

EXECUTIVE

COMPENSATION: IT

MERITS A CLOSER

LOOK

ABSTRACT:

The State of Ohio sought, through the 129th General Assembly, to reform its human resources management (HRM) practices involving performance and compensation by introducing language for a performance-based compensation system (Senate Bill 5, 2011). Although Governor John Kasich signed Senate Bill 5 into law on March 31, 2011, voters rejected this law during the November 8th election and it was repealed.

As Ohio looks at developing a statewide executive compensation system, this report will focus on and identify pros, cons and recommendations related to executive compensation models utilized by county, state and federal government agencies. The focus will also surround performance management as a means to enhance successful job performance through effective and efficient goal setting, monitoring, measuring and rewarding employee performance.

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EXPECTED PURPOSE AND GOAL

The project team was tasked with conducting research and providing recommendations involving executive compensation¹ models used by other state governments. The intended goal, based on research findings, will be to offer a variety of resources involving pay for performance (PFP) executive compensation models in public sector environments. In addition, the team will share recommendations on a performance-based compensation system for the state of Ohio.

ACTION PLAN AND EXECUTION

The approved project charter was used in the development of the action plan. The objective was to identify governmental entities operating under executive compensation models. The team's plan included a two part approach. First, a survey instrument was prepared and approved by the Project Sponsor. The survey was later released to 50 state Human Resources agencies through the National Association of State Personnel Executives. Second, the team analyzed the survey responses and conducted additional research.

Thirteen (13) states or 26% responded to the survey. Based on survey results, only one (1) state agency (i.e., Colorado) reported having an executive compensation model. We also reviewed an array of resources including, but not limited to, newspaper articles, books and scholarly journals. These resources involved performance-related pay, benefits, evaluation metrics and formulas.

¹ For purposes of this research, "Executive" is defined as unclassified Senior Executive Service employees (i.e., Chief Information Officers, Assistant Directors, Directors or equivalent)

INFORMATION GATHERING, ANALYSIS AND PROJECT RESULTS

The merit pay language as introduced in SB 5 generated interest from various stakeholders to explore PfP models. The team researched the history of PfP and discovered that this model has been a topic of discussion for nearly five decades. Several governmental entities have sought and/or attempted to implement PfP models in hopes of attaining similar accomplishments made by private industry counterparts.

The project team's research efforts included analyzing survey results and reviewing scholarly and non-scholarly journals involving performance-related pay, evaluation metrics, performance rewards, and incentives in governmental entities. Our analysis revealed multiple resources involving compensation models for classified level employees, but limited data pertaining to Senior Executive Service (SES) compensation models. Compensation models for SES employees varied by the agency's mission, goals, and budgetary constraints. Although the majority of the articles proclaimed mixed views in support of performance-based compensation, the intended goal was similar across several public sector industries---to make public sector and nonprofits more business-like, and to increase employee efforts and productivity through financial rewards (Osterloh, Rost and Weibel, 2009). This was evidenced by survey responses from Colorado, and information gathered from the U.S. Office of Personnel Management (OPM) and the Hamilton County Department of Job & Family Services (HCJFS), all of whom established performance management processes (PMP) for SES employees.

Even though the team encountered several challenges, overall, we feel the results of this project has been accomplished (i.e., conducting research and providing recommendations). The team forged ahead despite the number of instances that our project assignment changed, coupled

with the disappointing level of survey responses we received, and the limited resources we obtained regarding executive compensation models. For instance, we sought and obtained additional support and guidance from Cindy Holodnak, Associate Director at the Ohio State University, John Glenn School of Public Affairs. Mrs. Holodnak's efforts provided us with detailed pieces of information from previous empirical studies regarding PfP models, motivation, and overall performance. These resources enabled the team to summarize diverse reviews regarding Pfp, its implementation issues and its impact upon merit pay initiatives.

OUT OF SCOPE

This report provides a framework regarding SES compensation models based on the information gathered from HCJFS, OPM and the state of Colorado. Currently, this is not a working model to be implemented; further assessment and evaluation is recommended to determine if intended goals (i.e., Pfp yields improved performance, etc.) and objectives are attainable.

BENEFITS TO AGENCY, ORGANIZATION OR WORK UNIT

Based upon the team's research findings, the State of Ohio could achieve several benefits from an SES Pfp system if properly administered. Implementation of a Pfp system may result in improved SES productivity and accountability. Use of this system helps assure an alignment between an agency's strategic goals, mission and vision. Such a program can also be beneficial if agencies can identify meaningful and successful ways to not only coach, but also reward employees for successful performance.

State agencies will be able to establish an incentive program by linking pay increases for job performance instead of offering step increases as in previous years. PFP programs also may motivate and increase employee morale. Establishing an incentive program on an agency wide basis will give state employees a uniformed practice for consideration of pay increases. Depending upon funding availability, the state legislature will be able to designate funding for state agencies.

TEAM DYNAMICS

Although the project team began with six team members, two members withdrew from the Ohio Certified Public Manager's (OCPM) program shortly after the project team was formed. Upon receipt of the initial team assignment, the team met, discussed timelines and assigned roles based upon each one's strengths. As the team continued to develop, we later learned that several timelines established were difficult to meet due to the following unforeseen circumstances:

- ✓ Project team assignment changed on three separate occasions;
- ✓ Two team members withdrew from the OCPM program;
- ✓ Competing personal and professional priorities; and,
- ✓ Limited guidance and resources.

The team experienced all four stages of group development (i.e., forming, storming, norming and performing). During the forming stage, the group members discussed strengths and assigned roles. The group was given three different team assignments during the storming stage. These changes led to low morale, confusion, disappointment, uncertainty and impeded our research efforts. During this time period, two group members also withdrew and the remaining members assumed additional roles and responsibilities. On several occasions during team

meetings, it appeared that some members were distracted and unprepared which led to increased concern about our ability to meet our established goals and objectives as defined in the Project Charter. The norming stage presented an opportunity for group members to not only develop stronger bonds on a professional level, but lasting friendships. The project team began holding regular meetings during the performing stage in an effort to meet time-sensitive deadlines.

Per the Myers-Briggs Type Indicator (MBTI) our project team consisted of two ISTJs (Introverted Sensing with Extraverted Thinking), one ESFP (Extraverted Sensing with Introverted Feeling) and one ESTJ (Extraverted Thinking with Introverted Sensing). According to the MBTI, some characteristics of the personality types are as follows:

- **ISTJ:** task-oriented, organized, strong sense of responsibility, logical, practical, analytical, and works steadily despite distractions;
- **ESFP:** loves life, enthusiastic, outgoing, enjoys working with others, team player, flexible and spontaneous; and,
- **ESTJ:** practical, enjoys organizing projects and people, decisive and quickly implements decisions.
(Class Notes, 8/3/10 and 9/14/10)

The project team managed conflict through collaboration, compromise, accommodation and, at times, by avoidance. Overuse or underuse of these methods sometimes resulted in ideas being overlooked, a loss of team contribution, low morale, festering issues, lack of prioritization/delegation, work overload on one or more team members, lack of commitment and lack of trust. However, when the team effectively utilized the conflict management methods, the results included: nonthreatening communication, improved listening, understanding, empathizing and negotiating.

OCPM WORKSHOP KNOWLEDGE, THEORIES, MODELS, PRINCIPLES OR TECHNIQUES

Project Management

The project management course provided our team much needed guidance; it helped us maximize our resources and minimize duplication of efforts. Initially, the team struggled with the changes in sponsors and project assignments (as described under the “Team Dynamics” section of this report). Once our project assignment was determined, the team immediately scheduled a meeting with our project sponsor to define the scope of our project and clarify the deliverables.

The team utilized several resources obtained during the two-day seminar. For instance, the team completed a project charter and submitted the aforementioned document to our sponsor for approval. Our next steps included:

- Establishing timelines to achieve our goals and objectives;
- Assigning tasks to project team members and establishing research strategies; and,
- Scheduling multiple team meetings to draft sections of our report, monitor progress and conduct information analysis (as needed).

The team’s information gathering process involved a division of research assignments. Several team members were tasked with researching SES compensation models from a public sector perspective while other members researched private sector SES compensation models. Through this research the team identified several barriers and significant differences among public and private sector SES models. For instance, it was difficult to conduct an equal comparison because the private sector is profit-driven while the public sector is not. In addition, private sector companies were reluctant to share information regarding their SES compensation

processes and procedures. As a result, the team updated the Project Charter and obtained approval from the project sponsor to focus solely on public SES compensation models.

Organizational Problem Solving & Decision Making

This course provided the team several brainstorming methods on how to develop the structure of the report and effectively communicate our findings. The methods used by the team were the “Fishbone Analysis” and the “Post It Note Approach to Problem-Solving.”

