

114082

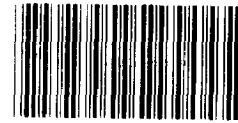
~~15813~~

REPORT BY THE U.S.

General Accounting Office

Ways To Improve Federal Management And Use Of Productivity Based Reward Systems

Productivity based reward systems have proven to be a successful technique for improving employee productivity in some job situations. Certain OPM actions would stimulate increased usage and improve the operations of Federal agency systems.



114082



114082

01140258

FPCD-81-24
DECEMBER 31, 1980



UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

FEDERAL PERSONNEL AND
COMPENSATION DIVISION

B-201372

The Honorable Jule H. Sugarman
Deputy Director, Office of Personnel
Management

Dear Mr. Sugarman:

As part of our efforts to identify ways by which Federal work force productivity can be improved, we studied the concept of reward systems based on productivity standards. We also investigated the concept's use in the Federal sector. As a result of this work, we believe actions are needed by the Office of Personnel Management (OPM) to achieve better management and use of productivity based reward systems by Federal agencies.

In summary, we found that:

- Productivity based reward systems have had positive effects on productivity in certain work situations, and there seems to be potential for greater use of the concept in the Federal government.
- Current OPM guidance on incentive awards for Federal employees does not adequately cover productivity based reward systems.
- Some ongoing Federal agency initiatives do not include key features of well designed productivity based reward systems, while others include features or have had experience that could be helpful to the design and operation of other agencies' systems.

This report summarizes our observations on weaknesses in the current OPM guidance and on the experiences and needs of Federal agencies that are operating productivity based reward systems.

We discussed the report's contents with staff in your Office of Productivity Programs and have considered their views. The OPM Office of Productivity Programs has the leadership role for productivity improvement in the Federal sector and is also responsible for prescribing regulations and guidance to implement the Federal employees' incentive

award program. We recognize that OPM has taken some actions to publicize agency uses of the concept and provide research support and technical assistance on individual productivity based reward systems. However, we believe further OPM action is needed to stimulate usage of the concept and to improve the operation of ongoing Federal agency productivity based reward systems.

OBJECTIVE, SCOPE, AND METHODOLOGY

Our review was conducted in the Washington, D.C., and Los Angeles, California, areas. We reviewed pertinent OPM policies, procedures, and documents and met with officials from several OPM offices; reviewed literature about productivity based reward systems; and analyzed records and talked to officials from numerous Federal agencies which have established productivity based reward systems.

Our literature review consisted of numerous books and articles about productivity based reward system controlled experiments, case studies, and principles and theories. We identified these materials from (1) a computer assisted literature search of relevant periodicals from the last 5 years, (2) the bibliography included in your April 1980 draft productivity research agenda, and (3) readings collected by our most recent report on this subject, "Does the Federal Incentive Awards Program Improve Productivity?" (FGMSD-79-9, March 15, 1979).

We obtained basic information about the characteristics and operations of ongoing Federal agency reward systems, but we did not evaluate the individual systems or verify the accuracy of claimed productivity improvements. We obtained our information from a variety of sources and did not always contact the facilities which were operating the reward systems. Appendix I contains a list of these Federal agency productivity based reward systems.

REWARD SYSTEMS CAN IMPROVE PRODUCTIVITY

Productivity based reward systems are a form of performance bonus system which tie employees' earnings to their output. Most systems include a base rate of pay and bonus payments which are based on the relationship of actual output to a standard. The intent is to motivate employees to produce at an optimum level.

Various studies have shown that, under the right circumstances, reward systems can contribute to greater employee productivity. In fact, a recent summary of numerous past experiments about four employee motivation techniques--reward systems, goal setting, employee participation, and job enrichment--found that reward systems yielded a 30-percent improvement in output, the highest median performance improvement of the four techniques 1/. Other literature we reviewed also indicated that productivity based reward systems have had measurable impact on productivity in both the private and public sectors.

Nevertheless, productivity based reward systems cannot be used in all job situations. While there are no fixed rules for establishing such reward systems, various sources have suggested the following general principles:

1. Performance should be judged by objective measurable production standards that include all important aspects of the job.
2. The reward offered should be of value to the employee and be significant enough to stimulate effort.
3. The connection between exceeding the production standards and receiving the reward should be clear, and employees should understand the plan.
4. The plan must be accepted by employees and fairly applied by management.

