

LECTURE 11.3

SUBJECTIVE PERFORMANCE EVALUATION

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Recall the problem of multitasking.

$$Q = (\text{task 1}) + (\text{task 2}) + \mu$$

$$Y = (\text{task 1}) + \emptyset$$

Q is what the firm cares about, but Y is measureable.

There is an obvious problem in using Y as a basis of a contract. If pay is based on Y , workers will focus on task 1

This important for job design. It is not ideal to design a job where only one task is measurable and can be incentivised.

But if that is the case, subjective performance evaluation where employee performance is holistically reviewed may be used. It creates potential to assess on a more diverse range of tasks, some of which are difficult to measure - being part of a team, being cooperative etc.

SUBJECTIVE PERFORMANCE EVALUATION

Possible subjective measures include:

- Standard rating systems
- Goal based systems

Also, think about problems with subjective evaluation approaches:

- Shirking among supervisors: ratings compressions, leniency
- Influence costs: employees try to influence supervisors