

Building A Better Carrot

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Pay for performance is on the rocks and agency budgets are tight, but dedicated managers still find ways to reward and recognize employees.

Lois Maxwell's \$200 steak lunch began as a lark. A supervisor in the Labor Department's Office of Workers' Compensation, Maxwell noticed her team never reached all four of their timeliness goals in a quarter. They often would meet one or two of the benchmarks for adjudicating claims, but never all of them.

"It bugged me," she says.

So at a unit meeting, Maxwell impulsively told her employees that if they met all four of the goals - without ignoring the backlog - she would treat them to a steak lunch. Her challenge began to work. One quarter, the employees met three out of four goals.

"I said four out of four," Maxwell told them.

"You're gonna have to put up, or shut up," employees ribbed her.

Soon, more than a dozen employees were feasting on Kansas City strip, twin medallions, top sirloin and rib-eye at the Hereford House restaurant. The Kansas City Office of the Labor Department's Workers' Compensation Programs met its schedule for processing hundreds of workers' comp claims in a quarter.

That was the beginning of a group rewards system for Maxwell, who started at OWCP in 1981 and is now district director for a division of federal employees' compensation. A few years after the Hereford House lunch, Maxwell asked her 20-person team to hit a milestone that no Labor unit in the country had met. "I remember them laughing at me," Maxwell says. She told them, "I'm thinking: If we do this one, I will take you out to whatever restaurant you want to go to in Kansas City."

This time they dined at McCormick & Schmick's, and her employees ordered dessert.

"Maybe it's a Midwest thing," Maxwell says. "We love food."

'Everybody Loves Money'

Rewarding federal employees is not an exclusively Midwestern thing. President Bush and Clay Johnson, deputy director for management at the Office of Management and Budget, made it a goal in August 2005, when Johnson unveiled the draft Working for America Act, "to require agencies to better manage, develop and reward employees." The bill would have scrapped the General Schedule pay system for all domestic agencies, instead awarding raises according to annual performance evaluations.

The concept that employees should be paid for the quality of their work instead of how long they've held their jobs is hard to argue with. But making it reality isn't easy in government. Federal labor unions

contended the new system would encourage favoritism and cronyism and lead to lower wages over the long run. No one in Congress introduced the bill.

In recent months, even officials at the Department of Homeland Security announced they were giving up on their pay-for-performance attempt, save for a few hundred employees in a pilot project. The Defense Department continues to push for its performance-centered personnel program, but newly empowered Democratic lawmakers have begun to question that, too. So, federal managers are back where they began, with a personnel system that doesn't inherently focus on performance and dwindling budgets to reward employees outside that system. But management experts and managers say money isn't always the most effective award.

"Everybody loves money," says Robert Behn, a lecturer in public policy at Harvard University's John F. Kennedy School of Government. "The dilemma comes when you get \$2 more than me and that's the only way we keep score. Then I'm bummed out that you got more than me. "Money tends to screw up relationships unless it's handled really, really well," Behn adds. Most agencies have rewards, such as cash bonuses, quality step increases and agencywide honors. But over time, the bonuses and QSIs become expected, and their year-end timing isn't specific enough to encourage repeat behavior. William Wiley is a rewards cynic; he thinks pay-for-performance systems are a waste of time. Wiley, a private practice attorney who was once chief counsel to the chairman of the Merit Systems Protection Board and chief of staff to the general counsel of the Federal Labor Relations Authority, began his career at the Navy. "It's almost insulting to think someone who's working for \$85,000 is going to work harder for a \$400 incentive," he says. To his way of thinking, there's only one kind of incentive program that works. In 1980, Wiley put a rewards system into place at a San Diego public works center for the Navy. The center employed auto mechanics who repaired Navy vehicles. For every hour the mechanics came in under schedule, Wiley paid them half an hour of extra pay, distributed in lump sums every two weeks. "You would have thought we set them on fire," Wiley says. Before the rewards system, repairs often took about six weeks. After the system got going, "we were [as good as] Goodyear," says Wiley.