Fishbone Analysis

The team used the fishbone analysis to identify current and possible problems that may arise during the course of the project. The fishbone analysis helped the team identify areas needing additional further analysis and research. Some concerns identified included:

- Lack of Funding for an Executive Compensation model/Budgetary Constraints
- Limited resources and information
- Reduction in OCPM team members
- Limited or no responses from the surveys

Post-it Note Approach to Problem Solving

This approach proved to be an essential component of our written and oral presentation. Team members used post it notes to document ideas and other topics of interests. These ideas and topics included, but were not limited to:

- Ohio Senate Bill 5;
- Merit Pay Systems;
- Funding Sources for Merit Pay;
- Research on Performance Management Processes;
- Pros and Cons of Performance Management;

- SES competencies; and,
- SES benefits, compensation and rewards.

Categorizing these topics allowed the team to maintain focus and satisfy research requirements for this project assignment.

Emotional Intelligence

The emotional intelligence course gave us the ability to become self aware of our emotions and the effects these emotions had upon our team dynamics. Given the make-up of our team, it was essential to consider the five competencies of emotional intelligence during our collaborative efforts. These competencies involved self-awareness, self-regulation, self-motivation, empathy and effective relationships. Team members were aware of strengths and limitations and empathized with one another. At times it was difficult to balance personal and professional commitments but we were able to overcome those obstacles by maintaining focus, motivation, empathy towards each other and a determination to maintain strong bonds.

RESEARCH FINDINGS

For nearly five decades, governments have introduced several performance appraisal models with the intent to strengthen the link between pay and performance (Broderick and Mavor, 1991). Since the Civil Service Reform Act of 1978 (CSRA), at times, former President Jimmy Carter, called the reforms “absolutely vital.” President Carter’s ultimate objective was to create “... a government that is efficient, open, and truly worthy...of understanding and respect” (Broderick and Mavor, 1991, p. 19).

From 1977 to 1993, a series of studies were conducted to assess the efficacy of pay for performance systems. Based on these studies, expectancy and reinforcement theories were

thought to be instrumental in performance appraisal. Expectancy theory says “individuals will exert effort if they expect it will result in an outcome they value” while reinforcement theory says there is “a direct relationship between a desired target behavior (e.g., performance) and its consequences (e.g., pay)” (Perry, Engbers and Yun Jun, 2009, p. 40). The belief behind performance-related pay is that monetary rewards are valued and employees will work harder to receive such increased rewards.

In recent years, over thirty-two (32) states have explored and/or implemented non-SES performance based compensation systems, giving agencies the freedom to develop their own compensation, merit and incentive plans (Sanders, 2004). Currently, the federal government along with other governmental agencies including Colorado and HCJFS, developed some form of SES performance based compensation system.

EXECUTIVE COMPENSATION MODELS

United States (U.S.) Federal Government

Federal government agencies have developed PMP for its SES employees. For decades, the U.S federal government has refined its Human Resources Management (HRM) practices through congressional changes to federal laws. Legal references involving SES employment, benefits, rewards, and compensation can be found under Title 5 of the Code of Federal Regulations (CFR) (www.opm.gov/ses/references/code_of_federal_regulations.asp, U.S. Office of Personnel Management, retrieved December 26, 2011).

The OPM is primarily responsible for selecting, developing, and managing SES employees. OPM’s guide for Senior Executive Services indicates that there are four types of SES appointments – career, noncareer, limited term, and limited emergency

(www.opm.gov/perform/Chron.asp, U.S. Office of Personnel Management, retrieved October 23, 2011).

- **Career:** Competitive selection requirements and entitlements; no time limit.
 - **Noncareer:** No competitive selection requirements; no entitlements; no time limit.
 - **Limited Term:** Non-renewable appointment for up to 3 years for time-limited, project-type work.
 - **Limited Emergency:** Non-renewable appointment for up to 18 months to meet a bona-fide, unanticipated, urgent need.
- (U.S. Office of Personnel Management, 2001)

In addition to OPM's functions involving SES, there are also a series of independent boards charged with the responsibility of:

- Conducting the staffing process for career appointments to SES;
 - Overseeing and monitoring personnel matters pertaining to executive planning and development;
 - Recommending SES performance ratings and bonuses; and,
 - Certifying qualifications of potential candidates for appointment to SES.
- (www.opm.gov/ses/references/glossary.asp, U.S. Office of Personnel Management, retrieved December 26, 2011)

SES employees are generally offered a lucrative compensation and benefit package. The minimum basic rate of pay for most SES employees is \$119,554

(www.opm.gov/oca/11tables/pdf/es.pdf, U.S. Office of Personnel Management, retrieved October 23, 2011). Unlike civil service employees, individuals who are subsequently appointed to SES go through a rigorous process to ensure that their qualifications meet the U.S. federal government's Executive Core Qualifications (ECQ) and competencies established by individual agencies. (*See Appendix A*) Before fulfilling employment obligations, SES appointees are required by law (5 U.S.C 3393) to be certified through the Office of Personnel Management's independent Qualifications Review Board (U.S. Office of Personnel Management, 2010). A federal employee's appointment to SES becomes finalized only after a 1-year probationary period.

SES employees must meet the following ECQ's established by, and listed on pages 1-2 of OPM's SES Qualifications Handbook (2010):

1. *Leading Change*

This core qualification involves the ability to bring about strategic change, both within and outside the organization, to meet organizational goals. Inherent to this ECQ is the ability to establish an organizational vision and to implement it in a continuously changing environment.

2. *Leading People*

This core qualification involves the ability to lead people toward meeting the organization's vision, mission, and goals. Inherent to this ECQ is the ability to provide an inclusive workplace that fosters the development of others, facilitates cooperation and teamwork, and supports constructive resolution of conflicts.

3. *Results Driven*

This core qualification involves the ability to meet organizational goals and customer expectations. Inherent to this ECQ is the ability to make decisions that produce high-quality results by applying technical knowledge, analyzing problems, and calculating risks.

4. *Business Acumen*

This core qualification involves the ability to manage human, financial, and information resources strategically.

5. *Building Coalitions*

This core qualification involves the ability to build coalitions internally and with other Federal agencies, State and local governments, nonprofit and private sector organizations, foreign governments, or international organizations to achieve common goals.

There are varying ways of assessing and determining performance and compensation for SES employees in the federal government. Performance requirements for SES must "specify the results, with credible measures, expected to be achieved during the applicable rating period at the fully successful level." In addition, SES "performance plans must include a critical element that holds them accountable for aligning employee performance plans with organizational goals, and

rigorous appraisal of subordinates...”

([www.opm.gov/ses/performance/Senior Employee Pay for Performance.pdf](http://www.opm.gov/ses/performance/Senior_Employee_Pay_for_Performance.pdf), U.S. Office of Personnel Management, retrieved December 23, 2011).

The performance appraisal plan for federal SES employees include two key elements aimed at performance excellence: 1) Core Leadership Competencies, representing 40% of overall summary ratings, and 2) Employee Specific Performance Objectives, representing 60% of overall summary ratings (U.S. Department of Homeland Security, 2007). (*See Appendix B*)

According to a performance appraisal plan (revised 3/6/07) for SES employees at the U.S. Department of Homeland Security, rating scores are described as follows:

- **Achieved Excellence (AE):** The executive is truly one of DHS’ most outstanding leaders. Performance demonstrated exceptional accomplishments or contributions to the Department’s mission. This equates to a performance level between 91 and 100.
- **Exceeded Expectations (EE):** Core leadership competencies and performance exceed what is normally expected. The executive performed at a level between Achieved Excellence standards and the Achieved Expectations standards. This equates to a performance level between 81 and 90.
- **Achieved Expectations (AX):** The executive satisfactorily achieved performance expectations. The executive performed as described by the Achieved Expectations standards. This equates to a performance level between 71 and 80.
- **Minimally Satisfactory (MS):** Core leadership competencies are below expectations and one or more Employee-Specific Performance Objectives were not met, resulting in negative impact to operations and/or programs. This equates to a performance level between 61 and 70.
- **Unacceptable (U):** Significant performance failures resulting in serious negative impact to operations and/or programs. This equates to a performance level below 61. (U.S. Department of Homeland Security, 2007, p. 2)

These rating scores are computed by using a weighted factor. The rating scores for each leadership competency (8) is weighted equally. However, employee specific performance objectives are assigned a weighted factor by the SES’ supervisor. Once the rating score is determined, it is multiplied by a weight factor to yield the total weighted score.

The performance appraisal process for SES employees is two-fold. It requires a mid-year review during the appraisal cycle and an annual summary evaluation. These efforts lead to collaboration between SES and direct SES supervisors to recognize successful performance, and identify performance elements (if any) that are less than fully successful.

