

FIA

SOLUTIONS

Compensation Consulting Since 1995

Volume 4, Number 3

Pay for Performance Systems: Group Based Programs

Group Programs

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In the last issue, we discussed that interest in pay for performance programs has grown rapidly in the last three years. In the last issue, we discussed some of the individual programs that organizations have used to reward individual performance. We concluded that because of their inherent subjectivity, employees may have difficulty with these types of pay for performance programs. In this issue, we will discuss group based programs. These programs are not as popular in government organizations because most government's don't believe that productivity can be measured in the work of public employees. However, case after case has demonstrated that these programs can and do work. This newsletter will describe some of them.

Group programs can be both objective and subjective, but typically they are objectively based systems whereby the achievement of performance is observable and verifiable by others. In contrast to individual programs, group based programs reward all members of the group for achieving a targeted objective(s). Among such programs are:

- * employee involvement
- * small group
- * gainsharing
- * "profit sharing"

Employee involvement programs will typically focus on group effort to improve service, processes or decision making. Small group reward programs will identify a target of performances for the group, say improved citizen response time, measure it over time and then reward the members of the group for achieving the agreed upon targeted improvement. Gainsharing programs are like small group rewards except that they are usually based on financial improvements, such as a decrease in cost for performing the same or more work. Employees of the group share in the savings generated as long as quality and service do not suffer. Finally, profit sharing (in government?) is a special program that is designed to achieve targeted savings in the overall general fund by targeted goal achievement. (More on this next time.)

Group based programs have increased rapidly in government, but still only represent about 6% of the organizations surveyed. Typical arguments against such programs are that savings cannot be achieved in government because there is no bottom line measurement. Time and time again, this myth has been disproved. The benefits of a group program are that morale increases, employee involvement improves and cost of service decreases. Many governments simply do not want to go to the effort to achieve such significant benefits. Group programs are more difficult to develop and install, but the acceptance and pay

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off is far greater than individual programs.

If you are interested in group based programs, let us refer you to a couple of resources where you might obtain some additional information and background. I would recommend the following books as a background reference material:

* *Gainsharing: Plans for Improving Performance*, Brian Graham-Moore and Timothy Ross, BNA, 1990.

* *Gainsharing*, John G. Belcher, Jr., Gulf Publishing, 1991.

* *How to Design and Implement a Results Oriented Variable Pay System*, John G. Belcher, AMACOM, 1996.

* "Can Gain Sharing Help to Reinvent Government?", Howard Risher, Public Management, May 1998.

* Click on our website at www.foxlawson.com and go to the search button. Type in 'gainsharing' and you will be directed to several articles about gainsharing in the government sector.

Current Consulting Projects

Brazosport College, Texas:

We are redesigning the compensation system for this community college. The study will include all employees of the college including faculty.

St. Paul Housing Authority, Minnesota:

We have conducted a review of their classification system and to make sure that the organization is in compliance with the State of Minnesota pay equity law which mandates that pay for female dominated classes will be comparable to the pay of male dominated classes.

City of Bellingham, Washington:

We have been hired to conduct a total overhaul of their classification and compensation system to emphasize a broader class concept.

Colorado Springs Utilities, Colorado:

We are currently redesigning the classification program for this city utility. The classification structure will be developed through the use of occupational experts.

Padre Dam Water District, California:

We are developing a classification and compensation system for this water utility district.