
STAFFING FACET COMMITTEE
COMPENSATION SUBCOMMITTEE

INTERIM REPORT

October, 1993

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Compensation Subcommittee Members
10/07/93

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COMPENSATION SUBCOMMITTEE
Interim Report Summary
10/07/93

The Compensation Subcommittee was originally formed to explore compensation reward issues as they relate to the Blueprint for Organizational Change. We had established the following mission: "To explore and recommend recognition type activities and associated award systems to be used in a Total Quality Management (TQM) environment."

The role of this subcommittee has evolved into one of focusing on a new compensation system for the State of Iowa. This report will summarize what we have accomplished to date and presents a project plan that defines the compensation system focus.

REVISED MISSION STATEMENT: "In a TQM environment, review the current compensation system in comparison to other public and private systems and make appropriate recommendations. Also, explore and recommend recognition activities."

I. Accomplishments to Date

- A. Current status of rules (Appendix A)
- B. Current recognition non-monetary award opportunities (Appendix B)
- C. Survey results (Appendix C)

A survey pertaining to rewards and recognition activities was completed by the Department of Human Services. This agency conducted the survey with its AFSCME covered staff as well as the non-contract staff. Approximately 3,376 surveys were sent with a return of 1,133 which is 33.6%.

The purpose of the survey was to solicit employee ideas in the areas of job satisfaction rewards.

D. Research (Appendix D)

- o Literature
- o Malcom Baldrige
- o Education Staffing Facet Committee memo dated 6/22/93
- o Cherokee Mental Health Institute memo dated 7/20/93
- o DOT Morale Committee results

A number of concepts emerged from the literature which were useful to addressing compensation issues in government.

II. Project plan for compensation system focus

A. Re-focus

The sub-committee has been requested to review the current state compensation system and make appropriate recommendations for change.

B. Research on compensation theory

Identify resources from both the public and private sector entities to do an assessment of existing compensation systems and compare these systems to the state's current system.

The sub-committee will be designing an assessment tool to identify differences and ensure consistent application of information received into our recommendations.

Note: Other resources might include personnel from a university and/or the public sector or private sector individuals already familiar with the state's compensation system.

C. Committee makeup

The Compensation Sub-Committee has a representative from each of the following agencies: Iowa Department of Personnel, Department of Transportation, Department of Human Services, Department of Inspections and Appeals, and Iowa College Student Aid Commission

The basic composition of the sub-committee will not change. However, various individuals with special expertise will be invited to participate as appropriate.

D. Compensation in a Total Quality Management (TQM) environment

As state government continues to evolve towards a TQM model, we need to ensure our recommendations are consistent and supportive of the TQM environment. The success of TQM and associated pay systems will be highly dependent upon the right-sizing efforts. To what degree this is desirable is debatable, since definition, control, and monitoring of work, which are traditional concepts, must still be utilized even in the TQM environment. However, a primary paradigm shift can be expected to occur with this change. Employees become focused on organizational goals rather than goals set by the supervisor. Therefore, the authority of the management structure will become more focused on defining these goals and less focused on the

processes and functions of the organization, which are delegated to the lowest appropriate level in a TQM environment.

E. Issues

Specific issues we are intending to address in a compensation system are as follows.

- a. "Maxed out" on salary -- approximately 63% of state employees are "maxed out" on their salary pay range. It was evident in the survey results that employees are interested in compensation for years of service and well as a system to reward those that have "maxed out" on their salary over a certain time period.
- b. Compensation team efforts/accomplishments -- As we move into the TQM environment, it is essential that there be flexibility in rewarding individuals and teams.
- c. Gainsharing -- reward for cost savings and efficiency in operations.
- d. Knowledge base pay/skill based pay -- pay reward for expanded skills and responsibility to provide a level of individual or team incentive.
- e. Team based pay -- a team reward pay system with a focus on performance and on rewards for reaching predetermined team-based objectives. The team is responsible for planning and achieving those objectives; resulting in a change in performance evaluation.
- f. Address complexity/clarity of IDOP rules regarding compensation (Chapter 4) -- Our review in this area will include not only the rules as published in the Iowa Administrative Code, but the policies and procedures which implement those rules as it pertains to compensation.
- g. Retirement benefits -- the recommendations of the Retirement Sub-Committee will need to be considered as we recommend a new pay compensation system.
- h. Consider participation in the Central States Compensation Group to enhance our knowledge.
- i. Promote compensation change in current state environment (ie political, union) -- While we continue to review this system we also need to recognize the environment in which we work.

Current Status of Rules

History of Job Classification

The State of Iowa established relative values of job classes in 1969 with the advent of the Merit Employment System. An outside consultant completed this project. This system remained in effect until 1984, when the concept of comparable worth became a new standard for determining the value of various job classes within State employment. Comparable worth is based on the theory that each job has a certain value to the employer, regardless of the market value of the job, although salary surveys were used to estimate the midpoint of each class. Under this system, thirteen factors were rated, using points. The total number of points for each class resulted in a point scale that established the relative value of each position. An appeal process was established in 1986, which used job analysis as its tool.

Individual job positions may be re-evaluated based on task changes. This reclassification process has its origins in the Merit Employment System.

Compensation

State employee's compensation ranges are established on pay plans. These plans are generally comparable between bargaining and non-bargaining personnel, although changes in these plans are driven primarily by collective bargaining.

One interesting view of the compensation system is the general administration of pay raises within a plan. For collective bargaining covered employees, pay increases are automatic. Performance evaluation has little affect on pay, except where in extreme cases demotions or leaves without pay can be imposed as a punitive measure. On the non-bargaining side, pay increases are based upon performance evaluations.

Rules and Regulations

Chapter 19A of the Iowa Code sets up the role and responsibility of the Iowa Department of Personnel. Re-emphasizing the role of bargaining in the State employment system. Chapter 19A requires that "Rulemaking shall be carried out with due regard to the terms of collective bargaining agreements."

Primary Codes of Iowa that apply to compensation include:

- o 19A.9 requires public hearing with the Personnel Commission prior to implementation of any new system.
- o 20.9 mandates wages as a subject of bargaining.
- o 70A.1 states that salaries shall be full compensation for all services and sets vacation, and sick leave accrual rates.
- o 70A.18 establishes comparable worth concept, whereby salaries are tied to the value of work "as measured by the composite of the skill, effort, responsibility, and working conditions normally required in the performance of work."

- o 70A.25 establishes educational leave and assistance programs.
- o Chapter 4 of the Personnel rules addresses pay. It elaborates on the preparation and administration of pay plans, and provides authority for hiring new employees at rates other than the minimum salary. It also provides for extra pay for exceptional job performance, promotional pay, pay for leadworker and temporary assignments, special and extraordinary duty, and pay relating to demotions.

In effect, Chapter 4 rules are the mechanisms whereby the current methods of compensation are carried out, and provide the "special circumstance" methods which this subcommittee will focus. In particular, it will be important to review the future needs of the compensation system in relation to teamwork compensation, and review whether Chapter 4 mechanisms adequately address recruitment and retention needs of the State.

Current Motivational Programs
Non-Monetary
June 1993

Following is a summary of non-monetary reward opportunities already available to agencies.

I. TYPES OF RECOGNITION PROGRAMS

A. Longevity/Years of Service

Limited to framed certificates per Per Audit Manual 220.350; unless 25 plus years of service to the State, then can add an employee recognition award.

B. Employee Productivity Recognition (Pre Audit Manual 220.350)

Total cost of recognition programs is limited to a maximum expenditure of \$3 per employee times the number of FTE's in the department. Departments with less than 100 FTE's shall limit employee recognition costs to \$300 per fiscal year.

Limited to an individual of \$50 per year which cannot be supplemented with outside contributions (no cash awards).

C. Types of Recognition/Awards

- o Newsletters: Publish information concerning department operating policies and procedures, enhance employee morale, and promote the operational efficiency of the department.
- o Employee Choice Awards: Anybody can nominate any one person or group of individuals.
- o Employee of the Month
- o Employee of the Year
- o Project of the "x" time period (ie quarterly, annually)
- o Star Awards
- o Image recognition on the spot (ie pass along some type of non-monetary token to an individual to recognize a job well done for a particular effort). Supervisor to worker; worker to worker; worker to supervisor, etc.

II. TYPES OF LEAVE

Following is a listing of "leave" options for management's discretion to consider for its agency.

- A. Educational leave
- B. Professional development leave
- C. Certificate leave

STAFFING FACET COMMITTEE
COMPENSATION SUBCOMMITTEE

1993 EMPLOYEE SURVEY
SUMMARY

October, 1993

1993 EMPLOYEE SURVEY

The Compensation Committee's study was made of two components; a survey of the literature and a survey of employees. This section of the report focuses on the survey of employees. This discussion is followed by a section containing graphs, a section of tables for each question of the survey, and a section containing a copy of the survey form.

The survey was developed with the support of the Department of Human Services (DHS), Department of Personnel (DOP), and the American Federation of State, County and Municipal Employees (AFSCME).

Survey forms were sent to 3,376 DHS employees who were either non-collective bargaining employees or AFSCME members. 1,133 employees responded. The responses included 57.5 percent collective bargaining employees, 41.1 percent non-collective bargaining and 1.4 percent who chose not to identify their collective bargaining status. The gender of responses closely resembled the gender of the department with 73 percent of those identifying their gender and stating they are female.

The median number of years of service at DHS was 12 years with seven years in the current position. Thirty-six percent of the respondents giving their age were aged 20 through 39, while fifty-eight percent were aged 40 through 59 and six percent were over age sixty.

The survey investigated seven primary topics: factors affecting job satisfaction, flexible benefits, leave policy, pay systems, performance evaluation, training and potential recognition systems.

The following is a summary of responses for each of the seven primary topics.

I. JOB SATISFACTION (Questions 1-2)

The survey requested that respondents evaluate nine factors which may provide job satisfaction. Two factors received significantly higher satisfaction ratings than the others. "Vacation/holidays/comp time" was rated satisfying by 76 percent of the respondents and "current leave policies" was rated as satisfying by 71 percent of the respondents. Those were followed in rank by "work-related expense reimbursement" which 52 percent rated as satisfying.

Graph 1 shows a Pareto chart of the responses.

The survey explored sixteen aspects of the job which are perceived to be rewarding. Those rated among the top quartile were:

Variety of assignments	68.5%
Supervisor's value of your work	56.8%
Work schedule flexibility	55.0%
How you are treated	54.3%

Graph 2 shows a Pareto chart of these responses. The chart shows how "variety of assignments" stands out above the others.

These four aspects are substantially more important for the job category of "office, administrative and supervisory." For this group the following percent of responses rated as "rewarding":

Variety of assignments	81.9%
Supervisor's value of your work	68.9%
Work schedule flexibility	66.7%
How you are treated	62.9%

II. FLEXIBLE BENEFITS (Questions 3-4)

Seventy-eight percent of the respondents indicated they would like to have an option of selecting benefits from a menu to meet individual needs.

Benefit increases were identified for vision care (82.8%) and the opportunity to trade unused sick leave for vacation (70.8%). Benefits which were identified for possible reduction or elimination were:

Wellness Centers	8.49%
Child Care Vouchers	7.34%
On-site Child Care	6.88%

Although these items were most likely to be identified as possible reduction or elimination items, we note that 43 percent of the respondents would like to have an increase in wellness center benefits while only 8.5 percent would like to have a reduction or elimination of this benefit.

Similar response patterns exist for child care issues. If we review only those respondents between the ages of 20 and 39, 41 percent would like to have an increase in child care benefits, and 33 percent would like to have an increase in child care voucher benefits. If we include only those who say child care benefits are applicable to them, 58 percent would like an increase in benefits and 50 percent would like an increase in child care voucher benefits. Those who could use child care amount to about 13 percent of all persons surveyed.

III. LEAVE POLICIES (Question 5)

Part I of this analysis reported that vacation and leave policies are rated most highly as factors which may provide job satisfaction.

The question highlighted in this section explored the subject further. The responses showed that 59.6 percent prefer the current leave policy, while 40.4 percent would prefer to combine vacation and sick leave into one "account." Clearly, the status quo was most appealing to respondents with greater years of service as shown below:

Years of Service	Preference for No Change
0 - 9	51.0%
10 - 19	63.5%
20 - 29	62.4%
30 - Plus	72.4%

IV. PAY SYSTEM (Questions 6-7)

Seventy-three percent of the respondents suggested that the state should focus more on pay policies than on leave policies. This section will summarize responses to a question regarding pay policies.

Seventy-seven percent of the respondents indicated a preference for individual pay based upon expanded skills or responsibilities. Graph 4 shows a Pareto chart of the responses to the question regarding pay systems.

Other pay systems receiving desirable ratings included: pre-determined bonus--individually based (65.2%), pay based on individual performance (62.9%) and pay based on tenure (61.5%).

Proposals for team-based pay received the lowest ratings. These included individual pay based on team performance (34.6%) and broad incentives with pay based upon team performance (29.8%).

V. PERFORMANCE EVALUATIONS (Questions 7-11)

Section IV showed a high preference for individual pay based upon individual performance. Section V expands upon that area by exploring several aspects of performance evaluation systems.

Employees were asked to rate seven possible components of a performance evaluation system. Clearly, the most desirable aspect of the system was the recognition of work accomplishments (85.9%).

A second group of responses closely rated the identification of strengths and areas of growth (78.2%) face-to-face meetings with supervisors (76.1%) and future planning (71.7%). Least important was the concept of peer ratings (33.2%).

According to the respondents, performance evaluation systems should contain numerical ratings of either three or five factors, and a combination checklist of factors along with a narrative about the employee's performance.

Respondents were asked how often they would like to receive performance feedback. The largest percentage said they would like to have an annual evaluation. However, this accounted for only 35.2 percent of the respondents. Most other responses were spread between monthly, quarterly and semi-annually.