If an appraisal yields unfavorable performance ratings or identifies an act of wrongdoing, the SES employee may be subject to training and development, continual learning, reassignment, up to ten percent reduction of annual pay, or possible removal from an SES position

(www.seniorexecs.org/tiny_mce/plugins/filemanager/files/Differences%20Fact%20Sheet.pdf, Senior Executive's Association, Retrieved December, 23, 2011). Similarly, the U.S. Department of Interior (DOI) adopted a performance agreement and appraisal system which employs policies for unsatisfactory performance. DOI's terms and conditions involving performance states that "an executive who receives two Unsatisfactory [*sic*] annual summary ratings in any five-year period must be removed from the SES" (www.doi.gov/hrm/SES%20Policy%20Guidance.doc, U.S. Department of Interior, Retrieved December 25, 2011, p. 16).

SES performance appraisals are not appealable. However, employees who disagree with his/her performance ratings have the option of requesting a "higher-level review." This process allows the executives to respond in writing and address concerns to the Performance Review Board (PRB). If warranted, the higher-level review official may recommend a new performance rating to the PRB and SES supervisor (U.S. Department of Homeland Security, 2007).

Conversely, SES employees who obtain favorable performance ratings are eligible for annual pay adjustments "based on available budget and range adjustment" (U.S. Office of Personnel Telephone Interview, 1/5/2012).

Compensation and Benefits:

In addition to the basic rate of pay and fringe benefits, SES employees are potentially eligible (at hiring or during employment) to receive one or more of the following performance awards, bonuses, and incentives:

- ✓ Recruitment
- ✓ Relocation
- ✓ Compensatory time off for religious purposes
- ✓ Retention
- ✓ Time-off
- ✓ Home leave
- ✓ Incentive Awards (excludes non-career and limited SES)
- ✓ Special Act Award
- ✓ Sabbatical leave
- ✓ Performance Award
- ✓ Carrying over up to 720 hours of annual leave each year
- ✓ Presidential Rank Awards

(www.hr.commerce.gov/Practitioners/CompensationAndLeave/DEV01_006192, U.S. Department of Commerce, Retrieved October 25, 2011).

(www.chcoc.gov/Transmittals/TransmittalDetails.aspx?TransmittalID=3060, U.S. Office of Personnel Management, Retrieved October 25, 2011).

(www.opm.gov/ses/references/glossary.asp, U.S. Office of Personnel Management, Retrieved December 26, 2011).

(U.S. Office of Personnel Telephone Interview, 1/5/2012).

Other monetary incentives involve ECQ's and performance-based compensation systems. ECQ's are translated into a list of prerequisites embedded in certified SES performance-based compensation systems. In accordance with subpart D of part 430, Title 5 of the CFR, SES performance-based compensation systems must be able to assess the following elements to ensure that executives align subordinate performance plans with organizational goals and objectives:

Accountability	Alignment
Measurable Results	Balance
Consultation	Organization Assessment & Guidelines
Oversight	Training
Performance Differentiation	Pay Distinctions

(http://www.opm.gov/ses/performance/SES_PAAT_QA.pdf, Retrieved October 23, 2011)

SES employees who fulfill these objectives and obtain a certified SES Performance Appraisal System receive certain benefits in the form of monetary rewards. For instance, compensation for a SES employee with a “Certified SES Performance Appraisal System,” could earn up to \$179,700 (rates frozen at 2010 pay levels). However, a SES employee who is employed by an agency that does not possess such certification is likely to earn a maximum of \$165,300 (rates frozen at 2010 pay levels). (www.opm.gov/oca/11tables/pdf/es.pdf, U.S. Office of Personnel Management, Retrieved October 23, 2011).

OPM’s HRM practices provide an array of tools and resources (i.e., agency representatives or mentors, guides, handbooks, presentations, etc.) to support executives’ efforts to fulfill their employers’ strategic goals and objectives. The effectiveness of OPM’s SES system has received considerable attention, both favorable and less than favorable. Since its inception, the federal government’s PFP system was perceived as problematic and flawed. However in recent years, changes in legislation and improved HRM practices have yielded favorable responses from members of the SES. OPM’s pay for performance efforts were recently measured and captured via surveys that were disseminated to senior executives. In 2008, over 90% of SES respondents confirmed that in regards to pay for performance, they “believe their

pay should be based on performance” and “feel they are held accountable for achieving results.”

Other noteworthy observations from survey responses by topic and relevancy included:

Most favorable overall responses:

- Senior Executives as a group are proud to be members of the SES (97%), feel a sense of accomplishment with the work they do (95%), and believe their talents are well used (87%);
- Many SES members (66%) believe their agency is able to attract and retain high quality executives, and half (50%) agree SES pay and benefits are helpful to that end;
- Executives are divided on whether or not the application process discourages high quality candidates (36% agreed, 30% disagreed, and 34% were neutral)

Expected turnover in SES ranks:

- Thirty-nine percent of career respondents plan to leave in the next 3 years, and 60% plan to do so in the next 5 years;
- A majority (66%) of those planning to leave in the next year are under 60; and
- For those planning to leave within 1 to 3 years, 60% were satisfied with their pay, nearly identical to the overall average.

(OPM’s comment {s}: This could suggest a need to re-engage and retain some of the SES through options such as reassignments, pay incentives, or sabbaticals. The data would not support a hypothesis that pay dissatisfaction is driving SES out of Government.)

Pay for Performance:

- They (83%) had their performance plan early in the cycle, understood their organization’s performance appraisal system (83%), and had a mid-year discussion; and
- They (67%) are satisfied with the recognition they receive for doing a good job.

Performance Evaluation:

- Most (72%) SES respondents say their performance evaluation takes into account the most important part of their job, and most thought their ratings were based to a great or very great extent on individual (74%) and organizational (68%) performance; and
- Over 30% of executives (in seven agencies) indicated that customer perspective was taken into account to a limited extent or not at all, and the vast majority of agencies had over 30 % say the same about employee perspective.

(OPM’s comment {s}: Agencies may be doing a good job of incorporating individual and organizational performance measures but may need to improve the way they incorporate balanced measures of customer and employee perspectives. These balanced measures are among OPM’s certification criteria for agency performance appraisal systems.)

Pay Satisfaction:

- Most respondents (61%) are satisfied or very satisfied with their pay, which is nonetheless a significant decrease from the 73% positive response of SES members in the 2006 Federal Human Capital Survey; and
- The respondents who are satisfied with pay are stronger proponents of pay for performance (53%) than respondents not satisfied with pay (26%).
(OPM's comment {s}: Recent increases to SES pay have, on average, lagged behind those of the General Schedule, possibly contributing to the decrease in pay satisfaction.)

Pay for performance process and implementation:

- Most respondents believe their appraisal was a fair reflection of their performance (68%--down considerably from the 2006 FHCS rate of 74%);
- Sixty-four percent of respondents stated that their bonuses and salary increases were linked to their appraisals; and
- Fewer than half (43%) of respondents believe pay for performance promotes better organization performance in their agency.
(OPM's comment {s}: Such a discrepancy could be explained in any given agency by several possible factors, such as a rating pattern that does not differentiate sufficiently or a lack of funding to make a differentiated pattern meaningful to the executives.

Communicating the process to SES:

- In response to the Senior Executive Association's survey findings (i.e., lack of understanding of the pay for performance process), OPM added a criteria to SES performance appraisal systems. The criteria required agencies to conduct briefings and information executives of the overall results of the process. Favorable responses ranged from a low of 35% on whether the executive was given a summary of overall results to a high of 63% on whether the executive received a briefing or training on the performance management system.
(OPM's comment {s}: The average favorable responses for such questions Governmentwide were somewhat disappointing, given the recent emphasis on such communications)

Executive Developments:

- Over one-third (35%) of respondents indicated that their developmental needs are not assessed and over a third (37%) have not engaged during their SES tenure in any of the six activities commonly used for developing executives, including 360 degree assessments, details, mentoring, coaching, residential programs, and sabbaticals.

Summary of survey results:

- The survey was emailed to 6,745 career, non-career, and term appointment SES members (of which, a total of 4,386 completed the survey);
- The average survey respondent was a career employee with 4-5 years as an SES, over 20 years of Federal service, and between 50-59 years old;

- The vast majority of executives feel good about the work they do and believe that pay should be based on performance; and
- Certain aspects of the process, such as communication to executives of how these systems work, can be strengthened.

(www.opm.gov/ses/SES_survey_results_completed.pdf, U.S. Office of Personnel Management, Retrieved December 26, 2011, p.ii-v).

