

# Merit Based Transfers & Posting

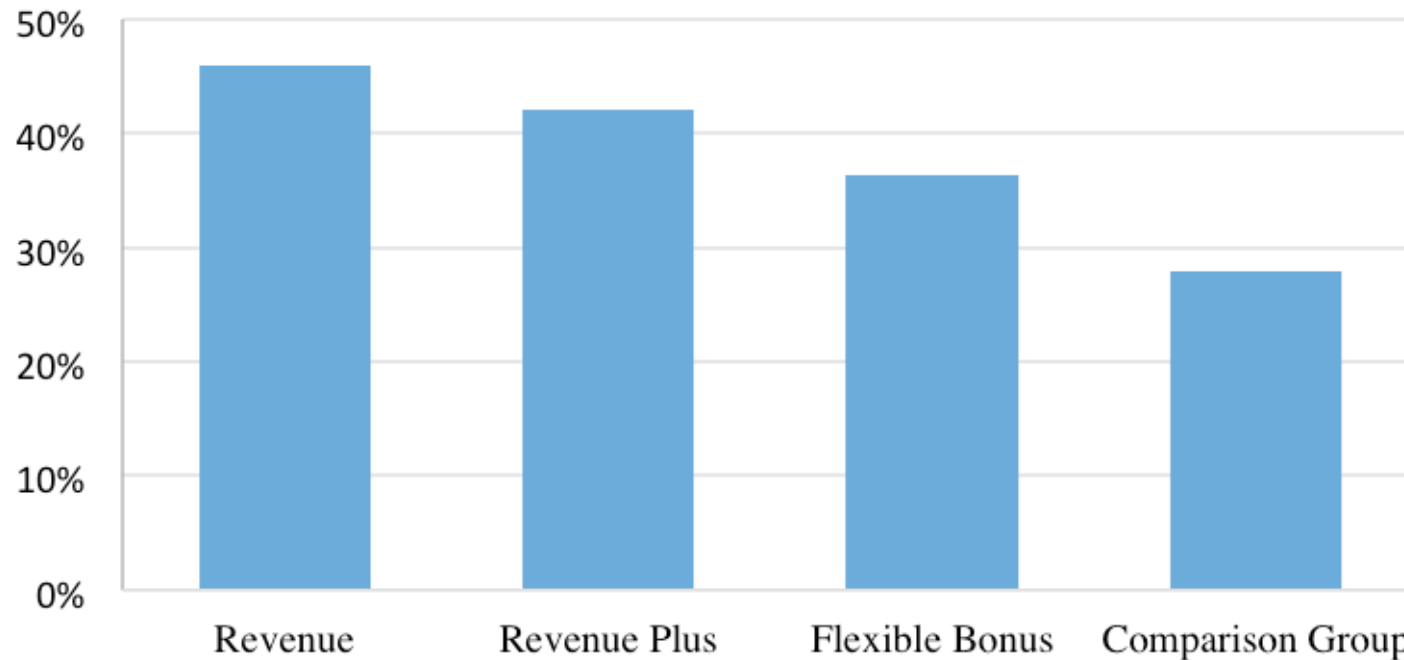
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In collaboration with E&T Department, Punjab, Pakistan

# Previous Project

## ▶ Recall: Success of Performance Pay Project (2011-13)

Increase in Total Tax collected\*



Revenue Scheme – 46% increase in revenue in two years compared 28% for business as usual (comparison) group; RO: 33-50%

▶ Little Political Costs (no detectable difference in assessment accuracy or taxpayer dissatisfaction)

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- ▶ But Optimal HR policy is often both pecuniary AND non-pecuniary incentive mechanisms
  - ▶ What could non-pecuniary benefits be in this context?
    - ▶ Promotion (Yes – but limited opportunities)
    - ▶ Social recognition (Yes – but not clear how this dilutes over time)
    - ▶ Non-monetizable benefits (Yes – but not always systematically available)
    - ▶ **Transfers & Posting**
      - ▶ Lots of room (frequent movements)
      - ▶ Tax-circles quite different (location; size – largest 50 times smallest)
      - ▶ Desirable (tax staff care a lot about their postings)
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# ▶ Several Challenges in introducing a Merit-Based Transfers & Posting System

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## ▶ Design Challenges:

- ▶ Measuring performance objectively
- ▶ Relative comparisons – how to define feasible comparison groups
  - Large good because allows adjusting for noise/gives more choice
  - But large makes it less feasible/puts more hardship on people; may also dilute “tournament based incentives”

## ▶ Administrative/Political:

- ▶ Transfers often based on administrative considerations
- ▶ Political highly sensitive

## ▶ Finance:

- ▶ Easy – No need for direct payments
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## ▶ Merit-Based Transfers & Posting System

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- ▶ Scheme: – Make groups (of ten) circles
  - ▶ Inspectors face performance tournament within group
  - ▶ By end of year choose circle within group in order of performance rank
  
- ▶ July 2013 Pilot (to establish credibility): – Two groups of ten circles (two different city)
  - ▶ Ranked on past performance
  - ▶ Implemented all transfers successfully



## ▶ Merit-Based Transfers & Posting System

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### ▶ This Past Year

- ▶ 150 circles (groups of 10) – 15 groups of ten circles:
- ▶ Type A – rank on recovery
- ▶ Type B – rank on assessment value/tax base
- ▶ Why two types?
  - ▶ One is more about flow (recovery) and the other is stock (tax base)  
- could have very different effects

### ▶ This past July

- ▶ Successfully made transfers for the 150 circles
    - ▶ Around 60 transfers made (a few cases pending but should be done by end of month) – most have taken charge
    - ▶ Greater fraction of people who move (60%) get better places
    - ▶ Special Thanks to Director General and Secretary E&T !!
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## ▶ Merit-Based Transfers & Posting System

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### ▶ Current Year (FY 14-15)

- ▶ Of the 150 circles
  - ▶ Half continue similar scheme next year – second chance
  - ▶ (get to compare their choices to those who ended this year)
- ▶ Add another 70 circles to same scheme

### ▶ New Central Allocation scheme:

- ▶ Central allocation: Post people based on their abilities to specific circles (e.g., post “best” people in largest? fastest growing? greatest potential?)
- ▶ Design being finalized with department

### ▶ Two big questions we hope to be able answer

- I. Can Merit-Based T&P be an effective and feasible way to incentivize
  - II. How best to allocate staff?
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