

**WHAT WILL BE THE STATUS OF PAY-FOR-PERFORMANCE
SYSTEMS IN A MEDIUM-SIZE LAW ENFORCEMENT AGENCY BY
THE YEAR 2000?**

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This Command College Independent Study Project is a FUTURES study of a particular emerging issue in law enforcement. Its purpose is NOT to predict the future, but rather to project a number of possible scenarios for strategic planning consideration.

Defining the future differs from analyzing the past because the future has not yet happened. In this project, useful alternatives have been formulated systematically so that the planner can respond to a range of possible future environments.

Managing the future means influencing the future -- creating it, constraining it, adapting to it. A futures study points the way.

The views and conclusions expressed in the Command College project are those of the author and are not necessarily those of the Commission on Peace Officer Standards and Training (POST).

INTRODUCTION

California's economic viability and strength has suffered a severe blow in recent years. A continuing trend of demilitarization has impacted its economy significantly in the area of aerospace, military procurement, and high-tech application. Unfortunately, this trend has a nexus to the law enforcement profession which, accordingly, has suffered the same scrutiny imposed by city government and has been the recipient of cutbacks forcing departments throughout the state to do more with less.

Whenever "Dagwood Bumstead" asks his boss for a raise, "Mr. Dithers" gives him a swift kick in the pants. These days, though, Mr. Dithers could make Dagwood work harder by putting him on a so-called pay-for-performance compensation plan. These plans, now used for some employees at seven out of ten large United States companies, limit raises in favor of once-a-year bonuses tied to some combination of individual, group or corporate performance.¹

Public agencies, in general, and police departments, specifically, have traditionally lagged behind the public sector in the area of performance measurement, performance goals, and innovative employee compensation packages. Few would argue that: police officers are getting extremely expensive; the public community demands more and more accountability; the workforce is constantly changing; managerial techniques are constantly being introduced; unionism in the private sector has taken a downturn and; numerous technological advances are but some of the forces that are driving public agencies to become more realistic and to explore the option of paying employees not for membership, but for performance.

Employee motivation, performance, and productivity have been studied for centuries. Whether it be individual or group performance and production or hours of work vs. dollar cost of labor, the implied, ever-present question is, how do you get individuals to accomplish more work and a better product?

Motivating employees to improve their performance has frustrated managers for generations. Understanding employee performance is complex in that motivation ultimately comes from within the individual and therefore cannot be observed directly. Moreover, most managers are not in a position to change an employee's basic personality structure. The best they can do is to use incentives to direct the energies of their employees toward organizational objectives. Money has always been a primary incentive, for without it few if any employees would come to work. But money alone is not always enough to motivate high performance.²

A review of the literature reflects a brief historical foundation from which the general concepts of employee motivation can be explored and a specific concept of pay-for-performance be developed.

Frederick Herzberg's, Motivation Hygiene Theory divides morale into two sets of factors, the first of which he calls *dissatisfiers* and the second *motivators*. The dissatisfiers include *company policy and administration, supervision, relationships with supervisors, working conditions, salary, relationships with peers, personal life, relationships with subordinates, status, and security*. These are potential dissatisfiers because employees expect and hope that they will all be good. If they are not good, the employees will be unhappy.

What really makes you want to work, according to Herzberg, are the motivators. These

include *achievement, recognition, the nature of the work itself, responsibility, and opportunities for advancement and growth.*

Herzberg asserts that motivation can be thought of as two entirely separate factors. Thus it is possible for people to be satisfied and dissatisfied at the same time. They can, for example, appreciate the opportunity the job offers for achievement and still be most unhappy about company policy, or pay, or working conditions.

Herzberg states that since every individual has the built-in dynamos of the motivators, the primary task of management is to produce the conditions in which these factors are activated. Herzberg has emphasized the idea of *job enrichment*, which is making jobs richer so that the motivators are activated.

