technical operations of the practice, and current trends of the performance appraisal in the public sector.

**Purpose of PAS:** Performance appraisal system (PAS) is an assessment tool used to increase organizational effectiveness and employee welfare, clarify responsibilities and expectations between participating parties, and aid the employer in making objective reward, punishment, or development-related actions regarding the employee (Daley, 2010). Performance appraisal systems can vary within a country depending on the size and nature of the organization, and also by the desired outcome of the appraisal, as determined by the employer (United Nations, 2009; OECD, 2011). A performance appraisal system can be used for several purposes related to an organization's goals and personnel decisions: 1) in determining employee promotions—in the form of pay and/or position, reassignment, demotion, and dismissal based on the performance appraisal; 2) to determine employee training and educational needs; 3) to provide feedback on employees' job performance; and 4) to use performance appraisals to substantiate recruitment and hiring processes (Daley, 2010; United Nations, 2009). Notably, the performance management process provides an opportunity for employees and performance managers to discuss career development goals and jointly create a plan for achieving those goals (Daley, 2010; United Nations, 2009).

There are two distinctive approaches for understanding the structure and procedures of PAS – judgmental and developmental – both of which hold improved employee productivity as the primary objective (Berman et al., 2001; Daley, 2010). The development appraisal approach emphasizes the potential and growth of the employee, ideally based on the identified organizational need for such development. Judgmental appraisals, on the other hand, focus on personnel decisions determining external rewards and punishments. Judgmental and developmental assessment approaches affect the design of PAS, including what is appraised, who appraises, and how to implement PAS (Daley, 2010).

**Performance assessments:** The most important issue in determining what is appraised in performance assessments is to build on job-specific criteria and job-related tasks, which serve as the backbone of effective assessment of individual employee performance (Berman et al., 2001; Daley, 2010; Park, 2010). Written position descriptions and

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performance measures should be congruent, enabling clear communication to employees regarding job expectations, increasing employee and organizational effectiveness. For effective implementation of PAS, performance measures should be reliable, practical, and controllable (Daley, 2010; Park 2010). Criteria used as performance measures in the public sector include competency (i.e., knowledge, skills, and abilities), work behaviors, results, and personal characteristics (UN, 2009).

Behaviors can be defined as the activities and tasks individuals engage in during the performance of their jobs, and the results are the activity outcomes (Daley, 2010; Park 2010). Determining the performance levels tied to measurement criteria is also an important component of performance appraisal systems. Organizations usually employ performance level indicators beyond the minimal “satisfactory”/ “not satisfactory,” encouraging recognition of the varying degrees of performance levels, such as “exceeds expectations”/ “meets expectations”/ “needs improvement” (Daley, 2010; Park, 2010).

**Implementing performance appraisals:** The process of PAS is seen as strengthening the employee-employer relationship through transparency and mutual understanding, and also by defining the hierarchical relationship between the two individuals (Daley, 2010; UN, 2009). Traditionally, direct supervisors undertake employee performance evaluations as they are seen as being most familiar with the employees’ role and tasks in the public sector (Berman et al., 2001; Daley, 2010; Park, 2010). However, many countries have adopted alternatives to direct supervisor appraisals, including self-appraisal, peer review, subordinate appraisal, upper level or team manager appraisal, and consultant appraisal (Daley 2010; Park 2010; UN, 2009). Self-appraisal requires the employee to evaluate his own performance and assumes he is the most knowledgeable regarding his activities (Park, 2010). Peer reviews have been shown to be as accurate as those conducted by supervisors, and are commonly used in academic and military settings (Daley, 2010). Subordinate appraisals are useful in evaluating managerial job performance and are particularly effective in developmental appraisals of managers, in addition to positively impacting non-managerial work environments by focusing on subordinate concerns (Berman et al., 2001). Upper-level or team manager reviews can also be used to combine judgmental and developmental approaches by having the direct supervisor play the developmental role via coaching and advocacy, while upper-level management provides all judgmental-related assessments (Daley, 2010). The highly participatory 360-degree appraisal (multi-rater evaluation) is completed through a combination of the aforementioned and provides a more balanced form of appraisal. It is best used for developmental purposes, as peers and subordinates are likely to express apprehension over a judgmental appraisal (Berman et al., 2001; Daley, 2010).

Work cycles should be the primary consideration in the scheduling of performance appraisals. This can typically be achieved by assessing the employee on his anniversary



date, or by using focal point methods (Daley, 2010). With the anniversary date method, assessments occur at the yearly anniversary of the employee's start date. This may allow for a supervisor to better manage, and more thoroughly conduct, reviews as not all direct reports are being evaluated at the same time. In the public sector, PAS has been implemented once per year or twice per year (UN, 2009).

**Assessment methods:** The two most objective appraisal systems used in the United States are behaviorally anchored rating scales (BARS) and management by objective (MBO) (Berman et al., 2001; Daley, 2010). Both require detailed and up-to-date job descriptions, job analysis, and function best in participatory environments. These personnel practices have been implemented in rank-in-job (or position) classification systems that are commonly used in the federal government agencies of the United States. There are several steps that should be considered in the BARS construction process: 1) listing of all the important dimensions of performance for a job; 2) collection of critical incidents of effective and ineffective behavior; 3) classification of effective and ineffective behaviors to appropriate performance dimensions; and 4) assignment of numerical values to each behavior within each dimension (i.e., scaling of behavioral anchors) (Berman et al., 2001; Daley, 2010).<sup>2</sup> Meanwhile, the MBO approach is a process where managers and employees jointly define objectives and how to achieve them (Berman et al., 2001; Daley, 2010). Throughout the evaluation period, supervisors and employees maintain notes on the employee's behavior relative to their developed standards.

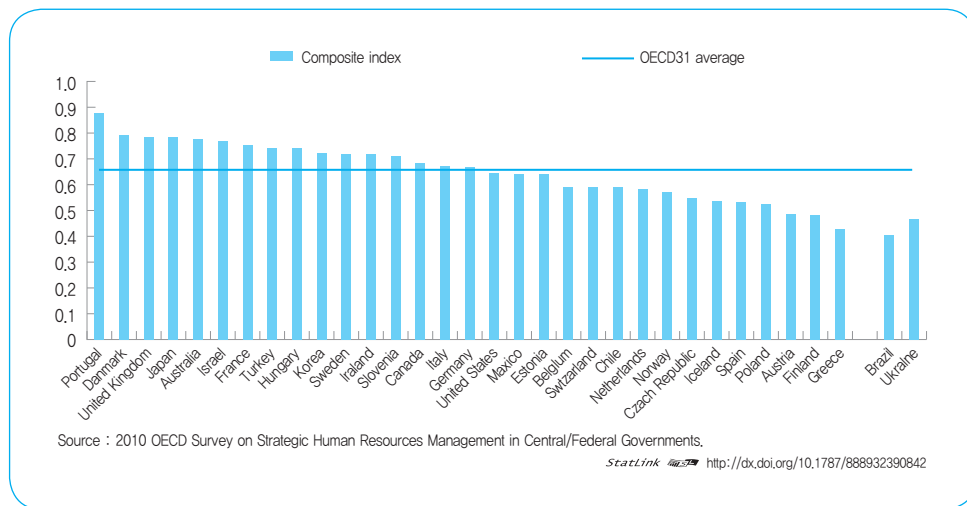
Other appraisal systems include competency-based appraisals and development appraisals (Berman et al., 2001; Daley, 2010; Kim, 2010). Competency-based appraisals usually cover the knowledge, skills and abilities that a person needs to demonstrate to do their job well in an organization (e.g., planning, communication, cooperation, innovation, and customer-orientation, etc.). Developmental assessment methods focus on adding value to the employee, triggering training and development that assists the employee in improving upon any identified lacking or lagging competencies. It is important for the organization to assess what is to be gained from the employee's new competencies, and to ensure they can be used in a satisfactory manner within the organization (Berman et al., 2001; Daley, 2010).

There is the assumption that effective implementation of PAS can improve employees' performance and, ultimately, positively influence organizational performance and effectiveness. While PAS in the public sector has made progress in the last few decades, there is an ongoing challenge regarding how to design and implement appraisal systems that connect an individual-oriented appraisal system to organizational performance and effectiveness. How can public organizations evaluate other organizational factors (e.g.,

2. For examples of BARS, see [http://www.explorehr.org/articles/Performance\\_Appraisal/Performance\\_Appraisal\\_Methods.html](http://www.explorehr.org/articles/Performance_Appraisal/Performance_Appraisal_Methods.html).

variances in resources, capacity, and organizational climate and contingent external factors) that influence an individual employee’s performance? How can public organizations connect PAS to organizational success and performance? These are challenging issues in delivering an effective performance evaluation system to the public sector.

**Figure 2-1 | Extent of the Use of Performance Assessments in HR Decisions in OECD Central Governments in 2010**



**Global public sector trends:** Over the past twenty years, a majority of public sector organizations in OECD member countries have implemented PAS as a management tool to increase quality and efficiency in service delivery (OECD, 2011) (see [Figure 2-1]). Mandatory performance assessments for central government employees have been formalized in almost all OECD countries (OECD, 2011). Korea was ranked 10th in using employee performance assessments in HR decision-making among OECD member countries. In these systems, organizational goals are supposed to link to individual and unit performance, with the intent of creating “results-oriented cultures” based on objective information (Bourgon, 2008). Furthermore, pay-for-performance systems, in the form of pay increases or bonuses, have been used with increasing frequency (OECD, 2011; UN, 2009). The increased focus on performance-related pay is the result of government efforts to enhance civil servants’ motivation for higher performance and accountability in the public sector (Bourgon, 2008; UN, 2009).

## 2. Evolution of PAS: A Historical Overview in Korea

This section provides an overview of the three stages of the evolution of PAS in the Korean government between 1960 and 2012: 1) the Development Stage (1963-1992); 2) Civil Service Reform Stage I (1993-2002); and 3) Civil Service Reform Stage II (2003-2012).

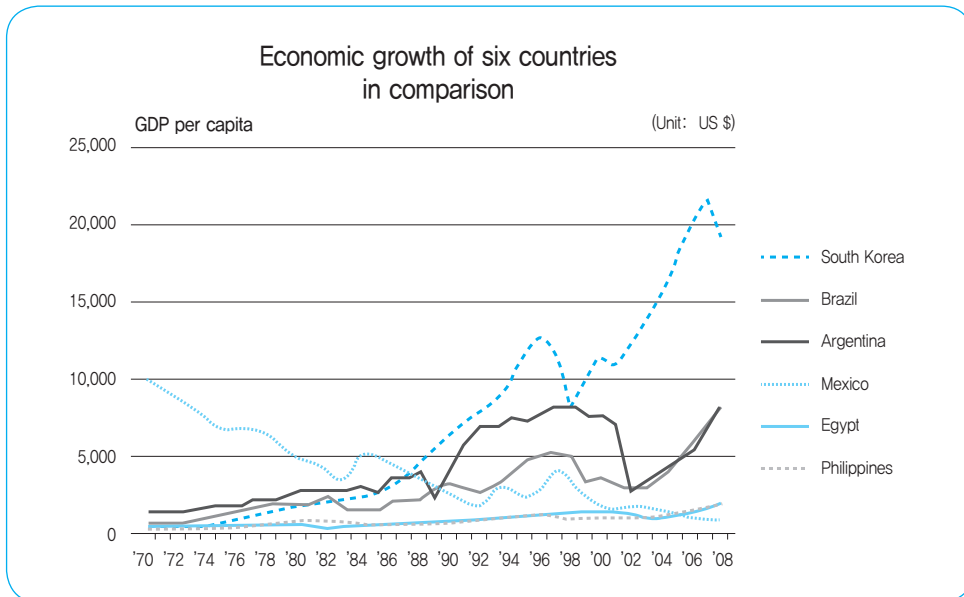
**Table 2-1 | Evolution of PAS in the Context of Civil Service Reforms**

Stage	Civil Service Reforms and PAS
1960-1992	<ul style="list-style-type: none"> <li>• Public Officers Pension Act of 1960</li> <li>• National Civil Service Act of 1963               <ul style="list-style-type: none"> <li>- Merit-based civil service system of recruitment and hiring</li> <li>- Job security and seniority-based promotion</li> </ul> </li> <li>• Employee evaluation systems development (1961-1973):               <ul style="list-style-type: none"> <li>- Job evaluation</li> <li>- Career development evaluation</li> <li>- Training evaluation</li> </ul> </li> <li>• Public Officers Training Act of 1973               <ul style="list-style-type: none"> <li>- Training programs under various national training institutions</li> </ul> </li> <li>• Code of Ethics of 1980</li> <li>• Public Service Ethics Act of 1981</li> <li>• Civil Service Evaluation Rule 1991</li> </ul>
1993-2002	<ul style="list-style-type: none"> <li>• Public Officials Act of 1994               <ul style="list-style-type: none"> <li>- performance-based incentive system</li> </ul> </li> <li>• Public Officials Act of 1997               <ul style="list-style-type: none"> <li>- open exchange program of private and public employees</li> </ul> </li> <li>• Public Officials Act of 1997               <ul style="list-style-type: none"> <li>- reduction of retirement age</li> </ul> </li> <li>• Public Officials Act of 1999               <ul style="list-style-type: none"> <li>- Civil Service Commission; open position system; performance-based pay system</li> </ul> </li> <li>• MBO (management by objective)</li> </ul>
2003-2012	<ul style="list-style-type: none"> <li>• Public Officials Act of 2004 &amp; 2005               <ul style="list-style-type: none"> <li>- position classification for job analysis; equal employment opportunity policy; senior civil service system</li> </ul> </li> <li>• Performance agreement system</li> <li>• 360 degree appraisal</li> </ul>

## 2.1. Development Stage (1963-1992)

**Authoritarian regime:** The Park Chung-hee administration (1963-1979) can be summarized as an authoritarian regime emphasizing modernized state building, export-oriented economic development, market formation, and national security (Kim, 2000; Kim & Vogel, 2011). Major General Park Chung-hee overthrew the democratically elected Chang Myon administration via a military coup d'état in May of 1961 and became the President of Korea in 1963. He revised the constitution to afford a third presidential term in 1973 and remained in power until 1979. During the authoritarian regime, President Park normalized relations with Japan and dispatched Korean military troops to South Vietnam to secure resources for his national agendas of economic development and state modernization (Kim & Vogel, 2011; Korean Institute of Public Administration [KIPA], 2008). General Chun Do-hwan took political power through a military coup d'état in 1980 and led violent repressions of political protests in Kwangjoo. In 1988, the Roh Tae-woo administration gained power. The authoritarian regime continued until the citizen-led democratization of 1987 terminated the monopoly of political power (Kim, 2000; Kim et al., 2011). The 1980s can be characterized as a transitional stage in terms of sustaining economic growth [Figure 2-2], social stability, and incremental changes in public personnel policies and practices (KIPA, 2008).

Figure 2-2 | GDP per Capita in Korea (1970-2006)



Source: World Bank, World Development Indicators

<http://data.worldbank.org/data-catalog/world-development-indicators>

**A merit-based civil service system:** Through the establishment of the National Civil Service Act in 1963, the Park administration created a Civil Service Commission within the Ministry of Government Administration (MOGA) that had the authority to make and propose laws, rules, and policies regarding a merit-based civil service system of recruitment and hiring (KIPA, 2008). The 1960s and 1970s can be defined as a time of modernization of public administration by establishing civil service systems under Park Chung-hee's administration. Due to the increased number of government agencies related to economic development, personnel hiring in the civil service system increased between 1961 and 1979. Economic development agencies that were established include the Economic Planning Board, which formulated economic plans; the Ministry of Trade and Industry, which supported industrial policy and exports; and the Ministry of Finance, which made use of sovereign credit to finance economic plans (KIPA, 2008). In addition, the Park administration formed the Korean Central Intelligence Agency (KCIA) to oversee national security matters related to North Korea.

During the 1960s and 1980s, several important personnel policies and laws were established, including the Public Officials Pension Act of 1960, the Public Official Training Act of 1973, and the Public Service Ethics Act of 1981. The Park administration also established the Board of Audit and Inspection (BAI) in 1963, which is the Supreme Audit Institution of the Republic of Korea, implementing oversight systems of civil servant tasks and responsibilities as a means to control corruption and abuse of authority (KIPA, 2008).

The Ministry of Government Administration (MOGA) was the central personnel authority until a central personnel agency, the Civil Service Commission (CSC), was established in 1999 under the Kim Dae-jung administration. The CSC was integrated with the Ministry of Public Administration and Security (MOPAS) in 2008 under the Lee Myung-bak administration.

**Employee evaluation system:** In 1963, a merit-based civil service system was established, and policies for civil servant evaluation systems were developed. A job evaluation system, career development evaluation system, and training evaluation system were all established during the Park administration (see Chapter 3). Furthermore, to meet the national goal of economic development and modernization of public administration, the Park administration established various national training institutions and offered many training programs for enhancing public employees' technical skills and managerial skills.

The authoritarian regime continued under the Chun Do-hwan administration. Through the revision of the National Civil Service Act of 1981, the Chun administration changed the grading system of civil service from a 1-5 system to a 1-9 system (with Grade 1 as the highest level of civil service and Grade 9 as the lowest) (Park, 2010). The revised law also

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categorized civil service systems with career service and special service systems. It further established an appeal system to ensure a fair and objective promotion system based on competency and performance (KIPA, 2008). It also established specific rules and guidelines of a position transfer policy.

**Personnel policy:** The Chun Do-hwan administration was focused on government efficiency and cut the number of public employees to this end. In 1985, the total public employee size was 670,637. In terms of gender, in 1974, 11.4 % of public employees were female, while in 1988 the number increased to 16.2% (MOGA, 1988). The Code of Ethics for civil servants was announced in 1980, and the Public Service Ethics Act of 1981 was established to address corruption among civil servants. Furthermore, a property registration system for high-level civil servants was introduced (Park, 2010). A significant result of the citizen-led democratization in 1987 was reestablishing the decentralized local government system that was abolished under the Park administration. In 1988, the National Assembly broke with the political tradition of centralized authority by passing the South Korean Self-Governance Act, which encouraged local governance and decentralization.

## 2.2. Civil Service Reform Stage I (1993-2002)

**Democratization, economic crisis, and government reforms:** During the 1990s, civil society capacity strengthened as citizens' calls for strong democratic and transparent governance continuously challenged public administration in Korea. The Kim Young-sam administration (1993-1998) established the Presidential Administrative Innovation Committee (PCAI), and government reforms of the administration were focused on the quality of government services, deregulation, and anti-corruption policies, including property ownership systems and financial transaction systems (Kim, 2010). Meanwhile, the Kim Dae-jung administration (1998-2003) continued government reforms in the areas of management reform, deregulation, anti-corruption, and building infrastructure for the development of e-government. Furthermore, following the Self-Governance Act of 1988, local legislative council elections began in 1991, and city mayor and provincial governor elections began in 1995. This statute provided a challenging opportunity to build human resource management capacity in local governments that promoted responsiveness, transparency, and accountability to local residents. Meanwhile, the number of voluntary civic associations increased: in 1993, a total of 46,593 associations existed in Korea; by 2001 there were 70,151 (Kim, 2005). To facilitate the engagement of NGOs in government activities, the Korean government enacted the NGO Support Act in 2000. This Act allows NGOs to participate in government-initiated projects through open-bid contract outsourcing.

To overcome a financial crisis in the late 1990s, the Korean government implemented market-oriented reforms and a New Public Management (NPM) approach such as deregulation

and privatization (Kim, 2011; KIPA, 2008). President Kim Dae-jung implemented extensive economic and financial reforms and restored stability to markets, with growth rates of 10% in 1999 and 9% in 2000 (Kim, 2007).

**Civil service reforms and pay for performance:** The Kim Young-sam administration maintained the performance appraisal system of the 1980s. However, compared to the development stage of the 1960s and 1980s, the utilization of evaluation results became diversified as a result of revisions to the Civil Service Appointment Decree and Civil Service Remuneration Regulation executed in 1994 (KIPA, 2008). Since 1995, management by objectives (MBO) has been applied to the job evaluation system, combined with self-assessment reports on task performance, implementation abilities, and behavior dimensions (e.g., responsibility, responsiveness to citizens, collaboration, and integrity based on ethical behavior) (KIPA, 2008). According to the results of job evaluation, special allowances and bonuses are provided (KIPA, 2008). In addition, basic education and specialized education were evaluated separately to facilitate specializations within public administration.

The Kim Young-sam administration also implemented a family leave policy in 1994 and created flexible opportunities for building the competencies of civil servants (e.g., allowing leave for working in private corporations and for studying abroad) (KIPA, 2008). In 1999, the Kim Dae-Jung administration created the Civil Service Commission. The open position system was also established around this time, facilitating the hiring of outstanding talent and expertise from both private and public sectors (KIPA, 2008). Additionally, the Kim Dae-jung administration established the performance related pay system and implemented the policy government-wide in 2001 (see Chapter 4).

**Female workforce in government:** The National Assembly passed the Equal Employment Opportunity Act of 1989 and the Gender Discrimination Prevention and Relief Act of 1999 to prevent employment discrimination in hiring and promotion on the basis of sex, marital status, or pregnancy (KIPA, 2008). In 2000, President Kim Dae-jung established a Ministry of Gender Equality (MGE) for the purpose of formulating national policies regarding gender equality, women's leadership, workforce development, and women's social and political participation (KIPA, 2008). However, higher-level positions continued to be dominated by men, according to data from 2001 showing that as the position levels increased, the percentage of female employees decreased. There were 1,051 (3.6%) women at grade levels 1 through 5, compared to 27,694 men for the same grade levels (MOGAHA, 2005). For local governments, the number of female employees in 2001 was 55,002, or 30.8 percent of the total; only 596 women held positions at grade levels 1 through 5, compared to 13,882 men (MOGAHA, 2005).

**Anti-corruption and transparency:** To promote transparency and accountability, the Korean government enacted the Basic Act on Administrative Regulations in 1997

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(MOGAHA, 2005). The Korean government's commitment to preventing corruption was demonstrated with the establishment of a national-level anti-corruption agency in 2002, called the Korea Independent Commission Against Corruption (KICAC), which was based on the Anti-corruption Act of 2002. The KICAC not only evaluates the levels of integrity and anti-corruption practices of public sector organizations and publicizes the results, but also promotes public-private partnerships against corruption through anti-corruption networks with civic groups. From 1993 to 1997, the Korean government emphasized the independent role of the Board of Audit and Inspection (BAI) and strengthened the authority and capacity of the BAI to control corruption in government. The Korean government also established and expanded internal and external auditing systems, including the Committee for the Prevention of Corruption in the BAI, the Regulation on Public Administrative Audit and Inspection, the Standard for Public Audit and Inspection, and National Assembly inspections and hearings (MOGAHA, 2005). The Disclosure of Information by Public Agencies Act was passed to ensure the right of citizens to know about government activities and to foster the transparency of government operations by forcing public institutions to disclose information (MOGAHA, 2005).