SES Budgetary Limitations:

In late 2010, President Obama made changes to legislation and issued directives regarding “pay adjustments... increases in rates... increases to pay schedules, and pay rates for certain pay systems” (U.S. Office of Personnel Management, 2010). In response to the President’s directives, OPM and the Office of Budget and Management provided guidance to all agencies regarding pay freezes and budget limitations on awards for SES, the Senior-level and Scientific or Professional (SL/ST) employees, as well as non-SES civilian employees for FY 2011 and 2012. Among other things, OPM’s memorandum included the following statement affecting SES employees:

Agencies must reduce total awards spending for awards with effective dates in fiscal year 2012, with interim progress in 2011, on individual performance awards for members of the Senior Executive Service (SES) and senior-level and scientific and professional employees (SL/ST) to no more than five percent of aggregate salaries. For performance awards for non-SES employees and contribution awards for all employees and executives, the spending limit is no more than one percent of aggregate salaries for awards with effective dates in fiscal year 2012, with interim progress in 2011. Agencies already spending at levels at or below these targets will continue to limit spending to their fiscal year 2010 levels. Other awards and incentives are frozen at fiscal year 2010 spending levels as well (U.S. Department of Personnel Management, 2011).

State of Colorado

The State of Colorado was one of several states to respond to the survey released by this OCPM Team. Survey results confirmed that Colorado had an SES pay for performance model. The State of Colorado’s PMP was developed as a result of SB 00-211 which was signed into law

by Governor Owens on May 26, 2000 (University of Northern Colorado, 2007). As part of SB 00-211, SES employees do not receive an anniversary-based merit pay increase. Salaries for these employees are negotiated via an annual contract (from July to June) between each Department Executive Director and the SES employee. (*See Appendix C*) SES employees dismissed or terminated due to non-performance of contract obligations can appeal only to Colorado's State Personnel Board (Colorado Revised Code 24-50-104, retrieved from OCPM Project Team online survey August 2011). According to SB 00-211, in some instances, an SES "employee entering into a senior executive service contract may be required to waive all appeal, disciplinary, grievance, and other rights and privileges of the state personnel system with respect to the expiration of the non-renewed contract" (p.1).

The State of Colorado allots only 125 SES positions. As of March 2011, Colorado had ninety-six (96) SES employees (denverpost.com, March 2011). Only department heads can nominate SES positions; these nominations are made to the State Personnel Director who oversees the Department of Personnel & Administration (DPA). It is up to the Personnel Director to accept the nomination. This acceptance or non-acceptance is final and non-appealable.

The number of each agency SES position is dependent upon the agency's size. For example, an agency having less than 300 employees is permitted 5 SES positions, an agency having 300 up to 2000 employees is allotted 10 SES positions and an agency having more than 2000 employees is permitted to have 15 SES positions. However, institutions of higher education are excluded from this requirement (Colorado Technical Assistance – Senior Executive Service, 2008).

SES Criteria for nomination include the following as noted by Colorado's *Technical*

Assistance – Senior Executive Service(SES) document revised on October 31, 2008:

- Be in the Management class;
- Be responsible for directly controlling, through subordinate managers, relatively large or important segments of a principal department, including the acquisition and administration of human, fiscal, operating, and capital resources; and,
- Be responsible for direction and guidance of significant programs, projects, and public policy development.
(www.colorado.gov/cs/Satellite?blobcol=urldata&blobheader=application%2Fpdf&blobkey=id&blobtable=MungoBlobs&blobwhere=1251716976025&ssbinary=true, Retrieved 10/17/2011, p. 1)

An SES employee can only be compensated based solely on his or her contract performance. Upon expiration of a contract, the employee can no longer remain in an SES position.

Although each state agency establishes its own performance rating system, the state Personnel Director establishes five statewide uniform competencies for non-SES employees. These core competencies include: communication, interpersonal relations, customer service, accountability and job knowledge. However, for SES employees, the core competencies contained in all SES contracts include: customers, credibility, communications and other. The contract also has a section entitled, "Special Projects and Emphasis Areas" which contains an open section for inputting the objective, results and ratings. The SES employee is rated on individual traits by a 1, 2 or 3 rating. According to the SES contract (SES Form 1), a rating of 1 constitutes "Needs Improvement," a rating of 2 constitutes "Successful and, on occasion, exceeds expectations," and a 3 rating constitutes "Exceptional."

More specifically, the SES employee contract provides the following descriptions of customers, credibility, communications and other:

Customers

- Program goals and objectives clear and customer-oriented
- Maintain positive, smooth, and supportive customer relations
- Emphasis on customer satisfaction
- Program efficiency and effectiveness routinely measured
- Efficiencies and cost containment continually sought

Credibility

- Long and short range plans developed and monitored
- Maintain legislative credibility
- Program processes designed to achieve goals and objectives
- Budgets monitored and adhered to
- Personnel rules followed
- Decisions are based on data

Communications

- Encourage public/community input and education
- Affected parties kept involved and informed
- Clear, concise, effective written communications produced
- Clear, concise, effective oral communications exhibited
- Listened well and sought feedback

Other

- Employee morale and productivity high
- Employees empowered to work creatively and make own decisions
- Decisions made at the lowest possible level

(www.colorado.gov/cs/Satellite?blobcol=urldata&blobheader=application%2Fpdf&blobkey=id&blobtable=MungoBlobs&blobwhere=1251716976025&ssbinary=true, Retrieved 10/17/11, pp. 3-4).

The state of Colorado's Human Resources Department identified (via the OCPM survey)

the following pros and cons to its SES pay for performance model:

- **Pros**
 - SES positions allow the Department Executive Director [ED] or elected official, if applicable (ED) (*sic*) to structure their own management teams and appoint senior-level managers based on high-level qualifications.
 - EDs are afforded the opportunity to provide higher salaries to be more competitive and to hold managers accountable to performance plans and expectations.

- **Cons**
 - Positions and employees are subject to change, particularly when a new administration comes in. Hence, the new Governor usually selects his/her own cabinet (i.e., ED), who in turn, selects his/her own management team.

SES Budgetary Limitations:

John Hickenlooper was elected Governor of Colorado in November 2010 and took office in January 2011. After taking office, Governor Hickenlooper directed close to 100 SES employees to reapply for their positions. This directive was given “in an effort to deliver efficient services” (denverpost.com, March 2011). Colorado SES employees earn 25% more than other managers. However, there are no protections in this position and as previously mentioned, SES employees must sign a contract annually. Colorado’s current SES contract for July 1, 2011-June 30, 2012 has standard language for all SES employees which state that the employee’s monthly salary cannot exceed \$12,073 per month. The contract also says salary negotiated cannot change during the contract period (Colorado Department of Personnel & Administration, 2011).

Hamilton County Department of Job & Family Services – Cincinnati, Ohio

Hamilton County Department of Job and Family Services (HCJFS) is a quadruple-combined public human services agency consisting of Children Services, Public Assistance, Child Support and Workforce Development programs. According to the *Hamilton County Job & Family Services About Us* (2010), the agency employs approximately 780 staff.

HCJFS previously operated under a traditional compensation model involving annual step increases and cost of living adjustments. However, in 1995 HCJFS implemented a P&P system focusing initially on non-bargaining staff and later phasing in union staff in 1997. (See *Appendix D*) High achievers were rewarded with merit pay and bonuses (CPS Human Resource

Services, 2005). CPS Human Resource Services (2005) reported that the Hamilton County Commissioners determined the amount of monies available for bonus payments under HCJFS' PfP system and required that the new system was equal to, or less costly. According to CPS Human Resource Services (2005), HCJFS' merit pay and bonus pay consisted of the following:

1. **Merit Pay** – Given annually and based on the employee meeting established Major Work Objectives. Here, employee performance is objectively measured by computer-generated tracking reports. Merit pay becomes a part of the employee's base pay.
2. **Bonus Pay** – Given semiannually in a lump sum for those employees who exceed their regular job duties. Supervisors have more discretion when determining bonus pay. However, bonus pay does not become a part of the employee's base pay.

HCJFS' PfP program was established to improve work performance (CPS Human Resource Services, 2005). HCJFS' PfP program was recognized for its innovation by the Annie E. Casey Foundation. Hence, the Casey Foundation funded a study from 2000 through 2002 in an effort to identify and establish HRM best practices (CPS Human Resource Services, 2004). CPS Human Resource Services (2004) initially concluded (based on observation and anecdotal feedback) the following with respect to HCJFS' PfP program:

- Labor-management partnerships are extremely important when developing a PfP program;
- Employee performance and client outcome can be improved;
- Employee turnover can be reduced for those who are high performing;
- PfP is cost-effective and can be competitive in labor market; and,
- PfP can be replicated in other public human services agencies regardless of size and regardless of the environment (i.e., union or non-union staff).