Most important is Herzberg's position that it is the nature of the work itself that turns on the self-directing generators for accomplishment, and emphasis on human relations alone will not result in high productivity or job satisfaction. Job enrichment provides a method for redesign of work to make it more meaningful.³

When looking at the motivation of individuals, James B. Lau and A. B. Shani, in their book, Behavior in Organizations, define motivation as psychological energy directed toward goals. All behavior is purposive, that is, directed toward the achievement of goals. The goals may be positive in the sense of moving toward something that is wanted, or they may be negative in the sense of moving away from or avoiding something perceived as undesirable.⁴

Probably one of the most renowned management theorists, Abraham Maslow, explored

the area of individual motivation and articulated it in his hierarchy of needs requiring fulfillment of: Physiological, Safety Needs, Love (social), Esteem (ego), and Self-Actualization in a work environment:

John H. Miner is the chief architect of the Role Motivation theory,⁵ which in essence proposes that the roles of a given profession or occupation have basic prescriptions the individual must follow to perform in the role.

Depending on others is a basic part of the human condition, which also needs to be considered when discussing motivation. People feel a need to belong, therefore, the influence of the group on individual motivation can not be ignored. People seek out other people: they clump and cluster together to satisfy belongingness and safety needs.⁶ Conformity to group norms brings acceptance; failure to do so brings rejection.

In today's environment where virtually all organizations are downsizing, where the regular phrases are "lean production", "cutbacks", "right sizing", "do more with less", it has become critical for employers to develop methods to deal with the ever changing work environment. Traditional techniques of employee compensation are becoming less practiced and appealing to both the public and private sector.

The past decade has seen a boom in "pay for performance" or "merit pay" plans -- in schools, the federal government and private companies. One survey found that 70 percent of U. S. firms offer at least some form of performance incentive. Merit pay used to go mostly to executives (often in the form of stock options) and to salespeople. Today they're increasingly available to middle managers, clerical and blue-collar workers.⁷

Some form of merit pay systems may be common place for non-management personnel

but as Princeton, New Jersey Management Consultant Craig Schneici says, "Merit raises were supposed to get employees to work harder, but they've become entitlements that employees expect for not screwing up." As a result, employers have been putting a clamp on merit raises while looking for more innovative compensation plans.⁸

But, while almost everyone embraces the pay for performance principle, many organizations have run into snags putting performance pay into practice. Some problems are unavoidable, like worker jealousy. Others stem from indecisive or poorly trained managers who refuse to choose between workers, or who use unfair or inaccurate criteria in evaluating their employees.

The biggest user of pay-for-performance programs is the federal government. Some 2.1 million of its middle-level employees work under a pay system that has a merit component. But annual and bi-annual step-ups are so routine -- less than 1 percent of the workers don't get them -- that it amounts to a de facto seniority system. "In order not to get the raise you have to hit your supervisor or not come to work," says one federal employee. Starting in 1978, about 127,000 government supervisors were put under a new merit pay system. To be eligible, employees had to be rated "fully successful" or better. Sound rigorous? A full 99.5 percent of the supervisors met the test. "There is managerial evasion of reality that's pretty wide-spread," concedes Constance Horner, head of the federal government's Office of Personnel Management.⁹

In 1989, the American Productivity Center (APC) and the American Compensation Association (ACA) surveyed 1,598 firms and organizational units to see what methods were being used to meet work force goals and how well they were working.

The researchers found that what the companies were doing fell into two broad areas:

innovative reward systems and more supportive human resource practices. The specific objectives varied from company to company, but overall the systems and practices were designed to tie pay closer to performance, improve productivity and quality and increase employee involvement.

Other popular reward systems include profit sharing and individual incentives or bonuses, still used mainly for manager and professional employees, and pay-for-knowledge plans. In these plans, what an employee earns is determined by the number of jobs he or she can do, rather than the job actually done on a given day. Pay-for-knowledge, which gives a company greater production flexibility and broadens a worker's skills, is used chiefly in work units that rely on the team concept rather than traditional job classifications.

Nearly half the firms reported that their reward systems included at least one recognition program – employee of the month, best service team or the like. The award criteria are usually subjective, matters of supervisory nomination or managerial decision rather than objective standards such as surpassing assigned goals. Despite the prevalence of recognition programs, most companies don't consider them very successful in encouraging better performance. Recognition does have a role, the report concludes, but mainly as one element of a larger performance improvement effort such as gain sharing or other incentive-based plans. In short, money talks much more persuasively than plaques or certificates.¹⁰

In an effort to reward performance it is necessary to measure it. There is a basic assumption that what gets measured gets done. In the absence of competition, government agencies often do not measure performance, productivity, service quality and cost. Because there is no threat of losing one's job to a more effective, efficient competitor, the incentive to track performance and use that information to improve is

not strong.