It has been suggested that when these principles cannot be applied, organizations should not attempt to use bonus pay as an incentive for productivity gains.

1/ "The Relative Effectiveness of Four Methods of Motivating Employee Performance," E. A. Locke, D. B. Feren, V. M. McCaleb, K. N. Shaw and A. T. Denny in Changes in the Nature and Quality of Working Life, K. D. Duncan, M. M. Gruneberg and D. Wallis, editors - London: Wiley, Ltd. in press 1980.

Productivity based reward systems have been used extensively in the private sector, particularly in production jobs which are repetitive, easily measured, and where employees have control over the pace of their work. They have been less frequently used in the public sector. In fact, some State and local governments have legal barriers restricting bonus payments to public employees.

Several productivity based reward systems are in use for selected employees in various Federal agencies, covering such jobs as word processing, data transcription, keypunch operations, industrial production, and case processing activities. Because the Federal Government has many jobs which meet the criteria of repetitiveness and measurability, there appears to be considerable potential for applying this motivation technique in the Federal Government. Further, monetary awards may be provided to Federal employees based on their job performance.

OPM GUIDANCE ABOUT REWARDING
PRODUCTIVITY GAINS IS INADEQUATE

The Federal Personnel Manual Chapter 451 on incentive awards describes alternatives for providing bonuses to reward past performance, but the type of awards included are not appropriate for productivity based reward systems. As a result, agencies may be reluctant to initiate productivity based reward systems and where they do, the systems tend to be unnecessarily inconsistent.

Current OPM guidance on incentive awards allows agencies to reward employees' past performance with bonus cash awards for either (1) a one time special act, service, or achievement of a nonrecurring nature, or (2) sustained superior performance over a specific period of time. Special act awards are usually provided for nonrecurring single acts that result in measurable savings to the government. Sustained superior performance awards are normally associated with annual awards for outstanding performance where the value of the performance cannot be quantified. Neither of these options is appropriate for administering productivity based reward systems because of limitations in either the type of behavior being rewarded, the frequency of the award, or the method of determining award amounts.

Additional guidance should be developed by OPM to make Federal agencies aware of the potential for productivity based

awards. The new guidance should allow frequent awards to individuals and groups for above standard job performance that results in measurable savings to the government. Our literature review indicates that productivity based reward systems may be based on group as well as individual performance and should include frequent rewards to establish a connection between the award and the increased productivity. The new guidance should also explain that when calculating the reward amounts both the amount of productivity savings and the employee's salary level should be taken into account. Considering the value of cost savings is useful so managers can (1) determine if productivity gains are creating savings for the government and (2) establish a formula for employees to earn different sized awards based on the extent of their productivity. Considering the award's relationship to the employee's salary would help assure that awards are large enough to be of value to employees but not so large that employees will continuously be able to earn a large percent of salary in bonuses.

The new incentive award guidance could be developed within the existing incentive award legislation which gives OPM and Federal agencies broad flexibility to reward employee accomplishments. Furthermore, in both 1956 and 1969, Comptroller General decisions approved monetary incentive awards based on achieving fixed production standards.

The lack of adequate OPM guidance on productivity based reward systems may impede the establishment of such initiatives by Federal agencies. For example, managers at one Federal location we reviewed were reluctant to establish a productivity based reward system until they had obtained assurance from OPM that the program was allowable.

The inadequate guidance has also resulted in inconsistencies, because agencies used both special act and sustained superior performance awards as the basis for productivity based reward systems. For example, one agency gave special act awards to data transcribers, calculating them weekly on the basis of a cost savings formula. Under this arrangement employees could earn an additional 30 percent of their salary over a year's time. Another agency used the sustained superior performance award to give similar employees quarterly fixed value awards which would only amount to about 4 percent of their annual salary.

OTHER OPM ACTIONS COULD ALSO
IMPROVE DESIGN AND OPERATION
OF FEDERAL PRODUCTIVITY
BASED REWARD SYSTEMS

The characteristics and design of ongoing Federal agency productivity based reward systems differ greatly. Some have not incorporated key features of productivity based reward systems, while others either include features or have had experiences that could help other agencies.

Successful operation of productivity based reward systems requires that standards be established, reward schedules designed, and the system made understandable and acceptable to employees and managers. Managers must also decide whether such a system is appropriate for their organization and whether other job factors or employee behaviors must be controlled. Design problems in these areas could lead to reward systems that are unfair to participants, do not stimulate productivity gains, or reward undesired behavior.