As a result of its findings, the Casey Foundation extended its funding and awarded HCJFS a grant in 2004. The purpose of this grant was to research the effectiveness of HCJFS' PfP system, to provide consultation to enhance the system's effectiveness and to evaluate the

ease by which such a system could be introduced and implemented by other human services agencies (CPS Human Resource Services, 2005). Several issues arose during the evaluation process:

- The evolution of the PfP system over the years made it difficult to identify differences between pre-PfP and post-PfP periods;
- Much of the data did not exist, particularly data on worker performance; and,
- It was difficult and almost impossible “to isolate the impact of the [PfP] program” because several interventions occurred over the years to improve program effectiveness (p. 9).

Despite the concerns noted above, three surveys were conducted with HCJFS staff. The first survey gathered information on employees’ perception of the PfP process. The second survey measured supervisors’ satisfaction from the role of supervisor evaluating direct staff and from the role of being evaluated by their managers. In addition, employee focus groups were conducted in an effort to document the PfP’s process on retention and turnover. A compensation survey was also developed to document the cost of the PfP program; this compensation survey was designed to collect historical salary and wage data (CPS Human Resource Services, 2005). According to CPS Human Resource Services (2005), Fall 2004 survey results regarding PfP are as follows:

Client Outcomes

- Some supervisors felt services to clients had improved while others had opposing views; and,
- 33% of employee respondents felt client services were better than the previous five years while 11% felt the opposite; and,

Employee and Supervisor Satisfaction

- Sufficient opportunities were available to provide input into the process;
- The PfP system was not an effective compensation tool;
- The PfP system was not effective in recognizing differences in job performance; and,
- The PfP system was useful because ongoing feedback is provided regarding performance and staff agreed with last performance evaluation.

Turnover and Retention

- Turnover was reduced by 14% in the four largest classifications (i.e., Children Services Worker, Social Services Worker, Eligibility Technician and Child Support Technician); and,
- Higher performers remained with HCJFS while low performers were more likely to leave the agency.

Work Performance

- Limited data available suggested positive performance outcomes; and,
- Consistent emphasis on outcomes and performance aided employees in focusing on meeting objectives and improving performance.

Wage and Salary Costs: Based on Spring 2004 survey (21 public human services agencies were invited to participate and 16 actually participated)

- The PfP system cost no more than HCJFS' traditional pay model;
- HCJFS continued to offer competitive wages; and,
- High achievers who had maxed out their possible pay increases “earned salaries comparable to or higher than what they could have earned under the more traditional systems in other jurisdictions” (p. 13).

In its January 2005 *Best Practices Evaluation for the Annie E. Casey Foundation*

technical report, CPS Human Resource Services noted five areas HCJFS employees identified as strengths of the PfP program: 1) Fairness of the Rating Process, 2) Ongoing Feedback, 3) Accuracy of Ratings, 4) Work Intentions, and 5) Clarity of Work Roles and Expectations. In addition to the strengths, two PfP areas were identified by survey respondents as needing improvement. Those areas included Program Effectiveness and Program Administration. In reference to Program Effectiveness, 47% of respondents stated that bonus and merit pay did not motivate them to improve their job performance while 30% indicated they were motivated by the increase in pay. Moreover, 53% believed the PfP system was ineffective in compensating them while 21% thought the system was effective (CPS Human Resource Services, 2005).

In the area of Program Administration, 38% believed merit pay increases were not fairly administered while 36% felt bonus awards were not fairly administered. In addition, 45% did not believe everyone had an equal chance to succeed or fail while 28% believed the opposite.

Forty-six percent did not understand how the supervisors divided the bonuses while 27% indicated they understood how the bonuses were divided. It is worth noting that the survey was disseminated to 613 employees with a total of 146 employees responding (23.8% response rate).

PfP Budgetary Limitations:

Around 2005, HCJFS employed over 1600 staff (CPS Human Resource Services, 2005). More recently, due to budgetary constraints, the agency has had two consecutive years of work force reduction, essentially losing more than 800 employees (Hamilton County Job & Family Services, 2010).

Although HCJFS maintains a PfP program, due to today’s economic climate, bonuses and merit pay increases have been frozen since 2007 and 2010, respectively (HCJFS Interview, December 27, 2011 and January 3, 2012).

**PROPONENTS AND CRITICS OF EXECUTIVE
COMPENSATION**

A series of studies and surveys have been conducted to determine whether PfP actually meets the desired objectives such as motivating employees and improving performance. Although the results were divisive, the findings provide readers with an endless list of promising practices to consider and issues to monitor when exploring a PfP.

Proponents

Osterloh et al. (2009) indicates that proponents of PfP, such as Buelens & Van den Brock, believe managers in the public service arena “might be valid candidates for pay for performance” because their tasks are more challenging and complex as opposed to tasks assigned to lower level employees (p. 405). Other supporters add that if properly structured and

administered, it achieves the desired plans and/or outcomes such as: links employees performance and expectations to the vision, mission and goals of the agency and state; translates organizational goals to individual performance and expectations; and, helps ensure the state successfully meets its commitments to the public, customers and employees. For instance, the U.S. Merit Systems Protection Board (MSPB), Office of Policy and Evaluation (2006) offers employers general guidance on how develop and implement effective and successful PFPs. The MSPB report includes the following promising practices and/or items for agencies to consider:

- An adequate budget must be available to fund performance-based increases that are large enough to be meaningful;
- Customize compensation systems to their own unique circumstances;
- Think carefully about its goals and how they are to be achieved to create measures and incentives that can orient its workforce toward meeting those goals;
- Key decision questions: Is the agency ready for pay for performance, What are the goals of pay for performance? Who should be paid for performance, What should be the timing pay for performance? What should be rewarded? How should employees be rewarded? How much pay should be contingent upon performance? How should performance-based pay be funded? How can costs be managed? Who makes pay decisions? Who provides input on the performance ratings? How can agencies facilitate pay system integrity?;
- The performance evaluation system must be accurate and supervisors must be well-versed in its use;
- Checks and balances should be built in to help hold supervisors accountable for their decisions; and,
- The Pay for performance system must be evaluated on an ongoing basis to detect when changes are needed as the organization and the pay system evolve (pp. x-xi).

Critics

Despite MSPB's guidance and efforts, research critics claim that empirical studies confirm "performance related pay in the public sector consistently fails to deliver on its promise" (Perry et al., 2009, p. 43). Perry's et. al. (2009) study also contradicted the notion from previous research that higher-level staff are better candidates for PFP. According to Perry et. al. (2009),

“20 percent of nonmanagerial studies appeared to produce positive performance-related outcomes, compared to 14 percent for managerially focused studies” (p. 44).

To determine its successes and failures Bowman (2010) researched several aspects of PfP and motivation across multiple sectors (i.e., public, federal and corporate). In Bowman’s study (as cited in Risher and Fay, 1997), “the most aggressive corporate programs rarely give meaningful recognition to outstanding employees” (p. 75). Another survey result (as cited in Chou & Fisher, 2005) “just 17 % of companies believe that their performance pay plans are ‘very successful’” (Bowman, 2010, p. 75).

Furthermore, Bowman (as cited in Friedman, 2006; Senior Executives Association, 2006; Turley, 2008) suggests that PfP has no impact on SES employee performance, harms morale and motivation. Bowman (2010) recommended if PfP is implemented, “Government agencies should use incentives sparingly and rely instead on ‘intrinsic motivators’ such as goal setting and feedback” (p. 82). He also concluded that “money is important, but not in attempts to induce better work” (p. 82).

To illustrate, numerous surveys have been conducted to capture public service employee’s perception about PfP reforms. As previously stated, survey responses are mixed. In 2000, the Georgia Merit System Commissioner’s Office examined state worker’s perceptions of their work environment since its PfP reform. Four hundred and fifty-two supervisors and 2,542 line personnel responded to replicated questions from a Merit System administered in 1993 prior to the advent of the program. Survey respondents offered the following feedback involving the Merit System (Sanders, 2004):

- In the area of workers trust & confidence the majority felt like there were “quotas’ on the number of ratings available;
- A majority also felt that the office politics influenced evaluation more than actual work performance;
- Budgetary constraints limited a worker’s chance of achieving “OUTSTANDING” rating.
- Majority believed that the “GeogiaGain” was a poor way to motivate employees. And was never properly administered;
- State pay was not based on how well a worker performs;
- Too much emphasis was placed on pay and not on areas of motivation;
- Favoritism was a problem in regards to compensation;
- They also stated that state money was not available to reward outstanding employees or provide for career advancement, and that lack of pay raises were due to problems with the program, not the result of employees reaching the ceiling of their pay range;
- They observed conflict in their work units over annual pay;
- Few believed that state salaries were competitive with private sector; and
- It was difficult for the state to recruit qualified applicants (p. 152-159).

