Staff incentives and project implementation: lessons from e-government

How should approaches to personnel management be changed so that staff incentives facilitate—rather than undermine—project implementation?

To succeed, institutional reform efforts must be supported by public officials. But officials may resist new systems if they challenge existing incentive structures or require officials to change their behavior. Electronic government (e-government) initiatives pose challenges typical of institutional reforms in public administration. Such initiatives also require addressing the scarce skills and high costs of the information and communication technology sector.

Staff incentive challenges can confront project managers even after software design and hardware purchase issues have been resolved. Concerns about personnel appear in every column heading of the threats and vulnerabilities matrix in the World Bank’s information and communication technology toolkit for task managers. But with awareness of potential mismatches between a project’s objectives and public officials’ incentives, managers can avoid implementation slowdowns. This note draws lessons from staff issues that impeded implementation of five e-government projects, and suggests how changes in personnel management can improve management of staff incentives.

E-government and staff incentives to change

E-government projects transform how government entities share data, interact with citizens, and conduct transactions. When citizens can access services without approaching government offices or officials, it reduces officials’ perceived prestige and opportunities from corruption. E-government requires staff at all levels to use new tools, such as computers and the Internet. Uncertainty about and discomfort with unfamiliar tools are often heightened by staff concerns that computers will soon replace them. This is especially the case for public employees who compile and retrieve information—the functions earliest to be computerized. In addition, older employees often fear that they will not learn new tools quickly enough and their deficiencies will be exposed.

Similarly, many managers feel anxiety about e-government, especially the risk of making costly errors in a new area they do not fully understand. Some managers are not used to managing contracts, which in e-government projects are often essential to bring in know-how about designing systems and specifying hardware. Moreover, in many developing countries unpredictable budgets make managers cautious about initiating capital outlays that may not be followed up by necessary funding. Managers are also often wary of politicians’ and citizens’ unrealistic expectations about service improvements.

How can changes in personnel management improve staff incentives?

Analysis and findings

Case studies of e-government projects in five countries were analyzed to see how personnel issues slowed implementation (table 1). All the projects shared the overarching goal of increasing government efficiency and effectiveness, and each had reached at least 10 percent of its targeted users and been in place for more than a year when studied. The Bank
provided support for three of the projects. The analysis reached five main conclusions.

**Threats of job and power losses increase staff resistance**

E-government projects restructure workflows and staff, resulting in the elimination of various positions. For example, implementation of Mexico’s e-SAT eliminated 15,000 positions—but added 5,000 new ones involving computer programming, software design, database management, and auditing. (SAT is Mexico’s federal tax administration.) Thus 10,000 employees were terminated or reassigned. In response, backed by politically powerful unions, embittered employees refused to help introduce the project’s new online tax services.

SAT took several steps to counter this resistance. First, it raised internal awareness of e-SAT’s goals and benefits, mitigating the damage to employee morale caused by inaccurate information and rumors. It also provided employees at risk of losing their jobs with a variety of professional services, workshops, and study programs. Downsized employees were retrained to work for auditors and in taxpayer assistance centers.

In addition to job security, e-government’s ease and speed of information sharing threaten established hierarchies in public administrations. Procurement workers in the United Arab Emirates were assured that no jobs would be eliminated during Tejari’s implementation. Still, staff resisted the new system. When online auctions began, procurement managers and administrative committees that had previously negotiated and awarded bids felt that their power had been transferred to information technology managers.

To address this perception, Tejari’s implementation team worked with government departments to inform staff that online auctions and e-procurement were driven by the government’s efficiency needs, and that the information technology department was merely a facilitator. In addition, a high-level committee monitored the project’s implementation, putting pressure on directors to use the system—and the demonstration effect percolated to managers, administrators, and users.

**Government staff may resent external staff**

External teams are almost always needed to aid project implementation, particularly because information and communication technology skills are in short supply in most government organizations. But an external implementation team does not remain a financial or performance issue: it becomes a people issue. The implementation team for Argentina’s Cristal was chosen from outside the public service and placed in the cabinet office as a freestanding entity. Team members had short-term contracts (4–18 months) that paid an average salary 50 percent higher than that of civil servants. As a result civil servants lacked ownership of and interest in the project.

This problem was avoided in Tejari and Andhra Pradesh’s SmartGov, both of which were implemented by large, well-known software firms. The firms’ employees, who worked with government employees for several months, faced little resistance because the firms invested time and effort to learn

<table>
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<tr>
<th>Table 1</th>
<th>EXAMPLES OF E-GOVERNMENT PROJECTS</th>
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<tr>
<td><strong>Project name, location</strong></td>
<td><strong>Goals</strong></td>
</tr>
<tr>
<td>Cristal, Argentina</td>
<td>Promoting transparency and anticorruption practices in public administration</td>
</tr>
<tr>
<td>Servicio de Administración Tributaria, Mexico</td>
<td>Increasing income tax collection by providing online information about tax laws and procedures and by introducing online tax payments</td>
</tr>
<tr>
<td>SmartGov, Andhra Pradesh, India</td>
<td>Integrating the state government’s workflow and knowledge management to shorten processing times, improve policymaking, and reduce corruption</td>
</tr>
<tr>
<td>Tejari, United Arab Emirates</td>
<td>Replacing a nontransparent, time-consuming government procurement system with a faster, more responsive e-system</td>
</tr>
<tr>
<td>Tunisia Trade Net, Tunisia</td>
<td>Facilitating import and export procedures through automated document exchanges between actors involved in external trade</td>
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PREMnote 101 October 2005
Officials and staff can remain uncommitted if they do not see benefits from moving to a new system. 