### 2.3. Civil Service Reform Stage II (2003-2012)

**Performance management system:** Under the Roh Moo-hyun administration between 2003 and 2008, the Korean government put more emphasis on citizen participation in policy-making, implementation, and assessment. For instance, the Korean government has utilized advanced electronic participation (e-participation) systems to promote citizen participation in decision-making. Also, innovative evaluation systems such as the so-called “360-degree policy evaluations” and “citizen evaluation corps” have been adopted to facilitate citizen participation in policy evaluation processes (MOGAHA, 2007). Furthermore, the Korean government has established various performance management systems such as Performance Agreement Systems and the Balanced Scorecard (BSC) system. The BSC refers a management system that enables organizations to clarify their vision, goals, specific objectives, and output and outcome measures through a strategic analysis of business processes and internal and external actors (Kaplan & Norton, 1996).

**HRM reforms and PAS:** Since the Civil Service Commission was created in 1999, human resource management (HRM) reforms have been undertaken to enhance transparency. In particular, recruitment systems were reformed so civil servant position openings could be filled by experts from the private sector and minorities, including women and people with disabilities (Kim, 2004; MOGAHA, 2007). Additionally, the openness of HRM systems was facilitated by national and local government civil servant exchange programs through which central government civil servants were provided opportunities to better understand



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the local situation, and local government employees had an opportunity to collaborate with central government employees. Furthermore, the Roh administration developed a position classification system that applied a job analysis approach and established the Senior Civil Service (SCS) system. Several systems of PAS were also established during the Roh administration, including a performance agreement system for senior managers of Grade 4 or above, a performance appraisal system for managers of Grade 5 or lower, a performance-based pay system, and a 360 degree appraisal system (see Chapter 5).

**Senior Civil Service (SCS):** The Roh administration also established a new Senior Civil Service system that covers all positions at the bureau director level or higher leadership positions in national government (KIPA, 2008; Park, 2010). The SCS system targeted building a comprehensive personnel system, including recruitment, hiring, promotion, and reward systems, specifically for senior level civil servants. The SCS system promoted open competition for senior-level position, which was not easily implemented in the rank-in-person classification and seniority-based promotion system. Through the open competitive positions, non-civil servants from the private sector were allowed to apply for these positions.

**Unions:** The 2004 Act on the Establishment and Operation of the Civil Service Labor Union allowed for Grade 6 or lower level government employees to unionize (Park, 2010). In the past, government unions were illegal except for technical workers in the postal system, railroad, and health clinics. From 2007 to 2011, the Korean government also implemented an affirmative action program called the Employment of Female Manager Level Public Officials Initiative (Grade 4 and above) in order to increase the proportion of women to 10% or more of the total civil service workforce (MOPAS, 2012).

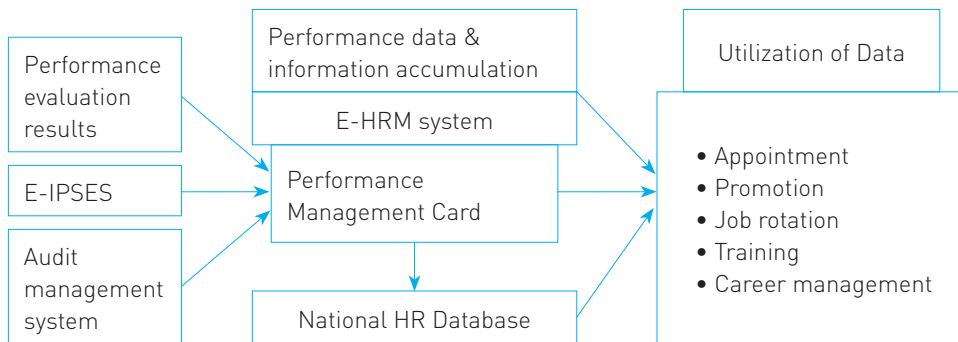
### 3. Current Systems of Employee Performance Appraisal in Korea

This section briefly reviews current policy and practices of PAS in the Korean government. It discusses various policies of PAS by different levels of positions (e.g., a performance agreement system for senior managers equal to or above Grade 4, a performance appraisal system for civil servants of Grade 5 or lower, and a 360 degree feedback system). It also analyzes structural and cultural barriers for effective implementation of a PAS in the Korean government.

### 3.1. Performance Appraisal Systems in the Korean Government

According to the Ministry of Public Administration and Security (MOPAS, 2012), the national agency in charge of public personnel management of Korea’s public service, the vision of the public personnel management policy is to “foster capable and trustworthy public service” (MOPAS, 2012). Five core principles of the public personnel management policy are also defined: democracy, career civil service, performance based merit systems, grading systems (except Senior Civil Service: SCS), and open competition recruitment. In 2007, the Korean government built an Electronic-Integrated Public Service Evaluation System (e-IPSES) and E-HRM system to effectively implement transparent performance management processes and performance appraisal systems (MOPAS, 2012). All data and information on employee performance management is saved in the E-HRM system (MOPAS, 2012) (see <Table 2-2>).

Table 2-2 | Performance Appraisal System and E-HRM in Korea



Source: MOPAS (2012). p.34

**Rank-in-person system:** The civil service system in Korea values general qualifications and competitive selection. In general, there are two approaches to civil service classification systems in public personnel management: a rank-in-person classification system and a rank-in-job (or position) classification system (Park, 2010). The civil service system in Korea is built on a strong emphasis on the rank-in-person classification system.

A rank-in-job classification system, which is common in the United States, emphasizes rank and salary decisions based on the job one holds, developing specific expertise, and an open system of hiring (Park, 2010). Rank-in-job systems tend to lead to open competition-based promotions, including lateral entry from those outside the organization (Berman et al., 2001; Park, 2010). Rank-in-person systems emphasize the development of incumbents over time within the organization, promote a broad range of expertise, and tend to lead

to a closed system (Berman et al., 2001; Park, 2010). While this system provides limited opportunities for lateral entry for those outside the organization, it allows for more mobility – employees move from one position to another in different agencies and retain their rank, irrespective of their current assignment (Berman et al., 2001; Park, 2010). Compared to the rank-in-job classification system, this system may not provide a career path for building individual expertise in policy areas. Promotions are based on seniority (Berman et al., 2001; Park, 2010). Furthermore, career development in the rank-in-person system is set forth by the organization through specified career plans (Berman et al., 2001; Park, 2010).

There are nine grades in the general service system, with Grade 1 being the highest level and Grade 9 being the basic entry level. Those filling Grades 1-3 positions are members of the Senior Civil Service. The SCS works closely with political appointees such as ministers and deputy ministers who are above Grade 1. Career civil servants are hired through open competitive recruitment examinations with job security. In general, promotion of career civil servants is based on performance, skills, specialization, career history, and evaluations and determined by the Promotion Review Committee. If a candidate passes the entrance exam of Grade 5, they can be appointed to managerial levels without taking a promotional test (MOPAS, 2012). The Korean government also has adopted a Public Service Aptitude Test (PSAT) to evaluate the competencies of applicants for Grade 5 (see <Table 2-3>). For example, PSAT evaluates their skills, abilities, and knowledge in the areas of critical thinking, data analysis, and decision-making.

**Table 2-3 | Recruitment Methods**

Classification	Written test		Interview
Grade 5	1 <sup>st</sup> tier: multiple choice exam; PSAT	2 <sup>nd</sup> tier: essay exams for 5 courses	→ To assess public service ethics, creativity, and integrity (competency approach)
Grade 7 & Grade 9	Multiple choice exams: G7 (7 subjects) & G9 (5 subjects)		→

Source: MOPAS (2012). p. 11

**Performance agreement policy:** There are several types of employee performance evaluations in the civil service system in Korea. The Performance Agreement policy has been implemented for government officers for Grades 4 and above, including Senior Civil Service. This policy requires that an evaluator and an applicant sign a performance agreement linked with a performance evaluation of both the individual and department, and assess the target achievement rates in the beginning of the following year (see <Table 2-4>).

**Table 2-4 | Performance Agreement Policy (Grades 1-4 & SCS)**

Step 1: Strategic planning	Step 2: Sign a performance agreement	Step 3: Periodic review	Step 4: Final evaluation
Identify strategic objectives from organization mission	Agree on performance goals and evaluation	Progress review on performance goals and performance evaluation interview	Evaluate target results and reflect in HR management

Source: MOPAS (2012)

**PAS:** For the performance appraisal system of civil servants for Grades 5-9, there are combined methods of appraisal, including performance evaluation, seniority, and additional points (MOPAS, 2012). Performance appraisal information is used for making decisions on performance-based bonuses and promotion points. Twice a year (Jun. 30 and Dec. 31), the department conducts a full evaluation of individual employee performance, and the committee of work performance evaluation organized at the organizational level conducts a relative evaluation of an individual's employee performance. For evaluating civil servants in Grades 5-9, two major performance evaluation criteria are applied, including job performance (e.g., timeliness, completeness, and job difficulties) and job-fulfilling abilities (e.g., planning, communication, negotiation, and customer orientation) (MOPAS, 2012). A 360-degree feedback system has also been implemented as a supplementary evaluation for all levels of civil servants. The 360-degree feedback system emphasizes a multi-rater evaluation by utilizing the evaluation data provided by multiple raters (e.g., evaluation information from supervisors, subordinates, peers, project or team members, and customers) (Park, 2010).

**Performance-based pay system:** The Kim Young-sam administration initiated a performance-based pay system in 1994 to overcome the weaknesses of the seniority-based pay system and to enhance the productivity of government employees productivity (KIPA, 2008; Park, 2010). However, its implementation was not easy due to the long history of the seniority-based pay system, and a lack of understanding of the new system (KIPA, 2011; Park, 2010). The Kim Dae-jung administration again introduced a Performance-Related Pay System, which included the merit increments program and the performance bonus program (Park, 2010). The merit increments program is designed to increase an annual salary based on performance ratings for higher-level employees. Meanwhile, the performance bonus program is designed to provide an annual performance-based bonus for middle and lower level employees. Several methods of the performance bonus system have been implemented, including an individual-based system, department-based system,

and combinations of the two (see Chapter 5). The Korean government also provides special recognition and awards to civil servants who demonstrate excellence in integrity, performance, and policy development (MOPAS, 2012).

**Senior civil service in Korea:** The Korean government has applied a competency building approach for senior level civil servants (e.g., assistant ministers and director general level civil servants). In order to analyze the capability and qualities required for SCS, MOPAS carries out individual SCS Competency Assessments by applying the Assessment Center method (MOPAS, 2012). Additionally, the Korean government has incorporated an open position system and a job posting system to allow qualified candidates for the SCS from the private sector as well as various agencies within the government.

**Competency approach in Korea:** A competency framework usually covers the knowledge, skills, and abilities that a person needs to do his job well in an organization. According to MOPAS, six core competency criteria for SCS are emphasized, including problem understanding, strategic thinking, being performance-oriented, change management, customer satisfaction, coordination, and integration (MOPAS, 2012). In order to understand global trends regarding the competency development approach of civil servants, two cases in the U.K. and U.S. are benchmarked.

**United Kingdom:** The Professional Skills for Government (PSG) competency framework is used for jobs and careers in the U.K. civil service.<sup>3</sup> The framework identifies general competencies, common skills, and core skills that civil servants need to deliver services in the modern environment, as well as illustrate how these can be achieved. The common skills requirements for the PSG, including Senior Civil Service, are composed of leadership (for all civil servants), core skills (for all civil servants), and professional skills (specific to the profession and role).<sup>4</sup> For the SCS, broader experience with deep professional knowledge is added as another common skill. Six core skills identified for Senior Civil Service in the PSG include people management, financial management, analysis and use of evidence, program and project management, communications and marketing, and strategic thinking.<sup>5</sup>

**United States:** The Office of Personnel Management in the United States has developed the Executive Core Qualifications system (ECQs) to identify the competencies needed to build a federal corporate culture that is results-driven, serves customers, and builds successful teams and coalitions within and outside the organization.<sup>6</sup> The Executive Core Qualifications are required for entry to the Senior Executive Service (SES) and are also

3. See <http://www.civilservice.gov.uk/about/improving/psg/skills>

4. See <http://www.civilservice.gov.uk/about/improving/psg/skills>

5. See <http://www.civilservice.gov.uk/about/improving/psg/skills>

6. See <http://www.opm.gov/ses/recruitment/ecq.asp>

used by federal agencies in performance evaluation and leadership development for SES. <Table 2-5> shows Executive Core Qualifications of the SES, including leading change, leading people, being results driven, possessing business acumen, and building coalitions.<sup>7</sup>

**Table 2-5 | Executive Core Qualifications of Senior Executive Services (U.S. Federal Government)**

Core Qualifications	Definition	Competency
Leading Change	This core qualification involves the ability to bring about strategic change, both within and outside the organization, to meet organizational goals	<ul style="list-style-type: none"> <li>• Creativity and Innovation</li> <li>• External Awareness</li> <li>• Flexibility</li> <li>• Resilience</li> <li>• Strategic thinking</li> <li>• Vision</li> </ul>
Leading People	This core qualification involves the ability to lead people toward meeting the organization's vision, mission, and goals	<ul style="list-style-type: none"> <li>• Conflict Management</li> <li>• Leveraging Diversity</li> <li>• Developing Others</li> <li>• Team Building</li> </ul>
Being Results Driven	This core qualification involves the ability to meet organizational goals and customer expectations.	<ul style="list-style-type: none"> <li>• Accountability</li> <li>• Customer Service</li> <li>• Decisiveness</li> <li>• Entrepreneurship</li> <li>• Problem Solving</li> <li>• Technical Credibility</li> </ul>
Business Acumen	This core qualification involves the ability to manage human, financial, and information resources strategically.	<ul style="list-style-type: none"> <li>• Financial Management</li> <li>• Human Capital Management</li> <li>• Technology Management</li> </ul>
Building Coalitions	This core qualification involves the ability to build coalitions internally and with other Federal agencies, State and local governments, nonprofit and private sector organizations, foreign governments, or international organizations to achieve common goals.	<ul style="list-style-type: none"> <li>• Partnering</li> <li>• Political Savvy</li> <li>• Influencing/Negotiating</li> </ul>

Source: United States Office of Personnel Management (2012). Available at <http://www.opm.gov/ses/recruitment/ecq.asp>

7. See <http://www.opm.gov/ses/recruitment/ecq.asp>

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## 3.2. PAS and Implementation Challenges

In summary, the Korean Government has made good progress on performance appraisal systems through its commitment to continuous reforms of personnel management from 1961 to 2012. Still, there are several challenging issues that influence the implementation of PAS in Korea.

As the civil service system in Korea has been structured in a rank-in-person classification system, there are tensions between a seniority-based promotion and a performance-based promotion and reward system. The rank-in-person classification approach provides a very limited capacity for conducting job analysis, an essential personnel practice for developing objective criteria for employee performance appraisal systems. The rank-in-person classification system also gives more discretionary power to supervisors within the agency as the supervisor can be a main person evaluating employee performance.

Furthermore, the rank-in-person system focuses on producing generalists and promotes position assignment systems for increasing employee mobility among agencies. Accordingly, it provides limited opportunities for competency building and expertise in specific policy areas. Frequent position mobility may create an ambiguous link between the rank and job responsibilities in divisions and agencies and engender conflict on workload issues among civil servants in the same rank (Park, 2010).

A strong emphasis on the rank-in-person approach in Korea has also led to the shared norm that one does not usually get promoted ahead of a fellow official who has a longer tenure at the same agency (Kim, 2010; Park, 2010). This kind of culture may inhibit the effective implementation of performance appraisal systems that emphasize individual-level performance evaluations for promotion and monetary reward decisions.

While the Korean government has developed various performance appraisal systems by rank and job responsibilities, there is limited attention on the connections between performance appraisal systems and career development strategies. Rather, PAS is used to control civil servants' behavior by giving power to supervisors. It is also used as a justifying mechanism for agency leaders in their ranking of employee performance scores (Park, 2010).

Supervisor error and personal bias may also influence unfair procedures in PAS. Scholars note that rating errors can be endemic to the organization in the form of unrealistic expectations, misunderstanding of goals, and a lack of supervisor training (Berman et al, 2001; Daley 2010; Park, 2010). Overemphasizing results can also create a disproportionate and potentially harmful focus on short-term gains and on functions that are easier to measure, possibly ignoring important but less quantifiable areas in the public sector (Berman et al,

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2001; Daley, 2010). Another important factor affecting PAS is the supervisor's bias toward employees. This can often be corrected through supervisor training and employment of objective appraisal instruments (Daley, 2010).

The lack of objectivity and fairness in employee performance appraisal systems may hurt civil servant morale and commitment to performance. Accordingly, it is necessary to pay more attention to training supervisors and senior managers for implementing an objective and fair PAS in Korea. Furthermore, considering the tension between the rank-in-person classification system and PAS, the values of PAS should be transformed to increase emphasis on constructive feedback, management by objective, competency assessment, and a career development approach.

Effective implementation of PAS is expected to improve employees' productivity and performance, and ultimately positively influence organizational performance and effectiveness. While PAS in the public sector has made progress in the last decades, there is the ongoing challenge of how to design and implement appraisal systems that connect an individual-oriented appraisal system to organizational performance and effectiveness. How can public organizations evaluate other organizational factors (e.g., variances in resources, capacity, team collaboration, and organizational climate and contingent external factors) that influence individual employee performance? How can public organizations integrate PAS to organizational success and performance? These are challenging issues to be considered for effective PAS implementation in the public sector.



2012 Modularization of Korea's Development Experience  
Individual Performance Appraisal in the Government of Korea

## Chapter 3

### Individual Performance Appraisal Systems (1963-1992)

1. Political and Social Context (1960s-1980s)
2. Development Capacity of Personnel Policy and Practice
3. Employee Evaluation Systems in the Development Stage (1963-1992)
4. Operations of the Civil Service Evaluation Systems (1963-1992)
5. Impacts and Limitations

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# Individual Performance Appraisal Systems (1963-1992)

This chapter provides an overview of Korea's employee job evaluation systems in a merit-based civil service system between 1960 and 1992. The chapter introduces the Development Stage of PAS under the leadership of President Park Chung-hee (1963-1979), President Chun Do-hwan (1980-1988) and Roh Tae-woo (1988-1992). For analyzing the PAS evolution in Korea, the chapter discusses the following themes related to the evolution of PAS: 1) political context and PAS; 2) HRM reforms and their impacts on PAS; and 3) the impacts of organizational factors and culture on PAS and its implementation.

## 1. Political and Social Context (1960s-1980s)

In May 1961, Major General Park Chung-hee carried out a military coup d'état, becoming the President of Korea in 1963. President Park revised the constitution to serve a third term in 1973, and remained in power until 1979 when he was assassinated by his own staff. The Park Chung-hee administration (1963-1979) can be summarized as an authoritarian regime, which instituted modernized state building, central planning, and industrial policy for economic development, and promoted market formation, anti-communism, and military security (Kim, 2000; Kim & Vogel, 2011; KIPA, 2008). The Park administration nationalized Korean banks and implemented strong control on foreign exchange. Foreign aid from the U.S. and World Bank to Korea continued until 1974 (Kim & Vogel, 2011). Meanwhile, democratic governance values, including freedom of speech, freedom of association, civil rights, due process, transparency, and accountability received little if any attention from the authoritarian regime. The absence of a system of checks and balances among the executive, legislative, and judiciary systems translated into abuse of the dominant powers of executive leadership during the time period.

The Park administration established a centralized decision-making organizational structure with regards to economic development policy, creating a culture of elitism among bureaucrats working in the areas of economic development, planning, and finance administration (Kim & Vogel, 2011). Modernized civil service systems and open competition hiring systems were established in 1963; and incremental modifications of these systems were made through the 1980s. Meanwhile, President Park allowed discretion and empowerment of bureaucrats and applied a fast-track promotion approach for bureaucrats that demonstrated excellent performance (Lee, 1995). This kind of personnel practice influenced the creation of a performance or results-based reward system in the Park administration (Kim, 2011; Lee, 1995). Furthermore, the Park administration emphasized a benchmarking approach of best practices in economic growth and development from other countries. Economic technocrats and bureaucrats also sought out expertise and knowledge from the World Bank and the International Monetary Fund (Lee, 1995).

### Box 3-1 | Human Capital Capacity Building in the Public Sector (1960s)

The Park administration established a basic infrastructure of merit-based promotion, evaluation, and training in the civil service system. Several national training institutions of public employees, including general civil servants and foreign civil servants, were established during the 1960s. As private and nonprofit sector capacities were weak during the 1960s, Korean college graduates chose public sector employment opportunities (Kim, 2001). Indeed, scholars agree that the human capital in the public sector was an important factor contributing to economic development and government capacity building during the 1960s (Kim, 1991; Kim, 2011; Park, 2010).

The Park administration led a very centralized government operation system with several stages of strategic planning and economic development. The strategic approach of economic development led to the building of a results-oriented bureaucratic culture and creation of training-oriented public personnel management systems (Interview data, 2013; Kim, 2011). Furthermore, it established a strict hierarchical control and coordination mechanism by appointing former military officers to middle-level managerial leadership positions (Interview data, 2013). However, President Park decreased the appointments of military officers over time and created efficient bureaucracies by appointing civil servants with expertise in the areas of economic development, trade policy and finance management (Kang, 2002).