What worked for auto mechanics worked for attorneys, too. At the MSPB, Wiley told 35 staff lawyers who reviewed cases and drafted decisions that for every case they completed above the set number of decisions everyone was expected to complete, they would receive \$75 more. "Some of the guys worked nights and weekends to get the extra money and some didn't - we didn't care," Wiley says. "We reduced our backlog about 20 percent in a three-month period." He and many others say rewards won't work unless they're tied to specific achievements and are timely.

Purple Silk Flowers

Nonmonetary rewards can work, too. A little competition, mixed with public recognition, is a tried-and-true

recipe. So says Don Jacobson, a federal employee who runs a Web site devoted to leadership in the public sector, GovLeaders.org.

A few years ago, Jacobson put up a poster on his agency's wall. He labeled it "Unit Record" and kept track of a task his employees found particularly tedious. One employee was initially much more productive than the rest. Once her record was displayed, others began trying to beat it. "Over the next year, the unit record was broken more than a dozen times by half a dozen employees," Jacobson wrote in an e-mail from Istanbul, where he was traveling. "When I left that job, the record was nearly five times higher than it had been when I put up that first poster. The staff loved it."

Mostly, employees and managers report that a "thank you" does the trick. Jim Fell, director of the Social

Security Administration's Office of Disability Adjudication and Review in Cincinnati, calls them "atta boys." Fell gives his employees constant feedback, both verbally and in thank-you e-mails and notes. "Positive feedback does translate into production," Fell says. "I can't measure that, I can't quantify it for you, but I feel that it works."

"It's not just the feedback on e-mail or a note or whatever, it's also . . . taking a direct interest in an employee's future," says Matthew Ferrero, a manager in the Center for Leadership Development at the Internal Revenue Service. "Not just their professional future, but actually getting to know them on a more personal level."

Bob Nelson, author of *1,001 Ways to Reward Employees* (Workman, 1994), can quantify it. Nelson, who has consulted for the IRS, General Services Administration, Office of Personnel Management and Interior Department, ticks off study after study. One example: a 1982 study by Gerald Graham of Wichita State University, which found that a manager personally congratulating an employee for a job well done or writing a personal note about good performance were the most effective motivators. Managers can add weight to personal recognition by sending an e-mail of praise to the agency head and copying the employee. Or they can praise employees in front of their peers at a staff meeting. Managers can nominate employees for any of a slew of external awards; even if an employee doesn't win, the nomination is an honor. Managers can use awards budgets to buy gift cards to stores or personalized plaques or certificates to demonstrate real appreciation. "We're not going to give you a list because you can do the right thing and you can do it in a wrong way," Nelson says. "Part of making it work is it has got to be personalized. You have to adjust it to the person."

"We have federal employees whose job is to ride on the range on the border between the United States and Mexico looking for diseased cattle," Nelson adds. "If you gave them a desk set, it's not going to do anything for them."

For Joan Klein, a program analyst at the IRS, it was silk flowers. Two years ago, Klein taught a two-day training class about an IRS computer system she knew well. She did the training in addition to her regular duties and the manager who asked her to do it brought by a pot of purple silk flowers afterward. Klein still keeps them on her desk and says she would do the training again for that manager anytime. "It's rare that somebody really goes out of their way on their own to do something nice for you," Klein says. John Gatt, who oversees about 2,000 federal employees as head of an industrial operations department at Cherry Point Marine Corps Air Station in North Carolina, sees incentives as preparation for the pay-for-performance-

based National Security Personnel System making its way into the Defense Department. By the end of April, 113,000 civilian employees will be in NSPS.

Gatt started a rewards system for his employees six months ago. It's the first time employees in his department, many of whom are wage grade and repair aircraft engines and other parts, have been rewarded individually. "Knowing that we're going to head down the path toward NSPS, I wanted to start migrating toward that type of culture where individuals were identified and awarded for exceptional performance," Gatt says.

The program is purely peer driven. Employees nominate each other based on certain qualities: work ethic, co-worker relations, customer service, increased throughput, improvements and dependability. A volunteer panel reviews the nominations every month and rewards about 20 workers with an extra \$250. Employees can receive as many as four payments a year, but not more than two in a row. Federal workers commonly complain that the same people are rewarded over and over, eroding the usefulness and meaning of incentives and creating bitterness.