VI. TRAINING (Questions 12-14)

Two out of every three respondents said they have received some form of training during the past two years. DHS training is conducted by DHS, Iowa State University, Iowa Department of Personnel, and the Department of General Services. All three training sources received close to 1/3 of the responses rating their work as satisfying and about a quarter of the responses rated the training experience as dissatisfying.

When asked if they would like to work a little more during training classes and receive college credit in return, seven out of ten respondents (70.3%) said they would be interested.

This college credit concept was also included in the evaluation of potential recognition systems, where it received a 66.6 percent approval.

VII. POTENTIAL RECOGNITION SYSTEMS (Questions 15-18)

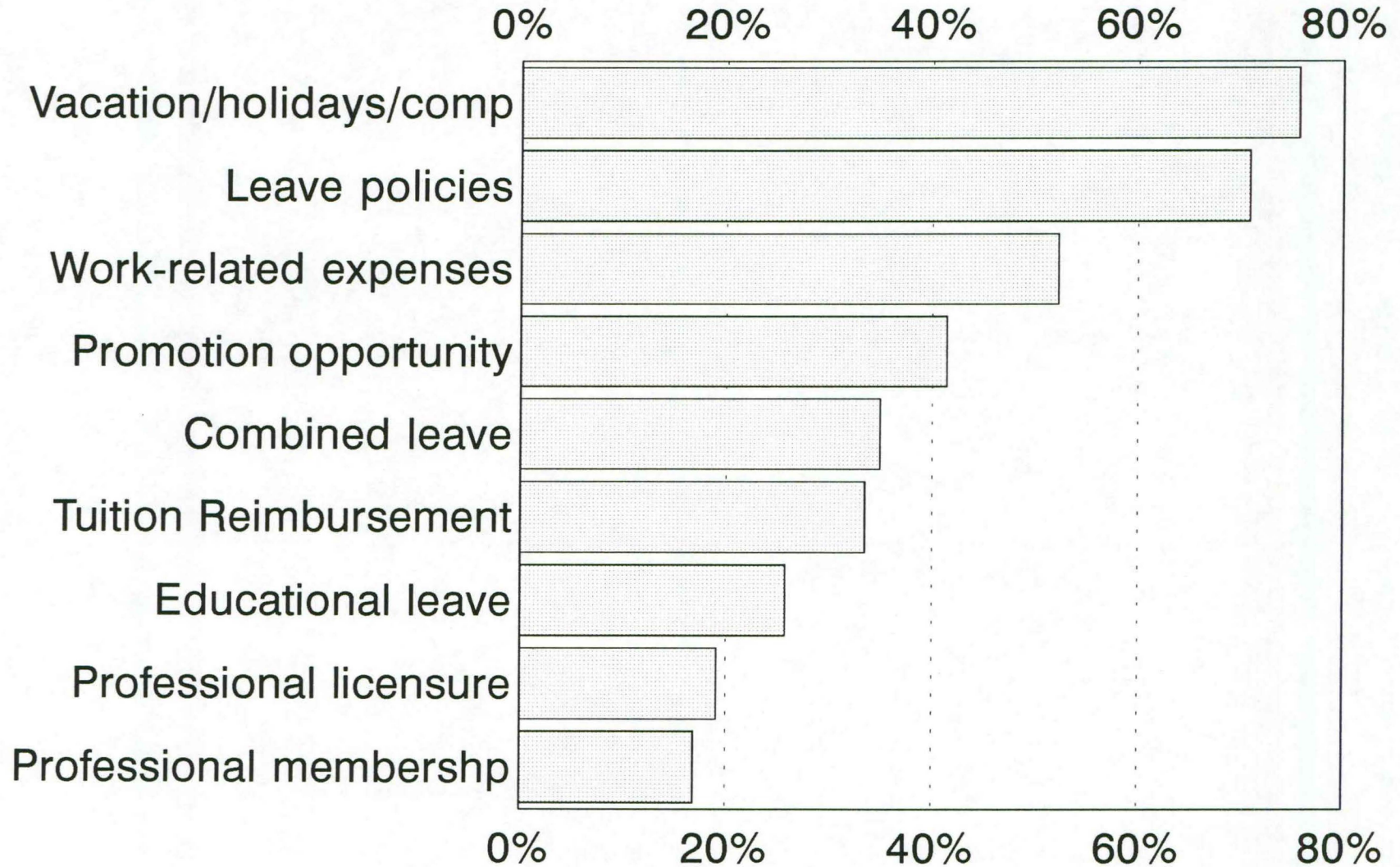
One assignment given to the Compensation Committee was to specifically identify inexpensive ways to recognize employees. Clearly, the most important forms of recognition involve some very easy forms of recognition. Three out of every four respondents (74.8%) said they would be satisfied with recognition documented in their performance plan. Almost seventy percent (69.5%) would be satisfied with recognition by supervisors up the chain of command. About two out of three would like to be recognized with college credit for training.

Forty-six percent of the respondents said they had been somewhat or highly recognized by the Department of Human Services, and fifty-five percent said the department should have an on-going task force for recognition programs.