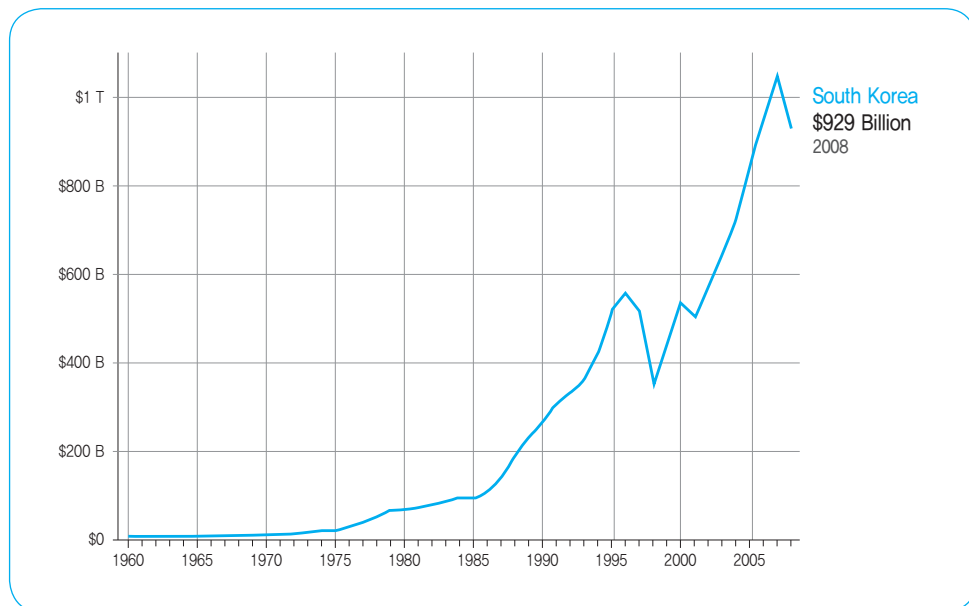
The Park administration also actively worked with business leaders to strengthen the capacity and opportunities of the Five Year Economic Development Plan (FYEDP) investment project, and pioneered export markets and heavy chemical industrialization

since 1973 (Kim, 2000; Kim & Vogel, 2011). However, the Park administration's coalitions with the chaebol, large family-controlled corporations, for national economic development plans were criticized as a significant factor in the chaebol's significant influence on political processes and ensuing corruption (Kim & Vogel, 2011).

The Park administration proposed comprehensive government reforms under the umbrella of modernizing public management, coordination, and efficiency of public administration to justify the administration's legitimacy (Korea National Revolution History Committee, 1963). The number of national government agencies doubled during the Park administration.

President Park established several new agencies that focused on economic development and infrastructure building in Korea. Specially, the Economic Planning Board was established in 1961 to lead and coordinate economic development policies among the ministries (KIPA, 2008). Since the 1960s, Korea has achieved substantial economic growth, as well as significant development of public personnel management. [Figure 3-1] on nominal GDP from 1960 to 2005 indicates significant economic growth between 1975 and 1995. Per capita GNP was only \$100 in 1963, but exceeded \$10,000 in 2003 (Heston et al., 2006). Gross National Income (GNI) per capita also dramatically increased between 1975 and 1990 (see <Table 3-1>).

Figure 3-1 | The Nominal GNP



Source: World Bank, World Development Indicators, Available at <http://data.worldbank.org/data-catalog/world-development-indicators>

**Table 3-1 | GNI per Capita in Asian Countries**

(Unit: US \$)

	Year 1955	Year 1975	Year 1990	Year 2004
South Korea	65	602	6,147	14,162
Hong Kong	327	2,124	12,568	26,020
Singapore	715	2,490	13,579	24,220
Thailand	85	355	1,415	2,540

Source: Korea National Bank, <http://ecos.bok.or.kr/>; Statistics Korea, Korean Statistical Information Service, [http://kosis.kr/eng/database/database\\_001000.jsp?listid=Z](http://kosis.kr/eng/database/database_001000.jsp?listid=Z)

General Chun Do-hwan came to political power through a military coup d'état in 1980 and led a repression of political protests in Kwangjoo (Kim, 2000; Kim & Vogel, 2011). The Roh Tae-woo administration came to power in 1988 (KIPA, 2008). The authoritarian regime continued to the 1980s until the citizen-led democratization of 1987 terminated the monopoly of political power under the authoritarian regime (Kim, 2000). The 1980s can be defined as an era of transition from the authoritarian regime to initiating a democratic political system through this citizen-led democratization (KIPA, 2008). The incremental modifications of the civil service systems and open competition hiring systems established in 1963 continued to develop through the 1980s.

The Chun administration presented a national vision, including establishing democratic systems, social welfare and social justice policies, and education innovation. The reforms of the Chun administration also focused on deregulation policy to achieve administrative and economic efficiency (KIPA, 2008). In general, the Chun administration focused on sustainability of economic development through engagement of the global economic market. The Chun administration held the Summer Olympic Games in 1988. Public demand for political and administrative reforms significantly increased until the Roh administration (Kim, 2000; KIPA, 2008).

## 2. Development Capacity of Personnel Policy and Practice

Personnel policy capacity and strategy (1963-1979): The Park administration emphasized the important role of career civil service systems in nation building and economic development, and established the modernized civil service system (Lee, 1995). The administration acknowledged that building merit-based civil service systems with an open competitive examination process required built-in job security mechanisms, such as political neutrality of civil servants, position-classification systems, performance-based promotion systems,

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compensation systems (e.g., Public Officials Pension Act 1960), and an appeals system. Through the establishment of the National Civil Service Act in 1963, the Park administration created the Civil Service Commission in the Ministry of General Administration, which had the authority of making and proposing laws, rules, and policies on public personnel management. In order to control nepotism and corruption in hiring, the administration set up entrance exams and prioritized fair implementation of recruitment and hiring systems. Furthermore, concerning government employee training and education, the Park administration established the National Training Institute of Civil Servants in 1967, and the Government Employees Education and Training Act was established in 1973 (KIPA, 2008).

It is also important to understand the modernized civil service systems in the Korean government in the historical context of Japanese colonization (1910-1945) and the United States Army Military Government in Korea (USAMGIK) (1945-1948) (Kim, 2010; KIPA, 2008; Park, 2010). For example, during the Japanese colonial period, Korea was substantially influenced by the Japanese political and legal systems. USAMGIK introduced a number of American administrative systems including a position-classification system and the General Schedule (Park, 2010). The Park administration initiated a position-classification system, but it was abolished in 1972 due to a lack of understanding of the system and a strong legacy of a rank-in-person approach embedded in the Korean government (Kim, 2010; Park, 2010).

### Box 3-2 | Influence of Military Personnel Evaluation System (1960s-1970s)

To strengthen performance-based reward and promotion systems in the civil service, specific criteria of promotion qualifications were developed during the Park administration by establishing job evaluation policies in 1963 (Interview data, 2013). The administration adopted a military personnel evaluation form and applied it to employee performance evaluations in the civil service (Kim, 2004).

During the Youshin authoritarian regime (since 1973), President Park also appointed 100 military officers in mid-level government positions to obtain buy-in from the military officers for his administration, and to secure some control over civil servants (Kim, 2004). These military officers were trained by the American military and acquired modern management and administrative skills and tools. Moreover, around 9,000 military soldiers and officers received training from American military training institutions during the 1950s (Kim, 2004). The command and control culture of the military service led to the shared norm of “get it done,” resulting in a higher level of loyalty and commitment to organizational goals and objectives by civil servants (Interview data, 2013).

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The revision of the National Civil Service Act of 1972 also allowed the Park administration to establish a contract-based employment system and special employment system to meet the workforce demand for scientists and engineers in government (KIPA, 2008; Seo, 1996). During the 1970s, a part-time employment system was introduced to meet the workforce demands of the community development project called the Saemaoul Movement, as well as the human resource needs related to other economic development policies (Interview data, 2013; KIPA, 2008; Seo, 1996).

Based on the Board of Audit and Inspection Agency Act of 1963, the Park administration also implemented a more comprehensive and tight oversight system of civil service tasks and responsibilities to control corruption and abuse of authority and power by civil servants (KIPA, 2008). From 1975 to 1978, 155,336 civil servants were disciplined for charges of nepotism and corruption (Ministry of Government Administration, 1979). However, there was very limited access to due process and appeals systems to protect the civil rights of government employees.

**“Get It Done” or “Can-Do Spirit” and Incentive Systems (1960-1979):** Scholars generally acknowledge a period of bureaucracy-led nation building and economic development during the 1960s and 1970s (Kim, 1991; Kim, 2010; Park, 2010). The results- and performance-oriented culture and the shared norm of a “Can Do Spirit” are accepted outcomes of the Park administration (Interview data, 2013; Lee, 1995). Concerning the sustainability of the “Get it Done” culture in the Korean government, the positive influence of the “Can-Do Spirit” could be seen in the demonstrations of effective crisis management in the Korean government, particularly during the 1997 Asian financial crisis and 2008 global financial crisis (Interview data, 2013).

This section explores several personnel practices that reflect this culture during the Park administration. President Park’s administration set the foundation for a merit-based civil service system from 1963 to 1979. Due to the open competitive exam that started in the 1960s for hiring civil servants, many college-educated, ambitious young people moved into the civil service system (Kim, 2011). The Park administration benefited from the growing university-educated population in Korea, as well as public administration programs in the U.S. that exposed government officials to training overseas (Kang, 2002; Kim, 2011).

The bureaucrats-led economic development and increased power of bureaucrats influenced the creation of an elitist model in the Korean government. Other cultural and social factors that contributed to the elitist model include Korea’s Confucian influence, which associated social prestige with public servants, as well as the high number of graduates from top-ranking universities that filled civil service positions (Kim, 1991; Kim, 2010; Park, 2010).

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President Park used his discretionary power in personnel practices to apply a fast-track promotion system for civil servants who achieved project results and demonstrated high performance, and appointed them to advisory staff positions on economic development in the Presidential Residence of Cheong Wa Dae (or Blue House) (Chung, 1988; Kim, 2011; Lee, 1995). For example, there were 11 advisory positions related to economic policy in Cheong Wa Dae in the 1960s and 1970s, which were filled primarily by civil servants (Chung, 1988; Kim, 2002). Meanwhile, 28 other positions not related to economic development were filled by military officers (12 people, 42.9%), university professors (3 people) and civil servants (Chung, 1988). After spending two to five years in Cheong Wa Dae, these civil servants returned to higher-level positions at their former agencies. Furthermore, during the Park administration, bureaucrats with expertise in economic development, finance planning, and management were given leadership positions (e.g., ministers and deputy ministers) in several powerful agencies that implemented national economic development, trade policy and finance management (Chung, 1988; Kang, 2002; Lee, 1995).

### Box 3-3 | Civil Servant Training<sup>8</sup>

Another important personnel practice that influenced the creation of a results oriented culture and a “can-do” spirit in government is the Park administration’s emphasis on civil servant training. From 1961 to 1971, the administration was focused on controlling the behavior of civil servants through indoctrination in the missions of modernized national building, administrative development, and anti-communism. Later, the training programs were expanded to various management and administration programs based on job assessment by position (KIPA, 2008). In particular, from 1975 to 1980, training programs focused on the “Can Do Spirit” under the Saemaeul Movement initiative, also known as the New Village Movement led by the Park administration for modernizing rural communities. The core values of the movement, including diligence, self-help, self-governance and cooperation, were emphasized to encourage solidarity in this rural initiative. These values were also strongly emphasized in the civil service training programs during the Park administration (KIPA, 2008).

From 1961 to 1970, the Park administration also established comprehensive award policies (i.e., Excellent Civil Service Award Statute, 1962), including grand orders, orders of merit, medals of honor, and commendations, to recognize excellent public civil servants who contributed to improving national security and economic and national growth (Kim,

8. For more information on training programs in the Korean government, see *Education and Training Program for Capacity Development for Korean Government Officials* (Choi & Choi, 2013).



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2011; Seo, 1996). In order to increase the motivation and morale of public employees, President Park also ordered the Best Employee Bonus Rule in 1971 to grant a monetary award to the best civil servants recognized for high performance. In 1973, the rule was revised to establish a formal procedure for implementation of the bonus system and selection procedures for the best civil servant (i.e., Best Employee Bonus Rule 1973) (KIPA, 2008; Seo, 1996).

**Personnel policy goal and strategy (1980-1992):** The Chun Do-hwan administration continued a merit-based civil service system. In 1981, the administration revised the National Civil Service Act to emphasize the values of personnel management policy in specialization and efficiency (KIPA, 2008; Park, 2010). The grade system of civil service was changed from Grades 1-5 to a system of Grades 1-9. The revision of the law also categorized civil service systems into career service and special service. It further established an appeals system to ensure fair and objective promotions based on competency and performance (KIPA, 2008), in addition to explicit rules on position transfers policy. Due to the weak political legitimacy of the Chun administration, the administration established a new law on Public Service Ethics. The Code of Ethics for civil servants was announced in 1980, and the Public Service Ethics Act of 1981 was established to address corruption within the civil service system, as well as to implement a property registration system for high-level civil servants (KIPA, 2008; Park, 2010). The Chun administration also conducted regular research on corruption types, integrity and ethics performance by class and agency in government (KIPA, 2008). To expand the training programs for senior civil servants, a five-year plan for the Development and Education of Government Employees was approved in 1982.

The Roh Tae-woo administration (1988-1993) implemented similar personnel policies. They continued to emphasize job security of civil servants and acknowledged changes in the external environment of public administration. Through the revision of the National Civil Service Act of 1991, the Roh administration strengthened the value of job security of civil servants, extended the retirement age of Grade 6 employees in response to Korea's aging demographics, and established a more flexible system of special employment policies for building professional civil service systems (KIPA, 2008). The administration also established a coordination mechanism of auditing and inspection agencies to address corruption within the civil service system (KIPA, 2008).

Although both the Chun administration and Roh administration set forth government reforms aimed at enhancing the integrity of civil service, limited progress was made in the 1980s. From 1988 to 1991, a total of 153,035 civil servants were issued warnings and disciplined due to involvement in corruption activities, including 25,887 in 1988, 36,561 in 1989, 48,374 in 1990, and 42,213 in 1991 (KIPA, 2008).

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### 3. Employee Evaluation Systems in the Development Stage (1963-1992)

**Legal structure:** The Regulation on Job Evaluation for the Korean civil service was prepared under the National Civil Service Act of 1963 (Park, 2010; Seo, 1996). The regulations covered job evaluation, career development evaluation, training evaluation, and merit point evaluation. The Civil Service Appointment Decree of 1963 was also revised to establish a candidate list for promotions based on points earned in job evaluation, career development evaluation, and training evaluation (Seo, 1996). Additionally, a foundation of career evaluation systems was established via the Career Development Evaluation Enforcement Rule in 1964, and a Regulation on the Candidates List for Promotion was established for training evaluation (Ministry of Government Administration [MOGA], 1965). In 1973, the Civil Service Promotion Evaluation Regulation was established by consolidating the Regulation on the Candidates List for Promotion, the Career Development Evaluation Regulation, and the Career Development Evaluation Enforcement Rule (MOGA, 1973).

In order to maximize on the capabilities and talents of government officials, the Civil Service Appointment Decree in 1963 was completely revised to grant education and training results a 20% weight when qualifying candidates for promotion (Seo, 1996). In 1964, a Regulation on the Candidates List for Promotion was enacted to stipulate detailed matters on training evaluation, and a basic framework for a training evaluation system was formed through additional revisions in 1964 and 1965 (MOGA, 1965; Seo, 1996). The Civil Service Evaluation Rule (Prime Minister Ordinance 250), enacted in 1981, combined Civil Service Promotion Evaluation Regulation and Job Evaluation Regulation (MOGA, 1981; Seo, 1996). The Civil Service Evaluation Rule was revised in 1991 to include the active participation of employees by soliciting their input in their own appraisals. The following table shows the transition of regulations and rules relevant to employee evaluation systems.

**Table 3-2 | Evolution of Laws on Public Employee Evaluation (1961-1991)**

Evaluation System	Regulations and Rules
Job Evaluation	<ul style="list-style-type: none"> <li>• Job Evaluation Regulation 1961</li> <li>• Job Evaluation Regulation 1963</li> </ul>
Career Development Evaluation	<ul style="list-style-type: none"> <li>• Career Development Evaluation Rule 1961</li> <li>• Career Development Evaluation Enforcement Rule 1964</li> </ul>
Training Evaluation & Merit Point Evaluation	<ul style="list-style-type: none"> <li>• Regulation on the Candidates List for Promotion 1964</li> </ul>
Consolidated System	<ul style="list-style-type: none"> <li>• Civil Service Promotion Evaluation Regulation 1973</li> <li>• Civil Service Evaluation Rule 1981</li> <li>• Civil Service Evaluation Rule 1991</li> </ul>

Source: Seo (1996)

**Job evaluation system:** The Job Evaluation Rule was enacted in 1961 to establish a merit system. Until a revision of the Job Evaluation Rule was executed in 1991, there were several improvements in the evaluation system, but the basic structure was maintained (Park, 2010; Seo, 1996). In order to address various issues that had surfaced in the three job evaluation processes by the first half of 1963, the job evaluation system was reinvented by revising the Job Evaluation Rule. A job evaluation system established in 1961 was adopted to evaluate Grade 1 and below government officials, auxiliary employees, and temporary government officials twice a year (Seo, 1996). However, Grade 2B (currently Grade 3) and above government officials were exempted from job evaluations due to a revision of the regulation executed in 1963. Also, Grade 3A (currently Grade 4) government officials were exempted after another revision in 1970 (Seo, 1996). As a result, promotions for managerial levels were not based on objective job evaluations.

Thus, the Civil Service Appointment Decree was revised in 1981 so as to enhance fairness, the quality of the reconciliation process, and objectivity in promotions for senior level civil service positions. The decree applied job evaluations to senior managers of Grades 1 to 3, and a job evaluation document was created to reflect performance, ability, career development, area of expertise, personality, and aptitude, which was then used in determining promotion potential (MOGA, 1981). However, the job evaluation for senior managers of Grades 1 to 3 was conducted only once, and these senior managers were again exempted from the job evaluation after a revision of the decree in 1982 (MOGA, 1982; Seo, 1996). Until a revision of the Job Evaluation Rule executed on June 29, 1991, there were several improvements in the evaluation system, but the basic structure was maintained.

**Career development evaluation system:** This system was based on the logic that job capacity enhances with increased experience in a specific area (Park, 2010; Seo, 1996). The

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system was used to compare past careers with the job, nature, and level of difficulty of the expected promotion's grade level, and reflects the comparison in the evaluation. The civil service career development evaluation system places greater weight on having experience that is directly related to the promotable position (Park, 2010; Seo, 1996).

**Training evaluation system:** On Jan. 13 1964, a Regulation on the Candidates List for Promotion was enacted to describe in more detail what the training evaluation comprises. A basic framework of the training evaluation system was formed through additional revisions executed in 1964 and 1965 (KIPA, 2008; Seo, 1996). Job education and ethics education were evaluated separately due to a reinforcement policy on ethics training from 1976 to 1989 (Seo, 1996).

## 4. Operations of the Civil Service Evaluation Systems (1963-1992)

**Job evaluation process:** Changes in job evaluation systems can be divided into three phases in terms of evaluation methods (KIPA, 2008; Seo, 1996). In the first phase, from 1961 to 1991, the evaluators and approvers strictly utilized subjective evaluations without the input of the employee. In the second phase, 1991-1995, absolute evaluations were first conducted based on documented employee performance submitted by the employee's supervisor (Seo, 1996). In the third phase, evaluations were conducted by comparing the job objectives and job performance narratives submitted by the employee (1995-1996) (Seo, 1996). This section discusses in more detail the operations surrounding the job evaluation system between 1961 and 1991.

Based on the Job Evaluation Regulation of 1963, job evaluations were conducted for Grade 3 (currently Grade 4) and below government officials in the general service. The evaluation was executed at the end of April and October for Grades 4B and below, including those in technical services (Seo, 1996). The evaluation was conducted at the end of June for Grades 4A and 3 government officials. A government official was exempted from the assessment if he or she was on a leave of absence, suspension, or was otherwise absent from work for more than 6 months (Seo, 1996). The evaluator was typically the senior supervisor of the employee being evaluated (KIPA, 2008; Seo, 1996) and was designated by the affiliated organization's minister. The approver was usually a direct and senior supervisor of the evaluator. However, it was possible for the affiliated organization's minister to deviate from this system and appoint others to these roles.

In order to correct the deviation between the evaluation factors and errors in the evaluation process, the process of reconciling the results of the evaluators and approvers

was adopted by establishing the Job Evaluation Reconciliation Committee for each agency, which then formulated the list of promotion candidates (see <Table 3-3>). The process became effective after the revision of the Job Evaluation Regulation was executed in 1970 (Seo, 1996). The reconciliation process, however, was not executed effectively as it became limited to only when the job evaluation points exceeded the distribution ratio. Accordingly, the Civil Service Promotion Evaluation Regulation was revised in 1981 to establish a foundation in the reconciliation process of job evaluations (MOGA, 1981). Specifically, the revision required that the reconciliation committee conduct deliberations, adjust job evaluation points based on the distribution ratio of the entire civil service, strike a balance between agencies and sub-agencies, and improve the reliability and validity of job evaluations (Park, 2010; Seo, 1996). From 1961 to 1991, however, the results of the job evaluations were not shared with the employees (Seo, 1996).

**Table 3-3 | Job Evaluation System (1961-1990)**

Category	1961-1990
Employees being evaluated	
Evaluator/Approver	<div style="border: 1px solid black; padding: 5px; text-align: center;">           Evaluation of each Evaluation Factor            Decision on Job Evaluation Points             (Relative Evaluation)         </div>
Committee	↓ <div style="border: 1px solid black; padding: 5px; text-align: center;">             Reconciliation           </div>
Promotion Evaluation	↓ <div style="border: 1px solid black; padding: 5px; text-align: center;">             Candidate List for Promotion           </div>

Source: Seo (1996). p.150

The five types of job evaluation forms were developed for Grade 3 civil servants, Grade 3 in research service, Grade 4 and below civil servants, and Grade 4 and below in public security service and technical service. Criteria for the job evaluations included job performance, job abilities, and job behavior based on the following standards (Seo, 1996, p.152; see <Table 3-4>): 1) Application of different standards for each Grade level; 2) Maximum objectivity; 3) Reliability and validity; and 4) Comprehensive analyses and evaluations of the subjects' job record. The employees were then assigned to high (20%), medium (70%), and low

performance groups (10%) (Seo, 1996). These criteria and evaluation ratios were applied to all the agencies without considering their unique tasks and responsibilities (Seo, 1996).