When performance is not measured, workers and organization units will not know if they are meeting stated expectations and accountability will be low. In the absence of measurement, rewards tend to be given for continuing to do what is currently being done even if existing performance is below reasonable expectations.¹¹

Then there is the difficulty of performance measurement which has always created a conflict with peace officer unions and the statistical measurement of their performance. Historically any attempt to statistically measure the performance of line personnel has met with resistance from police labor unions. By the year 2000, it may be possible to develop a program which embraces the philosophies of community-oriented policing, placing minimum importance on the traditional areas management has attempted to measure in the past, i.e. crime rate, arrest stats, available patrol, etc., making performance measurement more palatable.

As can be seen from the literature review as well as the current state of California's economic viability and strength, which hopefully will begin to slowly rebound, it becomes imperative that the law enforcement profession prepare itself for an uncertain future. Assuming that employee reward systems will be part of this uncertain future as existing practices will continue to be scrutinized and found to be inadequate based on the demands and expectation from both, internal and external forces affecting law enforcement agencies.

In an effort to address these concerns, a group of experts representing a cross section from both the public and private sectors, was combined to identify significant issues, which might impact the status of pay-for-performance systems in law enforcement by the

year 2000. Paying particular attention to the areas of criteria utilized, performance measurement, and the impact on employee relations, the following are several of the key trends that were identified by the group as being important to this study:

- Level of Public Support for Pay-for-Performance addresses the degree to which the public will support a pay-for-performance program in the public sector. Understanding that some of the public is of the belief that the public sector is already being paid to perform and any program that rewards performance could be potentially dangerous as it could develop into a quota system or, at the very least, lead to another entitlement program.
- Level of Available Funding references the degree to which an agency is able to financially support a pay-for-performance program.
- Level of Employee Empowerment deals with the degree to which the employee is actually allowed to meet or carry out pay-for-performance objectives. Measured by how much input and responsibility the employees will be given in the process.
- Degree of Participation of Employee Groups/Unions in the Process refers to the level of union participation and support for a pay-for-performance plan as well as union participation criteria selection.
- Level of Team vs. Individual performance is the degree of emphasis on Team performance vs. Individual performance criteria in a pay-for-performance program. Many organizations are already tying team performance criteria to employee reward or compensation packages and this trend is expected to

continue.

- Level of Fear in the Organization refers to the degree of distrust in an organization which would effect implementation of a pay-for-performance program. Primarily dealing with the level of fear or distrust from the bottom up, however, the fear or distrust factor could have equal significance from the top down.
- Degree of Value Shift toward Pay-for-Performance is the degree to which the work force in general accepts some sort of variable compensation.

Through further analysis, scenarios were developed in an attempt to “glimpse the possible futures” for California law enforcement as they relate to employee compensation by the year 2000. This glimpse of the future ranged from a city in ruin because of poor financial planning - to a city, although financially stable, in upheaval due to distrust and anger over broken political promises and special interest group intervention - to finally - a city government fully aligned with the community and participating in an agency specific city-wide pay-for-performance program.

Policy Considerations

The futures forecasting process highlighted the necessity of strategic planning, union and management cooperation and the importance of community involvement in preparing for the future. In an effort to address these concerns the following policy considerations were offered:

- Initiate a research and development team to assess current and projected variable compensation programs in both the public and private sector.

- Form a committee of stake holders to develop criteria for a pay-for-performance program.
- Develop and cultivate a working relationship with emphasis on building a level of trust with the respective labor groups.
- Pay-for-performance Programs should address/embrace the community-based policing philosophy.
- Implement an on-going review process to continually assess validity of criteria, the results obtained, and revise as necessary.

Traditionally police unions and city governments have agreed upon employee compensation packages based primarily on the cost of living and what other agencies are offering. They usually agree to a place somewhere in the middle of a predetermined list. After several meetings they finally agree to a compensation package somewhere in the middle of that predetermined list.

The development of a quality pay-for-performance program allows cities and employee groups to develop agency or organization specific criteria for receiving compensation based on performance and how services are to be delivered.

