

**SEMINOLE COUNTY GOVERNMENT
AGENDA MEMORANDUM**

SUBJECT: Performance Management Study Implementation

DEPARTMENT: Human Resources **DIVISION:** _____

AUTHORIZED BY: Janet Davis *JPD* **CONTACT:** Marie Fox *Mmf* **EXT.** 7940

Agenda Date 10-24-06	Regular <input checked="" type="checkbox"/>	Consent <input type="checkbox"/>	Work Session <input type="checkbox"/>	Briefing <input type="checkbox"/>
	Public Hearing – 1:30 <input type="checkbox"/>		Public Hearing – 7:00 <input type="checkbox"/>	

MOTION/RECOMMENDATION:

Motion by the Board of County Commissioners to adopt the recommendations as presented by Evergreen Solutions, LLC, in the Comprehensive Performance Management System Evaluation:

- Approve compensation policy providing for 2% of payroll dollars to fund pay for performance bonuses; 5% of payroll dollars to fund cost-of-living adjustments; 3% of payroll dollars to fund a merit range.
- Approve bringing the Performance Management and Competency Management modules operational in the JDEdwards/PeopleSoft system.
- Approve one new full-time professional position in the Human Resources Department.

Reviewed by:	
Co Atty:	<i>[Signature]</i>
DFS:	<i>[Signature]</i>
Other:	_____
DCM:	_____
CM:	<i>[Signature]</i>
File No:	<u>RHR 29</u>

Seminole County, Florida

Comprehensive Performance Management System Evaluation

Evergreen Solutions, LLC

September 22, 2006



Chapter 1 Introduction

Performance management has grown as a priority to become a central concern of elected officials and public managers alike throughout the country. Fiscal constraints, an increasing interest in operating government more like business, and the need to better match public resources with public needs has lead most public organizations to implement some form of performance management system. Typically, these systems combine elements of strategic planning, organizational outcome performance measurement, resource allocation analysis, and employee and/or team evaluation. By no means is this transition complete in most public organizations, yet recognizable progress has been made in the last two decades. It is clear that the transition is leading to 21st century government being performance-focused.

A major facet of this transition to a performance focused organization has been joining performance evaluation or assessment with compensation at the employee level. Although there is no "holy grail" for linking pay to performance, considerable effort has been made in designing and implementing uniform systems for assessing performance, determining rankings, and providing monetary rewards. Experience with many of these efforts has revealed that a transparent, easily understood, and robust process that is linked to the organization's overall goals is needed as a precursor to having a successful program.

STUDY DETAILS

Seminole County, Florida retained Evergreen Solutions, LLC to assist with the designing and implementing a countywide performance management plan. Like many local governments, the Board of the County Commissioners (BOCC) felt that it had started the process toward implementing a performance management system, but has not realized all the gains possible in a high performance organization. Specifically, the BOCC desired:

- analysis of the current performance management system;

- identification of areas for improvement; and
- recommendation of actions for improving the current system.

Based on our understanding of the County's needs, we developed and submitted a proposal for accomplishing the BOCC goals. The major activities in the proposal included:

- create a schedule and plan of action for accomplishing the study goals;
- introduce the project to the County Manager and human resources staff;
- identify the strengths, weaknesses, opportunities, and threats based on an internal survey, interviews, and focus groups;
- review best practices that have successfully created high levels of performance in other organizations;
- determine how Seminole County relates to these best practices and how they could be utilized;
- create the conceptual design for the system;
- design the tools for supporting the system; and
- train key staff on the system process.

This report captures the results of all but the last bulleted item: the training of key staff.

REPORT STRUCTURE

Our report is organized into five chapters that cover each of the major steps of the review and recommendation process. This section summarizes the purpose and major elements of the study. In the next section, major trends in performance management will be discussed and major best practices highlighted. The third section captures the current situation in the County taking into account the results of our review of the



County's current materials, feedback from managers during interviews, comments made during employee focus groups, and aggregate results of the internal survey. Section four illustrates the various systems in place in other local governments in Florida and the positives and negatives of those systems vis-à-vis recognized best practices. The fifth section provides details of the conceptual solution that takes the County from its current position to a higher level of performance. The last section documents some of the recommended action items needed to successfully implement the concept presented in Section Five.

Chapter 2 Trends in Performance Management

The level of understanding of the performance management for the public sector has grown in the last two decades. The move to put more performance management practices in place has led to new information and literature on the results of attempting to alter performance. These accounts provide various road maps of experience that other organizations can review to determine some of the factors that led to success as well as failure. This section summarizes the major lessons learned in public organizations in three key areas: what drives performance, lessons learned in employee evaluation, and how to structure pay for performance.