Because of the many considerations to be made when designing and implementing productivity based reward systems, it appears that a handbook of instructions would help Federal agencies better manage their systems. The handbook should explain principles and theories, outline key steps and features, and describe alternative approaches for the design and implementation of productivity based reward systems.

To assist OPM in developing this document we have summarized our observations about the design and experiences of ongoing Federal productivity based reward systems. This material, which is outlined below and discussed in detail in appendix II, is not intended to substitute for the handbook of instructions, but it does illustrate some of the subjects that the handbook or the Federal Personnel Manual guidance should address.

Appropriateness of Reward Systems

- Objectively measuring and reporting on production differences
- Deciding on individual or group rewards
- Obtaining employee support

Developing Standards of Productive Performance

- Determining methods for setting standards
- Obtaining baseline data
- Limiting portion of employees receiving rewards
- Establishing reward ceilings or procedure for raising standards
- Controlling quality of the product
- Adjusting standards based on job complexity and employee grade

Designing Reward Schedules

- Determining size and limits of rewards
- Offering different reward sizes based on extent of productivity
- Deciding on frequency of reward delivery
- Developing understandable systems and offering feedback

Controlling Other Factors and Behaviors

- Establishing minimum time charged to standards
- Evaluating other performance factors
- Controlling work flow

Implementing and Managing Reward Systems

- Identifying opportunities to use the reward system
- Assisting individual locations to implement systems
- Monitoring in place reward systems

In addition to preparing the handbook of instructions, OPM could take other actions to improve the operations of individual Federal agency productivity based reward systems.

For example, through its contacts with Federal agency incentive award and productivity officials, OPM could systematically identify all ongoing reward systems and disseminate information on these experiences to potential users. The information collected about ongoing reward systems would also be valuable to OPM in assisting agencies in improving their existing systems.

CONCLUSIONS

Productivity based reward systems have proven to be a successful technique for improving employee productivity in certain job situations, and various Federal agencies have established such systems for certain employees. However, the characteristics and experiences of these ongoing Federal systems indicate that Federal agencies are unsure of their authority to establish the systems and unfamiliar with key features in the design and implementation of reward systems.

OPM could clarify the situation for Federal agencies by (1) providing better guidance and a handbook of instructions on the use of productivity based reward systems and (2) identifying, analyzing, and passing on information about ongoing Federal agency reward systems. The Federal Personnel Manual guidance could include the features discussed earlier in this report, and it could also clarify other policy issues, such as whether there should be limits on the portion of employees earning rewards and maximum reward sizes to individuals. These matters have been subject to different interpretations by ongoing Federal agency reward systems (see appendix II pp. 13 and 14). The handbook of instructions would provide Federal agencies with more detailed information on how to establish a productivity based reward system. By actively identifying and analyzing ongoing Federal agency reward systems, OPM would be able to provide individual assistance where needed and pass on information about useful features and experiences.

RECOMMENDATIONS

We recommend that the Director of the Office of Personnel Management:


- Develop additional Federal Personnel Manual incentive award guidance specifically for productivity based reward systems so Federal agencies will be aware of the opportunity to establish these systems and the limitations on their use.

- Prepare a handbook of instructions describing key steps, principles, and features of productivity based reward systems to help Federal agencies design, implement, and manage their initiatives.
- Identify and analyze ongoing Federal agency productivity based reward systems in order to be able to provide assistance where needed and highlight useful features and experiences.

As you know, section 236 of the Legislative Reorganization Act of 1970 requires the head of a Federal agency to submit a written statement on actions taken on our recommendations to the House Committee on Government Operations and the Senate Committee on Governmental Affairs not later than 60 days after the date of the report and to the House and Senate Committees on Appropriations with the agency's first request for appropriations made more than 60 days after the date of the report.

We are sending copies of this report to the Chairmen, House and Senate Committees on Appropriations; the Chairmen, House Committees on Post Office and Civil Service and Government Operations and Senate Committee on Governmental Affairs; and the Director, Office of Management and Budget.