In order to counter these criticisms and reported failures, PFP systems should be reevaluated and modified as necessary to determine whether desired objectives are, in fact, attainable. Most importantly, Performance Management Processes must also be well defined, planned, and implemented effectively for any likelihood of success. If implemented successfully, PMP may inevitably not only achieve the desired results, but it may:

- Help drive individual, team, & business performance & results.
- Help identify which behaviors most impact performance & success.
- Provide the opportunity for managers & employees to develop measures that can be used to objectively evaluate work performance.
- Provide consistency in performance expectations & measurement.
- Help distinguish exceptional individuals that contribute to organizational success.
- Provide feedback to individuals to move them toward exemplary performance.
- Improve communication & enhance relationship between manager & employees (www.spa.ga.gov/pdfs/ep_PMP_managers_guide.pdf, Retrieved, June 17 2011, p. 4).

RECOMMENDATIONS

Based upon the team's research and information contained within this report, the team offers the following recommendations as a guide for exploration of PfP processes.

- Seek “buy-in” from stakeholders;
- Invest resources, time and money upfront;
- Advocate for, and seek revisions to, the Ohio Revised Code as necessary for implementation of a PfP program;
- Develop a three (3) to five (5) year strategic plan which allows for policy design and delivery;
- Identify funding availability and funding streams;
- Determine which SES positions/appointments will be included in the PfP program;
- Require a one year probationary period;
- Explore, identify and assess key components of the PfP process;
- Include a “term-limited” signed SES contract which can be renewable depending upon positive performance;
- Develop specific, measurable, attainable, realistic and timely goals and objectives for each agency and/or SES employee;
- Establish and require that Executive Core Qualifications and competencies are met in order to maintain an SES position (e.g., Leading Change, Leading People, Results Driven, Business Acumen, Building Coalitions, etc)---consider identifying percentages by which the SES employee will be evaluated for core leadership competencies and specific performance objectives;
- Included weighted scores in performance appraisals;
- Structure the program in a manner that establishes and maintains cooperative efforts among union and non-union staff; and,
- Conduct SES surveys to monitor trends and identify service improvements opportunities within the PfP process.

Although PfP programs involve monetary incentives, caution is warranted when establishing and implementing such a program. This is because motivation is both “intrinsic” and “extrinsic” and research suggests that extrinsic motivation (i.e., external forces such as monetary incentives) are short-lived and less effective (Class Notes, 6/28/2011). Hence, employees for the most part, must be motivated from within for long-term results.

LIST OF ACRONYMS

CFR	Code of Federal Regulations
DHS	U.S. Department of Homeland Security
DOI	U.S. Department of Interior
DPA	Department of Personnel & Administration
ED	Executive Director (State of Colorado)
ECQ	Executive Core Qualifications (Federal Govt.)
HCJFS	Hamilton County Job & Family Services
HRM	Human Resources Management
MSPB	U.S. Merit Systems Protection Board
OPM	U.S. Office of Personnel Management
SES	Senior Executive Service
PfP	Pay for Performance
PMP	Performance Management Process (State of Colorado)
PRB	U.S. Performance Review Board

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EXECUTIVE COMPENSATION

**IT MERITS A CLOSER
LOOK**



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Today's Agenda

- INTRODUCTION
- PURPOSE AND GOALS
- RESEARCH FINDINGS
- PROPONENTS AND CRITICS OF EXECUTIVE COMPENSATION
- RECOMMENDATIONS



PURPOSE AND GOAL

The project team was tasked with conducting research and providing recommendations involving executive compensation model.

The framework regarding executive compensation models were based on information gathered from Hamilton County Job and Family Services, Federal Government, and the State of Colorado.

This report does not include a working model. Further assessment and evaluations are recommended to determine if intended goals and objectives of an executive compensation model is attainable.

U.S. Federal Government





Senior Executive Service (SES) Appointments

Career

- Competitive Selection
- No Time Limit

Non Career

- No Competitive Selection
- No Time Limit

Limited Term

- Non-Renewable Period
- Project Type Work
- Up to 3 years

Limited Emergency

- Non-Renewable Period
- Up to 18 months
- Bona-fide, unanticipated urgent need

Monitoring & Evaluating SES Programs



U.S. Office of
Personnel
Management
(OPM)

SES

Independent
Review
Boards

Independent Review Boards



Qualifications
Review Board (QRB)

Executive Review
Board (ERB)

Performance
Review Board (PRB)



SES Core Qualifications



SES Compensation



SES Incentives

Recruitment

- 25% to 50% of annual basic pay X number of years in a service period

Relocation

- 25% to 50% of annual basic pay X number of years in a service period
- Paid after executive achieves fully successful rating.

Retention

- 25% to 50% of annual basic pay X number of years in a service period
- Paid after executive achieves fully successful rating.