**Table 3-4 | Evaluation Category and Criteria in the Development Stage**

Category	Evaluation Factors
Job Performance (8 points)	Job Quantity
	Job Quality
Job Capability (6 points)	Knowledge & Skill
	Understanding & Judgment
	Creativity
	Applicability
	Management & Leadership
	Expressiveness
Job Behavior (6 points)	Responsibility
	Assertiveness
	Cooperativeness
	Sincerity & Observance of Rules

Source: Seo (1996). p. 152-153

**Career development evaluation process (1963-1973):** Based on the Career Development Evaluation Rule revised in 1963, career development evaluations were conducted for Grades 3 (currently Grade 4) and below in the general service (Seo, 1996). The evaluation was executed at the end of April and October for Grade 4B and below government officials, including technical service. For Grade 4A and Grade 3 government officials, the evaluation was conducted at the end of June. The evaluator was an affiliated human resource officer, and the approver was the head of an affiliated organization (Seo, 1996). A career development evaluation is only used for promotion purposes. For this reason, government officials not reaching the minimum number of years for a promotion were excluded from the evaluation (Seo, 1996). The career evaluation was divided into basic career, experienced career, and additional career (Park, 2010; Seo, 1996). Each career is divided into three classes of careers such as A·B·C. “A” career consists of a career with an identical series of classes. “B” career is composed of a career with similar duties. “C” career is comprised of careers with different duties (Park, 2010; Seo, 1996).

Total evaluation points were the sum of each career area. If there was a leave of absence or suspension from work during the evaluation period, only the remaining period was

evaluated. However, if a government official was on duty according to the law or was reinstated from temporarily working in an international organization or a foreign institution, the career evaluation considered the service period as a part of the previous job (Seo, 1996). The basic career evaluation appraised the most recent four years, while the experienced career evaluation evaluated six years of one's career before the month of the evaluation of the basic career. Additional career evaluations focused on educational background, certificates, and domestic and foreign training (Seo, 1996). Additional career evaluations occurred even if there were overlaps with the basic career and experienced career, and there was no limit on the timeframe of additional career evaluations (Seo, 1996).

However, the complexity of the career development evaluation process compromised the effective implementation of the civil service evaluation system. In order to simplify the career development evaluation system, the Civil Service Promotion Evaluation Regulation was established in 1973 by consolidating the Regulation on the Candidates List for Promotion, the Career Development Evaluation Regulation, and the Career Development Evaluation Enforcement Rule (MOGA, 1973; Seo, 1996). Based on the Civil Service Promotion Evaluation Regulation in 1973, the division of basic career, experienced career, and additional career was abolished, and instead the evaluation system was categorized into A·B·C·D according to career type (Seo, 1996). The Civil Service Evaluation Rule (Prime Minister Ordinance 250) enacted in 1981 combined the Civil Service Promotion Evaluation Regulation established in 1973 and the Job Evaluation Regulation established in 1961 (MOGA, 1981; Seo 1996).

**Training evaluation process:** In 1976, the Civil Service Promotion Evaluation Regulation was revised, and the results of the training evaluations were evaluated based on five points for ethics education and twenty points for job education (KIPA, 2008; Seo, 1996). Government officials who did not complete an ethics education course received 60% of total credit. More than four weeks of education related to electronic data processing and organizational development were evaluated as the job education curriculum. In 1979, the revision of the Civil Service Promotion Evaluation Regulation recognized 60% of total credit for government officials who undertook training in job education five to eight years prior (Seo, 1996). The revision of the Civil Service Evaluation Rule in 1984 abolished evaluations on electronic data processing and organizational development education (KIPA, 2008; Park, 2010). Another revision of the Civil Service Evaluation Rule in 1986 stipulated evaluations on basic education and training that corresponded with the training for government officials who sought promotions, and on education and training for probationary government officials. A revision of the Civil Service Evaluation Rule in 1989 abolished evaluations on ethics education (Seo, 1996).

**Civil Service Evaluation Rule in 1991:** The job evaluation system adopted in 1961 had been executed for 30 years until 1991, but rarely was the system linked to promotions as

seniority-based promotions had been the primary approach (KIPA, 2008; Park, 2010; Seo, 1996). Government officials were first ranked on seniority, and then evaluation points were assigned. Accordingly, government officials with short careers but excellent performance, capability, and behavior were not able to receive objective and fair job evaluations (KIPA, 2008; Park, 2010; Seo, 1996). In addition, past job evaluations relied heavily on the subjective judgment of evaluators (i.e., direct supervisors) and approvers without the input of the employees themselves or other objective factors (Park, 2010; Seo, 1996).

Thus, the Civil Service Evaluation Rule was revised in 1991 to include the active participation of employees in their own job evaluation process by submitting job self-appraisals. There was no standard form for the self-appraisals. However, employees elaborated on their tasks and performance on five dimensions, including planning, research, assessment, implementation, and civic requests (Seo, 1996). The revised law also encouraged the input of co-workers in the assessment process (Seo, 1996). These improvements in job evaluation systems were intended to abolish the seniority-based promotion system. However, seniority-based promotion practices continued irrespective of the job evaluation (KIPA, 2008; Park, 2010; Seo, 1996).

**Table 3-5 | Job Evaluation Process: Civil Service Evaluation Rule 1991**

Category	1991
Employees being evaluated	<div style="text-align: center;"> <div style="border: 1px solid black; padding: 5px; width: fit-content; margin: 0 auto;">Self-performance appraisal</div> <p style="text-align: center;">↓</p> <div style="border: 1px solid black; padding: 5px; width: fit-content; margin: 0 auto;">Evaluation of each Evaluation Factors (Absolute Evaluation)</div> <p style="text-align: center;">↓</p> </div>
Evaluator/Approver	<div style="text-align: center;"> <div style="border: 1px solid black; padding: 5px; width: fit-content; margin: 0 auto;">Decision on Job Evaluation Points (Relative Evaluation)</div> <p style="text-align: center;">↓</p> </div>
Committee	<div style="text-align: center;"> <div style="border: 1px solid black; padding: 5px; width: fit-content; margin: 0 auto;">Decision on Job Evaluation Points</div> <p style="text-align: center;">↓</p> </div>
Promotion Evaluation	<div style="text-align: center;"> <div style="border: 1px solid black; padding: 5px; width: fit-content; margin: 0 auto;">Reconciliation</div> <p style="text-align: center;">↓</p> <div style="border: 1px solid black; padding: 5px; width: fit-content; margin: 0 auto;">Candidate List for Promotion</div> </div>

Source: Seo (1996) p.150



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## 5. Impacts and Limitations

This section reviews the development stage of the PAS that established a merit-based civil service system and formalized policies on public employee evaluations to achieve modernized nation building. The Park administration demonstrated a strong emphasis on the value of performance and results in the government and implemented bureaucrat-led nation building and economic development. This paper focuses on the connection between economic development of the 1960s and the merit-based and open competition hiring systems established during the same period. Furthermore, the section elaborates on how the Park administration applied training programs for enhancing the skills of civil servants and incorporated flexible part-time jobs to meet the demands of economic and social development during this time period. The chapter has also reviews how the Chun and Roh administrations in the 1980s maintained the modernized civil service systems from the Park administration while analyzing the incremental changes of the Korean civil service system in the 1980s.

During this time period, there were serious efforts to institutionalize modernized civil service systems as an important human resource capacity to economic and social development. By adopting the modernized military system of performance monitoring for the evaluation system of civil servants, the Park administration established several sub-systems of civil servant monitoring, including job evaluation, career development evaluation, and training evaluation. The legal frameworks established for implementing these employee-monitoring systems are analyzed in this section. This section also analyzes how personnel management practices and President Park's leadership style could effect a culture of "Get It Done" or a "Can Do Sprit."

Still, there were several weaknesses in the civil service system and barriers to implementing an objective and fair employee performance evaluation system during the development stage of the 1960s and 1980s. For example, there was no clear link between performance appraisal systems and promotion decisions. While the job evaluation system adopted in 1961 stayed in effect until 1991, the seniority-based promotion method prevailed when making promotion decisions under a rank-in-person classification system (KIPA, 2008; Park, 2010; Seo, 1996). Government officials were first ranked based on seniority and then evaluation points were assigned. Accordingly, there was a gap between the purpose of the employee evaluation systems and actual implementation of the policy.

In addition, there was a lack of commitment to the job analysis of civil servants by Grade or profession that enabled the creation of valid and reliable work-related measurements and criteria for evaluating employee performance. Furthermore, senior civil servants from Grade 1 and Grade 3 had been exempted from the job evaluation system for many years.

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Therefore, there was limited connectivity between the PAS and leadership competency building and career development. Furthermore, a strong command and control approach of the PAS created one-way, top-down communication for implementing the PAS. Scholars note that two-way communication is essential to make the link of the PAS to career development (Berman et al., 2001; Daley, 2010; Park, 2010). In addition, as direct supervisors (as evaluators) and senior managers (as confirmers) occupied the main roles in evaluating civil servant performance, there were significant problems regarding the objectivity of the evaluations.

President Park applied a performance-based quick promotion system to enhance civil servants' productivity and motivation. However, the promotion decision was not based on a formalized employee performance appraisal system, but instead on President Park's discretionary power. President Park utilized his strong power for making special appointments of military officers in managerial leadership positions to tightly control the performance and behavior of civil servants. While the merit-based civil service system was emphasized, the political neutrality of civil servants was not protected under the authoritarian regime with the dominant power of the president and a command and control culture. Furthermore, performance based quick promotion was more available for civil servants who worked in certain agencies related to economic development and planning (Chung, 1988; Lee, 1995). Oversight systems for evaluating the quick promotion system were not provided.

Additionally, there was limited priority placed on auditing systems for HRM practices, due process and democratic governance values, which are critical to designing employee performance monitoring systems. The lack of a democratic system of checks and balances among executive, legislative, and judiciary systems prevented unionization of public employees in the authoritarian regime. There was also little priority placed on accountability and the civil rights of individual civil servants when formulating public personnel policies and practices during the development stage.

Nepotism and corruption related to personnel policy and practices were also barriers to implementing an objective and fair employee evaluation system during the time period (Ahn, 2003; KIPA, 2008). Personal networks related to family background, relatives, one's hometown, high school and college alma mater strongly influenced the job security of civil servants, position transfers, and promotions (Ahn, 2003; KIPA 2008; Park 2010). While the merit-based civil service system was emphasized, favoritism stemming from personal networks impeded the effective implementation of a genuine merit-based civil service system for recruitment, hiring, and performance evaluation.

Although there were many weaknesses in the employee evaluation systems, the development stage of the 60s and 80s provided significant implications for the further development and

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overall future direction of PAS in the Korean government. First, this period showed that human capital building for bureaucracy through a merit-based civil service system was very important for achieving modernized nation building, especially for a society with a very limited human capital capacity in a civil society. Accordingly, the commitment of top leaders to investing in training programs for civil servants was essential to enhancing the human capital capacity for effective administrations (Interview data, 2013). However, one cannot say that a bureaucrat-led or elitist-oriented administration was the ideal method for successful nation-building. Building inclusive systems with democratic governance values is also necessary to prevent a concentration of power in the hands of presidents and an elite group in the government.

Finally, this study shows that the systems of job evaluation, career development evaluation, and training evaluation were all developed concurrently within a merit-based civil service system. While the reality of promotions still heavily relied on seniority based systems, this period marked a symbolic approach to how the administrative values of merit-based personnel policy and human capital investment continuously influenced civil service reforms in the Korean government and led to the development of better employee performance evaluation systems between 1993 and 2007.



2012 Modularization of Korea's Development Experience  
Individual Performance Appraisal in the Government of Korea

## Chapter 4

### Individual Performance Appraisal Systems in the 1990s

1. Political and Social Context in the 1990s
2. Civil Service Reform in the 1990s

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# Individual Performance Appraisal Systems in the 1990s

## 1. Political and Social Context in the 1990s

### 1.1. Kim Young-sam Administration (1993-1997)

In 1993, Kim Young-sam became the first democratically elected civilian president after more than three decades of military rule in South Korea. At the time of his election, South Korea's Gross Domestic Product (GDP) had already grown to US\$338.17 billion (current price) according to International Monetary Fund (IMF) 2012 data. In sharp contrast to previous efforts at structural reforms aimed mainly at developing the country's economy, the Kim Young-sam administration identified as major tasks rooting out the legacy of authoritarianism and realizing democracy. Reform efforts involved anti-corruption initiatives, administrative reforms partly patterned after new public management (NPM) principles, delegation of power to the lower levels of government, deregulation, and other initiatives.

The Kim Young-sam administration started with high hopes for democratic reform and established various civil service reform commissions to address administrative process and regulation, labor and trade union affairs, education, and anti-corruption. The first half of his term was devoted to the deregulation and downsizing of the public sector. The administration established the Presidential Committee of Administrative Innovation (PCAI), which oversaw organizational restructuring, management reform, improvement of service delivery, deregulation, and anticorruption initiatives (Kim, 2010). The PCAI operated in a more open political regime atmosphere relative to the previous regimes. A task force for "reform policy" proposals was formed and staffed with those from the Office of the President and Office of the Prime Minister. In addition, President Kim Young-sam also sought to monitor the work of the committee via an "on-line" routine reporting system (Ro, 1997).

The PCAI had three primary goals. The first goal was to establish a service/client-oriented government. The second was to promote an efficient and democratic administration. And the third was the creation of a small, non-corrupt, professionally competent and effective government. The strategy for administrative transformation had three phases: The first phase strategy, from April 1993 to April 1994, focusing on the development and cultivation of a new civic culture that entailed shifting away from bureaucracy-dominated policy formulation. The second phase of the strategy, from May 1994 to April 1995, focused on improving South Korea's living standards, enhancing the quality of life, and boosting its economic competitiveness in the global marketplace. The third phase, from May 1995 to 1998, aimed at attaining the requisites of democratization and adapting to the World Trade Organization (WTO) framework and Organization for Economic Co-operation and Development (OECD) membership requirements as the country sought to elevate its international status.

Ro (1997) notes that the reforms entailed substantial economic and political liberalization. Democratization meant heavily centralized political and bureaucratic structures would be gradually dismantled through decentralization and delegation of specific responsibilities from the national to the local level. Thereafter, the legislature amended the "Local Autonomy Act" in 1993, and implementation of a full-fledged autonomous local system began in the summer of 1995 with elections for top local officials. Accordingly, measures designed to establish a working, decentralized, democratic system were pursued. As such, legislative proposals on regional economic development, administrative transparency, and the simplification of procedures and regulations among others were submitted to the National Assembly for legislative action.

To improve competitiveness, the administration also continued the previous regimes' policy of financial liberalization, intended to stimulate more private investments and facilitate outward-oriented industrialization. On March 1993, the administration announced a 100-day economic reform package meant to stimulate economic activity, which included reduction of regulated interest rates and assisting small and medium industries in their investment expansion. The government also adopted austerity measures and froze public sector wages.

As the first civilian president of South Korea, President Kim Young-sam enjoyed strong popular support, especially in the first few years of his administration. Drawing on his popular mandate, his administration was able to rally political support for a controversial anti-corruption measure to reform the widespread practice of holding financial accounts under false names, which was introduced during the 1960s to attract savings and investments by allowing financial transactions from any source without question. This practice was linked to corruption, and the "Real-Name Financial System" reform was enacted in 1993, followed by a law that required politicians and senior officials to disclose their personal assets.

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The main agency for personnel administration under Kim Young-sam was still the Ministry of Government Administration, which was the lead agency in the 1980s, carried over from previous regimes. Toward near the end of Kim's term in late 1997, South Korea was rocked by the Asian Financial Crisis, sending the economy on a shocking, downward spiral. In 1998, GDP fell to US\$357.51 (current) from US\$532.23 (current) in 1997, according to 2012 IMF data, posing a serious challenge to the succeeding administration.

## 1.2. Kim Dae-jung Administration (1998-2002)

President Kim Dae-jung was inaugurated in February 1998 in the midst of the "Asian Financial Crisis" when South Korea's GDP fell by almost by 32.83 percent (based on current prices), and growth dropped from an annual average of 7.39 percent in 1993-1997 to -5.71 percent (current) in 1998, according to 2012 IMF data. South Korea was on the verge of requesting a moratorium on its debts and sought bailout funds from the IMF. The country experienced substantial economic and social challenges after receiving the IMF loan because of the harsh conditions attached to the loan, as well as a serious shortage of liquidity in foreign currency that left the public and the government with severe financial burdens. Kim's narrow victory in the election by only a 1.6 percent margin saw the opposition Millennium Democratic Party become the ruling party for the first time in the history of the country.

President Kim Dae-jung defined the economic situation as "the greatest national crisis since the Korean War." The economic crisis served as a unique opportunity and an impetus for far-reaching and ambitious reforms under the new administration. The administration then planned to reform virtually every facet of society by focusing on four major sectors: finance, business, labor, and the public sector. These initiatives were prioritized when the government realized that overcoming the economic crisis was unlikely without fundamental reforms in the four major areas.

Kim (2000) notes that the severity of the crisis in South Korea was partly the result of a rigid system and inflexibility of the public, business, and financial sectors to adapt in a timely manner to the rapid changes in the increasingly competitive global economic environment. In response to the economic crisis, the Kim Dae-jung administration called for substantial and urgent reforms in the four major sectors. It declared that it would launch reforms based on a mid- to long-term plan that would transform the government's role and improve the efficiency of the public sector. The administration advanced the philosophy of "Parallel Development of Democracy and the Market Economy," which became branded as a form of New Liberalism. The ultimate objective of the reform drive was to build a system governed by market principles and democratic values.

Various reforms were undertaken by the administration to address the perceived main weaknesses of the Korean public sector: centralization, lack of transparency, rigidity and



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low competitiveness. The overall aim of the reform was to realize a competent government able to deliver good quality services with the least amount of taxpayer money. The Kim Dae-jung administration followed three principles in implementing the “Public Sector Restructuring Program.” Specifically, a key objective of public sector reform was to boost public sector efficiency by introducing three types of principles: market-oriented, performance-oriented, and customer-oriented principles.

According to Kim (2000), first, in order to realize “a small but efficient government,” functions were streamlined, and the public sector was downsized. Second, in order to achieve “a highly competitive government,” the principle of competition between and among government organizations and personnel was introduced and incorporated into the system. Third, in order to attain a “customer-oriented government,” programs to inculcate and foster desirable attitudes and actions among public employees were launched.

To streamline the structure and functions of the public sector, the government embarked on a broad restructuring program. The first reorganization of the central government began in February 1998, during which the number of cabinet members were reduced from 21 to 17. The Ministry of Government Administration and The Ministry of Home Affairs were merged into the Ministry of Government Administration and Home Affairs (MOGAHA). Management consulting in all central government departments was also introduced in mid-1998. The second reorganization in May 1999, in contrast to the first, involved expansion and the establishment of new government bodies.

Three new agencies, the Ministry of Planning and Budget (MPB) and the Civil Service Commission (CSC) were established. The Korean government also adopted “agencification,” or the creation of semi-autonomous agencies responsible for operational management. Taking after the British model, agencification creates distance between the agency and the central office so as to promote more management flexibility. This time period also witnessed the incorporation of competition and market principles into organizational management in line with NPM principles.

The reform program encompassed all public sector agencies from the central government down to local governments, and extended to all other government-affiliated organizations. Changing the culture and mindset of the entire public sector was deemed necessary for reforms to succeed. To this end, innovation, organization, and personnel restructuring in programs and operations were pursued. Emphasis was given to qualitative and physical methods of rationalization like reorganization, personnel downsizing, and streamlining. Budget and personnel adjustments, privatization and restructuring of government-owned enterprises, state-funded research institutes, and other government-affiliated organizations were also undertaken (Kim, 2000).

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The Kim Dae-jung government planned to reduce the number of central government employees by 15.9 percent from 163,599 employees, with the exception of police officers and schoolteachers. A downsizing of this magnitude was unprecedented in the history of the Korean civil service and was met with resistance. However, such resistance was overshadowed by the larger problem of private sector unemployment and vocal demands from the people for government restructuring. The primary means for personnel downsizing was early retirement under the public employee early retirement program. Ministries were given one year to reduce employees and could not recruit or promote anyone during this time. Subsequently, the government introduced the “Total Workforce Control System” in 1998 to cap the expansion of government workforce permanently. This entailed a workforce ceiling prescribed through a Presidential Decree, totaling 273,982, excluding priority groups such as schoolteachers and public prosecutors (Jeong et al., 2002).

Further downsizing of the public sector was undertaken to substantially lower operational costs in 2001. The total central government workforce (excluding public school teachers and police officers, and local government employees) decreased by 25,955 employees, or 16.0 percent. About 56,649 local government employees, or 19.3 percent of the workforce, were also relieved of their jobs. Employees in state-supported quasi-nongovernmental organizations were reduced by 60,234, or 24.2 percent (MPB, 1999) (Kim, 2000). As part of measures meant to improve competence and performance, the “Open Position System” (OPS) was introduced by the CSC in 1999, which allowed competent professionals from the private sector to apply for government positions (Park, 2012).

## 2. Civil Service Reform in the 1990s

### 2.1. Kim Young-sam Administration Civil Service Reform (1993-1997)

Ro (1997) notes that the Kim Young-sam administration encouraged and sought to foster an open recruitment system, performance-based evaluation, and workforce diversity in the public sector. The president led the institutionalization of several measures to deal with concerns like downsizing, cost containment, efficiency, and effectiveness. These included: (1) reconstituting administrative activities based on the “functional inter-linkages” system, (2) reforms in the government examination system, (3) establishing a government employee training program, (4) reviewing employee compensation and welfare packages, and (5) promoting employees based on merit with less emphasis on seniority. An incentive system for employees with good performance in the form of cash awards was also introduced.

Fifteen members of the PCAI never held a public post and represented the diverse interests of society. Members included prominent scholars, journalists, and labor leaders. The group emphasized the development of a strong public-as-customer orientation and focused on competitiveness and deregulation in the process of decentralization and democratization. The PCAI also had an additional tier. While the first-tier was composed of those civilian members, the second-tier consisted of public practitioners, mainly mid-career government personnel representing various government ministries and agencies. The latter played a valuable supporting role by supplying the necessary information and materials to the first-tier commissioners. They also analyzed functions and sorted through numerous reform proposals originating from local governments, small and medium size business firms, and other sources.

#### Box 4-1 | The Main Agency for Personnel Administration

The Kim Young-sam administration maintained the Ministry of Government Administration and also largely maintained the performance appraisal system that was used in the 1980s. Despite the clear direction and efforts towards democratic reforms and liberalization, the reform measures of the Kim Young-sam administration were not fully and successfully implemented and institutionalized. Civil servants resisted many of the reforms, and the expected broader support from civic groups never materialized.

Despite major changes, the main framework of Korean bureaucracy—a highly centralized administrative system with a clear rank system and hierarchy—largely remained intact (Ro, 1997). Nevertheless, some notable accomplishments in civil service reform during the Kim administration were made, including the law on wealth disclosure for public officials (1993); revised criteria for hiring civil servants (1994); real name system for financial transactions (1993); political reform act (1993); and real name requirement for real estate holdings (1995).