Gatt had to vet his employees' concerns with two local chapters of the International Association of Machinists and Aerospace Workers. The unions were open to his idea, though he had to tweak the program. Often, unions can impede creativity in setting up incentives. Perks such as parking spaces and office space often are negotiated and sometimes can't be used as rewards.

Travel and Training Rewards

Generally, there are few governmentwide rules regarding rewards systems. Some agencies have cash limits on spot awards programs, for example. The Office of Government Ethics has a policy about subordinates gifting their bosses, but not the other way around. Also, agencies can't pool their awards budget and buy one nice item, then hold a lottery for employees; the element of chance makes that illegal. There are a couple of other rules, emphasizes Nancy Kichak, OPM's associate director for strategic human resources policy. One is that rewards must be related to work product. A manager can't reward an employee who gives co-workers a ride home. Another: Managers cannot solicit donated gift cards from companies as rewards, as some private companies do.

Officials at the U.S. Mint and the Office of the Comptroller of the Currency experimented with doling out debit cards instead of cash awards, but accounting accuracy was a problem and they ended the pilots. Managers sometimes use training, travel - especially to a sunny locale - or detail assignments to another office or agency as rewards for good work. This area is murky. "The use of government dollars for training is supposed to train employees to do their job," Kichak says. "Scarce training dollars should be used for training the person who needs the training the most . . . a detail assignment is just like training."

"I think [detail assignments are] another good nonmonetary award for folks that have really done a good job," says John Palguta, vice president of the Partnership for Public Service, "when what they really want is a chance to spread their wings and try working on a different area or a different project in the same office." But Palguta warns that many agencies have strict competition rules for detail assignments. Even so, if employees are outstanding, they might win the competition, and a manager's suggestion to apply for a detail could just be the goad to apply.

Similar care must be taken with travel opportunities. Managers must assign the travel based on merit principles, not as a reward for a specific deed. But employees who deserve rewards for specific deeds are often the ones who win chances to travel. "If I've got a choice between Person A and Person B, I'm going to send the employee that is going to represent me the best," says Tom Burger, national president of the Professional Managers Association in Washington and an IRS manager. On the other hand, he says, "You've got to be fair in the distribution of work. If you as a manager are playing favorites for whatever reason, you're going to get caught up, and it's going to come back to bite you."

Cynics and Eye-Rollers

Do rewards work? Certainly there are cynics and eye-rollers. A reward that's out of balance - such as the \$1,500 cash bonus one jaded staffer reports he received after finishing a project that saved the government \$1.6 million - can backfire. Yet managers should know their efforts to reward employees mostly are appreciated. Bonnie McEwan, an auditor at the Securities and Exchange Commission, was staggered when top-level executive Linda Chatman Thomsen, director of the enforcement division at the SEC, poured her a drink. In February, McEwan and her SEC colleagues implemented a new case management system, working long hours to get it going. Once it was in place, Thomsen hosted a reception in her conference room and served the food and poured the drinks herself to thank employees.

"Honestly, at first I wasn't excited about this reception," McEwan says. "We were working late and it was

after work, but it was so nice. It meant a lot to me that she was going around with the trays. Usually the high-ranking government officials don't do that."

"It probably doesn't mean as much to everyone," McEwan admits. "I like the thank yous."

Palguta, from the Partnership for Public Service, a Washington nonprofit organization that promotes federal service, has received many awards during his time in the government - 34 years at the Office of Personnel Management and Merit Systems Protection Board - and out of it. His shelf is lined with them. Palguta suggests rewarding employees in front of their peers unless an employee is particularly shy. That way, not only is the employee recognized but colleagues are motivated.

"You've got to prevent it from being gratuitous," says Palguta. "Employees actually know more about how well people are doing in terms of their peers sometimes than their supervisor knows. If the supervisor is simply friendly to everyone and everyone gets a turn at being praised, it starts becoming less meaningful."