Sincerely yours,



H. L. Krieger
Director

Enclosures

APPENDIX I

APPENDIX I

Federal Agency Productivity
Based Reward Systems
Included In Report

<u>Department</u>	<u>Organization</u>	<u>Type of Facility</u>	<u>Type of Position</u>
Commerce	Census Bureau	Data preparation facility	Data transcribers
	Patent Office	Headquarters	Patent application examiners
Defense	Navy	Parts Control Center	Data transcribers
	Navy	Various shipyards	Data transcribers
	Navy	Shipyard	Supply buyers and clerks
	Navy	Shipyard	Industrial production pipe-fitters
Health and Human Services	Social Security Administration	Headquarters	Claims processors
	Social Security Administration	Headquarters and Data Center-two systems	Data transcribers
Treasury	Bureau of Engraving and Printing	Printing plant	Currency examiners
	Bureau of Government Financial Operations	Disbursing center	Check processors
	Bureau of Public Debt	Data processing center	Data transcribers
	Internal Revenue Service	Tax receipt centers - two systems	Data transcribers
	Office of Comptroller of the Currency	Headquarters	Data transcribers

Considerations For The Design And Use
Of Federal Agency Productivity Based Reward Systems

The following sections describe important factors in the design and use of productivity based reward systems and relate the experiences of some Federal systems in addressing these factors.

APPROPRIATENESS OF REWARD SYSTEMS

When deciding on the feasibility of a productivity based reward system, organizations must consider whether their output can be accurately measured and reported, whether employees should be rewarded individually or as a group, and whether the plan will be accepted by the employees.

The ability to objectively measure and report on output is necessary for the development of productivity based reward systems. The Federal systems we reviewed were generally applied to repetitive tasks where output levels could be determined and systems were available to report on performance levels. Many of the ongoing Federal productivity based reward systems involved data transcriber or key punch operations, where production was measured in terms of keystrokes or documents produced, and production was often recorded by management information systems included in the word processing equipment. Other ongoing Federal systems that involved case processing operations also had detailed management information systems to record output.

Managers considering productivity based reward systems must also decide whether to reward individuals or groups. While most of the initiatives we reviewed rewarded individuals, others provided group level rewards because final outputs were the result of a group or team effort. On the other hand, one Federal agency proposed to establish a group incentive plan, even though the output products were individually produced and an individual incentive plan was already being used.

In order for a productivity based reward system to succeed, employees must support the concept and trust management's motives in implementing the system. Agencies we reviewed had used various ways to involve the employees in designing reward systems. One agency interviewed employees during the design phase to obtain their input and concerns and briefed union representatives about the planned incentive system. Another agency established several advisory committees to get input from management, employees, and the union before

the system was implemented. Agencies also indicated that employee unions were concerned about several issues, such as the reasonableness of standards, job security, and minimizing competition among union members. Reward systems also may not be accepted if employees are asked to work against their own interests, such as if increased productivity would cause some employees to be laid off. Similarly, one agency proposal was rejected by employees because the amount of the rewards would have been directly based on reduced overtime costs.

DEVELOPING STANDARDS OF PRODUCTIVE PERFORMANCE

The development of accurate and complete standards of performance is critical to the success of productivity based reward systems. Standards that are set too low or too high, that are not specific, or that do not consider relevant job requirements and the different complexity of products could all result in improper rewards.

The Federal agency systems we reviewed used different methods to establish productivity standards. Certain agencies used time study, work sampling, standard data, or other engineered standard techniques. Others based their productivity standards on past performance but made the output standard higher than past production levels. Still other Federal productivity based reward systems used information about comparable private sector productivity standards or manager and employee perceptions about adequate levels of output.

Several agencies collected baseline data on production levels before introduction of the reward system. This enables managers to determine if the reward system standards are reasonable and also allows for a later evaluation of the system's impact on productivity. On the other hand, some agencies with reward systems had not collected baseline data and were not able to determine if the reward system was affecting productivity.

Two of the Federal systems did not develop any output standard. Instead, they rewarded a preestablished percentage of employees with the highest productivity levels or all those employees who exceeded the group average by a particular amount. Under these methods employees do not know if they will be rewarded for a particular level of production and must compete with each other for a limited amount of rewards, and may be rewarded for inadequate production levels. On the other hand, using a fixed production standard assures employees that they

will be rewarded for a certain performance and assures managers that only acceptable production levels will be rewarded. One agency which had rewarded a limited percent of employees indicated that it was planning to switch to a fixed production standard and would reward all employees who exceeded the standard.