GRAPHS

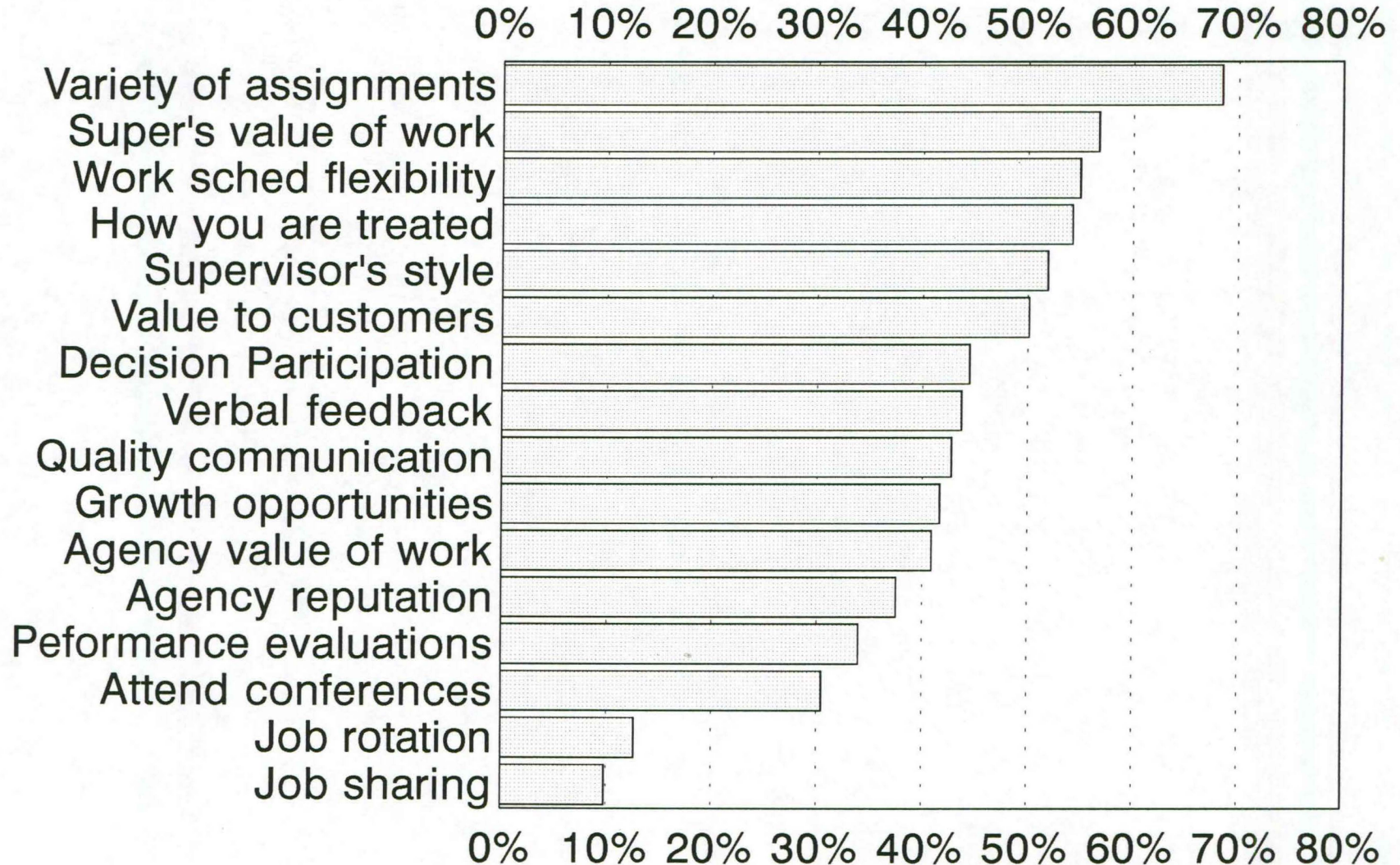
FACTORS PROVIDING JOB SATISFACTION

Question 1
TOTAL SATISFYING



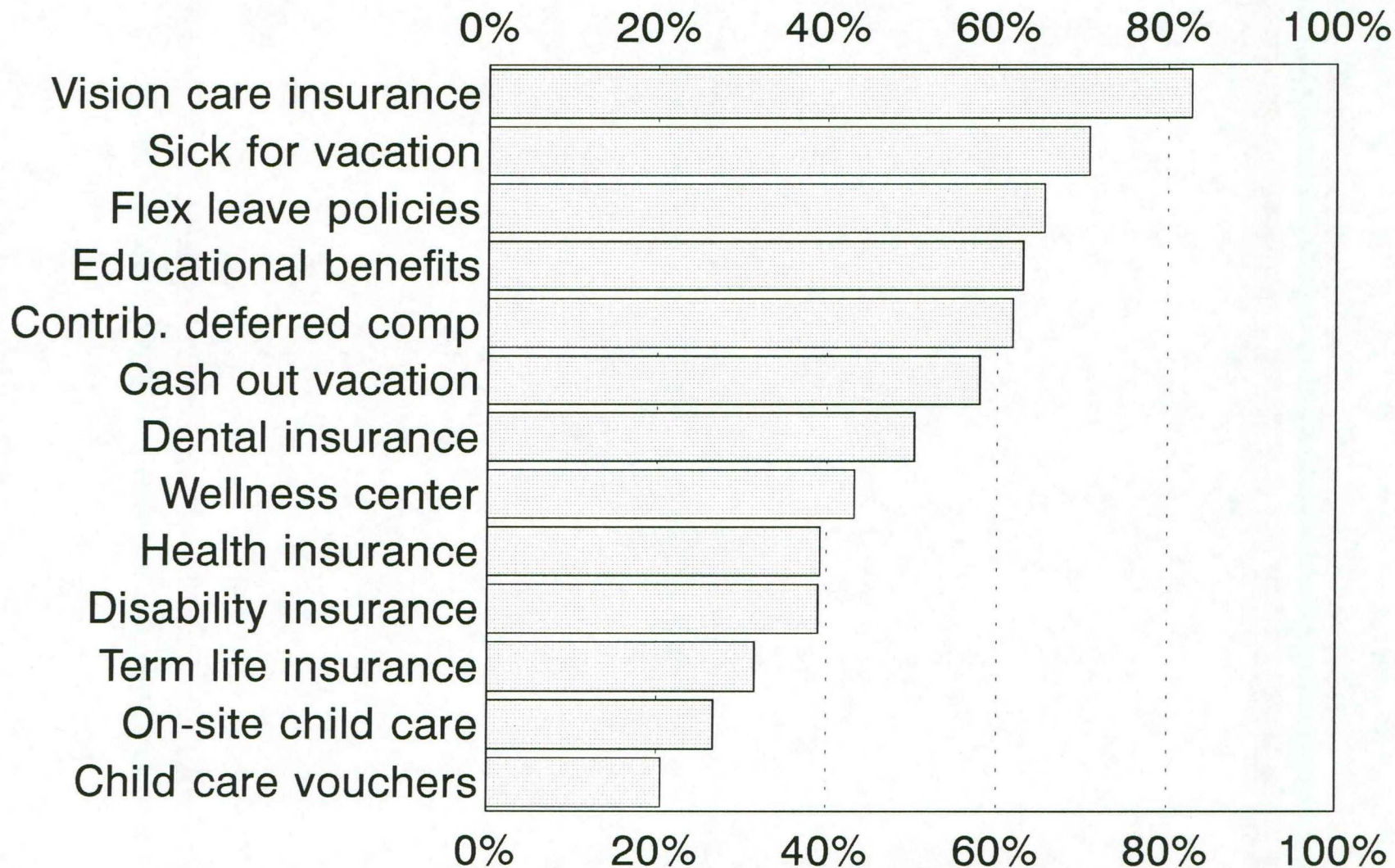
REWARDING ASPECTS OF JOB

Question 2
TOTAL REWARDING



BENEFITS EVALUATION

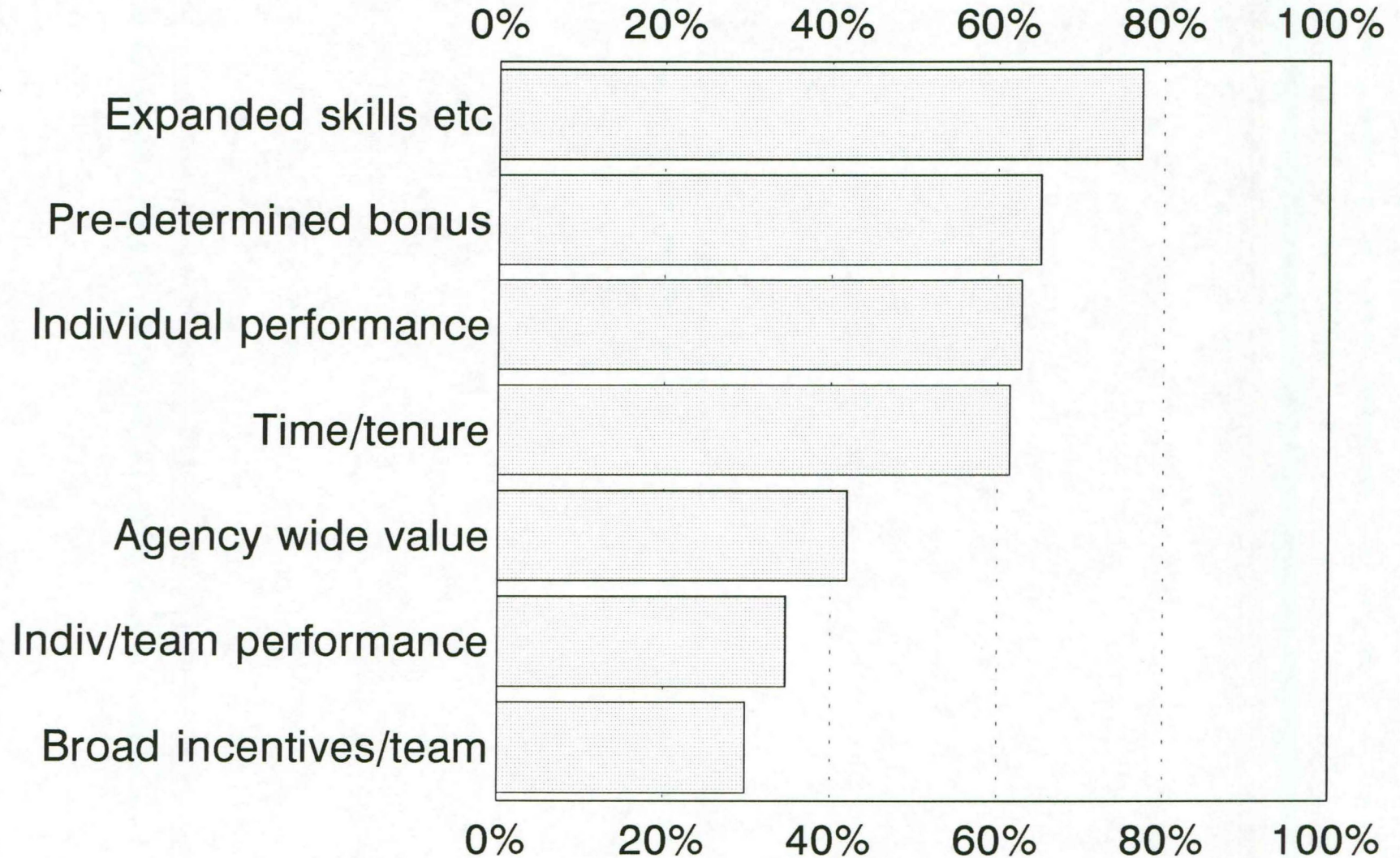
Question 4 INCREASE BENEFIT



ALTERNATIVE PAY SYSTEM EVALUATION

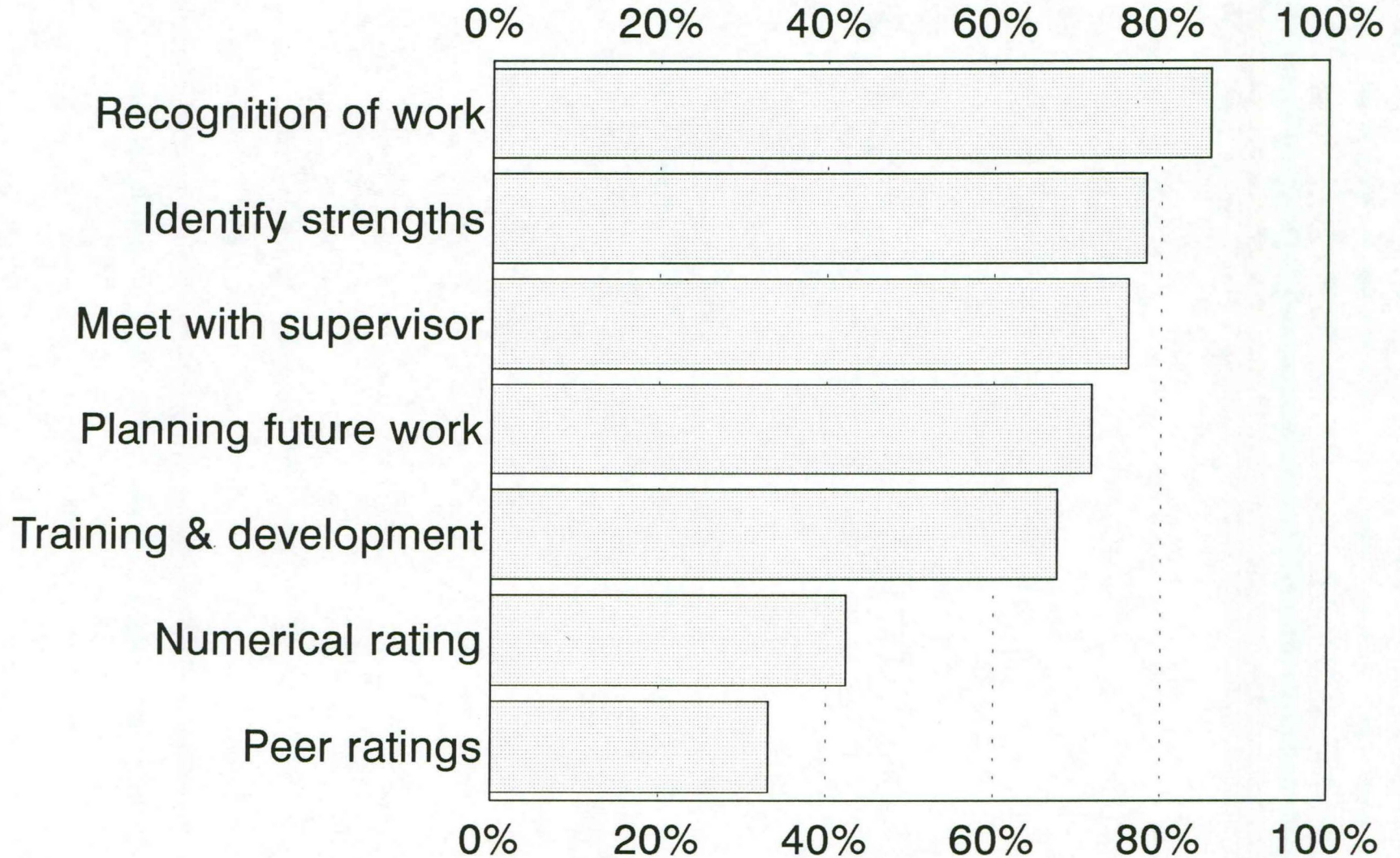
GRAPH 4

Question 6
TOTAL DESIRABLE



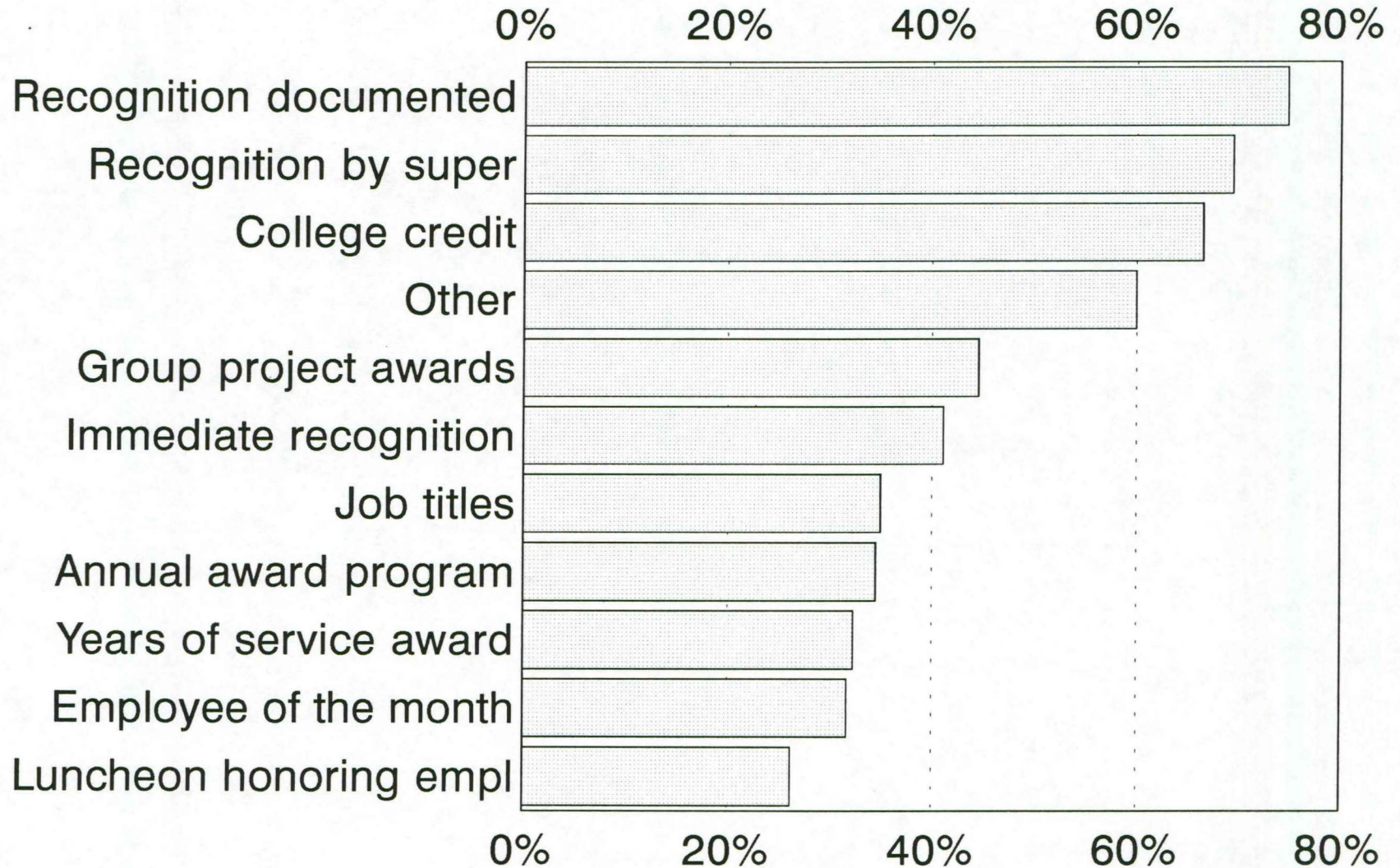
PERFORMANCE EVALUATION SYSTEM COMPONENTS

Question 8
TOTAL DESIRABLE



EVALUATION OF POTENTIAL RECOGNITION SYSTEMS

Question 15
TOTAL SATISFYING



TABLES

FACTORS THAT MAY PROVIDE JOB SATISFACTION

Question 1

	Total Dissatisfying	Neutral	Total Satisfying	Total	Number
Vacation/holidays/comp time	11.44%	12.87%	75.69%	100.00%	1,119
Current leave policies	13.52%	15.57%	70.91%	100.00%	1,124
Work-related expenses reimbursement	12.88%	34.88%	52.24%	100.00%	1,118
Promotional opportunities	38.89%	19.71%	41.40%	100.00%	1,116
Combined leave	19.33%	45.74%	34.94%	100.00%	1,102
Tuition Reimbursement	19.95%	46.57%	33.48%	100.00%	1,108
Education leave	17.28%	56.98%	25.74%	100.00%	1,111
Professional licensure/certification	13.69%	67.18%	19.13%	100.00%	1,103
Professional membership dues	14.71%	68.39%	16.89%	100.00%	1,101

REWARDING ASPECTS OF JOB
Question 2

	Total Non- Rewarding	Neutral	Total Rewarding	Total	Number
Variety of assignments	12.94%	18.60%	68.46%	100.00%	1,113
Supervisor's value of your work	21.71%	21.53%	56.76%	100.00%	1,124
Work schedule flexibility	22.24%	22.78%	54.98%	100.00%	1,124
How you are treated	25.98%	19.77%	54.26%	100.00%	1,128
Style of your supervisor	25.73%	22.35%	51.91%	100.00%	1,123
Perceived value to customers	19.19%	30.67%	50.13%	100.00%	1,115
Participation in decision making	33.75%	21.75%	44.49%	100.00%	1,117
Verbal feedback	30.38%	25.90%	43.73%	100.00%	1,116
Quality open communications	34.53%	22.69%	42.78%	100.00%	1,115
Professional/personal growth	34.26%	24.06%	41.68%	100.00%	1,118
Agency's value of your work	36.09%	23.02%	40.89%	100.00%	1,125
Agency's reputation	26.30%	36.18%	37.52%	100.00%	1,114
Performance evaluations	35.12%	30.92%	33.96%	100.00%	1,119
Attend conferences	26.95%	42.59%	30.46%	100.00%	1,113
Job rotation	29.13%	58.25%	12.62%	100.00%	1,109
Job sharing	28.26%	61.93%	9.82%	100.00%	1,090