2.1 WHAT DRIVES PERFORMANCE?

Before assessing what has been learned on driving performance, it is important to understand that these are specific challenges to assessing these results. The first and most important challenge is that the majority of public organizations do not have a clear definition of high performance and success. Almost all public organizations would indicate that happy citizens are indicative of success, but few have specific plans as well as tools for accomplishing this outcome. Second, there is an absence of clear cut “rules” or steps for high performance. There is a plethora of literature addressing high performing organizations, but over time in many cases most of these organizations have not remained high performers for long. Ironically, the only real solid prediction that has come out of the research on high performance is that today’s high performers will not necessarily be tomorrow’s. Moreover, even if an organization has established the equivalent of a “scorecard” or some other mechanism for determining if “success” has been achieved, there are very few accepted tools for determining what factors led to the success and how responsibility should be allocated within the organization, department, team, or individuals. In essence, neither the impact of resources utilized nor the level of occurrence has been identified and validated for high performing organizations.

2.1.1 PRIVATE SECTOR RESULTS

These challenges only grow in complexity when looking at results over time, different government types, and different geographic locations. Consequently, until recently, most of the research done on performance drivers and outcomes has focused on the private sector. Although the private sector shares many of the same challenges as the public sector, the profit motive of industry provided a fairly common starting point. Given this fact, what has research in the private sector revealed? Exhibit 2-1 summarizes some of the major projects that looked at why certain private organizations performed at a higher level than their public counterparts.

Exhibit 2-1 Summary of Literature on the Drivers for High Performing Organizations

Peters and Waterman (1982)	Kotter and Heskett (1992)	Collins and Porras (1994)	Katzenback (2000)
<ul style="list-style-type: none"> • Know the customer • Take action when needed • Create a culture of employee autonomy • Leverage people • Working managers • Keep things simple • Centralized values 	<ul style="list-style-type: none"> • Establish a strong culture • Pay attention to stakeholders 	<ul style="list-style-type: none"> • Do more with less • Create the value for the process • Keep the core values and encourage growth • Align resources 	<ul style="list-style-type: none"> • Focusing on mission and values • Improving process and metrics • Creating entrepreneurial spirit • Focusing on individual achievement • Utilizing recognition and rewards
Foster and Kaplan (2001)	Zook and Allen (2001)	Joyce, Nohria, and Roberson (2003)	
<ul style="list-style-type: none"> • Major change is key • Create new services lines • Get out of low performing areas • Update structures and rules • Adopt new innovations 	<ul style="list-style-type: none"> • Build a central focus area • Become the leader in a specific area • Expand into similar areas 	<ul style="list-style-type: none"> • Excel at strategy, execution, culture, and structure • Focus on two of the secondary areas (talent, leadership, innovation, and partnerships) 	



The common thread through almost all of the works can be summarized as:

- embrace change;
- establish a performance driven culture;
- focus on what you do and do it well;
- develop strategies to guide your actions and structure;
- align your resources with your strategy and structure;
- allow people the autonomy to have a sense of ownership; and
- be responsive to your customers.

Each of these has obvious relevance to the public sector. Moreover, most public managers would agree that implementing these elements in their organizations would lead to positive changes in performance over time.

Public Sector Results

One of the best public sector studies of performance drivers comes from the Government Performance Project. In 2001, utilizing experience from the Grading the States project, the Campbell Public Affairs Institute examined the 40 largest counties. The criterion for assessing performance included:

- Financial management
- Human resources
- Information technology
- Capital management
- Managing for results

The criterion integrates the major elements of local government operations and evaluates each based on specific sub-criteria. As a result, the overall score is based on a summary of the individual components.

The 2002 County Grade report found that two counties had reached the highest levels of performance: Maricopa County, Arizona and Fairfax County, Virginia. Four Florida counties were included due to their size: Miami-Dade, Broward, Palm Beach, and Hillsborough. Broward County scored the highest among the four followed closely by Miami-Dade County and Palm Beach County. Hillsborough County scored the lowest among the Florida counties and in the middle in comparison to the sample as a whole. When considering the role of

human resources in performance, Fairfax County received the highest rating followed by Dallas County, Texas; Broward County, Florida; Maricopa County, Arizona; and Montgomery County, Maryland.