The agencies we reviewed had different thoughts about the attainability of output standards and the appropriate portion of employees who should earn rewards. Several agencies had rewarded a high portion of eligible employees, and one of these agencies thought standards should be attainable by the majority of the work force to encourage more employees to strive for the rewards. On the other hand, other agencies limited the portion of employees that could receive awards, and one indicated that the standards would be revised if too many employees earn awards.

Once standards have been carefully established, they generally should not be raised by management unless changed procedures or equipment have facilitated production or the organization pays for the increase. Raising standards solely because employees are able to meet them could stifle the employees' initiative and eliminate their acceptance of the plan. Several Federal agency systems have been able to adjust standards because of management improvements. Provisions can also be included in the reward system if management is not confident of the adequacy of its production standards. For example, some agencies established ceilings on the amount of productivity bonuses an individual could earn, while other agencies established reward systems on a trial basis with a fixed expiration date. One of the Federal initiatives which established a maximum ceiling also has a provision allowing management to raise the basic standard in exchange for paying a one-time extra bonus to employee groups who exceed the ceiling and agree to the exchange. Such a plan gives employees the incentive to perform beyond the ceiling and would also allow management the opportunity to raise a standard that had proven to be too low.

To assure that employees striving for output gains also limited their errors, some productivity standards used by Federal agencies also considered the quality of the product. Several of the data processing or key punch operations were able to track error rates, but one other similar initiative did not have any error rate control. Reward systems that dealt with claim and case processing work were also able to address errors and product quality through subjective reviews of a sample of the output. However, these agencies acknowledged

the difficulty of measuring acceptable product quality in output based reward systems involving complex tasks and products.

Output standards in ongoing Federal agency reward systems also were adjusted to accommodate different grade levels of employees or to account for different job complexity. For example, one agency established higher production standards for higher graded employees performing work of the same complexity. Likewise, other data transcriber operations judge the difficulty of individual assignments on the basis of characteristics of the source document and the keypunch procedures. On the other hand, a manager of a similar operation had expressed concern about his inability to differentiate between easy and difficult assignments. Another Federal official cautioned that distinguishing levels of job difficulty could impede the use of productivity based incentives in some repetitive task situations where cases differ in complexity.

DESIGNING REWARD SCHEDULES

Productivity based reward systems can also be affected by various characteristics of the rewards offered. For example, if the rewards are not of value to employees or are not adequately connected to performance, the system may not have the desired impact on productivity. Among the important reward variables are their size, frequency, certainty, and understandability.

The Federal agency productivity based reward systems we reviewed offered rewards that varied considerably in size and in relation to the employees' annual salary. For example, several reward systems allowed employees to earn only \$100 to \$400 a year, while others allowed similar grade level employees the opportunity to earn from \$1,000 to as much as \$3,000 a year in bonus payments. The award size limits in relation to salary also varied. One agency limited annual awards to a within grade level pay step increase--about 3 percent of salary--while another agency program had an upper limit potential of 30 percent of salary. Recently revised Federal Personnel Manual guidance suggests that awards for sustained superior performance be limited to 15 percent of salary. In addition, an OPM Regional Office letter to local field installations publicized a reward system that could lead to bonuses worth a full grade level increase, which is worth about 10 percent of salary. However, the Federal Personnel Manual example does not directly relate to productivity based reward

systems, and the Regional Office letter may not be an official OPM position on limits for this type of award.

Award sizes can also be varied depending on the extent of the employee's productivity. Some of the Federal reward systems offered a range of awards for different levels of performance, while others offered only a single level of awards no matter how much above standard the employee produced. Having a range of awards available would appear to be preferable, both for equity and for encouraging employees to continue striving for higher production.

The frequency with which rewards are given can also be important, because more frequent rewards tend to better reinforce the employees' connection between rewards and high productivity. The Federal systems we reviewed included biweekly, monthly, quarterly, and annual rewards. Two of the agencies had recently increased their frequency of rewards. Some agencies calculated productivity bonuses or provided employees with feedback on their performance more frequently than they actually awarded the bonuses. This approach of accumulating earned bonuses could reduce the administrative burden of frequent rewards while still reinforcing employees' behavior with information on rewards earned. Several agencies experienced difficulties processing bonus reward checks, which could reduce the effectiveness of the bonuses and cause negative reactions from employees awaiting bonus payments.