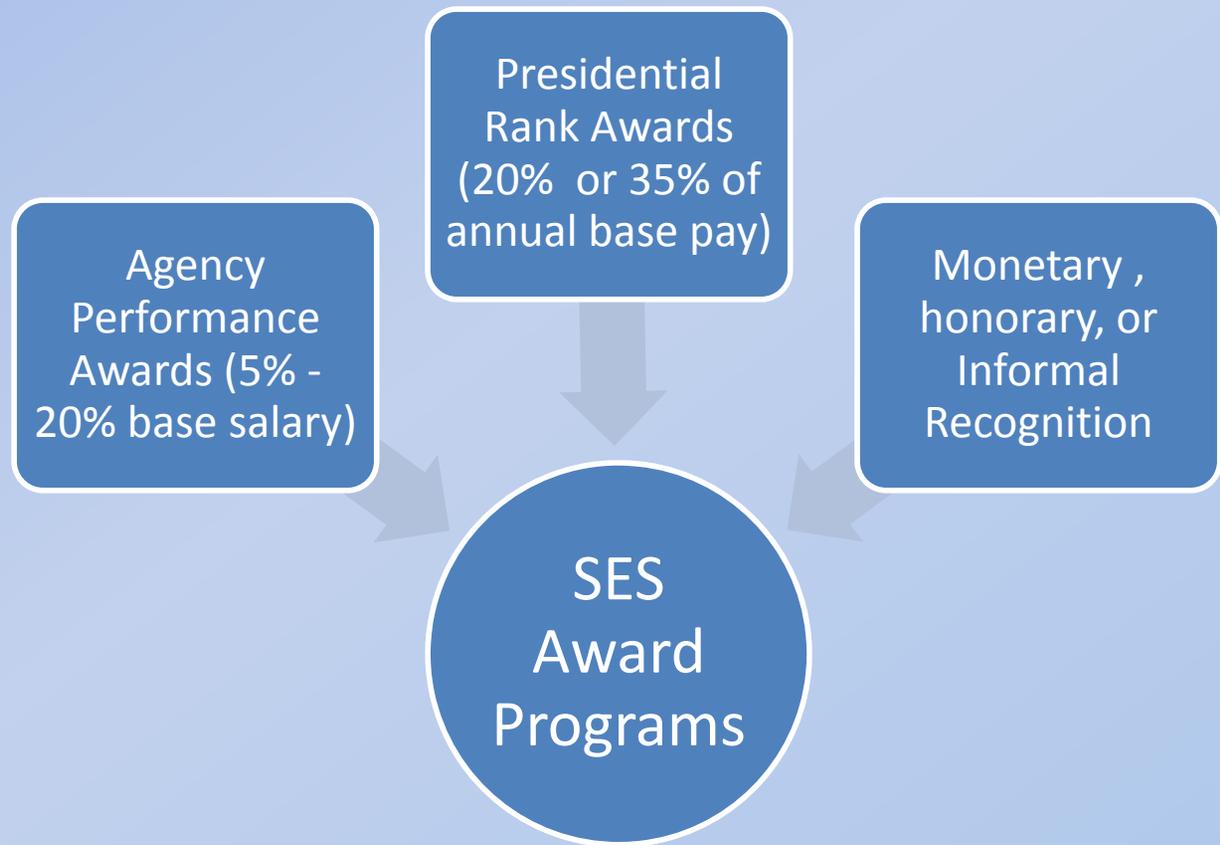
SES Pay Adjustment

Annual
summary
performance
rating of
“Outstanding”
or equivalent

=

Pay Increase





OPM's Pay for Performance Survey Results



State of Colorado



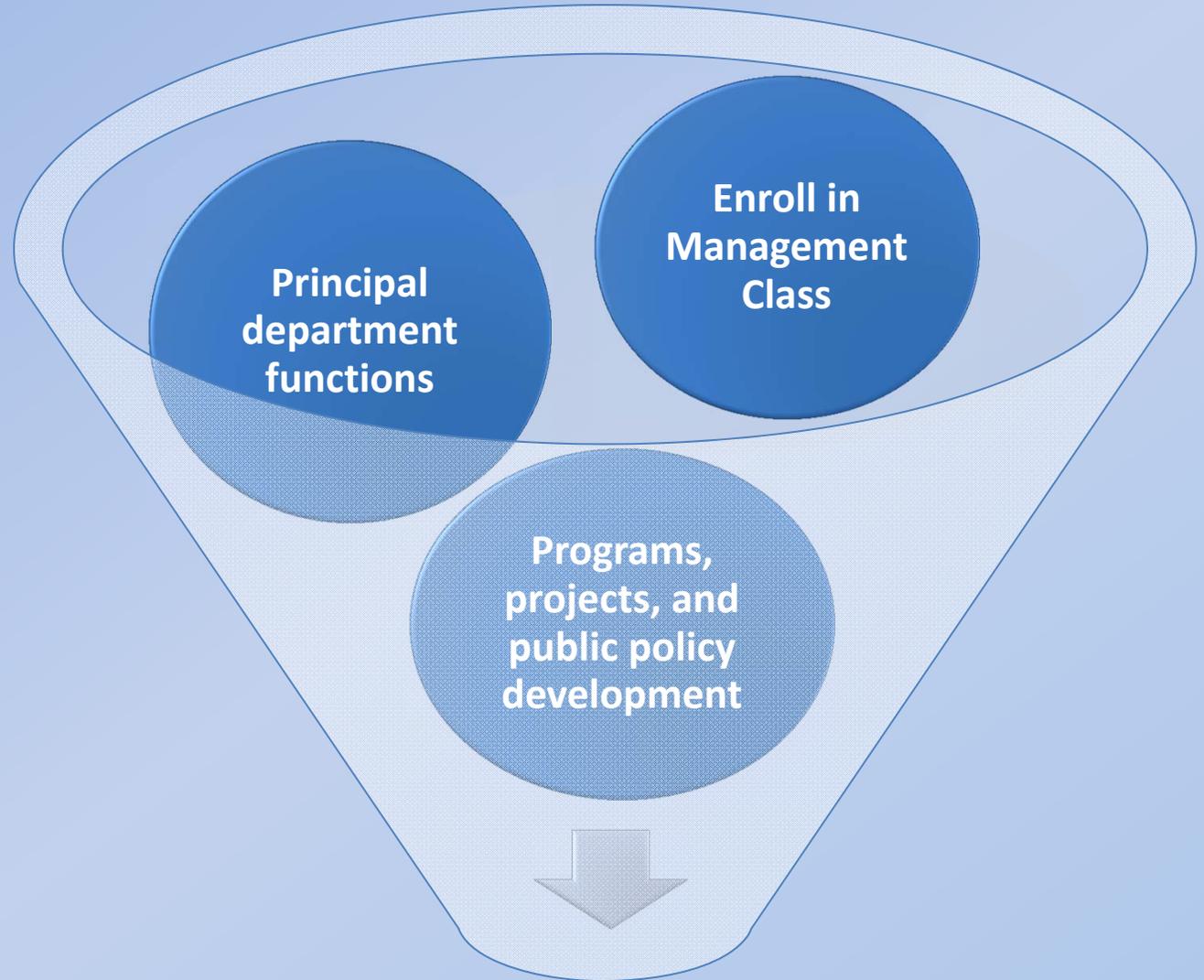


Senior Executive Service

Senate Bill 00-211

Allotted 125 SES positions

No merit pay - Executive salaries are negotiated via an annual contract



SES Nomination Responsibilities



Hamilton County Department of Job and Family Services (HCJFS)





HCJFS Traditional Compensation Model

Step Increases

Cost of Living Adjustments



Pay for Performance (PfP) Model



Implemented
in 1995

Must be
economical

Merit pay
and bonuses



Merit Pay and Bonus Pay

Merit Pay

Given annually and based on the employee meeting established "major job objectives."

Bonus Pay

Given semi-annually in lump sum to employees who exceed their regular job duties.



The Annie E. Casey Foundation Funded Study 2000 - 2002

Labor-Management partnerships are extremely important in developing a PfP program.

Employee performance and client outcome can be improved.

Employee turnover can be reduced for high achievers.

PfP is cost effective and can be competitive in the labor market.

PfP can be replicated in other public human services agencies regardless of size or environment.



The Annie E. Casey Foundation
HCJFS 2004 Grant Award
Survey Results

Client Outcomes

Employee and Supervisor Satisfaction

Turnover and Retention

Work Performance

Wage and Salary Cost

PROponents AND CRITICS OF EXECUTIVE COMPENSATION





**U.S. MERIT SYSTEMS PROTECTION BOARD
OFFICE OF POLICY AND EVALUATION
GENERAL GUIDELINES FOR AN EFFECTIVE AND SUCCESSFUL
PFP**

An adequate budget must be available to fund performance –based increases are large enough to be meaningful

Customize compensation systems to their own unique circumstances

Think carefully about goals and how they are to be achieved to create measures and incentives that can orient its workforce toward meeting those goals

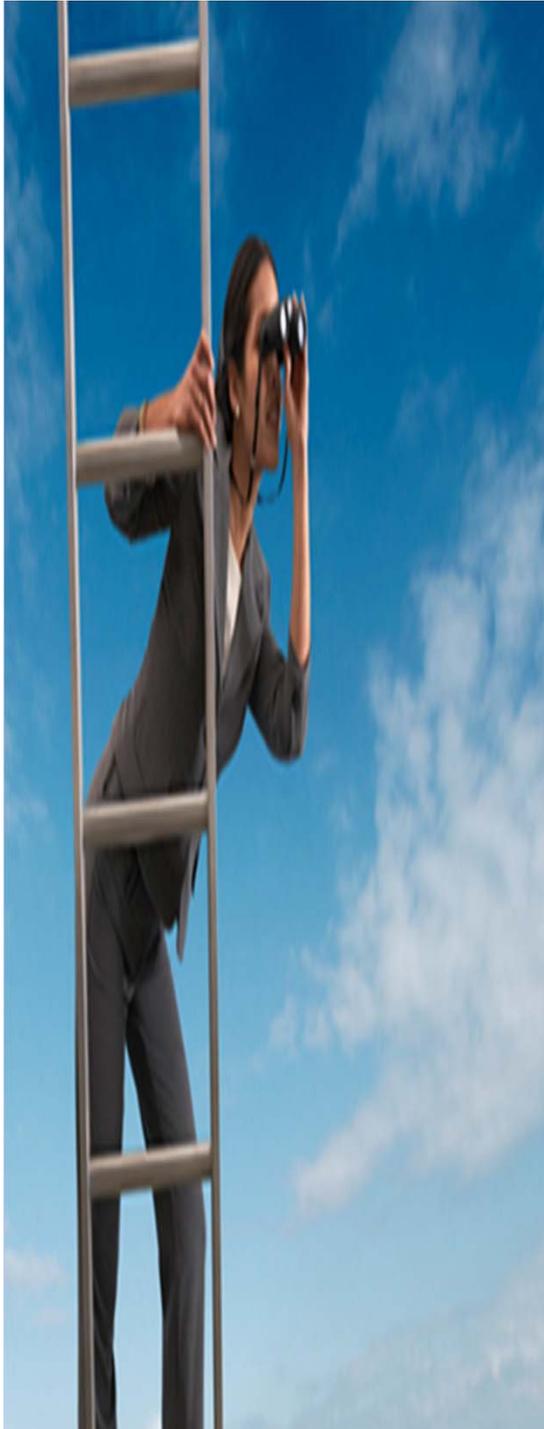
The performance evaluation system must be accurate and supervisors must be well versed in its use.



U.S. MERIT SYSTEMS PROTECTION BOARD OFFICE OF POLICY AND EVALUATION GENERAL GUIDELINES FOR AN EFFECTIVE AND SUCCESSFUL PFP

Checks and balances should be built in to help supervisors accountable for their decisions

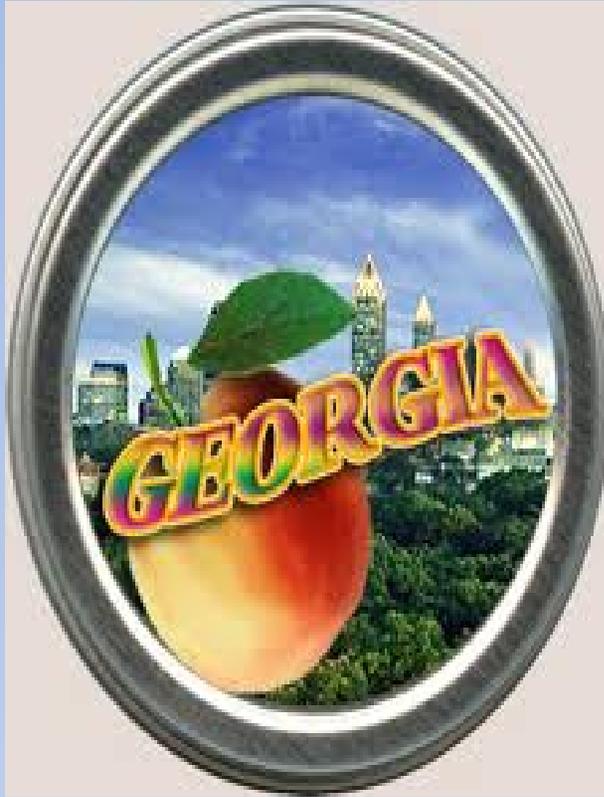
The pay for performance system must be evaluated on an ongoing basis to detect when changes are needed as the organization and the pay system evolve.