The “Real-Name Deposit System” was implemented through the Presidential Decree (“Presidential Financial and Economic Emergency Decree on Real Name Financial Transaction and Guarantee of Secrecy, 1993”) specifically aimed at rooting out the “underground economy” and associated corrupt practices. Under this system, Korean citizens would be required to hold financial accounts under their true names. A related development was the requirement for politicians and senior officials to disclose their personal assets. Due to these measures, a number of officials were forced to resign, and several big businessmen and even former President Roh Tae-Woo were tried and convicted on corruption charges. Their sentences, however, were light or eventually suspended (Ro, 1997).

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The State Public Officials Act was amended on December 22, 1994, improving the promotion system based on the competitive examination. The amendment also provided a new statutory basis for payments to officials with good service records and accomplishments through the introduction of an incentive system that provided an annual “merit” bonus, contingent upon a positive performance review that considered workload, efficiency, productivity, and supervisor input. The amendment also introduced parental leave and family leave (without pay) for the purpose of raising children or managing household affairs.

In December 1997, the State Public Officials Act was amended again to broaden the appointment system for public officials. The Act allowed civilian and private sector professionals to be appointed to positions in public offices and, conversely, government employees to take temporarily leaves of absence to work for private organizations. Government employees were also allowed to take leave for school for up to two years and for up to three years when accompanying a spouse for work, study or research overseas.

## 2.2. Kim Dae-jung Administration Civil Service Reform (1998-2002)

The Kim Dae-jung administration emphasized innovation in government operations. The main strategies adopted were: 1) expanding the Open Position System (OPS), 2) improving the hiring system for public officials, 3) reinforcing corruption prevention programs, 4) introducing a performance management system, 5) introducing the double-entry bookkeeping system, and 6) active application of information technology (Kim, 2004).

Under the administration, the State Public Officials Act was amended in February of 1998. The amendment broadened the scope of appointing officials for public offices by contracts. The amendment authorized the director in charge of personnel management in the state government to administer staff reductions during government reorganizations. It also stipulated the standards and procedures for dismissals in cases when offices are abolished or over-appointments occur as a result of restructuring, elimination of government organizations, or budget reductions. This authority was significant given the magnitude of the restructuring and downsizing efforts involving agencies and personnel at the time. The amendment also improved the service record rating system, shortened the retirement age for public officials by 1 year; and abolished employment extensions for the retirement-eligible in position Grades below 6.

In late 1998, the MOGAHA introduced a performance-related-pay (PRP) system for all employees of the government. Beginning in 1999, an annual stipend system for Grades 1 to 3 officials (mostly assistant ministers and bureau director-generals) in the central government was also introduced. In the past, the salaries of officials were mainly based on seniority and

rank. Under this system, the pay rate was determined according to the length of service with an automatic salary increase granted every year, meaning the pay could not function as an incentive for better job performance. The introduction of a performance-based pay system was intended to promote hard work, encourage competition among civil servants, and inspire employees to carry out their tasks more efficiently and creatively (Park, 2012). The Kim Dae-jung administration reformulated the performance-related pay scale and offered bonuses of 150 percent, 100 percent, and 50 percent of the basic salary according to one's performance level (top 10 percent, top 10–30 percent, and top 30–70 percent, respectively) in 1999 (OECD, 2008).

In May 1999, the State Public Officials Act was amended again, this time establishing the Civil Service Commission (CSC) under the Office of the President and dividing the public personnel administration function between this new organization and the MOGAHA. The amendment also created the legal basis for OPS and an institutionalization performance incentive system. The administration established the CSC as an independent government organization tasked with establishing basic policies for personnel administration, appointment-screening of senior civil servants, reviewing the personnel management system, administering performance management, and other duties. Although the MOGAHA retained responsibility over personnel management matters such as recruitment, training, discipline, and pension and welfare, the newly established CSC was the primary agency tasked to design and implement civil service reforms.

#### Box 4-2 | Civil Service Commission

One of the central goals of the CSC's reform program was to establish "open and competent personnel administration." To accomplish this, the CSC took several measures. First, it promoted the flow of personnel between the public and private sectors (i.e., it allowed public employees to work temporarily for the private sector and vice-versa). Second, the CSC attempted to establish a competent and knowledge-based government staffed with civil servants who could work better in a changing administrative environment. Finally, the CSC established a performance-based system by reforming the existing classification system and introducing new performance-based pay programs. These were meant to address concerns regarding the existing civil service system such as life-long tenure, closed recruitment practices, the direct linkage between grade and salary, and the seniority-based promotion system – which were seen as negatively affecting efficiency and the productivity of public administration (Kim, 2000).

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In 1999, the CSC introduced the OPS to improve performance and competency. The OPS was designed to recruit the best possible candidate for top positions through open and fair competition among senior public sector employees and professionals from the private sector. This system removed barriers to the entry of competent professionals from the private sector, which was a radical departure from the previous system which limited top positions to officials who passed Senior Civil Service Examinations or those who have worked in that particular ministry for a long period of time. In the past, new entrants to the civil service were generally only able to enter Grades 5, 7, or 9. Grade 9 is the lowest level, and Grade 1 is the highest in the Korean civil service.

Previously, promotions to positions Grades 1-3 were only available to current incumbent government employees. With the OPS, private sector applicants became eligible for these positions. About 20% of senior positions in all ministries were designated open positions. Each Ministry was required to set qualifications for open positions, and anyone who met the qualifications could apply (Park, 2012). The ministry, through a Selection Board, then selected the most qualified person among the applicants. While appointees with previous civil service experience retain their current civil service status (i.e., tenure), appointees from the private sector to these positions are appointed as non-career contracted service employees.

Complementary to the OPS was the Personnel Exchange System (PES) introduced by the CSC, which allowed the free exchange of talents and experiences between the private sector and the government. The PES allowed three-year leaves for middle-manager level civil servants (Grade 4 and 5) to allow them to work for the private sector. In the process, the CSC hoped to expose civil servants to the knowledge and dynamism of the private sector (OECD, 2008).

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## Chapter 5

### Individual Performance Appraisal Systems in the 2000s

1. Political and Social Context in the 2000s
2. Civil Service Reform in the 2000s

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# Individual Performance Appraisal Systems in the 2000s

## 1. Political and Social Context in the 2000s

### 1.1. Roh Moo-hyun Administration (2003-2007)

Adopting the NPM principles of competition, openness, pay for performance, and empowerment, the first three civilian administrations adopted similar public sector reform initiatives to transform the traditionally closed civil service system and make it more open, competitive, and performance-based. The Roh Moo-hyun administration focused on establishing a participatory and enabling government while simultaneously stressing the same managerial values and continued most of the civil service reforms initiated during the Kim Dae-jung administration. It continued, extended, and often reinforced reform measures such as balanced personnel policy, open and flexible personnel administration, and performance management. At the same time, however, the Roh administration provided its own emphasis and political orientation. It adopted more aggressive mechanisms for an open, balanced, and competitive civil service system and attempted to instill a sustainable government innovation system (OECD, 2008).

By 2003, South Korea had already recovered economically, and GDP had grown to US\$643.76 billion (current). The country's growth rate from 1998 to 2003 averaged 6.69 percent (current) according to IMF 2012 data. At the start of the administration, the Presidential Committee on Government Innovation and Decentralization (PCGID) carefully designed public sector innovation road maps and detailed innovation agendas. The administration stressed the importance of equal opportunity, openness, and performance management. Some of the reform projects were jointly administered by two or more agencies while others were administered by a single agency. Many of the innovations were



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initiated by the PCGID and then later transferred to the MOGAHA and the CSC. At the same time, the administration also strengthened the CSC with the amendment of the State Public Officials Act in March 2004, which assigned the CSC the main public personnel administration function of policy formulation and implementation.

The Roh Moo-hyun administration carefully and strategically designed a long-term innovation system. The government innovation road maps, which set the direction for reforms, were carefully planned by the PCGID with the strong political support of the president. Reforms were aggressively introduced and disseminated to public agencies through specific innovation programs. Each agency was tasked to form an innovation support team to facilitate innovation in charge of fostering creativity and an innovative culture within the agency. To sustain the innovation road map, the progress of each innovation project was monitored and feedback was given to ensure their continued development. In the process, the PCGID shifted its role from an initiator of reforms to monitor and promoter. The president also appointed a staff in charge of government innovation and coordination with various agencies.

The Roh government halted downsizing and actually reversed the trend by hiring an additional 50,000 civil servants for new positions. It also promoted integrated administrative systems. The On-Nara System merged multiple managerial functions—performance management, customer relationship management, and business process reengineering, with information technology-enabled administrative innovation systems. An innovation system was considered more sustainable than a single innovation product. The administration also adopted change management and pushed a top-down innovation agenda through various innovation evaluation processes (OECD, 2008).

### **1.1.1. Position Classification/Job Classification System**

The CSC under the Roh Moo-hyun administration introduced the Job Classification System (also known as the Position Classification System) and Job Analysis. The intention of the Job Analysis project was to provide a solid foundation for civil service reforms by clearly defining the roles and responsibilities for each position. The Job Analysis project of the CSC involved defining the “accountability” of each position, measuring the differential value of each position (job value), which would serve as the basis for the payment scheme for each position. This would also affect the “performance-based pay” scheme intended to connect the differential bonus with individual performance. The analysis was tested at the Ministry of Foreign Affairs and Trade (MOFAT) and South Korea Meteorological Administration (KMA) in 2000. In the case of the MOFAT, ranks were abolished and only job titles remained. Pay levels were decided in accordance with job value (Park, 2012).

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### **1.1.2. Promoting Balanced Personnel Policy**

The balanced personnel policy of the Roh administration sought to address the discrimination against and underrepresentation of women in the civil service. Although women in the public sector nearly doubled from 16.8 percent in 1978 to 31.7 percent in 2001, they continued to be underrepresented in high-level positions. In 1998, women occupied only 2.9 percent of central government managerial positions in Grades 1 through 5, increasing to 7.4 percent in 2004. Although this was a substantial improvement, the government aimed to fill 10 percent of high-level civil service jobs with women by 2006 and created equal opportunity programs to support this goal. This agenda was met with uneasiness and resistance within the civil service, which was unaccustomed to female leadership. Nevertheless, the number of women who passed the high-level civil service exams increased and, by 2006, 9.8 percent of Grades 1 to 5 were occupied by women.

### **1.1.3. Equal Employment Opportunity Policy**

The Roh Moo-hyun administration took affirmative action one step further with the equal employment opportunity policy aimed at reducing discrimination against engineers and the disabled, as well as regional discrimination in the public sector. The affirmative action policy partly entailed a mandatory quota of 2 percent at government agencies for minority groups like the disabled. In 2004, 2 percent of positions were filled by people with disabilities. The newly established system for correcting regional discrimination also resulted in the recruitment of 50 people for Grade 6 positions in 2005 who would have otherwise been overlooked under the previous system. Efforts to recruit more high-level officials with science or engineering backgrounds are still ongoing (OECD, 2008).

### **1.1.4. Establishing a Senior Civil Service (SCS)**

The establishment of a Senior Civil Service (SCS) had been considered since the mid-1990s as the government sought a more flexible high-level personnel administration policy. The government first began to seriously pay attention to an SCS as a tool for public sector reform during the financial crisis of the late 1990s but did not receive much support from the Kim Dae-jung administration. The Roh Moo-hyun administration revived the idea of the SCS and included it in the PCGID road map.

The overall objective of the establishment of the SCS is to create an effective government-wide personnel management system for selecting, assigning, developing, advancing, rewarding, and managing senior civil servants who administer important government programs in many ministries. The SCS was patterned after initiatives in other countries that were meant to broaden the perspectives and responsibilities of senior civil servants by facilitating their mobility across agencies. It was also believed that a well-developed SCS

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could prevent rivalries among ministries, bring their interests together and increase the level of professionalism of the civil service. The SCS covered civil servants in Grades 3 or higher (Park, 2012).

The Roh administration faced various difficulties. After years of reforms, many civil servants began to feel “innovation fatigue” and often expressed pessimism toward the reform initiatives. The top-down and evaluation-oriented approach was seen to have failed in promoting voluntary participation of public servants in the innovation reforms. The SCS also raised concerns about the possibility of politicizing the senior public servant selection process. Nevertheless, the Roh administration can be credited with pushing the envelope of government reforms beyond the traditional objectives of efficiency and effectiveness of the previous administrations. This administration promoted an “enabling” government rather than a small government, and pursued balance, fairness, and a concern for the underprivileged-- concerns that have historically taken a back seat to bottom line efficiency (OECD, 2008).

## 1.2. Lee Myung-bak Administration (2008-2012)

The shift by the Roh Moo-hyun administration from small government to big government has been criticized by the Lee Myung-bak administration for promoting inefficiency. When the new administration took over in 2008, South Korea’s GDP had reached US\$ 931.77 billion (current) but the average annual growth rate had slowed to 4.23 percent in 2004-2008, according to IMF 2012 Data. Reversing the Roh administration’s policies, the Lee administration adopted a strong policy of downsizing and streamlining government. President Lee Myung-bak, who came from the private sector and served as CEO of Hyundai Engineering and Construction and mayor of Seoul prior to becoming president, emphasized the need for efficiency in the public sector. In contrast with the participatory government focus of the Roh administration, the Lee administration promised a small but effective government.

Promoting a practical and utilitarian government, the Lee administration reduced the number of cabinet level departments from 18 to 15. It resumed the trend of downsizing the public sector while simultaneously promoting the expansion of departments and bureaus through consolidation. Lee pledged to abolish about half of the existing committees affiliated with the presidential office and other government agencies. The administration established the Presidential Council on National Competitiveness (PCNC) in order to promote global competitiveness and innovation (Do, 2009; Kim, 2010). Since his inauguration, President Lee Myung-bak’s government focused on streamlining the public sector, abolishing committees and merging state-run firms.

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Jung (2010) writes that the Lee Myung-bak administration introduced the policy of “Grand Ministry, Grand Bureau,” which was a substantial departure from the meticulous subdivisions of the “team system” that had been the structural backbone of government ministries under the previous Roh Moo-hyun administration. The intent was to streamline bureaus and divisions in the administrative branch based on their key functions. It intended to complement deficiencies in the team system and revise the system with measures focused on upgrading productivity and efficiency.

One criticism of the CSC heard in some sectors is that it had become involved in too many regulations, thereby contributing to “reform fatigue” in the Korean public sector. Some of the administrative reforms spearheaded by the CSC were criticized for creating even more complicated and cumbersome internal regulations within the state administration, when it should have been working to overcome the rigidity of Korea’s personnel management system. In the face of such criticism and in accordance with the Grand Ministry, Grand Bureau policy, the Lee administration dismantled the CSC when it took office in February 2008.

The Lee Myung-bak administration integrated the MOGAHA, the CSC, the National Emergency Planning Commission (NEPC), and the national informatization strategy functions of the Ministry of Information and Communication (MIC) into the Ministry of Public Administration and Security (MOPAS) in 2008. The MOPAS was given the main public personnel function and tasked with administering the reorganization of the administrative branch. Its expanded responsibilities also included ensuring safety in the case of national disasters, working with local governments and implementing e-government initiatives at both the central and local government levels. Since then, it has become one of the big central agencies in charge of organizational management, personnel management, local autonomy, and security (Do, 2009; Kim, 2010).

The Lee Myung-bak administration also sought to deepen local autonomy and decentralization by delegating enterprises to local governments through the MOPAS. It established a Presidential Committee for Decentralization, tasked to enact necessary laws to support the institutional and financial self-sufficiency of local governments. It also embarked upon massive and broad reform initiatives with a focus on overhauling old regulations and implementing different institutional and system improvements for the enhancement of regulation quality and performance. This would then lead to improving the business environment and augmenting Korea’s economic growth potential. The administration also emphasized process improvements through the establishment of such systems like the autonomous integrated administrative systems (e.g., On-nara System) in order to institutionalize and ensure sustainable government innovations (Kim, 2010). On the economic front, South Korea’s GDP had grown to US\$ 1.116 trillion, but the annual average growth rate from 2009 to 2011 slowed to 3.42 percent.

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## 2. Civil Service Reform in the 2000s

### 2.1. Roh Moo-hyun Administration Civil Service Reform (2003-2007)

The Roh Moo-hyun administration strengthened the CSC by making the agency solely responsible for public personnel administration, covering policy formulation and implementation, with the amendment of the State Public Officials Act in March 2004. A subsequent amendment of the same law on March 2005 provided the basis for the improved collection and management of job candidate information. It also laid down the legal basis for equal employment opportunity policy for the disabled and science and engineering majors – two groups who were underrepresented in the bureaucracy. The amended Act reinforced the affirmative action policy to attain gender equality in the bureaucracy by increasing the number of women, especially in higher positions. It also sought to address regional discrimination by ensuring special recruitment for competent local applicants. The amendment also allowed the promotion of government employees who were assigned to other organizations.

The amendments of the State Public Officials Act on December 2005 established the legal basis for the Open Position System (OPS). It also laid the basis for the creation of the Senior Civil Service System as a strategy to make senior policy positions more competent and effective and improve the career development program. The SCS covered civil servants Grades 1-3. The system created pan-government human resource management for senior personnel, expanding and centralizing the pool of senior personnel from which all agencies can identify staff to fill their needs. It also set the legal foundation for a performance agreement system, first piloted in the CSC then later expanded to other agencies.

The SCS abolished the Grades for SCS members and managed them based on their rank-in-position rather than through the previous rank-in-person system. The CSC built a comprehensive competence model for the SCS, which increased their accountability. The competency model for the SCS was developed based on behavioral interviews and subject expert interviews. It identified five core competences for the SCS: basic behavioral competencies, job-related competencies, managerial/network competencies, knowledge/skill, and other competencies (OECD, 2008).

As the Roh Moo-hyun government enjoyed the benefits of e-support (*e-jiwon*) in the presidential office, it encouraged government agencies to develop information technology-enabled and integrated administrative innovation systems to support reforms and improve their performance. Such systems were critical to business process reengineering, performance management, and customer relationship management, as well as the effort

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to enhance the transparency, accountability, and effectiveness of public agencies. Such a system would also help government officials to do their work, communicate with others, and receive evaluations from managers and other relevant parties, such as colleagues and citizens.

Under the Roh administration, the CSC established a Personnel Policy Support System (PPSS) that used the latest information technology to establish an electronic human resource management system. The system collected information about candidates through a central network of personnel information of all government departments. It supported the management of personnel and provided real time information on personnel management from employment to retirement. The PPSS was seen to promote efficiency by reducing the labor required for document management, increase the transparency and impartiality of personnel management, and make recruitment information more open and accessible to the public (Park, 2012). The information technology-enabled administrative innovation system not only makes the administrative process more efficient and transparent, but also makes individual public employees and working units more accountable and better performers as individual and team evaluations are reflected in performance-related pay and personnel decisions.

#### Box 5-1 | Open Position System

Since Kim Dae-jung's term, the Korean government has pushed hard to make the civil service system more open and competitive and change a long-standing system that was notorious for noncompetitive and closed recruitment and seniority-based promotion. The CSC also tried to improve the internal openness and competitiveness of the civil service system by promoting personnel mobility and allowing personnel exchanges among ministries, central and local governments, and public and private entities. Under the Roh administration, the open employment system opened up about 140 positions to competition, including 20 percent of the bureau director positions. The actual share of open-competition positions doubled from 15.9 percent under Kim Dae-jung to 30.6 percent under Roh Moo-hyun. In January 2004, the Roh administration appointed 10 new director generals from outside the traditional civil service system through open competition, and it reshuffled 22 director generals at various departments.

In the early years of performance evaluations for civil servants, feedback and appraisals from one or more superiors was often careless or unbalanced, compromising the credibility of the performance evaluation system. The CSC introduced a 360-degree feedback appraisal system in 2003 to secure a more equitable and effective assessment program. The 360-degree feedback appraisal system is an approach that gathers behavioral observations

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from many layers within the organization, and the role of the evaluator is shared. Shifting this responsibility from one individual to many mitigates the risks of leniency, personal bias, and subjectivity, which get in the way of accurate assessments. The information technology enabled systems also supported this new approach, and the 360-degree feedback appraisal software was distributed to all ministries. The CSC strongly encouraged every ministry to use the 360-degree feedback system as a key part of the performance appraisal process. Most ministries now use this new feedback instrument to supplement the existing appraisal system (Kim, 2000).

The Korean government adopted the Management by Objective (MBO) program in 2003 for civil servants of Grades 4 or higher at central ministries. In this system, managers talk to their subordinates about setting goals, evaluating performance, and determining the amounts of incentives. Since mid-2005, however, the balanced scorecard (BSC) system developed by Kaplan and Norton had replaced the MBO. The BSC evolved into a job performance agreement system, which had been applied to individual government employees of all levels since October 2004 (Lee, 2012). Later, a distinction was made: high-ranking officials (Grade 4 or higher) are evaluated via performance agreements while job evaluations are utilized for evaluating low ranking officials (Grades 5 or lower). The CSC became the government's pioneer in performance evaluations when it signed a performance agreement in October 2004 with the committee chairman, the director of the Central Officials Training Institute, the director of the review committee, and the secretary general. The CSC also signed a performance agreement between the bureau's secretary general and directors, as well as bureau managers during the process. The evaluation was held annually in hopes of producing desirable results for a year. By April 30, 2005, 26 government agencies, including the Ministry of Finance and Economy, adopted the performance agreement (MOGAHA, 2005).

Although the basic principle of performance-related pay is often distorted as a result of Korea's conventional and group-oriented bureaucratic culture, awareness and acceptance of performance measurement as an important goal have gradually taken root in the civil service system. The government has put forth a concerted effort to make performance evaluations more objective, rigorous, and productive by developing multiple evaluation methods, such as the 360-degree evaluation, team performance assessment, and balanced scorecard. The evaluation results are reflected in performance-related pay and personnel decisions. There are two types of programs in this system: the annual merit incremental program and the performance bonus program.

In July 2005, the Roh Moo-hyun administration introduced the total wage system (TWS) to several central government units, including MOGAHA, the Board of Planning and Budget, the CSC, the Department of Labor, the National Statistics Bureau, the National

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Procurement Administration, the National Patent Administration, 10 local governments, as well as 23 other public organizations. The TWS is designed to promote the managerial discretion of agency heads in personnel-related decisions, such as personnel size and organizational structure, based on allocated annual total wages. With this discretion, agency heads are responsible for agency performance.

