



Executive Compensation: It Merits A Closer Look

January 9, 2012

Project Summary

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signed Senate Bill 5 into law on March 31, 2011, voters rejected this law during the November 8th election and it was repealed.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.

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.

Project 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.

Project Methodology

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.

Project Team

For more information about this project, please contact:

DOUG ORAHOOD
ODPS/Division of Emergency Medical Services
(614) 752-3960
dorahood@dps.state.oh.us

VANESSA TOWER
ODJFS/Office of Families and Children
(614) 752-0652
Vanessa.Tower@jfs.ohio.gov

MARIA DURBAN
(614) 323-8092
teresadurban@yahoo.com

MIKE ELLIOTT
Ohio Dept. of Transportation
(740) 833-8111
Mike.Elliott@dot.state.oh.us