Employees' understanding of a production award program and awareness of the goals and awards involved is also significant. However, several Federal initiatives we reviewed did not seem to allow employees to understand what behavior was needed for a reward. In one case a cost savings calculation covering five pages was used to determine an employee's annual bonus, while in another agency there were inconsistent connections between cost savings calculations and amounts awarded, and awards covered varying periods of time. On the other hand, several agencies also gave employees a weekly record of productivity and awards earned in order to make it clear what behavior had earned the reward.

CONTROLLING OTHER FACTORS AND BEHAVIORS

Managers must also consider other job related factors in order to assure that productivity based reward systems function as intended. Inadequate control over the time employees spend on measurable standards, other aspects of employee performance,

and the way work is assigned and controlled can all affect the fairness and success of reward systems.

Several Federal agencies we reviewed had included a time factor in their reward systems. For example, one agency whose production standard was based on an hourly rate also established a minimum daily productive time. Thus, employees would not be rewarded for producing at a high hourly rate while working only a few hours each day, and employees who exceeded the hourly production standard by only a small amount could earn additional bonuses by working a higher portion of the available time. On the other hand, another agency with an hourly production standard did not establish a minimum productive time, thus potentially rewarding employees who may have spent only a small portion of the time working. Over a longer period, several agencies with monthly or quarterly reward schedules also established minimums for hours worked on measurable production standards. Although low amounts of hours worked on measurable production standards may reflect conditions beyond employees' control, such as lack of either standards or equipment to measure all work, in other cases a time factor may be needed to assure that employees' productivity is worth rewarding.

Many Federal productivity based reward systems evaluate employees on factors besides their ability to meet production standards, such as by requiring that employees be judged adequate in all phases of performance and conduct. These provisions help assure that employees on production bonus plans will not ignore key parts of their jobs or reduce total output by inadequate attendance.

Adequate work flow controls could also contribute to the success of productivity based reward systems. For example, several Federal agency systems require supervisors or control clerks to assign work to employees. This procedure could reduce nonproductive time, evenly distribute different types of work, and control some forms of employee cheating. Another Federal agency reward system includes the average age of pending cases as part of the production standard. This helps assure that the workload will be performed in the order received and discourages employees from selecting easy cases to meet production goals.

IMPLEMENTING AND MANAGING REWARD SYSTEMS

In addition to the design considerations described in the previous sections, organizations also need to identify opportunities to use the reward systems, assist individual locations to implement systems, and monitor in place reward systems.

At the Federal agencies we reviewed, different management levels had assumed the responsibility to initiate reward systems. In two cases, local managers had developed a reward system, but no effort was made to use the concept in other similar installations at the agencies. However, in other cases agency staff officials were attempting to initiate reward systems in different field installations. Although centrally managing reward systems and requiring local managers to use them may not be appropriate, some central focus appears to be needed to support and publicize use of the concept, because reward systems may not be adopted if agencies rely totally on local initiatives. For example, an OPM regional office attempted to stimulate use of reward systems in local field installations but received little response. An official involved in this project said local offices may have been discouraged by the lengthy process and documentation needed to get such systems approved in their organizations.

Technical assistance was also used to help individual locations install and manage productivity based reward systems, and various sources have been used to provide this help. One agency research organization developed and tested a reward system at some locations and later conducted a management training seminar to assist local personnel in implementing the system. In another agency, an office with responsibility for encouraging productivity enhancing projects is serving as a consultant to individual locations establishing reward systems, while yet another agency's incentive awards program office is reviewing and managing ongoing reward system initiatives. OPM has also accepted a role to provide technical assistance on productivity based reward systems. Research personnel from the Office of Productivity Programs are helping one agency design and implement a reward system. In addition, both the Incentive Awards Branch of that Office and the Office of Consulting Services have indicated a willingness to help agencies use performance awards.

Ongoing reward systems need periodic review to assure they are still motivating employees to improve the agency's productivity. In one case we reviewed, a system had reportedly improved productivity for 2 years, but production had recently declined to pre-reward system levels. Part of this condition may have been caused by inadequate monitoring of the reward system by local managers. We found that employees who should have received awards had not been identified, employees and managers no longer understood the reward system or felt capable of meeting award levels, and the scale of award amounts had not been updated in several years. Thus, even a well-designed and initially successful reward system can deteriorate if it is improperly administered or monitored.

(961124)