According to TWS guidelines, the MOGAHA controlled only the total number of public officials in the central government and the ceiling on the number of public officials at the departmental level. Each department had discretion in deciding how it allocated its personnel by rank and position. Each department could also design an organizational structure at the division level at its own discretion, although the organizational design at the bureau level still needed to be approved by the MOGAHA. In addition to managerial discretion in organizational structure and personnel decisions, each department has authority over salary decisions, such as performance-related pay, additional compensation for special workplaces, and other compensation decisions.

Although the TWS has become an effective tool for granting department heads managerial discretion and more flexibility in personnel and organizational management, some observers have highlighted the potential for problems such as the emergence of top-heavy organizations, inequitable salaries, and other unfair compensation practices. In anticipation of these problems, the MOGAHA strengthened internal and external accountability mechanisms by, for example, allowing administrative units the financial discretion to apply unused payroll funds toward the operating budget.

## 2.2. Lee Myung-bak Administration Civil Service Reform (2008-2012)

The Lee government consolidated ministries with similar and duplicate functions as part of a plan to revitalize administrative efficiency. The government eliminated 11 ministries, reducing the number of ministries to 45. For example, the three ministries of maritime and fisheries, construction and transportation were integrated into one organization – the Ministry of Land, Transport and Maritimes Affairs. The Government Information Agency was merged into the Ministry of Culture. In addition, the government set forth to privatize or consolidate 108 public corporations, which had often been criticized for their inefficient management.

As outlined in the Grand Ministry, Grand Bureau policy, the government laid off excess personnel and minimized the need for new recruits by temporarily hiring professionals from the private sector. In addition, new measures to ensure maximum productivity were also introduced, such as the “fast track” system, which expanded opportunities for promotion for



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outstanding performers regardless of their years in service. These changes were met with mixed reactions among government employees and the employees union.

Changes in the SCS program were also made early on by the Lee administration, such as the position grade system and performance evaluation system. Initially, the SCS system replaced the three-rank grade (i.e., Grades 1~3) with a system of a five-position grade based on the degree of difficulty of the SCS position. This five-position grade system was only introduced as a means to conveniently manage performance based pay. However, this system was operated de facto as a new “rank” system, thereby undermining the intent for the SCS to abolish the concept of defining “rank” as the person instead of the position. Later, the position grade system was simplified from five to two grades, and it has been insisted that the position grades not be regarded as any sort of “rank” vested in a person, but simply as “evaluation criteria for determining job difficulty” (Jung, 2010).

The Lee administration also adopted “Improvement of the Evaluation System of the Local Government” as one of the government’s national agendas and established an integrated evaluation system. The objective of establishing the aforementioned system is to unify the individual evaluations conducted by each ministry into a joint evaluation. To meet its objectives, evaluation methods, systems and indicators were reorganized. The integration of individual and joint evaluations was piloted in 2008 for implementation in 2009 (OECD, 2008).



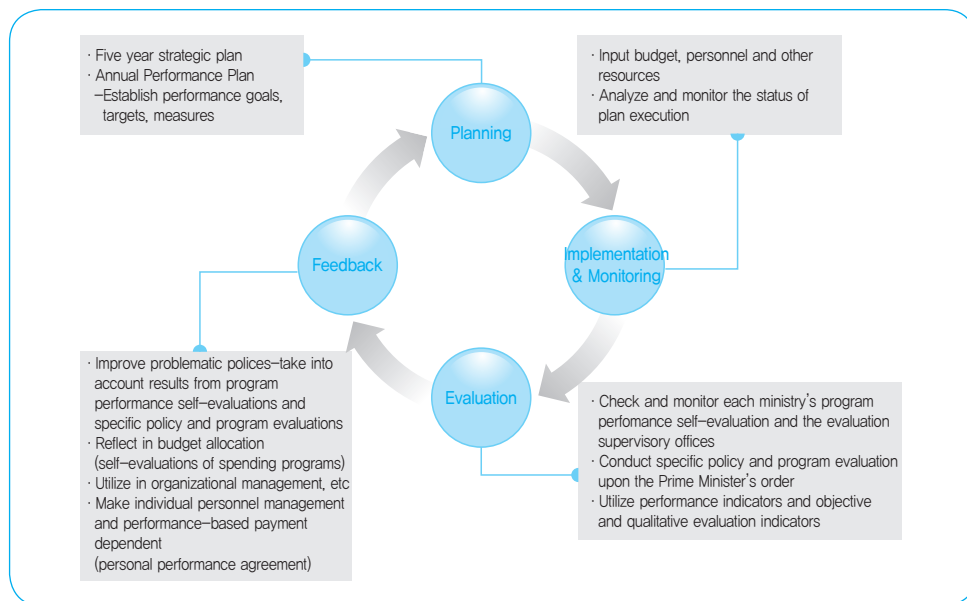
### Current Systems and Practices

1. Performance Agreement
2. Job Evaluation System
3. 360-Degree Evaluation
4. Performance Management Card
5. Pay for Performance

# Current Systems and Practices

Until the reforms in the mid-1990s, policy management in South Korea emphasized inputs and procedures rather than policy outcomes. With increasing demand for improving national competitiveness and efficiency, the Korean government introduced results-oriented performance management programs for central ministries beginning in the latter part of the 1990s, including evaluations of government performance and expenditure programs, as well as information and technology (Yang, 2011).

**Figure 6-1 | Performance Management System in the Korean Government**

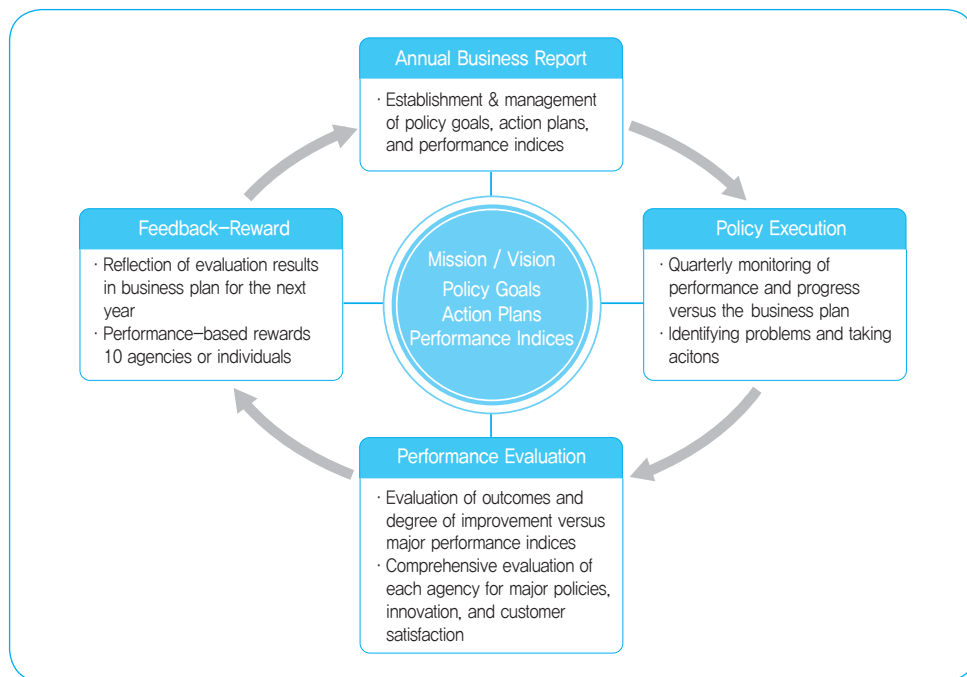


Source: Yang (2011)

The increasing number of services and public expectations of the government led to increased public expenditures that were not accompanied by additional revenues. Consequently, the situation called for improvements in government efficiency. Since 1990, the public sector, inspired by the NPM and government reforms in the U.S. and elsewhere, actively adopted performance management principles and practices in order to enhance efficiency in the government. When the Asian financial crisis nearly crippled the economy in 1997, radical reforms became imperative. The introduction of performance management and competition in the public sector aimed to improve both the quality of administrative services and administrative productivity.

Performance management of policies and programs was directly addressed in the legislation of the “Government Performance Evaluation Act” (GPEA), also referred to as the “Framework Act on Government Performance Evaluation” (FAGPE) in 2006. Its objective was to improve and integrate performance evaluation programs and reduce the burden placed upon the employees as a result of redundancies in the evaluation process (Lee, 2012). It also served as the legal foundation for integrating the various systems in use and allowed for establishment of a comprehensive, government-wide performance measurement and evaluation system.

**Figure 6-2 | Performance Management System in the Korean Government**



Source: MOGAHA (2005)

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The performance management system in the Korean government has two levels: organizational level and individual-level performance management. The Office of the Prime Minister supervises organizational level performance assessments in cooperation with selected agencies in the areas of finance, personnel, organization, auditing, and e-government. Every agency's overall performance is evaluated in terms of major policy execution, financial performance, and other key areas (personnel, organization, and e-government) at the organizational level. The BSC and Six Sigma (6σ) approaches are utilized for organizational evaluation (Kim, 2009).

For the individual level, the major tools for measuring individual employee performance include: performance agreement, job evaluation, and 360-degree feedback. The particular tool used depends on the rank of the respective employee being evaluated as the Korean civil service utilizes a system of grades that reflects a strong tradition of seniority. Civil servants are classified into nine grades: Grade 9 is the lowest, entry level grade, while Grade 1, the assistant minister level, is the highest. The performance agreement system applies to those who are in Grades 4 (director level) or higher (i.e., the Senior Civil Service which covers Grade 1-3). The job evaluation system applies to those in Grades 5 or lower (i.e., down to Grade 9). The 360-degree feedback is used as a supplementary evaluation for all levels of employees. An individual-level performance assessment is executed by the personnel authority of each agency. Performance evaluation is conducted regularly. Individual performance is reflected in the personnel record and has implications for salaries and bonuses.

#### ***Link Between Organizational Level Performance Management and Individual-Level Performance Management***

In the Korean organizational culture, employees are expected to make efforts to meet organizational goals. The integrated performance evaluation framework links individual and organizational performance by including the organization/unit's key performance indicators into the individual performance agreement (or contract) for unit heads whose civil service rank is typically Grade 4 or higher. During the performance agreement process, these civil servants agree to set performance targets with their supervisors. The major elements in the performance agreement system include individual performance goals or key performance indicators (KPI) based on overall organizational strategic goals, performance indicators, measurement methods, performance targets, and accomplishment plans. Likewise, employees of Grades 5 or lower set their KPIs also in consultation with their respective department or unit heads. Thus, the KPI setting process provides the means to link organizational and individual performance.

For example, in the Korea Intellectual Property Office (KIPO), this organic linkage between organizational performance and individual performance is evident. The KPI for

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each KIPO division or department corresponds to the individual KPI in the performance agreement contract for the head of that particular division or department. Thus, the organizational performance results are reflected in the individual performance contract of the unit or department head. Subordinates, civil servants Grade 5 or lower, are likewise evaluated on the contribution they make towards the delivery of the organization's performance during their individual performance evaluation. The performance with regards to organizational performance evaluation results thus partly accounts for their individual performance evaluation results (Yang, 2011).

The Korean government has five mechanisms to ensure accountability of each employee: the audit and inspection system by the Board of Audit and Inspection (BAI), the self-audit systems by 43 agencies, the government policy evaluation and total quality management programs by the Office of Government Policy Coordination (OGPC) under the Prime Minister, and performance evaluation by the CSC (Hur, 2011). These mechanisms complement and support the integrated performance management system.

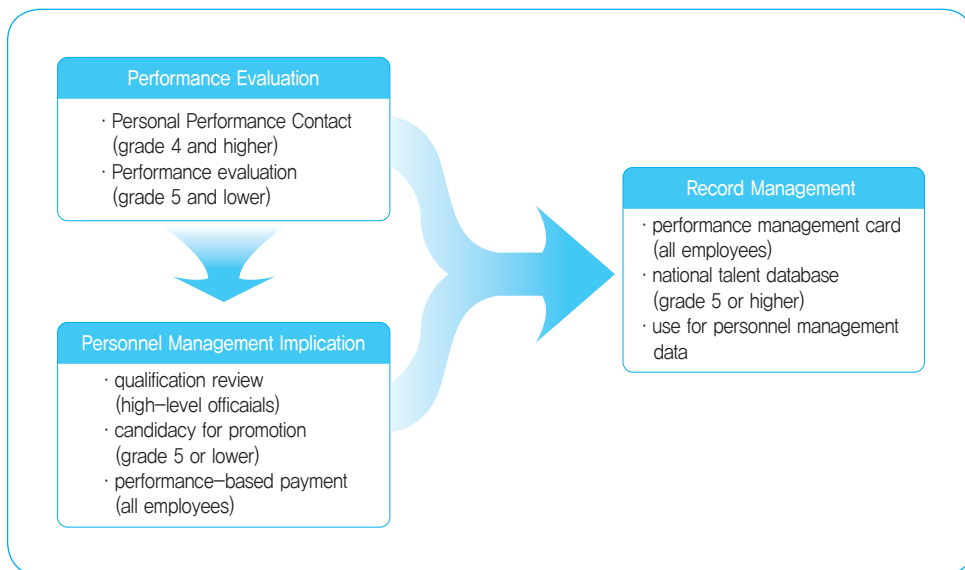
#### ***Role of the Board of Audit and Inspection (BAI)***

The BAI is a constitutional agency and the supreme audit institution of the Republic of Korea. Its functions, status, and organization are stipulated in the Constitution. The BAI is primarily tasked with ensuring financial soundness and fairness in the public sector. It is a part of the accountability and anti-corruption mechanism of the government. It also plays a major role in the enhancement of procedural compliance and performance of agencies as well as individual employees. The BAI performs quasi-judicial functions and is managed by a Council of Commissioners. It is under the direct jurisdiction of the President but retains independent status in carrying out its duties in accordance with the provisions of the BAI Act (BAI, 2009). The BAI complements the OGPC, the CSC, and self-auditing in the government performance management system. Accordingly, it has contributed not only to improving performance but also to reducing employee corruption.

The BAI conducts four kinds of audits: financial audits, management audits, performance audits, and special audits. It conducts verification of accounts to ensure that accounts and expenditures are accurate and balanced, and that these were spent wisely for the public's benefit. It also audits the accounts of the central government agencies, the accounts of the National Assembly, the Courts, other Constitutional bodies, local governments, and other public institutions to ensure that taxpayer money is used properly. The BAI also conducts inspections to monitor the work of central government agencies, local governments, and public institutions, including individual performance of employees and officials. Inspections exclude the Courts and the National Assembly due to separation of powers (BAI, 2009).

Within the performance management system, the role of the BAI is to “analyze and evaluate the efficiency and equitability of major government activities and programs from a holistic and comprehensive perspective and to propose effective alternatives, rather than focusing on the disclosure of irregularities” (Koh, 2004, p. 11). Within this framework, the BAI can take an active role in ensuring that government agencies are: 1) complying with the procedural requirements of the performance evaluation system; and 2) conducting management and performance audits. In addition, the BAI can also conduct inspections of agencies, employees, and officials. The BAI audit results may be included in the performance results of the agency and affect future performance plans.

**Figure 6-3 | Individual Performance Evaluation and Personnel Management**



Source: Yang (2011)

Most agencies utilize the appraisal results to form the basis for promotion decisions and setting performance-related pay. Performance agreements for officials in Grades 4 or higher became one of the most important elements of the new Management by Result (MBR) policy, serving as a means to promote the implementation of major public policies. The individual appraisal system contracts an agreement between the minister and managers with the performance objectives and measures based on the strategic plan of the agency (Kim, 2009).



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# 1. Performance Agreement

## 1.1. Background

The performance agreement system applies to higher-level civil servants (i.e., Grades 1-4) and consists of an agreement between the evaluators and the employee regarding performance goals, evaluation indicators, and how the evaluation will be utilized (Regulation on Civil Service Performance Evaluation 2005). The performance agreement system is defined as “an evaluation system of individual performance by contracting annual performance targets between managers and supervisors” (Civil Service Commission, 2007).

Major elements in the Korean government’s current performance agreement system include: individual performance goals formulated from strategic organizational goals, performance indicators, measurement methods, performance targets, and accomplishment plans. The system promotes the principle of MBR by highlighting the differences between “what we do” and “what we achieve.” It also attempts to improve objectivity and fairness by including a mid-year review and monitoring, performance record keeping and interviews, and a final review of the process (Kim, 2009). Nonetheless, its effectiveness still largely depends on the willingness of higher-level officials to ensure that performance targets are specified in concrete terms, as well as to conduct fair evaluation of accomplishments based on the set targets (Kim, 2011).

The process of performance agreements in the Korean central government follows a defined logic model. The process includes input, output, and outcome. The agency head and vice-head set the strategic goals. Essentially, a minister signs a performance contract with a vice minister, who then signs one with a bureau director, the director, and onward until the contract reaches the assistant director. The goals for heads and vice-heads are the organizational goals, which focus on organizational outcomes. Bureau directors set performance goals, which focus on organizational outputs. Quantifiable and achievable individual goals are contracted. Section managers also set performance goals, but their goals are more focused on individual activities. Evaluation systems under the balanced scorecard or MBO concept tend to emphasize the importance of the agreement. The government provides evaluation guidelines and/or specifies goals (Lee & Moon, 2010).

The CSC became the pioneer agency to sign a performance contract in October 2004. The committee chairman, the director of the Central Officials Training Institute, the director of review committee, and the secretary general signed a performance agreement with bureau’s secretary general, directors, and managers during the process. The evaluation was held annually to maximize results, and by April 30, 2005, 26 government agencies, including the Ministry of Finance and Economy, also adopted the performance agreement (MOGAHA, 2005).

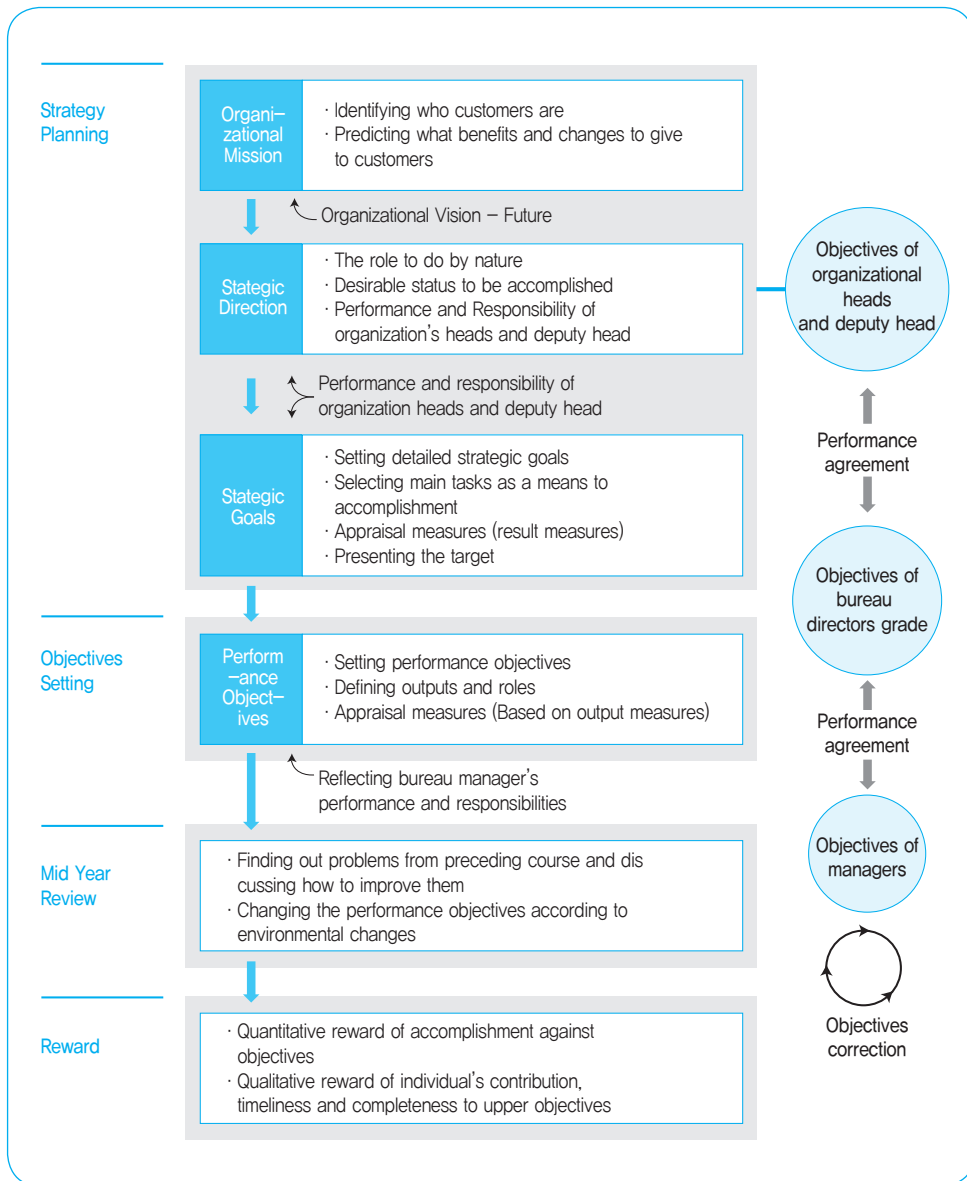
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## 1.2. Performance Agreement System Process

The Performance Agreement System, as seen in [Figure 6-4], follows the operation process of strategic planning, setting objectives for directors and managers, mid-year review, reward, and feedback. Strategic planning refers to the stage where the mission, strategic direction, and strategic objectives are established as the starting point for performance management. In the process, the core tasks necessary to put the agency's mission into practice is laid out. The objective setting stage contracts the performance objectives of the chief directors for each core task as presented in the earlier stage. The quantitative index of outputs and the qualitative criteria (i.e., contribution to upper objectives) are also set as a part of the process of setting the evaluation indices.

The mid-year review is held from July to August of each year and is intended to refined the objectives and allow participants to adapt to changes in the environment. Follow-up measures may be taken depending on the situation. This review takes into consideration the employee's basic progress, identifies necessary improvements, notes any substandard performance, and objectively documents the results of any corrective measures. The reward stage is when direct senior officials evaluate the findings against the quantitative and qualitative criteria established at the beginning of the year. During the evaluation period, the evaluators grade the performance of officials, form opinions, and provide feedback. Senior officials are expected to mentor their subordinates and reward them based on interviews at each stage of the evaluation process. Officials hold interview sessions frequently and offer advice and coaching in line with this mandate (MOGAHA, 2005).