FLEXIBLE BENEFITS PROGRAM ACCEPTANCE
Question 3

	Number	Percent
Yes	872	77.72%
No	250	22.28%
Total	1,122	100.00%

BENEFITS EVALUATION

Question 4

	Not Applicable	Eliminate Benefit	Reduce Benefit	No Change	Increase Benefit	Total	Total Reduce or Eliminate
Vision care insurance	3.44%	0.92%	0.92%	11.93%	82.80%	100.00%	1.83%
Trade unused sick leave for vacation	1.49%	0.69%	0.34%	26.72%	70.76%	100.00%	1.03%
Flexible leave policies	3.33%	0.57%	1.15%	29.47%	65.48%	100.00%	1.72%
Educational benefits	10.09%	1.72%	1.26%	23.97%	62.96%	100.00%	2.98%
Contribution or match to deferred comp	9.40%	0.92%	0.80%	27.06%	61.81%	100.00%	1.72%
Cash out unused vacation	7.11%	1.38%	1.03%	32.57%	57.91%	100.00%	2.41%
Dental insurance	2.29%	0.34%	0.80%	46.33%	50.23%	100.00%	1.15%
Wellness center on site or close	22.48%	5.62%	2.87%	25.80%	43.23%	100.00%	8.49%
Health insurance	1.72%	0.46%	1.15%	57.45%	39.22%	100.00%	1.61%
Disability insurance	5.73%	0.34%	1.61%	53.33%	38.99%	100.00%	1.95%
Term life insurance	7.34%	2.98%	2.18%	55.96%	31.54%	100.00%	5.16%
On-site child care	43.12%	5.50%	1.38%	23.28%	26.72%	100.00%	6.88%
Child care vouchers	47.13%	5.50%	1.83%	25.00%	20.53%	100.00%	7.34%

N = 872 for all Question 4 tabulations

LEAVE POLICY PREFERENCE

Question 5

	Number	Percent
As is	667	59.61%
Combined vacation and sick	452	40.39%
Total	1,119	100.00%

ALTERNATIVE PAY SYSTEM EVALUATION

Question 6

	Total Undesirable	Neutral	Total Desirable	Total	Number
Individual pay based on expanded skills/responsibilities	8.66%	14.02%	77.32%	100.00%	1,120
Pre-determined bonus -- individually based	11.79%	23.04%	65.17%	100.00%	1,111
Pay based on individual performance evaluation	17.59%	19.55%	62.86%	100.00%	1,120
Pay based on time/tenure	19.12%	19.39%	61.48%	100.00%	1,119
Pay progression tied to value -- agency wide	20.81%	37.21%	41.98%	100.00%	1,110
Individual pay based on team performance	36.59%	28.79%	34.62%	100.00%	1,115
Broad incentives, pay based on team performance	38.47%	31.71%	29.82%	100.00%	1,110

LEAVE POLICY VS PAY POLICY FOCUS
Question 7

	Number	Percent
Prefer focus on leave policies	304	27.19%
Prefer focus on pay policies	814	72.81%
Total	1,118	100.00%

PERFORMANCE EVALUATION SYSTEM COMPONENTS

Question 8

	Total Undesirable	Neutral	Total Desirable	Total	Number
Recognition of work accomplishments	5.75%	8.35%	85.91%	100.00%	1,114
Identification of strength and areas for growth	6.90%	14.87%	78.23%	100.00%	1,116
Face to face meeting with supervisor	7.03%	16.83%	76.14%	100.00%	1,123
Planning future work goals and assignments	7.09%	21.18%	71.72%	100.00%	1,114
Training and development plan	7.49%	24.89%	67.62%	100.00%	1,121
Numerical rating of performance	26.66%	30.97%	42.37%	100.00%	1,114
Peer ratings	31.81%	35.04%	33.15%	100.00%	1,116

PERFORMANCE EVALUATION SCALE PREFERENCE

Question 9

	Number	Percent
Five factor scale	506	45.59%
Two factor scale	124	11.17%
Three factor scale	480	43.24%
Total	1,110	100.00%

PERFORMANCE EVALUATION SYSTEM PREFERENCE

Question 10

	Number	Percent
Narrative	208	18.94%
Generic checklist	77	7.01%
Personalized checklist	137	12.48%
Combination checklist and narrative	676	61.57%
Total	1,098	100.00%

PREFERRED FREQUENCY OF PERFORMANCE FEEDBACK

Question 11

	Number	Percent
Weekly	100	9.11%
Monthly	205	18.67%
Quarterly	223	20.31%
Semi-annually	184	16.76%
Annually	386	35.15%
Total	1,098	100.00%

TRAINING PARTICIPATION IN LAST TWO YEARS

Question 12

	Number	Percent
Have received	744	66.97%
Have not received	367	33.03%
Total	1,111	100.00%

TRAINING SATISFACTION

Question 13

	Total Dissatisfying	Neutral	Total Satisfying	Total	Number
Human Services	27.89%	37.73%	34.38%	100.00%	925
Human Services offered by ISU	22.51%	50.00%	27.49%	100.00%	622
Personnel	26.42%	43.52%	30.06%	100.00%	825
General Services – computer related	30.28%	43.03%	26.69%	100.00%	753

PREFERENCE OF COLLEGE CREDIT FOR STATE TRAINING

Question 14

	Number	Percent
Would be interested	781	70.30%
Would not be interested	330	29.70%
Total	1,111	100.00%

EVALUATION OF POTENTIAL RECOGNITION SYSTEMS

Question 15

	Total Dissatisfying	Neutral	Total Satisfying	Total	Number
Recognition documented in performance plan	4.11%	21.10%	74.79%	100.00%	1,095
Recognition by supervisor up the chain of command	8.50%	22.02%	69.47%	100.00%	1,117
College credit for training	5.67%	27.79%	66.55%	100.00%	1,112
Other	20.00%	20.00%	60.00%	100.00%	10
Group project awards	13.48%	41.96%	44.55%	100.00%	1,120
On the spot image recognition	19.52%	39.39%	41.09%	100.00%	1,117
Job titles	17.88%	47.17%	34.95%	100.00%	1,113
Annual award program	18.86%	46.65%	34.50%	100.00%	1,119
Years of service awards	16.41%	51.31%	32.28%	100.00%	725
Employee of the month	29.07%	39.27%	31.66%	100.00%	1,118
Luncheon honoring employee	24.75%	49.06%	26.18%	100.00%	1,119

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PERCEPTION OF PERSONAL RECOGNITION BY DEPARTMENT OF HUMAN SERVICES

Question 16

	Number	Percent
Not Recognized	309	27.84%
Somewhat not recognized	289	26.04%
Somewhat recognized	477	42.97%
Highly recognized	35	3.15%
Total	1,110	100.00%
Not recognized group	598	53.87%
Recognized group	512	46.13%

ADDITIONAL IDEAS RELATING TO JOB SATISFACTION, COMPENSATION OR RECOGNITION
Question 17

	Number	Percent
Have ideas	328	29.47%
Have no ideas	785	70.53%
Total	1,113	100.00%
Ideas provided	203	18.24%

SHOULD THERE BE AN ONGOING DEPARTMENTAL TASK FORCE
FOR RECOGNITION PROGRAMS
Question 18

	Number	Percent
Yes	612	55.49%
No	491	44.51%
Total	1,103	100.00%

DEMOGRAPHIC QUESTIONS

	Mean	Median
Years at DHS	12.7	12.0
Years in current position	8.1	7.0

Note: The mean is the average, the median is the mid-point of a ranked list where half have greater values and half have lesser values

Occupational Category

	Number	Percent
Official/administrator/supervisor	224	20.14%
Professional/technical	381	34.26%
Skilled craft/maintenance	85	7.64%
Clerical support	422	37.95%
Total	1,112	100.00%

Work Location

	Number	Percent
Central office	165	14.72%
Institution	574	51.20%
Field office	328	29.26%
Child support office	54	4.82%
Total	1,121	100.00%

Gender

	Number	Percent
Male	305	27.18%
Female	817	72.82%
Total	1,122	100.00%

Age

	Number	Percent
20 - 39	403	36.14%
40 - 59	646	57.94%
60 +	66	5.92%
Total	1,115	100.00%

Employment Status

	Number	Percent
Full-time	1,106	98.75%
Part-Time	13	1.16%
Temporary	1	0.09%
Total	1,120	100.00%

Collective Bargaining Classification

	Number	Percent
Collective bargaining	823	58.29%
Non – collective bargaining	589	41.71%
Total	1,412	100.00%

Highest Level of Education

	Number	Percent
Junior High	4	0.36%
High School	426	38.10%
College	535	47.85%
Postgraduate	153	13.69%
Total	1,118	100.00%

SURVEY INSTRUMENT



TERRY E. BRANSTAD, GOVERNOR

DEPARTMENT OF HUMAN SERVICES

CHARLES M. PALMER, DIRECTOR

July 23, 1993

Dear DHS Employees:

Attached is a survey to gather your opinions pertaining to rewards and recognition.

This survey is a joint effort of AFSCME and the state. A committee will use the results to recommend changes, and will share the findings with AFSCME. Lorrie Tritch, Executive Assistant, in the Deputy Director for Services Office, serves on this Committee along with representatives from other state agencies.

Your participation is crucial to this effort. Your answers will express what you need and want as rewards and recognition for your work.

Please take a few minutes to complete this survey and return it to DHS Research and Statistics Bureau via local mail by August 3, 1993. Your responses will be confidential; do not sign the survey. In no way will your specific responses be identified with you personally as there are no "tie back" identifiers of any kind on the questionnaire.

Thank you for assisting us with this project by taking the time to complete and return this survey.

Sincerely,

Charles M. Palmer
Director

CMP:LT
Attachment

IOWA DEPARTMENT OF HUMAN SERVICES
SUMMER 1993 STAFF SURVEY
RELATING TO EMPLOYEE REWARDS AND RECOGNITION

PLEASE RETURN THIS SURVEY BY AUGUST 3, 1993

1. Please rate the following factors that may provide job satisfaction to you. Circle the option that best indicates your choice.

	Strongly Dissatisfying	Dissatisfying	Neutral	Satisfying	Strongly Satisfying
a. Work-related expenses reimbursement	1	2	3	4	5
b. Promotional opportunities	1	2	3	4	5
c. Tuition reimbursement	1	2	3	4	5
d. Current leave policies (ie sick, funeral)	1	2	3	4	5
e. Vacation/Holidays/comp time off	1	2	3	4	5
f. Professional membership dues reimbursement	1	2	3	4	5
g. Education leave	1	2	3	4	5
h. Professional licensure/certification reimbursement	1	2	3	4	5
i. *Combined leave	1	2	3	4	5

*Combined Leave definition: The combination of all leave accounts that exist today into a single leave account.

2. Please rate the following aspects of the job which make it rewarding for you. Circle the option that best indicates your choice.

	Strongly Non- Rewarding	Non- Rewarding	Neutral	Rewarding	Strongly Rewarding
a. Variety of assignments	1	2	3	4	5
b. How you are treated	1	2	3	4	5
c. Style of your supervisor	1	2	3	4	5
d. Agency's value of your work	1	2	3	4	5
e. Supervisor's value of your work	1	2	3	4	5
f. Agency's reputation	1	2	3	4	5
g. Participation in decision making/problem solving	1	2	3	4	5
h. Job sharing (two persons work part-time in one full-time position)	1	2	3	4	5
i. Work schedule flexibility	1	2	3	4	5
j. Job rotation	1	2	3	4	5
k. Quality open communications	1	2	3	4	5
l. Perceived value to customers/clients	1	2	3	4	5
m. Performance evaluations	1	2	3	4	5
n. Verbal feedback	1	2	3	4	5
o. Professional/personal growth and challenging opportunities	1	2	3	4	5
p. Attend conferences (in state or out of state)	1	2	3	4	5

3. A flexible benefits program offers the employee an opportunity to select from a menu those benefits that best meet individual needs. To "purchase" such benefits, employees get an allowance.

Would you like an option like this? (please check one answer only) 1. ____ yes 2. ____ no

If you answered no, go to question number 5.

4. If a benefits "menu" option were available, please rate your interest in the following options. Circle the option that best indicates your choice.

	Not Applicable	Eliminate Benefit	Would Reduce Benefit	No Change	Increase/Add Benefit
a. Term life insurance	0	1	2	3	4
b. Disability insurance	0	1	2	3	4
c. Health insurance	0	1	2	3	4
d. Vision care insurance	0	1	2	3	4
e. Dental insurance	0	1	2	3	4
f. Wellness Center on site or close access to	0	1	2	3	4
g. On-site child care	0	1	2	3	4
h. Child care vouchers	0	1	2	3	4
i. "Cash out" unused vacation	0	1	2	3	4
j. Employer contribution or match to deferred compensation	0	1	2	3	4
k. Flexible leave policies	0	1	2	3	4
l. Educational benefits	0	1	2	3	4
m. Trade unused sick leave for vacation	0	1	2	3	4

5. The following question relates to your interest in seeing leave policies changed or to leave them as is. Check your preference. (Please check only one)

1. Keep the current leave policies as they exist today with individual "accounts" for vacation, sick, etc.
2. Explore a combined type of leave policy where all leave is grouped into one "account"

6. Rate each of the following characteristics of a pay system in terms of their desirability to you. Circle the option that best indicates your choice.

	Completely Undesirable	Somewhat Undesirable	Neutral	Somewhat Desirable	Desirable
a. an individual pay incentive based on team performance	1	2	3	4	5
b. broad based incentives - a team performance pay incentive based on the team's performance	1	2	3	4	5
c. an individual pay incentive based on expanded skills and responsibilities	1	2	3	4	5
d. pay progression tied to value - agency-wide reward program to reinforce multi-team cooperation and to give employee's a stake in the agency's performance as a whole.	1	2	3	4	5
e. pre-determined bonus option - rewarded individually based upon exceeding goals/expectations and value of contribution to organization	1	2	3	4	5
f. pay based on individual performance evaluation	1	2	3	4	5
g. pay based on time/tenure	1	2	3	4	5

7. If the state were to focus its resources on one of the following two areas: 1) leave policies, or 2) pay policies, which is more important to you? (Please check only one)

1. changes in the current leave policies
2. changes in the current pay policies

15. If these options were available today, please rate how satisfying these potential recognition programs would be to you. Circle the option that best indicates your choice.