Tom Osborne and Peter Hutchinson in *The Price of Government* discuss the factors most relevant to performance management as part of their analysis of successful government in a period of fiscal scarcity (185-189). Specific practices are identified in specific operational areas to demonstrate what has worked in improving performance. The most critical elements include:

- using performance data to track results;
- clearly defining desired outcomes for all levels;
- create meaningful targets that are recognizable;
- utilize rewards that can be linked to objective measures or outcomes;
- use a bonus system that actually means something to the employee;
- bring all stakeholders together to create performance goals;
- keep reward formulas simple;
- establish a culture for learning and development; and
- ensure that the measures and results are valid.

There are numerous other research segments on this topic that provide performance drivers. Although the above summary focuses on the organizational level, numerous theories and studies exist at the team and individuals levels. However, for our purposes it is important to note that regardless of unit of analysis or theoretical emphasis, most possess clear overlap in several key elements that impact an organizations choice in performance management:

- a clear, transparent, and easily understood performance management strategy and system is needed;
- an organization should develop a performance culture by emphasizing the importance of performance, developing an inclusive strategy, and aligning each major facet of the organization with the stated performance goals;
- specific unit and individual performance goals should be developed in an inclusive as well as re-



alistic manner to encourage “buy-in” from staff and stakeholders;

- a fair and transparent reward system should be utilized that encourage high performance; and
- employees should be encouraged to be innovative at designing methods for success.

Although these key elements do not guarantee high performance, they are drivers or factors for success. The absence of these elements significantly reduces the chance of success while the presence of these clearly enhances the chance of success.

2.2 LESSONS LEARNED IN EMPLOYEE EVALUATION

Employee evaluation is the heart of any performance management system from an employee’s point of view. Nevertheless, it is critical to understand that an evaluation is not the performance management system, but only a key component or step in the process. Given both of these facts, it is critical that elected officials, managers, and employees alike need to have confidence and trust in the evaluation system’s ability to provide its intended outcome: to determine the relative level of performance of each team member. Experience with evaluation has discovered three key areas of concern for successful implementation and utilization:

- **Supervisors and Managers Behavior (Execution)** – Do supervisors and managers utilize the system such that it is beneficial to the employees? Even if the tools are good and resources are available, it is necessary for managers and supervisors to focus on performance, work with employees, define expectations, provide feedback, rate fairly and consistently, and take the appropriate actions to improve performance. The organization must train managers, provide the appropriate tools, and verify execution on a regular basis.
- **Processes and Tools (System Quality)** – Does the current system and evaluation tool match the needs of the organization? Although there is not a perfect process or tool set, a process should be developed that matches the characteristics of the organization. In addition, the tools need to be easy to use, reliable, valid, and fair.
- **Financial Resources (Money)** – Is there sufficient resources to support the system reward structure? Even if an organization has a great system and managers work within the system effectively, the lack of funding for rewards significantly reduces the faith of employees and the effectiveness of

the system. In most cases, an organization can not maintain confidence in a performance management system and miss allocations.

Considering these key elements, most organizations would fall into one of four categories. Exhibit 2-2 demonstrates the different categories in a 2x2 table.

Exhibit 2-2 Typology of Success in Performance Evaluation

Execution/ System Quality	Low Quality	High Quality
Poor Execution	Poor system and poor execution	Good system and poor execution
Superior Execution	Poor system and good execution	Good system and good execution

According to the majority of empirical research in the public sector, the median organization falls somewhere between the poor execution and low quality combination and the good system and poor execution combination. Another way of looking at it would be to present it graphically.

Most organizations have not developed the ideal system and do not execute well the components that are espoused in the system. As illustrated in Exhibit 2-3, the quality varies while basically the execution remains constant. A slightly smaller group is concentrated between the good quality systems, but with varying levels of execution. A very small group possesses a high level of execution with higher quality system.

One of the biggest reasons for this in the public sector is the preponderance of having a system that claims to be based on merit, but basically serves as an alternative cost of living increase mechanism. Evaluations are nothing more than a formality for allocating a fixed increase.

In order to overcome each of the challenges referred to in Exhibits 2-2 and 2-3, each level involved in the process must be addressed. Exhibit 2-4 summarizes the level of organization and how the key elements relate based on best practices pertain.

In essence, for an organization to be successful with evaluation, it is necessary that all three levels be in alignment. If the organization, management, and employee are not in unison, issues will arise in execution and in many cases it is indicative of a poorly designed system for that specific organization. Nevertheless the items listed above are fairly universal across organizations.