**Figure 6-4 | Performance Agreement System Process**

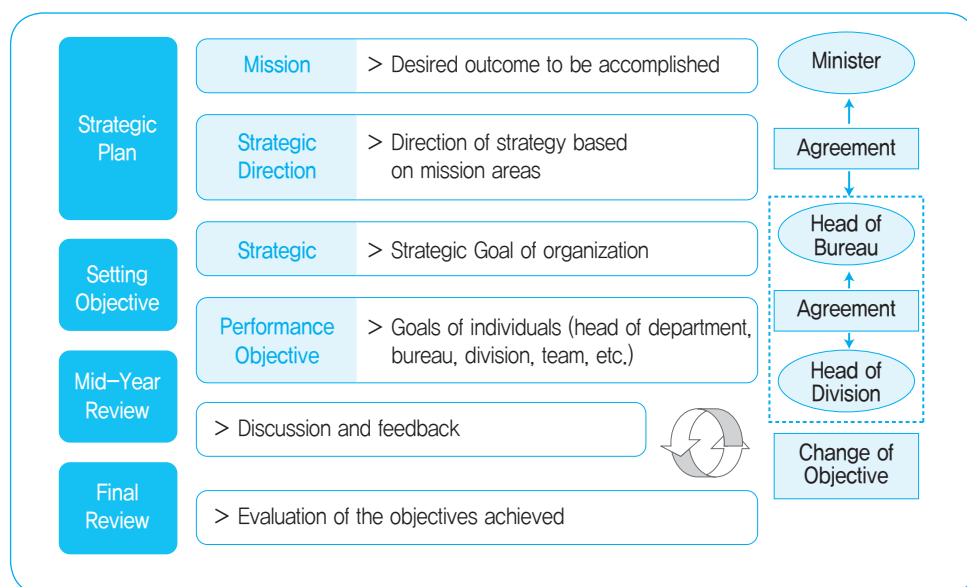


Source: MOGAHA (2005)

### 1.3. Senior Civil Servants (SCS)

The CSC introduced the Senior Civil Servant (SCS) system, also referred to by some as the Senior Executive Service (SES), in 2006. The general objective of the SCS is to establish an effective government-wide personnel management system for the selection, assignment, development, advancement, reward, and management of senior civil servants who will administer important government programs in various ministries. Similar systems in other countries were designed to broaden senior civil servants' perspectives and responsibilities by facilitating their mobility across agencies, working where their skills can be best utilized at that time. Accordingly, a well-developed SES is also expected to increase the professionalism of the civil service, minimize rivalry among ministries, and bring their interests together (Park, 2012).

Figure 6-5 | Performance Agreement Framework for SCS



Source: Ministry of Public Administration and Security as cited by Kim (2009)

The SCS in South Korea encompasses civil servants in Grades 1 to 3 (i.e., Assistant Ministers to Bureau Director-General or equivalent) in the central government. These include national civil servants in the General, Excepted, Contracted and Foreign Services, as well as those in local governments such as vice governors, vice mayors, and vice education superintendents. The SCS system replaced the old grading system for high-level civil servants, and SCS members are managed in accordance with their ability and performance. Personnel management is based on the rank-in-position rather than rank-in-person system.

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The national government pools all SCS personnel, and agencies are allowed to select the most qualified personnel from the expanded pool. Agencies have personnel authority to manage their SCS members. The CSC consults and mediates conflicts of interest on appointments among agencies.

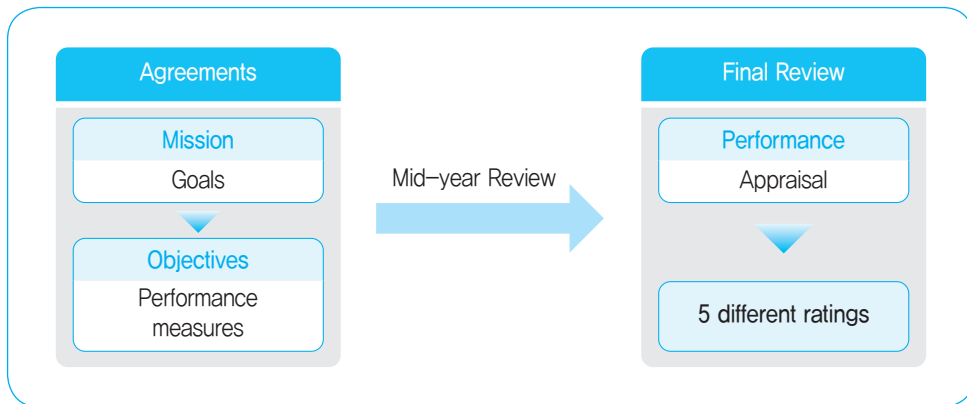
The SCS introduced the Job Posting System in addition to the Open Position System. Successful completion of the SCS Candidate Development Program and Competency Assessment is required for entry to the SCS. When the system was introduced, all former senior officials (i.e., Grades 1 to 3) were allowed to join the SCS without any additional training or certification required. This relaxed policy was part of the government's effort to facilitate the transition as of July 1, 2006. At present, there are different competency models for different hierarchical ranks at the national government level. The primary target of competency management is the managerial level, such as the SCS, division managers, and junior managers.

The SCS competency model guides the screening and development of SCS candidates and officials. Nine competencies comprised the competency model including: recognition and understanding of potential problems, strategic thinking, results orientation, professionalism, innovative leadership, communication ability, customer orientation, presentation of vision, coordination, and integration. In March 2009, it was simplified into six competencies: communication ability and customer orientation were combined to create a customer satisfaction measure; presentation of vision and strategic thinking were combined; and professionalism was removed (Kim, 2010).

### ***Job Performance Agreements for SCS***

Each SCS level official is expected to enter into individual performance agreement contracts with specific performance objectives and measures. Agreements are made during the performance interview with each SCS official's direct supervisor. The major elements of the performance agreement for the SCS are: (individual) performance goals based on overall organizational (strategic) goals; performance indicators; measurement methods; performance targets; and accomplishment plans. An annual performance appraisal is conducted with 5 different ratings.

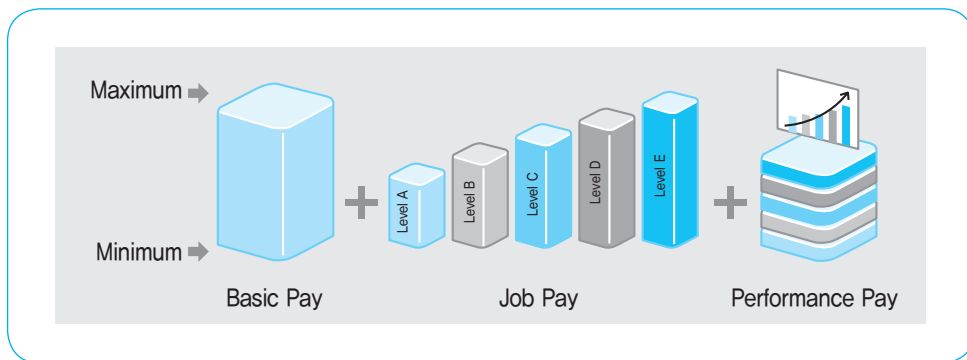
**Figure 6-6 | Performance Agreement Process for SCS**



Source: CSC (2007)

Job and performance-based pay is integrated in the SCS system. In this system, pay is based on difficulty and importance of the job and performance rather than seniority and grade. The intention is to strengthen the linkage between performance and reward.

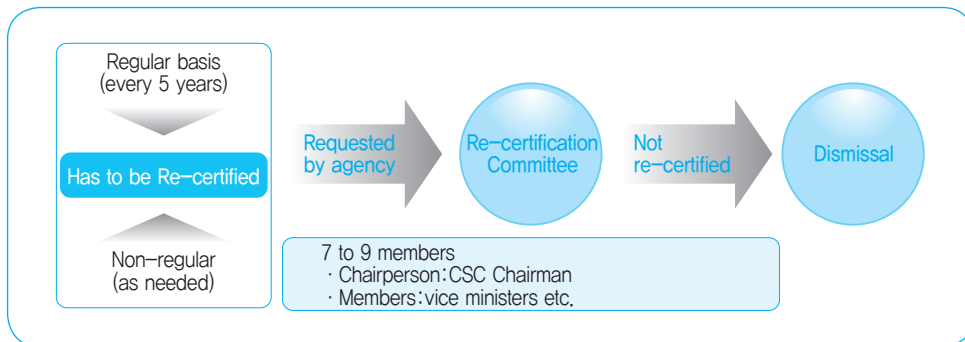
**Figure 6-7 | Job and Performance Based Pay System for SCS**



Source: CSC (2007)

Also included in the SCS is a re-certification element. Re-certification takes place regularly every 5 years or as needed. Non-regular re-certification may be requested for officials with the lowest rating for 2 consecutive years, or 3 non-consecutive years. These individuals would not be eligible for job assignments for at least 2 years and only when the performance issues are resolved. The re-certification committee is composed of seven-nine members with the CSC Chairman serving as the Chairperson. SCS officials who fail the regular re-certification process are subject to dismissal.

Figure 6-8 | Re-Certification Process for SCS



Source: CSC (2007)

## 1.4. Impacts and Limitations

One of the most difficult challenges in the performance agreement system is the paternalistic relationship between the supervisor and the official entering into the performance agreement contract, especially when the relationship has had a long history. This result is often excessive leniency shown during the process of setting goals, monitoring or evaluation to the subordinate (Lee & Moon, 2010). When evaluators are lenient, they may give employees more a positive performance rating than they deserve.

Conversely, when the relationship between the evaluator and subordinate is negative, then the performance agreement could become overly demanding or strict. When this happens, the raters may evaluate employees more negatively than their performance deserves. Another potential source of error is what is referred to as central tendency errors, which can occur if the rater is unable to distinguish the different levels of performance and ends up grouping all employees together under an average rating on the performance scale. Another possible source of error is bias toward personal characteristics (age, sex, ethnicity, disability, connections, and other social backgrounds) (Kim, 2009).

## 2. Job Evaluation System

### 2.1. Background

The job evaluation system applies to the mid- and lower-level employees (i.e., Grades 5-9). The performance appraisal is a common mechanism for evaluating employee performance in both the public and private sectors. Performance appraisals aim to gauge each individual employee's performance for the year and provide feedback to improve that

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employee's future performance. The performance appraisal is at the heart of the performance management systems. Since 1999, most ministries in South Korea have used the MBO government-wide tool to measure as well as to encourage improvement of individual performance. MBO is a planning and appraisal tool that has different variations across organizations. In this system, managers discuss with their subordinates goals, performance evaluations, and incentives.

In 2005, Kaplan and Norton's balanced scorecard (BSC) system replaced the MBO as the preferred method for individual performance appraisals. The BSC consists of: vision, mission, strategic goals, and four key performance indicators: customer, finance, internal process, and learning and growth (MOGAHA, 2005). Although the BSC is usually applied to organizations or programs instead of individuals, many Korean ministries adopted the BSC for evaluating both organizational performance and individual performance because it measures individual performance by degree of contribution to organizational performance (Lee & Moon, 2010).

Most Korean government agencies utilize the performance appraisal results as the basis for job promotion and determining performance bonuses. Employees Grades 5 or lower are evaluated based on two major areas: (1) job performance in terms of timeliness, completeness, and job difficulty; and (2) job-fulfilling ability (core competency) in terms of planning, communication, cooperation, and customer-orientation (Kim, 2009).

## 2.2. Process for Job Evaluation

The basic process in the early days of job evaluation is as follows. In the beginning of a performance review period, the employee and supervisor discuss performance objectives and meet to record results formally. Results are then compared against objectives, and a performance rating is determined based on how well objectives were met. Initially, objectives were evaluated at the end of the year in terms of accomplishment of objectives (60%) and characteristics of objectives (40%: importance of objectives, degree of difficulty, and measurability of objectives).

Under the MBO, performance appraisals covered three major areas: performance (e.g., quality and quantity of performance, timeliness of task accomplishment, and process improvement), ability (e.g., IT literacy, familiarity with a task, judgment, planning, professional certificate, and required fluency of a specific foreign language, if applicable), and attitude (e.g., timeliness, absence, discipline, and courtesy towards the public). Performance is given a weight of 60%, ability 30%, and attitude 10% of the evaluation. Appraisers can give their subordinates the following ratings: excellent, outstanding, normal, unsatisfactory, and unacceptable (Kim, 2002).



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The CSC adopted the personal performance contract system in October 2004. This system is the basis for performance appraisals for employees Grades 5 to 9. The system required supervisors and subordinates to communicate as often as necessary and to produce a performance contract that is agreed upon by both parties. The CSC guidelines include: providing the rationale as to why a personal performance contract is necessary; providing guidelines for developing a personal performance contract; identifying and analyzing measurement and evaluation issues; and providing guidelines for handling various implementation problems.

The individual job evaluation for government officials in Grades 5 through 9 was initially composed of three elements: the job appraisal score (70%), seniority-based score (30%), and weight (5%). The rating scale for job appraisals can vary. The minimum requirement in designing a rating scale is that it should have three categories or more. Recently, the job performance share of a job evaluation was increased. At present, job appraisals make up 70-95% of the promotion review to reflect the significance of employee performance in government. Job appraisals make up 70-95% of the total weight, experience or seniority can make up 5-30% of the total, and additional criteria may be added for the remaining 5% or less of the total (Kim, 2009).

### 2.3. Impacts and Limitations

According to Kong (2008) and Shim (2011), reforms involving job evaluation have been less successful and more controversial compared to other reform initiatives. The CSC also realized that focusing on score-keeping (i.e., score-keeping-before-learning) could have negative repercussions on performance-based reforms. Accordingly, the CSC took on a more cautious approach and decided to concentrate on the “measurable” activities, along with the qualitative and discretionary evaluations of the appraisers and evaluators. The CSC also required that a personal performance contract be a mutual agreement between the evaluator and employee.

A general behavioral problem encountered in implementing both the performance agreement and job evaluation is the manipulation of the system (i.e., “gaming”) by employees to receive higher performance scores, resulting in undesirable consequences. Some examples are: choosing performance indicators that are easy to measure and/or quantify, particularly in the short-term; setting performance targets that are lower than they should be; doing less of the work that is not evaluated; omitting data that may lead to unfavorable evaluations; selecting generous evaluators; and masking mediocrity in rhetoric when drafting the evaluation report (Kong, 2008; Shim, 2011).

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Accordingly, experience indicates that performance measurements are more effective when the tasks are related to implementation, accurately represent one's work, they are less repetitive, and easily quantifiable. In addition, performance measurements may not work when tasks are related to planning and/or administrative support; and performance-based pay may not work as a motivation mechanism since gaming in performance measurement occurs more often in an organization where performance-based pay is higher (Shim, 2011).

## 3. 360-Degree Evaluation

### 3.1. Background and Process

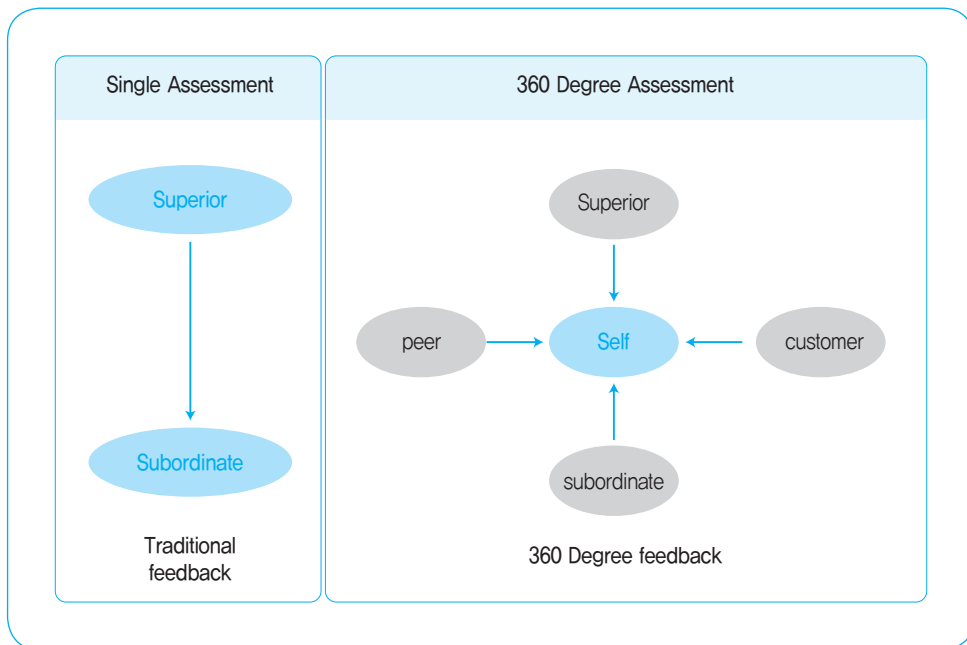
For a long time, civil servants in South Korea have been subject to the careless or unbalanced feedback appraisal of one or few superiors. Upward feedback had previously been viewed as counter-cultural, but the culture within organizations has evolved in the past several years. There was a belief that such a system was prone to biases and errors, and that rewarding the wrong people while overlooking others impaired the performance and commitment of many organizational members (Kim, 2002). Because of this, the 360-degree feedback was first introduced in the late 1990s but it was not widely used until the CSC and the MOGAHA have developed and introduced a formal policy on 360-degree assessment in 2003.

The 360-degree approach gathers and consolidates behavioral observations from many layers within the organization. In a 360-degree appraisal, the role of an evaluator is shared. Shifting the responsibility for performance evaluation from just one individual (i.e., the supervisor) to many reduces the problems resulting from any one person's shortcomings as an evaluator, such as errors of leniency, personal bias, and subjectivity (Park, 2012). Because this evaluation has substantial implications for promotion and pay, the Roh Moo-Hyun government sought to address the limitations of the top-down performance evaluation and appraisal system by adopting the 360-degree approach.

The 360-degree feedback program requires managers, subordinates and peers to participate in evaluating one another on work related items such as performance, attitude, and leadership (Kim, 2009). The 360-degree evaluation policy supported the use of multiple raters for assessing performance both for developmental and appraisal purposes. The use of 360-degree feedback for promotions and for determining pay step increases, performance-related pay, training, position assignments, and other personnel practices came into effect when the central government amended the Civil Service Employment Decree (CSED) in 2000 (Kim, 2002; Kim, 2011). The CSC strongly advised each ministry to adopt the 360-degree feedback as a key part of the performance appraisal process. To support this

initiative, the CSC developed a 360-degree feedback appraisal software and distributed it to all ministries. Many Korean government ministries now use this new feedback instrument to supplement the existing appraisal system (Park, 2012).

**Figure 6-9 |** Comparing Single Assessment with 360-degree Feedback



Source: Jo (2007)

Each ministry adopted variations of the 360-degree feedback system. Some agencies, for example, used single assessment teams while others used multiple-assessment teams or combined both. Some agencies used the Personnel Policy Support System (PPSS), a computer based system used in the Korean Government while others used printed forms. Some agencies conducted assessments at set intervals while others at random intervals. Other agencies applied the same method to all while others identified groups for special consideration (e.g., women, technical job groups) (Jo, 2007).

Anonymity is a key feature of the 360 degree feedback system before, during, and after the assessment. This is to prevent undue influence on the evaluator or exposing them to potential backlash from those unhappy with their evaluation. In order to guarantee this, appraisers are chosen and informed right before the assessment. During the evaluation, one method to ensure anonymity is to utilize a computerized system for evaluation (i.e., PPSS).

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## 3.2. Impacts and Limitations

The 360-degree feedback system provides a good mechanism to address the limitations of the top-down single assessment system and allows even lower ranked employees to provide input regarding their supervisors. However, the system still has limitations. In one study, Jo (2007) noted that in some cases, some of the members evaluate people they do not know or have no experience working with. This potentially renders the evaluation of the appraiser invalid as the basis for the evaluation is doubtful. Thus, fine tuning the system to allow only evaluators that can reasonably evaluate the other employees is necessary. Another challenge of the system is that it requires significant participation and coordination compared to the previous system, thus increasing the level of effort needed, as well as cost, which can potentially lead to survey fatigue.

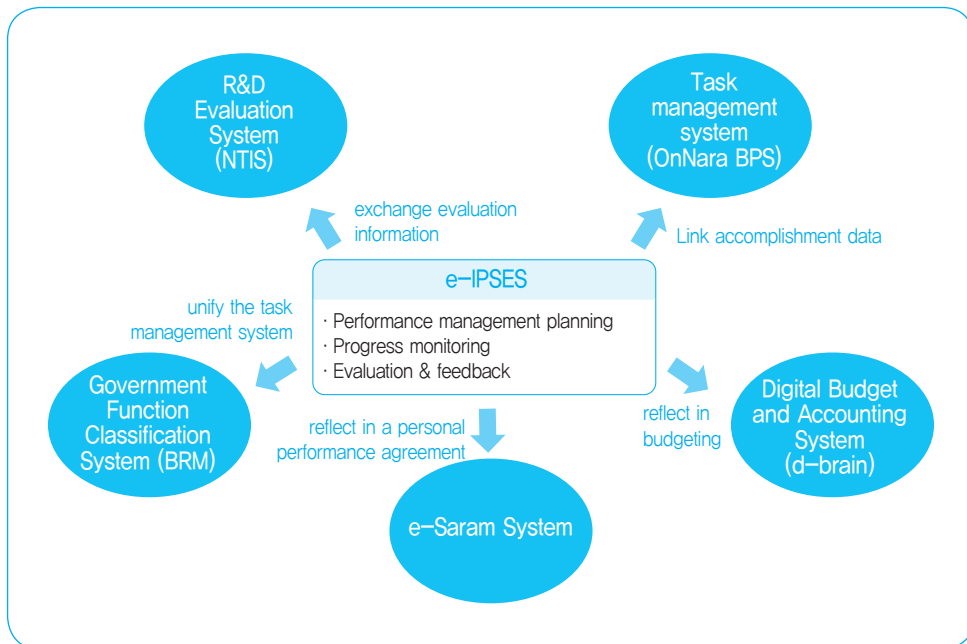
Jo (2007) found that the six ministries may be active or passive users of the system. The ministries, whose system management is based on active use, use 360-degree assessments for promotion. Ministries are passive in managing their system, however, and are therefore a little more apprehensive when using the system. They tend to use the assessment results for reference instead of reflecting the results directly for promotion, thus partially defeating its purpose. These differences are due to several factors such as the requirements (e.g., understanding the 360-degree assessment and guaranteeing anonymity, understanding the objectives, providing input, appraiser credibility, feedback, and degree of cost and effort), attaining consent from the public officials, and cultural differences within each ministry. The challenge therefore is getting all of the agencies to adapt to the system.