**High-level support does not ensure staff buy-in**

Even when top political leaders support an e-government project, senior officials and their staff can remain uncommitted if they do not see benefits from moving to a new system. Tunisian ministers saw Trade Net as a way to expand foreign trade, especially with the European Union. But before traders could realize the system’s benefits, it had to be accepted by Customs Department staff—who concluded that the new system would do nothing to simplify their work. Support from customs staff was secured only after they were involved in designing the system to make it more compatible with department procedures. In addition, a member of the project team was seconded to each major customs office to help employees transition to the new system.

Depending solely on political leaders’ commitment to project goals is risky because it is available only during the duration of their terms. Especially when political leadership and priorities change, the support of permanent employees becomes critical for project sustainability. For example, varying levels of political backing affected Crístal’s progress. After Argentina’s administration changed, the project received only lukewarm support.

**Staff are unenthusiastic when credit is not shared**

Securing officials’ buy-in can also be difficult if they do not believe that enthusiastic project implementation will help their careers. SmartGov made Andhra Pradesh’s information and communication technology department responsible for project implementation, and officials in 70 other departments did not think they would receive any credit if it succeeded. As a result they showed no interest in the project’s implementation. They began providing active support only after the public administration’s chief executive began monitoring implementation progress. This created competition among the departments, helping to create a sense of urgency among staff to use SmartGov.

Territorial attitudes can also prevent cooperation among staff of different government entities. Tunisia’s Trade Net was initially located in the Ministry of Commerce because its goal was to increase foreign trade. But as noted, the system involved changes in the Customs Department, which was controlled by the Ministry of Finance. To facilitate coordination, the project was moved under the authority of the finance ministry.

**Managers’ exaggerated risk aversion harms project credibility**

Even after an e-application becomes operational, project managers often maintain the previous, manual system in case the new system fails to deliver. Such an arrangement undermines the credibility of the e-application. It suggests that the new technology is unreliable, strengthening the voices of its detractors. Prolonging the trial period also discourages users from changing old habits and makes the final switchover more difficult. Moreover, dual processing raises project costs.

During implementation of Trade Net, all government agencies involved in trade transactions were given free connections to the new system, but had no incentive to use it while the old system was still running. Government agencies’ continued use of the manual system led a prominent trading firm to cancel its connection to Trade Net, because documents delivered electronically to the government took longer to process than those delivered manually. To move departments away from the manual system, the government sent out directives enforcing the use of Trade Net for certain types of transactions. For example, all Bank-related transactions are now filed using the system.

**Adapting staff management to help manage incentives**

Flexibility in recruitment, training, pay, and punishment can help advance change. Per-
sonnel management in government organizations tends to be centrally managed and determined by rules, and provides little scope for managers to develop individual solutions that align staff incentives and project objectives. Thus institutional reform may be needed to support change.

For example, e-government staff with skills such as software engineering are required only for a short time. As a result managers usually contract expensive external consultants or project staff. But hiring external staff poses problems in setting pay levels because public service pay for technical positions is typically lower than market rates. If too low, the salary will not attract the right workers; if too high, the manager’s motives may be questioned. In such cases it might make sense to instead allow a manager to “borrow” such an employee from another department, and to give the loaned employee a bonus. In these and other personnel management issues, managerial flexibility poses a risk that such authority will be misused. Whether those risks can be managed depends on the mechanisms used to hold managers accountable and ensure fairness in their management of personnel.

New staff discipline problems emerge as the nature of public administration evolves. Overwriting data or gaining unauthorized entry into government systems are punishable offenses, but are not defined as such in most public service conduct rules. Without such rules, misconduct connected with e-government can go unpunished—or, alternately, get blown out of proportion.

Staff training assignments should be based on an organization’s needs instead of hierarchy. Training public officials helps build competence and reduce misunderstandings about a project’s objectives. But in many developing country governments, training opportunities are few and so considered rewards. As a result only favored or senior officials receive training. This approach risks leaving out staff who need help using the new tool or are apprehensive about the project’s goals. The Tejari project avoided this problem by training staff at all levels, tailored to the needs of each level.

The implementation challenges of e-government are not limited to developing countries. Having experienced similar problems, many OECD governments have appointed chief information officers in major government organizations. Their role goes far beyond overseeing technology: they typically play a watchdog role in their departments, checking if project goals and timeframes are realistic and whether e-applications align with national policies on information and communication technology. In addition, the U.S. Chief Information Officer’s Council coordinates information management across government agencies. It also promotes the development and use of common performance measures and commercial standards, and works with the Office of Personnel Management to assess and address hiring, training, and professional development needs related to e-government.

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