Exhibit 2-3 Concentration of Public Organizations in Execution and System Quality

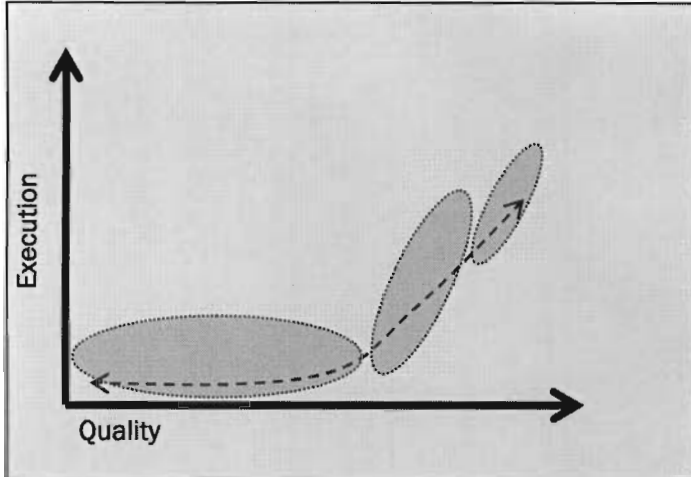


Exhibit 2-4 Key Elements by Organization Level

Level/Key Element	Organization	Management	Employee
Execution	<ul style="list-style-type: none"> Clearly defined system Defined and attainable goals for the organization Well trained employees Well trained managers Sufficient resources for success 	<ul style="list-style-type: none"> On-going communication; Partnership between employee and supervisor Clear expectations Constructive feedback 	<ul style="list-style-type: none"> Partnership between employee and supervisor Concern with success of the organization Appreciation of feedback and personal development Confidence that the system is being applied fairly
System Quality	<ul style="list-style-type: none"> Coordination so work at the organization, unit, and individual levels coincide Method of determining challenges to success Essential job functions are known Linkage between job and organizational goals Value of success to employee and organization How performance will be measured Document barriers to success 	<ul style="list-style-type: none"> Tool for documenting performance shortfalls Information necessary for making management decisions on promotions and development Document barriers to success Technology available to ease processing 	<ul style="list-style-type: none"> Training and other mechanisms available for improvement Results are easy to understand Section for providing personal evaluation Opportunity for developing personal improvement plan
Fiscal	<ul style="list-style-type: none"> Ensure that sufficient resources are available Allocate resources in a timely manner 	<ul style="list-style-type: none"> Confidence that decisions will be funded Sufficient information to set expectations for rewards 	<ul style="list-style-type: none"> Sufficient reward for the high performers to influence behavior Regular allocation to insure support of the system

Overall, any organization should ask if its evaluation system:

- operates as simple as possible;
- utilizes limited paperwork and maximizes technology;
- functions transparently by nature;
- operates with a fast learning curve; and

- instills a sense of comfort in employees and supervisors.

If all these elements are present, then a solid foundation is available to build the more strategic components.

2.3 HOW TO STRUCTURE PAY FOR PERFORMANCE?

As illustrated above, rewards play a key role in success of a performance management system.

2.3.1 WHAT IS PAY FOR PERFORMANCE?

“Pay for Performance” is a widely utilized term that relates to a large number of compensation programs used in many organizations with the goal of more closely relating pay decisions to performance outcomes including the contributions of individuals and teams to the organization. The way this link is made varies greatly in organizations and has been the focus of a lot of attention in compensation literature in the past ten years.

Pay for performance systems, in truth, have a different objective than traditional salary plans. Traditional compensation plans have the objective of attracting and retaining competent staff. The true objective of pay for performance is to reward individual and team contributions that improve organizational performance. In this context, the organization can be a work group or team, department, division, or entire organization. Woody Allen once said “80% of life is just showing up.” Traditional compensation plans including base pay, cost of living increases, and merit increases are useful to get people to “show up” to their jobs and do their jobs. Performance-based programs, if well designed, are used to distinguish significant contributions toward defined organizational objectives within a unit, group or team, a department or even the whole County. Performance-based incentives or other rewards require something significantly different than “just showing up.” Put another way, if compensation is viewed as a competition, inferior performance causes employees to lose ground, and superior performance fuels the pay of the superior performers.