## 4. Performance Management Card

### 4.1. Background

The Korean government developed the Electronic Integrated Public Service Evaluation System or “e-IPSES,” a system designed to allow the management of the entire evaluation process online so as to reduce paperwork and enhance efficiency. When a performance management implementation plan is entered into the e-IPSES, the management task is set as a unit task for the Business Reference Model (BRM) (the government’s functional classification system) and (subsequently) reflected in the On-Nara Business Process System (BPS), task management system. Once the employee in charge of a task processes documents over the course of a project’s execution, the work is reflected in the e-IPSES to be used for evaluation (Yang, 2011).

**Figure 6-10 | Linkage between e-IPSES and Other Systems**



Source: Yang (2011)

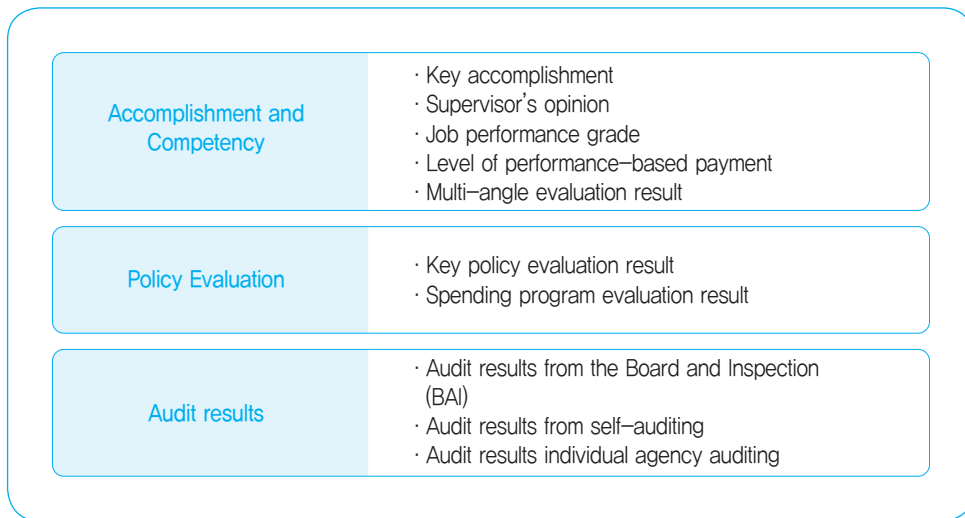
### Box 6-1 | On-nara Business Processing System

On-nara Business Processing System (BPS) is a nationwide information system that was established based on the standardized Business Reference Model. It is aimed at improving the efficiency of governmental business procedures, enhance transparency in decision-making and effectively manage knowledge generated in the business process. The On-nara BPS began to be used by all central administrative institutions in 2007. The system standardizes the government business process by managing the entire business process online through the use of task management cards and document management cards. In order to support the process, the On-nara BPS manages tasks, and documents activities, daily plans, meetings and directives. The system is centralized based in administrative processes and links the entire government's systems to create a smooth, procedural flow and synergy effect for an innovative business process (See MOPAS (2010) for more details).

## 4.2. Process, Impacts and Limitations

The performance management cards system was implemented beginning in July 2005. Performance management card records include the results of government performance evaluations, key accomplishments in personal performance agreement, the supervisor's opinions and final evaluation. All of the information can be used in determining candidates for promotion, evaluating applications for vacancies, conducting skills assessments, and other research.

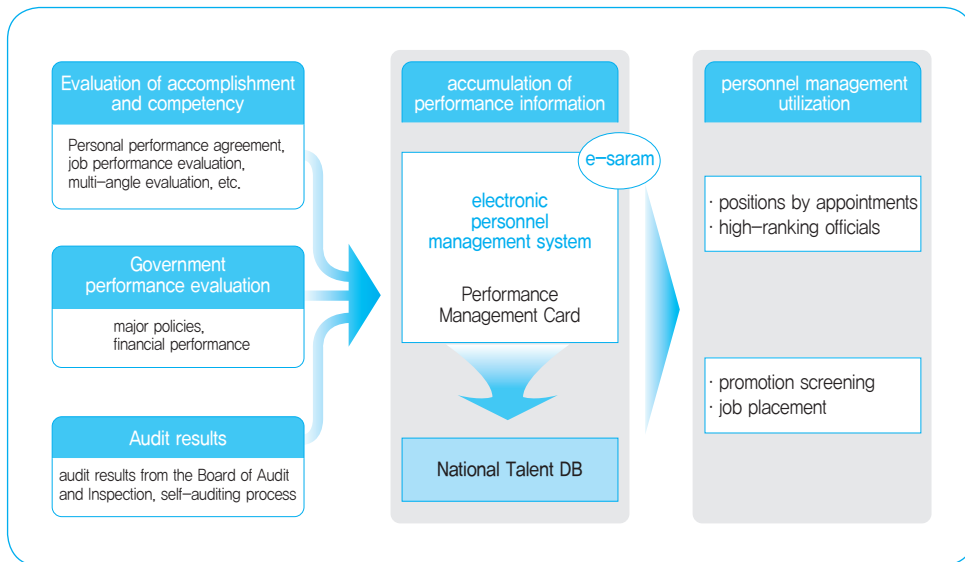
Figure 6-11 | Performance Management Card Records



Source: Yang (2011)

Evaluation results are sent to the e-Saram System, a personnel management system for civil servants, and individual performance is tallied based on the personal performance agreement. Key performance accomplishments and evaluation feedback for each category of the personal performance agreement are recorded on the e-Saram performance management card for storage in the National Talent Database (Yang, 2011). The performance evaluation results are reflected in the personnel management system, influencing performance-based salary, job placement, and training (see [Figure 6-12]) decisions.

Figure 6-12 | Comprehensive Management of Performance Information



Source: Yang (2011)

## 5. Pay for Performance

The performance bonus system was introduced by the Kim Young-sam administration for the first time in 1994 to strengthen the relationship between performance and pay and to improve government employees' overall productivity. In the original plan, the top 10% of employees are entitled to receive a performance bonus. It did not succeed, however, because most government employees did not pay a lot of attention to the system. Nor was it consistently or accurately implemented. While some received the bonus, it was considered more an agency operation cost than a way to reward top performers.

The MOGAHA under the Kim Dae-jung administration reintroduced performance related pay in 1998. In 1999, it began government-wide implementation with the aim of improving performance and encouraging civil servants to be competitive. The PRP system functioned in connection with the performance management system and rewarded high performers by allowing employees within the same pay grade to receive different payments based on performance. Two performance-related pay (PRP) schemes were introduced: merit increments and bonuses (Kim, 2010).

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## 5.1. Background

In South Korea, government employee salaries are composed of base salary, allowances and benefits. The base salary is the regular pay of the civil servant scheduled according to grade and pay scale, which in turn is determined according to the degree of responsibility, difficulty of the position, and length of service. This accounts for approximately half of an employees' monthly salary, depending on the rank in the organization. There are several base salary schedules depending on job category including administrative service, security service, research service, technical service, police and fire-fighting service, constitutional research service, school teachers, college professors, military service, labor service, and special labor service (Kim, 2009).

The allowance is an additional remuneration paid separately according to the position and living conditions of the employee. The allowance was over-developed as a way of skirting public criticism against the increase in compensation for government employees. There are several types of allowances: (1) bonus-type (e.g., diligence allowance, performance bonus, allowance for taking on an acting capacity); (2) family support allowance (e.g., family allowance, dependents' education allowance, housing allowance, and parental leave allowance); (3) allowance for being assigned to special workplaces (e.g., islands, remote areas, overseas); (4) allowance for special jobs (e.g., hardship post allowance, high risk allowance, special task allowance, and temporarily filling in for another employee); and (5) extra work allowance (e.g., overtime work allowance, midnight work allowance, holiday work allowance, and extra managerial allowance). Benefits also include meals, household support, transportation, traditional holiday bonuses, job support payments, and non-vacation payments.

As of 2008, the average pay level of Korean civil service employees was estimated to be around 89.0 per cent of the average pay of those in the private sector. The MOPAS plans to further rationalize and improve the pay system to reflect individual and organizational needs. Individual employees demand pay increases, while agencies like the MOPAS and offices in charge of government reform want to make PRP schemes successful. But progress is slow due to economic stagflation (Kim, 2011).

## 5.2. Process, Impacts and Limitations

The Korean government has also increasingly utilized performance-based pay as a means to encourage competition rather than just compliance. The quasi-form of performance-based pay, called a "special incentive allowance," was first introduced in 1995. In 1998, the government reintroduced the PRP system and implemented it government-wide in 1999 in order to promote better performance and encourage competition among civil servants.



The Civil Service Regulation for Pay (Article 39) and the Civil Service Regulation for Allowances (Article 7) allow for providing performance-related pay to those who excel in job performance.

There are two forms of PRP schemes used in the Korean government: merit increments and bonuses. These are applied under the annual merit incremental program (AMIP) and the performance bonus program (PBP) (Kim, 2009). Merit increments apply to high-ranking officials (i.e., level 1 to 4) and are added to the fixed portion of their salary in the following year. Bonuses are paid to government employees annually and designed for mid- and lower-level employees – and are determined based on performance grade. The amount of payment is also determined based on performance grade (Lee & Moon, 2010).

***Annual Merit Incremental Program (AMIP)***

The Annual Merit Increment Program (AMIP) consists of two portions: the fixed pay portion and the variable performance-related pay portion. The variable pay portion is paid separately according to the appraisal grade. The appraisal grade is based on the appraisal results of the performance agreement and applies to officials in the SCS and contracted services, including Grade 4. The operating standard for the performance-based pay portion is structured so that each ministry can determine the amount and grade of the performance-based annual salary by taking into consideration the performance appraisal of the MBO. The appraisal grade has four categories (S, A, B, C). The performance-based annual salary is not paid to civil servants that belong to the low-ranking 30 percent of Grade C as can be seen in [Figure 6-13].

**Figure 6-13 |** Appraisal Grade, Payment Scope, and Performance Pay Rate

Appraisal Grade	Excellent (Grade S)	Outstanding (Grade A)	Normal (Grade B)	Unsatisfactory (Grade C)
Payment Scope	Top 20%	30%	40%	Bottom 10%
Performance Pay Rate	15%	10%	6%	0%

Source: MOPAS (2009)

The appraisal grade has four categories from S to C as shown in [Figure 6-13]. Since July 1, 2006, those in Grades 1-3 now belong to the SCS. The amount of performance-related merit increments can be calculated from the formula of the base annual salary multiplied by the performance pay rate. For example, the merit increment for an SCS member with an appraisal Grade A can be calculated from the formula of one's base annual salary multiplied by the corresponding performance pay rate of (10 per cent). The annual merit increment is accumulated yearly and added to the base annual salary. That is, the following year's base annual salary will be this year's base annual salary plus this year's merit increment (performance-related pay). The performance-based annual salary increment is not given to the bottom-rated 10 percent of civil servants, listed in Grade C as shown in [Figure 6-14] (Kim, 2009).

***Performance Bonus Program (PBP)***

The primary method for determining the performance bonus for mid- and lower- level employees is based on the performance appraisal, which is now becoming increasingly important for promotions and other employment practices. The head of an agency or ministry can utilize other performance appraisal methods in addition to the traditional performance appraisals if necessary. Additional evaluation methods such as 360-degree feedback are used, but this also is not mandatory. The agency might also be exempted from 360-degree feedback under special circumstances. [Figure 6-14] shows the rubric for the performance bonus program based on an individual. This program applies to mid- and lower-level employees in all categories. The resulting lump sum bonus can vary from 90% to 230% of the monthly base salary per year. Performance bonus mechanisms for departments are determined by each agency following the guidelines and supervision of the central personnel authority (MOPAS).

**Figure 6-14 | Appraisal Frame for the Performance Bonus Program**

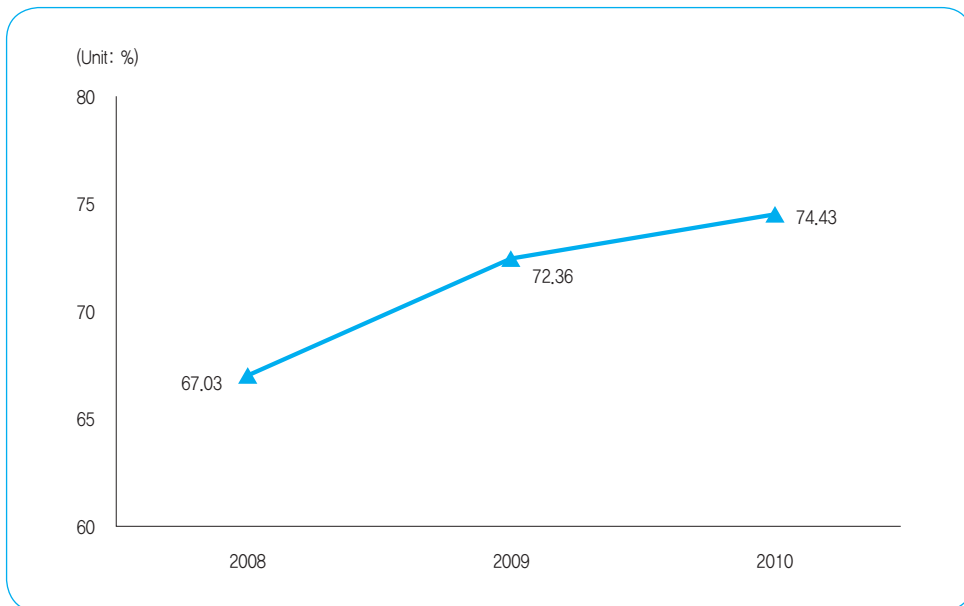
Appraisal Grade	Excellent (Grade S)	Outstanding (Grade A)	Normal (Grade B)	Unsatisfactory (Grade C)
Payment Scope	Top 20%	30% (20%–50%)	40% (50%–90%)	Bottom 10%
Performance Bonus Rate	230%	160%	90%	0%

Source: MOPAS (2009)

A performance bonus may be provided on an individual basis, collectively on a departmental basis, or by combining individual and departmental results. A performance bonus based on the individual is currently the most common form in Korea. When differentiating among individual accomplishments is very difficult, and teamwork is essential in the execution of daily duties, performance bonuses may be allocated on a departmental basis. Some examples of these departments include those related to defense, the police, security such as the Presidential Security Service, and the Defense Acquisition Program Administration. In these cases, a group-based performance bonus can be distributed to individuals within the department at each agency's discretion. Performance bonuses can also be distributed in the form of a combination of individual and departmental recognition, and several agencies (i.e., the Ministry of Science and Technology and the Ministry of Labor) utilize such methods (Kim, 2009).

Although we do not have enough empirical evidence, recent surveys on customer satisfaction in the public sector hint to us that changes in the individual performance appraisal system can be positively linked to changes in customer satisfaction. As shown in [Figure 6-15], customer satisfaction levels have continuously increased.

**Figure 6-15** | Changes in Customer Satisfaction Levels in the Public Sector



Source: The Result of Government Performance Evaluation 2010, Prime Minister's Office



2012 Modularization of Korea's Development Experience  
Individual Performance Appraisal in the Government of Korea

## Chapter 7

### Lessons and Implications

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## Lessons and Implications

Korea's performance management culture, particularly with regard to the individual performance appraisal system, is heavily entrenched in the country's can do spirit. That is, the success in implementing a managerial system depends largely on the willingness of the people in the system rather than the system itself. A good performance management system is necessary, but it cannot be operated properly unless employees accept not only the way that it is implemented, but also the consequences that will affect them daily and in the long-term. In terms of designing an individual performance appraisal system, Korea's experience illustrates the following:

### › **Change Initiative**

Building a good performance management system is a change initiative. Korea's performance management, particularly in the 1960s through the 1980s, was successful even without the up-to-date technical knowledge of performance management. This was because everyone was working toward achieving national goals, and everyone thought that they could do it. Change was on everyone's minds, and the "can do" spirit was in everyone's heart. Therefore, a new performance management system, whether it is an organizational or individual system, must accompany well-designed change management.

### › **Prerequisite: Organizational Performance Management**

Many developing countries often attempt to build an individual performance appraisal system without first establishing a strong organizational performance management system. Governments should encourage a strong organizational performance management system prior to designing an individual performance appraisal system. This is mainly because individual performance has to be aligned with program and organizational goals. Otherwise, the individual performance system may result in unproductive competition, distortion of outputs, waste, corruption, and many other ill effects.

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A good organization performance management system should be vision-oriented. But we often see that many visions are invisible from the people's perspective. This was often because visions were simply wishful rhetoric. Although, in practice, it is difficult to have visible visions, visions must be articulated so that the people can anticipate what government actions will provide in the future. This is more of a political process, rather than a logical one. Therefore, one should make sure that there is a strong and sustainable commitment to the visions among policy makers.

The visions should be translated into strategic (say, five-year) and annual goals. Strategic goals refer to the goals that an organization plans to achieve in a period of, say, five years. The strategic goals, like visions, should be articulated so that the people can expect what results are to be achieved in a given period of time. And annual goals are to be articulated in relation to the strategic goals. Any scheme that aligns visions, strategic goals and annual goals should be well supported, logical, and be equipped with causal explanations. And their targets are to be set given a country's conditions, such as financial resources, human capital, and other relevant factors.

› **Prerequisite: e-Gov System**

A good individual performance appraisal system calls for consistent and efficient linkage with related systems, such as organizational/team performance evaluation systems, program performance assessment systems and many sub-systems. This means a timely exchange of a huge set of data among the related systems and sub-systems. This task is almost impossible without the help of a good e-government system. The Korean government has spent a considerable amount of budget to support various performance management systems. Given the fact that most developing countries don't have even the basic infrastructure for e-government, their performance management system must be very simple and focused, like Korea's early model (1960s-1980s).

› **Prerequisite: Anti-Corruption Mechanism**

A good performance management system can work as an anti-corruption mechanism in advanced countries. But in a country where corruption is a serious problem, a performance management system cannot achieve its purpose unless it goes along with an effective anti-corruption mechanism. A good example is Korea's supreme audit institution, the Board of Audit and Investigation (BAI), which "examines the final accounts of revenues and expenditures of the State, audits the accounts of the State and such organizations as prescribed by the laws, and inspects the work performed by government agencies and the duties of their employees"(BAI, 2013). The BAI's inspection authority has been an effective mechanism for Korea to reduce corruption although there has been mixed opinions about its efficacy against power- or position-related corruption.

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### › **Early Stage of Individual Performance Appraisals**

**Learning before Scorekeeping:** Policy makers and senior leadership are to be very cautious in the use of performance data. And they must clearly communicate with everyone in the government, managers and the rank-and-file, about when and how performance data will be used. The early systems, even though they are well devised with the help of world-renowned experts, often face many unexpected problems. Therefore, policy-makers and senior leadership must know that a hasty use of performance data could easily nullify the entire performance management initiative. This is why learning before scorekeeping is important in the early stages of implementation of a performance management system.

**Performance Appraisals, Help not a Threat:** Policy makers and senior leadership should convince employees that performance appraisals are intended to improve their capabilities, as opposed to threaten their jobs. Most of all, policy makers and the senior leadership must keep in mind that performance data alone is not sufficient for making sound decisions on lay-off, promotion, pay, and other personnel actions (Kong, 2008, p. 14).

**Not Competition, But Cooperation:** Our experience illustrates that an individual performance appraisal system, which promotes competition among team members, would lead to low performance by the organization. Therefore, a good individual performance appraisal system should be designed to promote cooperation within a unit and across departments/agencies, and re-designed continuously to promote cooperation (Kong, 2008, p. 14).

### › **Gaming in Performance Measurement**

There is no consensus on how good is good, particularly in setting performance targets. Not surprisingly, employees take advantage of this ambiguity in setting their long-term and annual targets (Kong, 2008, p. 16). Gaming in individual performance appraisals leads to more numerous and varied problems as time passes. The initial system should be re-designed time to time by responding to various types of gaming.

The individual performance appraisal system of Korea has many problems. But Korean bureaucrats have played pivotal roles in the course of national development. What worked for Korea may not be appropriate for some developing countries. Therefore, this report's historical approach along with the political/social context would provide more developing countries with insight into exploring their own applicable approaches and tools. No matter what the configurations of a particular country's performance management system are, one should note that individual performance appraisals are aimed at building a competent and accountable government that eventually produces better and higher quality performance for the country.



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## Appendix A. Gross Domestic Product of South Korea 1992-2012

YEAR	GDP Constant Prices	GDP Current Prices	GDP (Based on purchasing-power- parity (PPP) valuation of country GDP)
	Percent change	U.S. Dollars Billion	Current International Dollars Billion
1992	5.765	338.171	412.824
1993	6.329	372.209	448.652
1994	8.772	435.59	498.289
1995	8.931	531.139	554.099
1996	7.186	573.001	605.227
1997	5.767	532.239	651.429
1998	-5.714	357.51	621.145
1999	10.731	461.808	697.919
2000	8.798	533.385	775.755
2001	3.973	504.584	824.806
2002	7.15	575.93	898.089
2003	2.803	643.76	942.676
2004	4.619	721.976	1,015.46
2005	3.957	844.866	1,096.74
2006	5.179	951.773	1,190.81
2007	5.106	1,049.24	1,287.93
2008	2.298	931.405	1,346.75
2009	0.319	834.06	1,365.31
2010	6.32	1,014.89	1,468.31
2011	3.634	1,116.25	1,554.15

Source: International Monetary Fund, World Economic Outlook Database, April 2012

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## Appendix B. Interview Questions Focusing on the Spirit of “Get It Done” during the Park Administration

- What were the factors affecting bureaucrats’ commitment to the spirit of “get it done” during the 1960s and the 1970s?
- What was the role of employee evaluation systems in motivating bureaucrats’ commitment to “get it done” under the Park administration?
- Did the employee evaluation systems (including job, career development, and training evaluation systems) contribute to building modernized civil service systems and merit-based professionalism during the Park administration?
- Did the employee evaluation systems contribute to building performance-based promotion systems—rather than seniority based promotion—during the Park administration?
- During the Park administration, were there any other HRM reward and incentive systems—informal or formal—that influenced bureaucrats’ commitment to high performance in policy and project implementation (e.g., study abroad opportunities or cash awards like bonuses, or job opportunities after retirement)?
- What role did President Park and senior bureaucrats—either those with military or civil service backgrounds—play in creating a “get it done” culture in government agencies?
- Was the culture of “get it done” in the Korean government sustained during the 1980s?







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