	Strongly Dissatisfying	Dissatisfying	Neutral	Satisfying	Strongly Satisfying
a. employee of the month	1	2	3	4	5
b. job titles	1	2	3	4	5
c. recognition by supervisor up the chain of command	1	2	3	4	5
d. group project awards	1	2	3	4	5
e. annual award program	1	2	3	4	5
f. years of service awards	1	2	3	4	5
g. luncheon honoring employee	1	2	3	4	5
h. *on the spot image recognition	1	2	3	4	5
i. college credit for training	1	2	3	4	5
j. recognition documented in performance plan	1	2	3	4	5
k. other (specify) _____					

*Some type of medallion or "way to go" note is passed around from worker to worker when the current holder sees or hears about another worker doing a good job.

16. To what extent do you feel your contributions to DHS are sufficiently recognized? Circle the option that best indicates your choice.

Not Recognized	Somewhat Not Recognized	Somewhat Recognized	Highly Recognized
1	2	3	4

Briefly specify your suggestion to address this area to ensure your contributions are better recognized.

17. Do you have other ideas relating to your job satisfaction, compensation or recognition/rewards.

1. ____ yes 2. ____ no

If yes, briefly describe your ideas.

18. Would you see a benefit of an ongoing departmental task force to address recognition initiatives/programs relating to job satisfaction?

1. ____ yes 2. ____ no

19. Helpful information to us in analyzing the survey results:

- A. Number of years at DHS (round up to nearest year) _____
- B. Years in current position (round up to nearest year) _____

For questions C - H, please circle the number of the response that applied to you:

- C. Occupation category which best reflects your current job class:
1. official/administrator/supervisor
 2. professional/technical
 3. skilled craft/maintenance
 4. clerical/support

Attachments

The following are attachments to the Compensation Sub-committee report to the Facet committee:

- Memo from Mental Health Institute, Cherokee, Iowa with suggestions regarding Innovative Personnel concepts.

Attachment 1-A: Cover Letter

Attachment 1-B: Memo

- Summary of articles used in research by the sub-committee:

Attachment 2-A: Cover Memo

Attachment 2-B: Synopsis of Articles

- Notes from Malcom Baldrige Award Winners

Attachment 3-A: Cover Memo

Attachment 3-B: Notes from Malcom Baldrige Award Winners

The following is a memo from The Cherokee Mental Health Institute with suggestions regarding innovative personnel concepts. In it, such ideas as re-defining personnel and operating dollars of a public facility as being a "mix" of base salaries/costs plus fees-for-services, offering cafeteria-style benefits packages and redesigning the current performance evaluation system to one which is a higher morale-producer. Two other suggestions for morale boosters are discussed including an employee appreciation day and fundraising efforts for employee activities.

To/Office: Division of Data Management
Attention: Lorrie Tritch, Acting Administrator
From/Office: Tom Deiker, Superintendent
Subject: Facet Team: Innovative Personnel Concepts

Date: July 20, 1993

As promised, following is a list of minor and major proposals which your facet team may wish to explore:

1. "Publicization"

We define this as the opposite of "privatization." We have discussed the concept with DHS Central Office staff, and IDOP officials (the former Director, Tom Donahue). The particular version we were arguing for was the model currently employed by most medical schools, i.e., personnel and operating dollars of a public facility being a mix of base salaries/costs plus fees-for-services. We all do this to some degree, but never personnel salary supplements; e.g., charging sliding fee scales to the public, billing courts for evaluations, charging another agency for meals, etc. We here at CMHI are looking into contracting with an HMO in Spencer for evaluation/treatment services. In the last year, I have begun to receive requests from private companies to contract for psychiatric services. At the broadest level, national healthcare reform could blur forever the distinction between public and private services (as currently provided, public psychiatric care would be the best bargain for the payor's money.)

2. Employee Benefit "Menu"

In developing our sick leave policy, we called eight non-government employers, and reviewed their leave policies. Based on this, in our meeting with IDOP on sick leave policy, we recommended that the state of Iowa consider the new concepts being used by other employers to pull employee benefits into larger or optional categories; i.e., to give greater employee choice in how they wish to receive employee benefits. This can work within or across categories. The situation we were dealing with, paid leave, lumps all leave categories into a single benefit: Paid Time Off (PTO). Rather than having the state's current system of vacation versus sick leave versus enforced leave versus funeral leave, etc; the employee is given a single paid leave category to us as they see fit (in contrast to our system's obvious encouragement of sick leave abuse as a de facto alternate vacation category).

3. Employee Performance Evaluations

I just finished taking a graduate course in public personnel administration.. Considerable emphasis was placed on new concepts of performance evaluations. Negatively, traditional systems impose a normal distribution of overall numerical ratings (e.g. 1-5), so that 50% of employees score "lower than average." Surveys suggest that nearly 80% of all employees believe they are "above average." The net effect is lowered morale for employees. New concepts, drawn in part from professional

-2-

licensure/credentialling (where all but a small minority are "licensed/certified," i.e., "competent"), suggest simple systems that verify the "average" employee's competency, and only focus on two very small statistical categories: "exceptional performance" (assumed to be less than 10% of employees per year, and not usually the same employees each year), and "problem performance, (assumed to be less than 5% of the work force and the subject of supervisor focus.)

4. Employee Morale

Two admittedly minor suggestions of things which have worked for us:

a) Employee Support Fund.

We call this our "Christmas Party Fund." We got a small committee together, and gave them the authority to develop fundraising activities to host an annual employee banquet/dance/party. Fundraising efforts that have had the effect of raising employee morale include: sponsoring it payday employee coffee (we sell coffee, rolls, doughnuts, pies, salsa, etc); hospital tee shirts and sweatshirt sales (we conducted a "hospital logo" contest, chose (organizational colors, (teal and white) and put them on tee shirts, sweatshirts with our hospital motto "Active treatment, progressive training,); hospital postcards; and hospital coffee mugs.

b) Employee Appreciation Day

For Employee Appreciation Day, we gave a certificate to all employees with one year of seniority. Every five years we present employees with a new employee name tag, with a change in color for each five years of employment. The color scheme is symbolic of precious and semi-precious stones: black (onyx); white (ivory); yellow (citrine); blue (turquoise); red (ruby); green (emerald), and (off-white (diamond). On Employee Appreciation Day, we release employees on state time for a "banquet," provide management coverage on the wards, and have formal presentations of name tags, with group photos by 5-year seniority categories. We also ask employees to wear their tee shirts or sweatshirts.

TD:jd

Attachment 2-A

The following is a summary of articles and research data collected by the Compensation Sub-Committee. The Sub-Committee has not had a chance to integrate these into its proposals yet, but intends to use this information as a resource as work continues on it's proposals.

Summary of Miscellaneous Research

Source: Human Resource Executive Date: May, 1993 Article Name: Benchmarking: Standards to Share

- Merck & Co., Whitehouse Station, NJ (20,500 employees in U.S.)
Replacing current merit pay system with series of bonuses and stock options. Also considering a new incentive pay program linked to team accomplishments.
- Texas Instruments Inc., Dallas, TX (62,000 employees)
Management pay is related to effectiveness at managing people-based issues.
- Instromedix, Hillsboro, Ore.
All employees have five to seven performance goals linked to corporate objectives. All goals are posted, progress is measured quarterly. Compensation is based on a discretionary bonus program and employee-driven recognition program to reward revenue generating or customer satisfaction achievements.
- Bank of New Zealand
Believes employees will treat customers as well as they are treated. Use customer feedback systems as basis for pay decisions.

Source: Human Resource Executive Date: May, 1993 Article Name: GM Offers Leave for Job Hunting

General Motors has implemented a plan to assist with downsizing the workforce through attrition. Employees with at least one year of service may negotiate with Management for a paid leave of absence of six to fifteen months for the purpose of finding other employment. Participation is voluntary and employees receive all benefits during their leave. Length of leave approved depends on the employee's length of service. Employees receive outplacement services and counseling during their leave.

Source: Human Resources Executive Date: May, 1993 Article Name: Giving the Benefit of Time

PepsiCo has developed a company Resource Center that helps employees balance work and family. The Resource Center uses a "concierge" concept to provide personnel with customized information and services. The concierge's Job is to take care of personal business for employees so they can keep their minds on the job. The Center provides assistance in planning activities, creating special events and locating local services to help resolve personal and family needs. It also provides computers, telephones and in-house printing services. Through the Center employees can arrange a wedding anniversary celebration, contact a plumber, find day care or nursing care facilities, register to vote, get tickets for major attractions and events, order a dinner to go, and arrange to have the oil in their car changed.

Source:
Personnel Journal

Date: February, 1993
Article Name: Benefits Retain Employees

Lower income employees need a different mix of benefits. "Future" pay backs such as 401K plans do not appeal to their needs as much as a decreased insurance deductibles or increased employer contributions. One company uses a sliding scale, requiring a lower out of pocket maximum and lower deductibles from the employees least able to pay. Employees in the higher income brackets have higher out of pocket maximums and deductible. Conversely, the employer contributes a proportionately greater percentage to the retirement plan of the lower paid employee. Company contributions to health care also increase with length of employment. These factors have served to stabilize the company's turnover problems and has resulted in greater retention of entry level employees. This in turn increases quality of services and customer satisfaction.

Source:
Employee Benefit News

Date: May, 1993
Article Name: Poll: Work/Family Builds Bottom Line

Work and Family policies have a favorable impact on morale and recruitment according to a recent survey of 450 employers by Buck Consultants. The sample had an equal percentage of manufacturing and service-sector firms. 60% of respondents said the policies have increased morale and 50% cited enhanced recruitment. Also, 40% report lower turnover, 39% noted lower absenteeism and 29% report increased productivity. The report concludes that a major concern for employees is having greater flexibility and control over time. Family policies include maternity leave, leave for family care, alternative work schedules, voluntary reduced work schedules, job sharing and telecommuting. Nearly one-half the companies offer child care referral services and 14% have child care assistance programs. 32% of the companies offer eldercare and 29% regularly sponsor work and family seminars. 71% of the employers have Employee Assistance Programs and an additional 8% indicated they would have them within one year.

Source:
Employee Benefit News

Date: March, 1993
Article Name: Work/Family Program Helps Kids Who Are Home Alone

125 Boston Area families are participating in a pilot program on caring for "latch-key" children. "HOME ALONE AND ON YOUR OWN" was started by the Center on Work and Family at Boston University and focuses on problems of children who return home at the end of the school day. Four area employers are participating in the pilot which is trying to reduce absenteeism and employee stress as well as boost morale and productivity. The program begins with educational seminars for working parents and their children. The sessions identify which children are ready to be on their own and help develop such skills as maintaining a safe home environment, appropriate responses to emergency or unplanned events, effective communications, dealing with peer pressure in unsupervised settings, drug and alcohol use prevention, time management, and decision making. The goal of the program is to help families develop child care alternatives. Follow-up sessions address specific problems encountered by participants.

Source:
Employee Benefit News

Date:
June, 1993

Article Name:
Firm Riding High With Total Comp Approach

The employees of Viking Freight Systems have an opportunity to augment their regular pay checks with extra pay in the form of a separate pay check with the Performance Earnings Plan (PEP). The company feels that awarding performance bonuses with separate checks allows the employee to see the direct benefits of their performance and feel increased control over their earning potential. The performance pay factors in 25% for performance, 25% for safety (15% for injuries and 10% for avoidable accidents), 20% for revenue and sales, 20% for service, and 10% for damaged freight. Employees with the company for a minimum of three months are eligible for the PEP payments. Drivers can earn extra pay up to 7.5% of their salary, supervisors earn up to 11.25% and managers up to 15%. The size of the PEP checks has increased steadily once employees caught on to the concept. Since the program began in 1986, employees have increased performance levels up to 102.9%. One key element recently added is that employees involved in a safety violation or careless accident are not eligible pay a PEP check for the pay period in which the event occurred. The company notes that workers comp claims have decreased to 20% lower than the industry overage. The system encourages team work and emphasizes quality not quantity of work.

Source:
Employee Benefit News

Date:
June, 1993

Article Name:
Bold Benefits Unlock Key to Success at "Best" Firms.

From of "100 Best Companies to Work For in America" by Robert Levering and Milton Moskowitz. Results based on employee interviews.

FelPro
Manufacturer of Gaskets
Skokie, Illinois
2100 employees in United States

Uses benefits to increase employee loyalty. Tries to foster feeling of extended family to increase productivity and decrease turnover.

- Sends baby shoes to newborn and adopted children of employees with \$1000.00 note redeemable at age 21.
- Adoptive parents can get a grant of up to \$2500.00 to cover legal expenses.
- Company sponsors and pays for summer camp for children of employees.
- Company pays for 80% of cost of tutors for school age children.
- Awards \$3300.00 toward college or vocational education based on academic record of students not financial need.

- \$100.00 gift to any one (including employee) in employee's family who earns a high school diploma or GED.
- Provides on site day care.
- Maintains on site Fitness center.
- \$100.00 wedding present.
- Free use of H & R Block for income tax preparation
- Free use of company attorney for legal consultation and referral.
- Vacation:

Years of Service	Weeks of Paid Leave
1 through 4	2
5 through 12	3
13 through 19	4
20 through 24	5
25 through 29	6
30 through 34	7
35 through 39	8
40 through 44	9
45 through 49	10
50 through retirement	12
- 1 ham per employee at Easter, 1 potted plant at Mother's day, 1 Father's day gift, 1 pound of pistachio nuts at Thanksgiving, 1 pound of chocolates at Valentines Day, 1 turkey at Christmas
- Bonus check at Christmas for employees who attend the Christmas dinner.

Leo Burnett
Advertising Firm
Chicago, Ill.
2350 Employees

Bases benefit Package on removing non-work related worries from employee lives to reduce conflicts between work and family. Focuses on security and financial planning for employees.

