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The Worst Idea in Government Management: Pay for Performance.

It hasn't worked that well in business. In the public sector, it has sometimes been disastrous.

I started paying attention to business management in the late 1970s, and my timing could not have been better. I saw all the business fads of the late 20th century paraded before me, from "management by objectives," "Theory Z" and "in search of excellence" through "reengineering the corporation," "good to great" and "Six Sigma." At one point I wondered, are all these management theories actually the same ideas with new titles?

The fads seemed harmless enough — and may have been useful if they encouraged executives to think about their businesses in new ways. But one struck me, then and now, as dangerous. And that was "pay for performance." Even more frightening, it has made its way into government, with terrible consequences.

In one sense, there's nothing new about paying people for performance. Factories have long paid for "piece work" — that is, for each unit a worker turns out. Salespeople often receive commissions, which are a share of each sale. And if you tip a waiter, a hair stylist or a parking attendant, you're paying for performance.

But extending this idea to employees who work not as individuals but as team members and are involved in complex tasks and not simple, easy-to-measure transactions is a new idea. Like a lot of bad new ideas, it came out of Wall Street.

It began with CEO pay, which Wall Street wanted tied to stock appreciation. If you want to know how executive pay became so grotesque with so little to show for it, that's the reason. But why stop with CEOs? In the 1980s and '90s the idea trickled down in corporations, aided by an army of consultants. It was easy to see the appeal. Employers wanted their staffs to work harder with better results. They wanted to hold on to the best workers and didn't mind if the others left. And if pay — in the form of incentives for performance — could do all that, why not use it?

There's just one problem: It doesn't work in the way you'd think. Oh, it produces results all right; but some can be downright destructive.

Consider the Wells Fargo scandal that became public last year. The bank set goals for its customer-service representatives that most people considered unrealistic. One was to "close" (that is, sell) 20 new bank accounts a day. And one way was by convincing existing customers to set up at least eight separate accounts with the bank-checking, savings, credit cards, mortgage and so on. (The CEO had a phrase for it: "Eight is great!")

You can probably guess how this turned out. To keep their jobs and earn bonuses, employees began opening accounts for customers without their knowledge. And not a few rogue employees; thousands were involved in the fraud.

That’s a problem in a high-pressure environment like a bank. But it couldn’t happen in a government, could it? Well, it has happened. The Atlanta public schools’ test-cheating scandal of 2009 began when the superintendent announced that she would measure principals’ performance by their schools’ progress in standardized tests. For years this strict-accountability approach brought extraordinary gains in test scores — until it became known that some principals and teachers were changing their students’ answers in what were called “erasure parties.”

It happens once in a while in police departments, too, when a zealous chief decides there ought to be a quota for traffic tickets. (“Eight is great!” or something like that.) Predictably, cops start writing tickets just to meet the quota. Not exactly a formula for great police-community relations.

If setting quotas and paying for performance can turn into a disaster, then how should we think about compensation and motivation? Here’s the sensible alternative:

• Pay employees a fair wage that compensates them for their skills, experience and education.

• Encourage teams to set their own measures of performance, ones that they will commit to meeting or exceeding.

• If you feel compelled to offer bonuses for superior performance, award them to the teams and not individuals.

• Understand that there are other motivations that drive people to work smarter and harder. You’ll find that, once employees have reached a livable wage, personal pride and the esteem of colleagues and superiors work as well as bonuses with none of the disastrous side effects.

In other words, if you want people to perform complex tasks and do so at a high level, don’t cheapen their work with simple measurements and simple-minded rewards. Try coaching, praise, promotions — and maybe a simple “thank you.”

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