Critics

Despite MSPB's guidance and efforts, research critics claim that empirical studies confirm "performance related pay in the public sector consistently fails to deliver on its promise".

State of Georgia Merit System



Georgia Merit System Commissioner's Office examined state worker's perceptions of their work environment since its PfP reform. Four hundred and fifty-two supervisors and 2,542 line personnel responded to replicated questions from a Merit System administered in 1993 prior to the advent of the program. Survey respondents offered the following feedback involving the Merit System



PMP Desired Results

Help drive individual, team, & business performance & results.

Help identify which behaviors most impact performance & success.

Provide the opportunity for managers & employees to develop measures that can be used to objectively evaluate work performance.

Provide consistency in performance expectations & measurement.

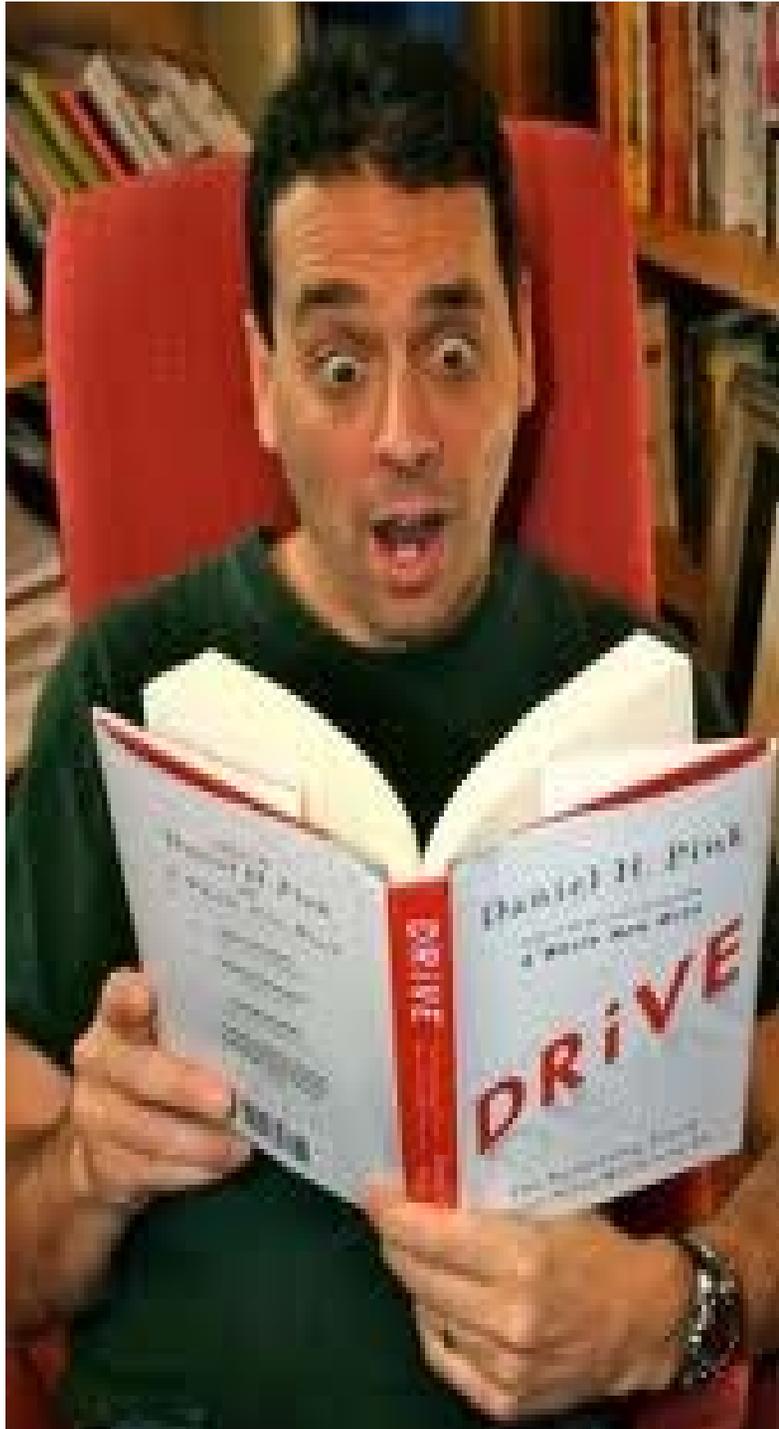
Help distinguish exceptional individuals that contribute to organizational success.

Provide feedback to individuals to move them toward exemplary performance.

Improve communication & enhance relationship between manager & employees

Recommendations





Daniel H. Pink is the author of four provocative books about the changing world of work — including the long-running New York Times bestseller, *A Whole New Mind*, and the #1 New York Times bestseller, *Drive*.

Dan also was the chief speechwriter to Vice President Al Gore. He also worked as an aide to U.S. Labor Secretary Robert Reich and in other positions in politics and government.

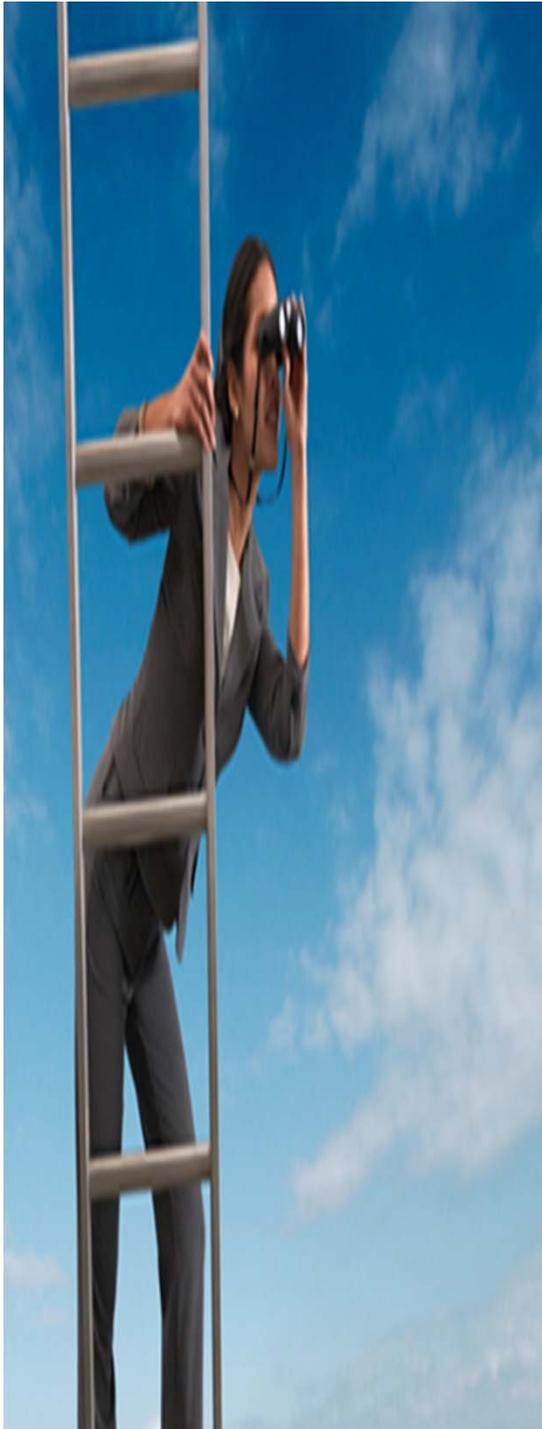


Seek "buy-in" from stakeholders.

Invest resources, time and money upfront.

Develop a three (3) to five (5) year strategic plan which allows for policy design and delivery.

Identify funding availability and funding streams.



Require a one year probationary period.

Explore, identify and assess key components of the executive compensation process.

Include a "term-limited" signed contract which can be renewable depending upon positive performance.

Develop specific, measurable, attainable, realistic and timely goals and objectives for each agency and/or SES employee.



Included weighted scores in performance appraisals.



Structure the program in a manner that establishes and maintains cooperative efforts among union and non-union staff.



Conduct SES surveys to monitor trends and identify service improvements opportunities within the executive compensation process.

Questions