- Disability Insurance Plan is a combination of standard long term policy with self insured supplemental benefits. The goal is to keep employees whole for as long as possible.
Major elements of LTD Plan:
Full salary for up to 8 weeks
LTD = 60% of base salary
Supplemental available for up to an additional 40% to provide for 100% of after tax income for the first 3 years of disability. Followed by 75% up to nine years and 65% up to age 65.

- Life insurance

Company pays for one and one half times the salary in life insurance and the same amount in insurance paid for on Standard age based rates.

- Retirement

Post Retirement medical benefits are based on years of service.

SAS Institute
Computer software development
Cary, North Carolina
2800 employees

The speed at which computer technology and terminology changes makes it imperative that the company encourage new parents to return to work as soon as possible following the birth/adoption of a child. Since 1981 the company has provided free child care on site for employees with at least one year of service. The waiting list is based on seniority.

The company also provides a full service wellness program staffed with 5 nurse practitioners, 2 nutritionists, and 2 exercise physiologists. The fitness center has a fully equipped gym, a 2 mile jogging track, lighted tennis courts, and playing fields for team sports. Employees may flex work hours to attend on-site exercise classes.

The company says because of its aggressive wellness program they have saved over \$1 Million in health care costs. They currently pay approximately \$2900.00 per employee per years compared to the national average of \$3900.00. Last year their health care premium rose only 2%.

Source:
Employee Benefit News

Date:
July, 1993

Article Name:
Benefits Technology

Organization-wide Management Techniques

Total Quality Management (TQM)

- involves determining what customers (external and internal) want
- caution: many companies that provide annual benefit statements have not determined whether the information provided meets employee needs relative to timing and content
- caution: TQM is not to be confused with Quality Control which is based on statistical techniques to contain errors in processes through a series of screens

Re-engineering

- "fundamental rethinking and radical design of business processes to achieve dramatic improvements in critical measures of performance such as cost, quality, service and speed." (Michael Hammer)
- not about fine tuning; involves blowing up the current system and replacing it with something new

Business Process Redesign (BPR)

- a business process is a collection of activities that takes one or more types of input and creates an output that is of value to the customer
- TQM and re-engineering are meaningless without successful BPR
- key to successful BPR is the careful selection of team members and their placement in an environment conducive to creativity

Adoption of New Technology

- after TQM, re-engineering or BPR, technology is generally used to automate new processes
- leads to normal stress associated with any significant change, but generally falls short of the productivity increases associated with redesigning processes

Source: Human Resource Executive Date: Nov., 1992 Article Name: Benefits and Insurance

- Poll of 112,000; more than 40% are dissatisfied with employer-provided benefits
- For six primary employee benefits - medical, dental, life insurance, disability, pension and savings plans - only 41.5% of those surveyed responded favorably with "good" or "very good". (stats down 44 points from 1982)
- National survey of 4000 companies; continuing trend to reduce employers' health care costs by shifting more of the financial burden to employees

Source: Human Resource Executive Date: Nov., 1992 Article Name: Rising Costs Continue to Plague Employer

- Nationwide survey of over 2000 employers:
 - 75% of employers offer managed care health plan options as well as traditional indemnity insurance programs
 - average cost per employee in standard indemnity plan is 6.1 - 14.7% higher than some managed care options
- Another study; 75% of 81 companies called said that their comprehensive managed care programs that use networks of providers helped cut costs while maintaining or increasing employee satisfaction
- Not every employer is totally sold on managed care; 55% of the 502 senior benefits officers polled did not believe a managed care program would solve their health care problems within the next five years.

Federal Policy proposals

- Comprehensive, single-payer national health insurance
- Pay or play options
- Pro-competition
- Incremental market reform

Survey of 214 Human Resource executives and benefit directors:

- most commonly offered benefits:
 - education, dental plans, prescription drugs, long-term disability, and family leave
- the following are expected to experience increases
 - vision, child care, elder care, and retirement counseling

Prevention Tactics

- Wellness programs, which promote and reward healthy eating and exercise, are proliferating as companies discover healthy, fit employees can have an impact on bottom-line profits.

Source:
Human Resource Executive

Date:
Nov., 1992

Article Name:
Recognition, Awards and Incentives

Survey of 412 executives by HRE:

- Confirms wide corporate support for performance recognition programs
- 90% agreed that nonsales performance recognition programs can create awareness and build employee morale
- Award programs also rated high for motivation employees (88%), encouraging teamwork (78%) and improving quality (78%)
- More than half of the respondents expected to increase award expenditures
- Stocks and cash were perceived as two of the top rewards for a nonsales performance recognition program, but both were surpassed by watches
- preferred means of recognition for attendance, safety, customer service achievements, and quality and productivity improvement were cash or plaques, with cash the gift of preference
- Watches and rings were the choice for retirees or years-of-service awards
- One third of the respondents considered travel an appropriate gift for a retiring employee
- Those that planned to reduce costs cited outside pressures rather than discontent with the merits of award programs
- 54% of respondents believed they could boost loyalty and 40% thought that they could slow turnover rates
- Respondents agreed that the way the program is promoted and how the awards are presented are equally important
- One expert believes that only 15-20% of companies today are carrying out recognition programs correctly or are working to do so
- Companies must experiment; the appropriate type of program must be determined, whether it should be for individuals vs teams and monetary vs nonmonetary, based on what would be best suited to the company's culture
- Attention to detail is important; the manner in which an award is presented is often not given enough thought
- Recognition does not have to be formal to be effective; some companies empower managers to give cash or a gift certificate on the spot for outstanding achievement
- Personal letters from the company CEO, lunch with a group of executives, theater tickets, or a reserved parking place near the building for a month are other forms of recognition

FACT SHEET

Survey of 412 Human Resource executives:

use nonsales performance recognition programs to recognize employees for...

- 72% years of service
- 51% retirement
- 31% safety
- 31% customer service
- 30% suggestions
- 28% quality improvement
- 28% attendance
- 27% productivity
- 22% team building

Survey of 200 employee communication managers:

Top 3 employee motivators (on a scale of 6.0)

- 4.9% recognition
- 4.8% money
- 4.3% challenge

Survey of 500 managers of U.S. companies:

- 75% with quality programs show support by formally recognizing employee contributions to quality
- 56% of those support with recognition plans, including non-cash bonuses such as merchandise, plaques or dinners while 26% use reward plans that provide cash or stock awards

Poll of 468 companies:

of the 25% that use a compensation programs that rewards small groups of employees for their performance;

- 80% employees readily accepted plan
- 55% group incentives helped improve performance
- 41% couldn't tell if incentives improved performance
- 5% incentives did not help group performance

Source:
Human Resource Executive

Date:
Sept., 1993

Article Name:
Surveying Fringe Benefits

Summary of Findings

Health & Welfare:

	Current offer(%)	Plan to offer(%)	Ranking in Importance (by Employees)
Long-term disability	94*	4	4
Dental	93	3	3
Prescription drugs	88	5	1*
Short-term disability	87	3	2
Psychological counseling	60	3	5
Vision	48	6	6
Wellness	46	10*	7
Long-term nursing care	10	2	8
Legal	3	2	9

Work/Family:

	Current offer(%)	Plan to offer(%)	Ranking in Importance (by Employees)
Education	87*	3	4
Family leave	67	25*	3
Flexible work hours	55	4	2
Child care	28	9	1*
Elder care	12	5	5
Work @ home	15	3	6
Mortgage assistance	8	1	7

Retirement Benefits:

	Current offer(%)	Plan to offer(%)	Ranking in Importance (by Employees)
401(k)	82*	5	1*
Defined benefit	66	2	2
Profit-sharing	33	3	3
Preretirement counseling	32	10	5
Employee stock ownership	30	2*	4

Educating Employees about Benefits

During orientation	87%
In-house seminars	64%
Small group meetings	63%
Literature sent to homes	62%
1-1 counseling	46%
Carrier/consultant seminars	23%
Internally produced video	22%
Other	11%

Criteria For choosing Ancillary Benefits to Offer:

1. How well they meet employee needs.
2. How well they improve employee morale.
3. What gives the most "bang-for-the-buck".
4. How well they help company competitively recruit.

Source:	Date:	Article Name:
<u>Compensation & Benefits Review</u>	Nov./Dec., 1992	Currents in Compensation and Benefits

A. Compensation Trends

Gaining recognition in pay administration: Broadbanding

- Broadbanding generally refers to the clustering of jobs into wide tiers or groups of jobs for purposes of administering compensation and managing employee career growth. Such bands are an alternative to the traditional approach of maintaining numerous but narrow salary grades.
- Real change is occurring in salary administration -- from 'control' to greater flexibility and service.
- The most commonly used "salary spread" for a band is 100% -- or about twice as wide as a traditional salary range.
- The median number of bands used is nine -- down from about 30 salary grades before adoption of banding.
- Employee groups covered by broadbanding vary, ranging from top executives only to all salaried employees.
- There's no unanimity of opinion about the practice.

Rated successful: Skill-based pay

- on average, the programs encompassed 10 "skill units," each requiring about 20 weeks to learn, with pay increases given as employees advanced through the units.

- Skill-based pay programs are most common in manufacturing firms, and they work in unionized settings.

In most companies: Human resources costs rise

- Despite the recession, most organizations' expenditures for human resources (BMJ activities, programs, and staffs continue to rise.
- HR costs per employee also rose in many organizations, especially in firms that experienced reductions in the workforce.

B. At the Top

Tying executive pay to performance: A hard-nosed approach

- Tying performance goals to the performance of specific top-tier companies -- companies with consistent winning performance in their industry.
- Hard-nosed approach to pay: if the company does not achieve toptier performance, pay increases will be minimal at best -- if company achieves top-tier performance, payouts will be substantial.
- If executives cannot achieve desired performance levels, the company will undertake specific developmental actions or replace its executives.
- If the company concludes that the business rather than management is the problem, it will divest the business.

Creating a problem for policing executive pay: Interlocking boards

- Disclosed 39 instances, or nearly 5%, where heads of companies sit on each other's boards.
- Growing apprehension that those charged with policing executive pay are not always independent.
- One view: not interlocking directorships but simply the sheer number of chief executive officers (CEOs) who serve on compensation committees.

C. Retiree Health-Care Benefits

Interest-rate decline could affect retiree health-care liabilities under FAS 106

- The drop in interest rates during the past year and a half could mean companies are underestimating their retiree health-care liabilities under the Financial Accounting Standards Board's Statement 106 (FAS 106).

- If companies start to adjust the FAS discount rate, they also will adjust the assumed health-care inflation rate to offset any change in liabilities.

D. Benefits

FASB issues exposure draft on accounting for postemployment benefits

- Its proposed new standard will apply to benefits paid after employment but before retirement.
- Include such benefits as salary continuation, supplemental unemployment benefits, and continuation of health care and life insurance coverage.
- The FASB's proposed new standard is expected to be effective for fiscal years beginning after December 15, 1993.

A costly mistake? Handling prescription claims through major medical plans

- Michael Barberi, a health benefits consultant with William M. Mercer, Inc. notes that "major medical programs are designed to pay large claims for hospital stays and physician services, not drug claims."
- By adopting a properly designed managed prescription-drug program, employers can cut expenditures as much as 30% without necessarily reducing benefits.

Employee benefits managers' alert: "Living benefits" pose questions

- These benefits consist of payment, usually in a lump sum, of a portion of a life insurance policy's death benefits to terminally ill or elderly policyholders.
- Benefit experts warn benefits managers not to misinterpret the purpose of living benefits.
- Such benefits should not be confused with long-term care.
- Living benefits are not recommended for retirees because life insurance benefits are generally reduced when employees retire. Living benefits should be viewed as catastrophic care coverage -- they are designed to accompany, not replace, long-term care benefits.
- Living benefits are something employers should go ahead and offer, but they should realize and communicate that people are using up money intended for something or someone else.

E. Health-Care Costs

Minneapolis coalition aims to improve quality of health care as well as lower costs

- 14 major Minneapolis companies are forming a coalition to purchase health-care services and to influence providers to change their medical and administrative practices.
- The coordinated effort uses the "point-of-service" concept -- it gives employees and their dependents the choice of using either a specified network of providers or outside providers.
- Some benefits, however, can be obtained only through the network.
- The program generally does not include union employees.

Florida utility's innovative contract with Blues reported to save millions

- The health insurer's fee is a percentage of the utility company's health-care savings in relation to the medial consumer price index; if there are no savings, there is no fee.
- The company saved close to \$5 million from projected expenses during the first year of the contract.
- Critics argue that tying the insurer's fee directly to the utility's expenses threatens to limit the type and amount of health-care attention that workers receive; Florida Blue Cross asserts that quality is being maintained.

Raising employer hackles: Bill to remove ERISA preemption on "prevailing wages"

- The House Education and Labor Committee has approved a bill that would remove ERISA preemption to allow state law action in matters concerning prevailing wages, apprenticeship programs, and contribution collection for multiemployer plans.
- Wages include benefits.
- The prevailing wage provision is supposed to apply only to employers working on state-funded projects, and not to other employers.

F. International Issues

Study finds that wage gap is worldwide

- At the same time that the wage inequality between well-educated and poorly educated workers and between experienced and nonexperienced workers was rising in the United States in the 1980s, it was also rising all across the industrialized world.

- This fact favors the argument that low-wage workers are being hit by worldwide changes rather than anything unique to the United States.

Guide to pensions in Europe available

- A new guide compares the conditions of employment, Social Security, and private pension practices in 20 European countries; the United States and Japan are also included for comparison purposes.
- *1992 Guide to Pensions and Labor Laws in Europe* are available for \$70 from Chuck Evans, Manager of International Research, Noble Lowndes, 525 West Monroe St., Suite 2405, Chicago, IL 60606-3690

Source:	Date:	Article Name:
Compensation & Benefits Review	Nov./Dec., 1992	Will Traditional Salary Administration Survive the Stampede to Alternative Rewards?