Strategic Plan

Based on the “most desirable” and hopefully attainable future scenario, the development of a strategic plan was necessary in order to move toward that future. Three alternative strategies were developed:

Strategy #1 - Create a committee of stakeholders to develop criteria and oversee implementation.

This strategy would involve members from virtually all stakeholder positions. They will be charged with research and development of current and projected programs

throughout the public and private sector. Because all stakeholders would be represented, cost benefit analysis, funding commitments, and education of stakeholders could be easily addressed. The committee's main charge would be to develop a criteria for a pay-for-performance program agency wide.

Strategy #2 - Hire an outside consultant to develop, oversee, and monitor the program.

This strategy would involve hiring an outside consulting firm having expertise in the areas of employee compensation and pay-for-performance. The elements of this strategy would include developing a criteria for pay-for-performance, a training and education program for employees, an instrument to measure performance for both line and management personnel, and the development of an evaluation tool.

Strategy #3 - Create a consortium of public and private sector labor and management representatives.

This strategy would involve a group of volunteer professional labor and management representatives brought together to develop criteria and measurement instruments for a pay-for-performance program. Individual members of the consortium would be selected by the council based upon recommendations from the various stakeholder groups as well as the community at large.

SELECTED STRATEGY

After reviewing the alternative strategies, it was determined that all three have something to offer. Each of the three has components that are not only feasible and desirable, but have some stakeholder support. It was further determined that future performance criteria will place heavy emphasis on group or team performance, and any strategy that

is to be developed must take that into consideration.

The preferred strategy is a combination of the first and second general strategies. The elements will include the development of a committee of stakeholders (advisory committee), a professional consultant, a pay-for-performance training and education program, and finally a core group of stakeholders charged with developing criteria for both short and long-term implementation, evaluation and modification.

The main panel serves as an information link between the stakeholders and city government. It is anticipated that rumor control and suggestions would flow in both directions through this panel. Because the main advisory panel includes representatives from all stakeholder groups it would play an intricate part in the development of the strategy. It would also be the responsibility of this panel to identify key persons who would be primarily responsible for criteria development and implementation.

Another key responsibility of the advisory panel would be the selection of an outside consultant. The consultant would provide immediate professional expertise, a faster implementation period, and provide for a more objective atmosphere. The consultant would also serve as the spokesperson for the group and provide a conduit for information flow.

The training and education portion of the strategy would serve to educate not only the community and police personnel, but also lay the groundwork for education throughout the city with emphasis on a future expanded program to include all elements of city government.

Conclusions

The police officers entering law enforcement today are the most educated and most experienced that we have encountered. This is the result of a society which places a high priority on standards, education and career preparation. A conflict arises when these young, energetic individuals enter agencies that have historically been conservative in their approach to employee motivation, while at the same time, demonstrate resistance to change, which lends itself to employee stagnation and frustration. Thus it was the author's desire to develop a pathway for others to follow in motivating these new centurions who are entering our profession.

Determining the status of pay-for-performance in law enforcement in the future is not a simple task. It is not enough to just list the advantages and disadvantages, pros and cons, and then answer the question based on which way the scales are tipped. The needs and perceptions of the community, the political powers, and the organization including those of management and line personnel are critical.

As can be seen from the strategic plan presented in this study, it is the responsibility of our future leaders to develop organizational and employee motivation. The leaders of law enforcement agencies must have the vision and an understanding that it is their responsibility to design organizations that will provide the employee with the incentives wherein maximum efficiency and productivity is achieved on a daily basis.

The public sector does not produce a tangible product making it very difficult to statistically measure something as intangible as "public service." Law enforcement leaders recognize that community policing and problem oriented policing are the new tasks of law enforcement, but what they must also realize is that it is their responsibility

to provide mechanisms in which the line officer and their supervisors can fulfill these new assignments in a more efficient manner than we have observed in the past.

Development of a successful pay-for-performance program can only be successful in organizations where there is a cooperative trust between stakeholders, realistic goals, and performance measures. Motivation of police employees cannot be overlaid from department to department but rather police leaders must rise to the challenge within their own organizations to develop systems that compliment the task of employee motivation and job enrichment. It is the challenge of each police leader to review the empirical research available and to apply their own strategic plan in a manner which serves their community in the most beneficial way.

END NOTES

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