Introduction

- Nearly one-third of companies using variable pay judge it less than fully effective in meeting their objectives.
- According to a study of 46 companies, variable pay plans failed in every instance in which alternative rewards were not implemented to achieve a specific strategy or set of goals.
- Who's right?
 - A. Traditional salary practices (such as job evaluation, merit increase, and pay progression tied to time) are still the preferred choice over what's currently being implemented under the rubric of alternative rewards.
 - B. Alternative rewards can be effective, *but only when underlying changes take place in the way work is organized and managed.*
 - C. Alternative rewards are simply not for everyone; organizations considering a venture into this area need to understand the differences between traditional and nontraditional/alternative pay, the situations in which each is appropriate, and the most effective ways to implement and evaluate these programs.

Comparing Traditional and Nontraditional Pay

Traditional

1. Found to be very effective in situations in which past strategies are in effect or there is limited competitive activity.

2. In traditional hierarchical organizations, pay programs will serve to help managers:
 - a. Define, monitor, and control the work.
 - b. Establish pay levels required to attract and retain a workforce.
 - c. Establish perceptions of pay fairness.
 - d. Control and allocate payroll expenditures.
3. Allow for an orderly pay progression and perceptions of pay equity.

Nontraditional

1. May be the right choice when business strategy or competition is changing.
2. In organizations that have become flatter and have promoted employee empowerment, pay programs will:
 - a. Seek to focus on linking pay contingencies to key organizational needs.
 - b. Offer a multiplicity of pay plans to fit different segments of the organization.
 - c. Reinforce communications concerning strategy, vision, and organizational needs.
3. Can act to reinforce the intrinsic satisfaction that employees derive from the work itself.

Traditional Salary Administration

- Can work very effectively in a traditional, hierarchical organization.
 1. In a hierarchy "command and control" is the dominating management style.
- Establishing clear, objective ground rules can help minimize dissatisfaction with the way salary dollars are allocated.
 1. In terms of rewards, merit pay is an obvious part of this scenario.
- Reinforces the authority of management and the viability of the hierarchical structure.
- Downsides:
 1. Can act to subvert intrinsic satisfaction and distract attention away from contributing to the organization's mission.
 2. Surveys of employee attitudes in organizations using traditional merit pay systems reveal that about two-thirds of the employees are dissatisfied with the linkage they perceive between their pay and their performance.
 3. Traditional salary administration can foster internal competition, which may be counterproductive.

Nontraditional Salary Administration

- The transition from hierarchy to partnership has left organizations seeking nontraditional ways to compensate and reward their employees.
- Alternative rewards attempt to link the dynamic aspects of pay (progression, motivation, total pay received) to meeting strategic organization needs.
- Can also serve to strengthen motivation and energize the organization -- particularly where interdependency and the need for teamwork exist.
- Can help unleash creativity and dedication by reinforcing attainment of the organization's, rather than the boss's, objectives.

Drawbacks:

1. Managers, organization members, and the organization itself must all take on very different roles.
 - a. Managers define what needs to get done, not how to do it.
 - b. Members be more collaborative, trusting of one another, sharing information, and accepting a strong organization mission and vision.
 - c. Organization - identify those organizational imperatives that will create competitive advantage.

Making Traditional Salary Administration More Effective

- Problems with traditional salary administration:
 1. The role of salary increases is often too broad.
 2. Although traditional salary administration may be an orderly way to allocate a fixed pool of dollars, it is a zero-sum proposition that fosters internal competition and distracts from external competition.
 3. Because it is primarily a tool to manage costs and allocate dollars fairly, traditional salary administration provides limited flexibility to differentiate pay in a meaningful enough way to have an impact on motivation.
 4. Traditional salary administration has a tendency to send confusing and mixed messages to employees.
 5. Salary increases can actually demotivate a significant portion of the organization.
 6. Traditional salary structures can hinder an organization's flexibility to use people where they are not needed.

The *New* Traditional Salary Administration

- Maximize effectiveness:
 1. Organizations should focus on what traditional salary administration does well -- allocate pay fairly.
 2. Other priorities should be addressed using different vehicles.

3. Clarify the messages sent to their employees (for example in job evaluation and performance appraisal).
 4. Minimize the role of salary increases as a motivational tool and focus performance appraisal feedback on motivation and development.
 5. Organizations need to restructure the allocation of pay to achieve better retention -- move salary more rapidly consistent with rate of job learning.
 6. Need to avoid program abuses -- whether intentional or unintentional.
- Build other tools to reinforce job satisfaction and recognize organization contribution so that salary progression is de-emphasized as a reward tool.
1. Task force assignments.
 2. Public recognition.
 3. Performance appraisal feedback.
 4. Training and development.
 5. Special assignments.
 6. Cross-training and skill breadth.

Conclusion

- A. Organizations evaluating and redesigning their salary administration programs need to carefully match programs to needs.
- B. Alternative rewards will continue to capture public attention and produce good results in the right situations.
- C. In many other situations, traditional salary administration will outperform many of its more fashionable alternatives.

Source:
Personnel Journal

Date:
May 1993

Article Name:
A Two-component Approach to
Compensation

Several reasons for companies, inability to pay for performance

- Base-salary-increase mechanism is trying to recognize too much
- Small salary-increase budgets aren't motivational
- Salary-increase budgets barely top the cost of living

Salary increases and bonuses can link pay to performance.

- Using a two-component program provides managers with two reward vehicles.
 1. Lump-sum bonus to recognize annual achievements.
 2. Base salary increase to recognize lasting contributions.

- To determine which of the two reward vehicles to use, tie the term of the reward to the term of the accomplishment.
 1. If accomplishment affects employee's expected contribution positively, view it as long-term and reward with a base-salary increase.
 2. Most other accomplishments rewarded with a lump-sum bonus.

- To apply the two-component program, group events or accomplishments into six categories
 1. Annual financial or operational results.
 - a. Includes accomplishments that relate to annual profitability, production, sales, return on investments, etc.
 - b. Rewarded best with lump-sum bonus.
 2. Special projects.
 - a. A special one-time project that has a predetermined time frame.
 - b. Reward with lump-sum bonus.
 3. Productivity or quality improvements.
 - a. Improvements that are the result of a suggestion or specific effort.
 - b. Reward with lump-sum bonus.
 4. Additional skills.
 - a. Acquiring new skills or competencies that make them more efficient or better able to perform their job responsibilities.
 - b. Reward with base-salary increases consistent with the incremental contribution of the new skills.
 5. Additional responsibilities.
 - a. New responsibilities that augment employee's expected contribution to the company.
 - b. Reward with base-salary increase.
 6. Promotions.
 - a. Promotion to a new job that has a higher level of expected contribution.
 - b. Reward with base-salary increase.

Pay for performance drives the two-component program.

- Organizations often alienate employees who are accustomed to base-salary increases when they introduce lump-sum bonuses.

- Companies make three critical mistakes.
 1. Introducing lump-sum bonuses as a replacement for base-salary, not as a complement to such a program.
 2. Not communicating a rationale for lump-sum bonuses other than the evident cost savings.

3. Failing to develop a lump-sum bonus pool that's large enough to distract employees from any perceived base-salary take away.
- The driving force behind the two-component program is pay for performance, not cost savings.
 - Total pay expenditure is approximately the same for both a base-salary program and the two component program.

Two-component system requires changes in other areas.

- Depends heavily on modifications to:
 1. The performance-management review process.
 - a. Focuses on three areas.
 1. Performance traits or behaviors.
 2. Annual goal setting and review.
 3. Employee development.
 - b. Two-component program ties base-salary increases directly to employee development.
 - c. Companies need to make certain that employees are focused on the correct areas of accomplishment.
 - d. Two-component program will transform the current process into a discussion of how the employee has contributed to the organization in the past year, and how and why the employee will contribute at a higher level during the next year.
 2. Pay-delivery guidelines.
 - a. Concept behind guidelines doesn't change with the two-component program, however, there are now two sets of allocation guidelines - one for base-salary increases and one for lump-sum bonuses.
 1. Amount of base-salary increase will focus on how the skill and responsibility levels of the employee have changed during the past year and how that change influences that person's expected contribution.
 2. The lump-sum bonus focuses on the annual contributions of the employee (for many of whom the level of expected contribution doesn't change every year).

Conclusion

- Companies currently possess the financial means and the salary-management tools to implement a two-component approach to delivering pay.
- This approach supports the fundamental concepts underlying skill-based pay, broadbanding and self-managed work teams, yet it can succeed in delivering powerful annual compensation in the traditional pay-delivery environment.

Source:
Personnel Journal

Date:
May, 1993

Article Name:
The Advantages of a Two-
component Approach to
Compensation

The two-component approach to delivering pay combines lump-sum bonuses, which recognize annual achievements, with base-salary increases, which recognize lasting contributions to the company.

- It offers the following advantages:
 1. Reducing fixed payroll expenses.
 - a. Lowering base-salary increases will reduce the fixed-expense portion of total pay.
 2. Reducing benefit costs.
 - a. To the extent that base-salary levels are reduced, benefit costs are also reduced.
 3. Supporting employee-development initiatives.
 - a. The primary use of base-salary increases will be to reward employee development.
 4. Providing annual motivational rewards.
 - a. Can fund lump-sum bonus pools.

Source:
Governing

Date:
August, 1993

Article Name:
Removing the Barriers to a High-
Performance Work Force
Recommendation #6

Create a learning government by:

- Restoring employee training and education budgets.
 1. Should aim for a stable learning budget set at at least three percent of total personnel costs.
 2. Should protect those budgets by making learning an earned right.
 3. Money is assigned to employees as individual accounts to be spent under general guidelines instead of giving the budget to a training department.
- Create a new skills package for all employees.
 1. Courses should reflect a new set of competencies essential for performance.
- Create financial incentives for learning.
 1. Pay increases based on skill acquisition are clearly a powerful way to encourage learning and to improve performance.

- Encourage a new type of public manager.
 1. Begin the coaching, benchmarking, listening, mentoring and championing that new times and a new type of job-motivated employee demand.
- Encourage a new style of labor-management communication.
 1. Management and labor need to open up new and substantive channels of communication.
 2. Start including workers in the decision-making processes at the start, and not simply brief staff "from on high" at the end. (Unions should reciprocate)

Source:
Des Moines Sunday Register

Date:
April 18, 1993

Article Name:
Bandag defies tradition by
revamping pay plan

Bandag Inc. of Muscatine, Iowa has eliminated bonuses for top executives and managers and has made other fundamental changes in its pay plan for salaried workers.

Also gone are:

- Bonuses for salespeople.
- Executive perks such as company-paid country club memberships.
- Job performance reviews for determining raises for salaried workers.
- A range of raises that could be awarded on the basis of those reviews.

A new pay system results in roughly the same percentage pay increase for Bandag's 800 salaried employees. A goal is to extend the practice to Bandag's 1,550 production workers as much as possible. It is portrayed as a system that's more fair and emphasizes teamwork.

- Bandag has adopted many of Deming's teachings on improving quality.
- Some members of the board of directors are skeptical of the change.

Experts say that Bandag isn't alone in the changes it's made, but it's clearly on a path that veers away from traditional methods. The Ruan Companies are also moving toward the elimination of bonuses and other forms of incentive pay. Up to 100 companies nationwide, mostly smaller ones, are using or experimenting with Deming-based management systems that eliminate performance evaluations.

But no other publicly held corporation that has used Deming philosophy to make changes in its pay system to the extent that Bandag has.

The new system is based on the Deming theory that in a complex and modern corporation, people are dependent on one another in the work they do, and that extracting the contribution

of any one individual is virtually impossible. It makes sense then to award pay raises that are roughly the same on a percentage basis and based, in part, on the company's financial performance.

Workers can be trusted to do their best without bonuses or other pay incentives because money isn't as much of a driving force as it's made out to be. Bandag continues other compensation methods such as stock options and restricted stock awards for executives and a profit-sharing plan.

It's difficult to change attitudes about grading individual workers because Americans are raised to think that's the way things are done.

While performance reviews are out, supervisors meet one-on-one with salaried workers to talk about improving skills and removing what the company calls barriers to workers' pride and joy in their work.

Source:
HR Magazine

Date:
July, 1992

Article Name:
Southwest Airlines Renovates Benefits System

The company had four goals for the flexible-benefits plan:

- Meet the individual needs of employees.
- Rein in health-care costs.
- Make employees aware of what benefits cost.
- Provide a tax advantage.

The key to a flexible-benefits system is the ability to have almost any configuration of benefits that you can think of.

The flexible-benefits program at Southwest is known as BenefitsPlus.

- It offers four medical plans, dental care, vision care, dependent-life insurance, two long-term disability plans, multiple life insurance, accidental death and disability pay, and two pretax spending accounts.
- Employees are able to select from the menu of benefits those that best meet their individual needs.
- To purchase the benefits, employees get an allowance ranging from \$91 a month to \$243.35, depending on family status. If they spend more, the money comes out of their paychecks; if they spend less, they pocket the difference.
- Participation in the flexible-benefits plan is optional.

Southwest created a newspaper called *BenefitsPlus Today*, modeled after *USA Today*, to communicate benefits to employees. The company also conducted training sessions at its various U.S. locations, printed updates in the airline's newsletter, and sent postcards to employees' permanent addresses.

Source:
HR Magazine

Date:
July, 1992

Article Name:
Compensation as a Strategic Tool

A variety of new pay systems have been developed, each with its own objectives, benefits and risks. The traditional function of pay to attract, retain and motivate employees has not changed with the introduction of new pay systems; but the emphasis has shifted from the attraction and retention functions to the motivation function.

Strategic compensation planning allows an organization to focus on its strategic objectives and develop a comprehensive plan. The ultimate objective of this process is to ensure that the compensation system attracts and retains the desired employees and that support the business that it motivates them to do those things plan.

The steps involved are:

Identify business objectives.

- Focus on the strategic objectives of the organization.
- Next, focus on the tactical level.

Assess the current compensation system.

- Assess level at which it supports the objectives and the personnel necessary for the business.
- Discover gaps or holes in the current system and uncover areas that are "overfunded."

Identify potential plan types which can close the gaps.

- Identify new or existing pay systems and their funding sources.
- This can help close the gaps and make the pay system work effectively.

The following are notes collected from companies who have recently been awarded the prestigious Malcom-Baldrige Award National Quality Award. The award is named for Malcom Baldrige, who served as Secretary of Commerce from 1981 until his death in 1987. His managerial excellence contributed to long-term improvement in efficiency and effectiveness of government.

As part of the national quality improvement campaign, industry and government have joined together to establish this award. It is created by public law, and is the highest level of national recognition for quality that a United States company can receive. The award program is managed by the National Institute of Standards and Technology and promotes:

- an understanding of quality excellence
- greater awareness of quality as a crucial competitive element, and
- the sharing of quality information and strategies.

A maximum of two awards are given each year. They are made to qualifying companies in manufacturing and service and to small businesses. Awards are based on the following categories:

1. Leadership: The senior executives' success in creating and sustaining a quality culture.
2. Information and analysis: The effectiveness of information collection and analysis for quality improvement and planning.
3. Strategic quality planning: The effectiveness of systems and processes for assuring the quality of products and services.
4. Human Resource Development and Management: The success of efforts to realize the full potential of the work force to meet a company's quality and performance objectives.
5. Management of Process Quality: The effectiveness of systems and processes for assuring the quality of products and services.
6. Quality and operational results: The improvement of quality and operational performance, demonstrated through quantitative measures.
7. Customer focus and satisfaction: The effectiveness of systems to determine customer requirements and demonstrated success in meeting them.

Presentation of the Malcom Baldrige Award is made each year at a presidential ceremony.

NOTES FROM MALCOM BALDRIGE AWARD WINNERS

AT&T - 1992 winner

Compensation is based on "pay for performance" philosophy.

- * Pay based on Hay classification system. Also excellence bonus'.
- * Marketplace value - built into the compensation system.
Annual salary surveys of others conducted to keep informed.
- * Performance plan - to achieve team and individual excellence.
Performance objectives are based on ways to support company objectives.

Mid-year performance reviews held to reconcile objectives with accomplishments.

Team performance reviews are done monthly. No compensation is associated with mid-year or monthly reviews.

Performance appraisal is done annually to review overall accomplishments, quality performance and support of company.

Excellence Awards:

All employees are eligible for the Excellence Award program. There are about 40 awards and recognition programs. Some are company-wide like Associate of the Month and Service Excellence. Others recognize the same qualities on a departmental level. Nominations can be made by peers, management or self.

Quality is measured daily through over 100 indicators sampled daily. In order to earn a quality bonus for that day, the company must achieve 96% or more of the indicators. Each functional area is responsible for achieving certain indicators and those results are submitted and compiled daily for the whole company. Quality is calculated on a pass/fail basis for the day. The company, as a whole, has the opportunity to earn a quality bonus for the day.

Earning a quality bonus for the whole company drives teamwork. Capturing results daily focuses the business on quality every day. Everyone has the same core measured on vendor indicators to ensure delivery of quality products and services.

Example: Each person at Universal Card Services (UCS) receives a bonus equal to 12% of his/her daily salary for each day the UCS team achieves quality targets.

Benefits:

- * full tuition reimbursement for undergraduate and graduate courses taken by associates - work related or not
- * childcare arrangement with nearby center
- * parental leave policy
- * free 24-hour, on-site health club

RITZ-CARLTON COMPANY - 1992 Malcom Baldrige winner

Compensation: Not much information available. Prior to employment, individuals are tested and certified to perform certain jobs.

Interesting note: Every employee is empowered to resolve any problem which comes to their attention. Each employee may spend up to \$2000 to satisfy a guest.

Awards:

There are 39 awards given to employees in a variety of areas. Performance appraisals are based on expectations explained during extensive orientation.

Employees who consistently apply performance standards receive verbal and written praise. Top performers receive a coveted new hotel start-up team assignment.

Team-oriented awards include bonus pools when solutions they recommend are implemented and effective. Employees also share in achievement through the gratuity system... an immediate quality program where employees share gratuities.

XEROX CORPORATION - 1993 Malcom Baldrige winner

Compensation: Nothing much noted.

Recognition and Awards: Both individuals and teams are recognized for quality improvements by way of a simple thank you or a cash bonus.

Teamwork Days are held to honor the achievements of teams. They are held at all levels, plus an annual corporate Teamwork day for all employees.

They're described as a cross between a professional conference, a trade fair and a revival meeting. Teams create display booths which show off their accomplishments. People learn from each other.

Xerox also offers the Team Excellence award which is given to several teams each year. Recipients are chosen by senior management after successfully competing at levels within their work unit. Criteria are:

- * Teamwork - How well does the team work together and understand their purpose as a team?
- * Use of quality tools and processes - Identifying alternatives, evaluation of results,
- * Results - The team projects should produce tangible results, impact the customer or those who support the customer, demonstrate an innovative approach and maximize the cost of quality opportunities.

Rewards are given at the completion of a job. They are different from recognition which usually takes the form of praise. Rewards are tangible, usually cash, mementos or goods.

FEDERAL EXPRESS - 1990 Winner

Compensation is based on "pay for performance" policy.

- **Managers/Professionals:** Achieve points based on their performance as measured against P-S-P objectives.
Dollars-per-point depends on overall company performance.
* P-S-P: People-Service-Profit ideal. "When people are placed first, they will provide the highest possible service, and profits will follow." Fred Smith, CEO
- **Hourly Employees:** Earn incentive compensation based on performance criteria. Those who have reached the pay limits within their job category can qualify for "Pro Pay" bonuses every six months.

Recognition/Reward Programs:

- **Decentralization** - Each division retains control over its own employee award programs. Managers within each division know best when an employee has performed well in his/her area.
- **Bravo Zulu Awards** - "On-the-spot" rewards given to employees by their managers. Include "quick cash" bonuses, theater tickets, dinner gift certificates, etc. Approximate worth of \$50.
- **Golden Falcon Awards** - A customer driven award. Includes ten shares of FedEx stock and a call/visit from the COO. The awards are triggered by a letter or phone call from either the employee's manager or the customer in praise of "above-and-beyond-the-call-of-duty" performance.

Benefits:

Tuition Reimbursement Plan
Pension Plan
Profit Sharing Plan
Stock Ownership Plan
Long Term Disability Plan
Group Travel Accident Plan
Basic Life Insurance Plan
Accidental Death and Dismemberment
Survivor Income Benefit Plan
Group Health Plan
Optional Life Insurance Plan
Drug & Alcohol Treatment & Rehabilitation Reimbursement

Miscellaneous Perks:

- **Job Change Tracking System** - on-line computer job-posting system. Uses promotion from within policy.

- No Lay-Off Policy - equivalency pay for eighteen months or until another higher salary job is found.
- No Probationary Program - for new employees.
- Flextime: swap - swap a day for somebody else's day
giveaways - get a part-time employee to work for you; they get extra hours while you lose only partial hours.
- "Jumpseating" - allows an employee to fly along free on one of the company's scheduled cargo flights.
- Training: - through video systems, computer terminals, and classes.
 - different training for pilots, front-line employees, customer service agents, and couriers.
 - quality training for executive, management, and hourly employees.
- Aircraft Naming Program - aircraft are named after employee's children or deceased employees.
- Grievance Programs
 - Guaranteed Fair Treatment Procedure (GFTP):
Provides every employee with an opportunity to have a complaint or grievance heard before progressively higher levels of management (for conflicts between an employee and a manager.).
 - Open Door Policy:
Mechanism for handling employee complaints/questions regarding global corporate policies, including such things as benefits, hiring, seniority, vacation schedules, etc.
- Employee Communications Department:

Consists of sixty personnel dedicated to improving employee relations. Includes FXTV, a television broadcast technology that allows executives and managers to communicate quickly and directly with employees and vice versa.

TEXAS INSTRUMENTS

Defense Systems & Electronics Group (DSEG) - 1992 Baldrige winner

Teaming for Excellence Award

- given once a year.
- purpose is to recognize empowered teams and to describe a common vision of what an empowered team is.
- highest scoring teams are recognized at the gold, silver and bronze levels.
- teams receive recognition in intracompany newspapers, across the computerized news system, through local site announcements, through banquets (gold teams only), by attending a local conference in the following year (gold teams only), and by receiving a team plaque.
- individual team members are recognized by receiving a lucite statue with an embedded gold, silver, or bronze medallion and a personalized letter of congratulations from the DSEG President.
- all participants in the award process and the examiners receive a mug with the Teaming for Excellence logo.
- all recognized teams will be expected to participate in the examination process the following year.

Site Quality Award for Excellence (individual)

- aimed at identifying those individuals who most typify the DSEG quality principles.
- selective award that is limited to recognition of two percent of the population on an annual basis.
- individuals receive a plaque, brass nameplate, are featured in site publicity (newspaper and display board), attend coffee and cake reception with past recipients, get personal recognition from site management, and attend a banquet.

Group Quality Award (individual)

- purpose is to provide Group level recognition for significant quality performance or achievement by an individual.
- individual must be a current year or prior year recipient of the DSEG Site Quality Award.
- approximately 15-20 people receive this award on an annual basis.

Key Elements of DSEG Total Quality Management

- purpose of the total quality strategy is competitive advantage.
- management by fact is the substitution for intuition and hunches; requires thorough understanding and use of techniques such as design of experiments, statistical process control and variability reduction. also requires a business climate that empowers people, encourages experimentation and fact finding, and expects quality decisions to be made by the people doing the work.

- training is the foundation of an empowered workforce.
- has adopted a 10-step method for benchmarking that requires planning, analysis, integration and action.
- has divided benchmarking into four types:
 - internal - compare similar processes within company
 - competitive specific competitor-to-competitor comparisons
 - functional compare similar functions to industry leaders
 - generic - comparison of unrelated practices or processes
- leaders communicate quality values and visibly support total quality in meetings with employees, written correspondence and through various other communications of TI values and principles.

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SYNOPSIS OF DEPARTMENT OF EDUCATION
STAFFING FACET TEAM RECOMMENDATIONS

1. Flextime - expand to days concepts. Working Saturday or Sunday for a day off in the middle of the week.
 - incorporate phone answering hours for staff. For instance certain staff would forward their phones for several hours a day.
 - limitation of days and times meetings can be held.
2. Work Environment - cleanliness of work areas, lighting and need for appropriate equipment.
 - money spent in this area would improve morale
3. Eliminate superficial awards - STAR, employee of the month.
4. Generate diversity - job rotations team concept
 - employees in a similar job class would be put into a team and be assigned certain job duties for one year and then rotated.
5. Pay increase - employee has option to forgo annual increase in pay for option of working less hours in a week.
 - look at option of making 9 month instead of 12 month positions while employee benefits remaining in tact.
6. Cafeteria Benefits - items to be included:
 - vacation - sell to generate money for purchase of additional options.
 - Retirement Benefits - additional money for deferred comp or tsa
 - Short-term Disability Insurance
 - Purchase of professional organization dues
 - Additional cash benefits in lie of heal insurance (contingent on showing proof of insurance coverage)
 - Tuition reimbursement - both job and non-job related (offer college courses at a reduced cost on capitol complex)



RESPONSES FROM DOT MORALE COMMITTEE

Summary

The DOT Morale Committee has completed their informal survey. Committee members report that they have received the following responses from their co-workers:

1. more time off
2. pay for extra responsibilities
3. increased promotional opportunities
4. more job changes opportunities
5. better retirement package
6. some type of compensation for working extra hours for noncontract covered employees
7. personalized health care options - choosing benefits to fit individual needs
8. reserved parking spaces for long-term employees
9. adjusted work week for field employees
10. cash for vacation balances
11. increased cleanliness and conditions of buildings and grounds
12. cost sharing and/or referral service for dependent care (adult or child)
13. expansion of telecommuting program

Analysis

It is interesting to note that the list does not contain references to increasing wage rates or changing the current compensation system. Rather, it focuses on issues relating to the quality of the work life and recognition for contributions.

Also evident is the an increasing concern with issues related to the conflicts arising from managing home and work life. Some of this concern may be related to the increase in the number of women in the work place or to the recent staffing restrictions. References to increased opportunities for promotions or job changes, pay for extra responsibility, compensation for extra hours worked and exchanging vacation hours for cash are indicative of a stressed and stretched work force.

Some of the issues mentioned are specific to things happening at the DOT but may be useful for consideration by other agencies. For example, the references to the availability of adjusted work weeks and telecommuting opportunities refer to two pilot programs being run by DOT which are being well received by many employees. Some employees do not yet have an opportunity to participate due to the limited nature of the pilot but some are not being recommended for inclusion because of the type of work performed. Road maintenance crews are generally scheduled to work as a team during off traffic hours when possible. Allowing a variety of adjusted work weeks and daily schedules in this situation would be counter-productive. Although, it may be possible that some form of employee input to work scheduling could increase their feelings of participation and control of their time.

The references to increased cleanliness was most likely a reaction to the recent decrease in staffing of custodial functions. In most central complex building, employees are being asked to empty their own waste paper and recycling containers into barrels located throughout each building. The frequency of carpet shampoos and wall washing/repainting has also been reduced. The response contained a specific reference to building and grounds so it is unlikely to be a reference to conditions for employees working on projects in the field. We have previously had issues relating to the available of toileting facilities for outdoor employees but those appear to be resolved at present.