2.4 PROS AND CONS OF PAY FOR PERFORMANCE SYSTEMS

There are a number of *cons* or negatives associated with pay for performance:

- It is difficult to make reliable, fine distinctions among the performance levels of many employees.
- Tying a cash incentive to a job may diminish the inherent attractiveness of the task. This conclusion comes from literature in the field of psychology and motivation. However others argue that putting money at risk may work more or at a minimum engage employee interest to a larger degree.
- Many employees judge systems that divide pay resources based on subjective evaluations as unfair. Surveys show that most employees believe their performance is above average. Telling them that they are meeting standards but not above or even less than average can have an alienating effect.
- Employees prefer the security of automatic tenure-based step increases. It is almost inherent in our culture that employees believe that they will be automatically rewarded for long service.
- No matter what you tell them, managers tend to take the easy way out and give employees about the same increase. Refusal to give poor or mediocre performers little or no pay increase cancels the opportunity to give superior rewards to superior performers – unless the available reward money is very high.
- Rewards should be given close to the desirable behavior to have the desired motivational effect, and this is often not possible within the timing of pay for performance awards.
- Most pay for performance programs reward individual performance. This is counter-productive to team efforts and may breed unnecessary competition.
- The need to generate tailored goals and measures for performance evaluation exceeds the capacity of many employers to do all the required measuring and documentation.
- Employees may view pay for performance not as a way of stimulating performance, but as a way of keeping compensation costs down. Employees may resent such programs.

There are also a number of *pros* or advantages of pay for performance programs:

- Money can be a very powerful motivator of performance. Almost everyone values money and money as a reward can direct and modify employee behavior.
- Superior employees resent automatic and indiscriminate pay increases. These are the County's most valued employees. If their performance is not distinguished and rewarded apart from other employees, the County risks their departure for an employer that will reward them.
- Tying pay for performance puts "teeth" into performance evaluation. Employees who work for organizations that haven't adopted some sort of pay for performance program often view the annual performance evaluation process as unimportant. This type of skepticism was a common theme in our interviews with County employees.
- Good pay for performance programs increase the clarity of employee goals. The County can create standards, desired results and better tie in employee behavior to the goals and objectives of the County.
- Pay for performance programs can give the County much more mileage for their compensation dollar. This is true if the program is well-implemented and administered. The program can redistribute a finite sum of compensation dollars so that superior performers receive a greater share of the "pie" and poor performers receive less.
- Good pay for performance programs increase the employees' sense of ownership and involvement in the County's success. Employees are more in the participant role as they work with their supervisors to define standards, goals and objectives. Also, employees become more aware of what the County and their own department and unit are trying to achieve.
- Pay for performance programs encourage employees to track their own performance and therefore create a challenge to improve their own performance. If employees track their performance, psychologists say, performance will improve. Some employees enjoy competing against themselves to achieve higher levels of success.
- Good pay for performance programs decrease the subjectivity of the performance evaluation process.

ess. This assumes that the performance evaluation system is solid and is being administered properly.

2.5 GOALS OF PAY FOR PERFORMANCE PROGRAMS

Generally, the goals of a pay for performance program are some combination of the following objectives:

- to distinguish, monetarily, between true differences in performance, in order to provide recognition of high performing employees.
- to create a system which will serve as an incentive to all employees to excel, in order to achieve greater pay opportunities.
- to be able to be more accountable toward the public about salary expenditures, in terms of providing information that salary increases, at least to some extent, are based on performance objectives, consistent with those of the County, having been met.
- to improve productivity, including quality of products and services, by increasing motivation of employees.
- to recruit and retain quality employees by providing true rewards for performance.
- to improve morale by rewarding the real contributors to the organization and providing general incentives to meet goals and achieve rewards.
- to provide a system which is affordable to the employer

2.6 FUNDAMENTAL REQUIREMENTS FOR A SUCCESSFUL PAY FOR PERFORMANCE

It is Evergreen's experience that most public employers have a great deal of difficulty administering true pay for performance systems for a number of reasons. First, consistency is a problem because most public organizations do not have strong centralized management structures, which are common in the private sector. Second, reliable, objective performance measures are more difficult to create in the public sector. They are not impossible to create, but they are expensive to create and maintain. In addition, the nature of the political process often makes it difficult for public bodies to agree on the definition of "success" in public service. Third, the combination of imprecise performance

measurement systems, inconsistent system management, and the fact that public employee salaries are public information make it very difficult to gain staff support for the system. This is usually a fatal flaw because a pay for performance system is only effective if it truly motivates performance.

There is no question that a well-designed merit-based or pay for performance system has some advantages to the organization. Unquestionably, money can be a very effective performance incentive. Superior employees most likely will resent automatic, indiscriminate pay increases for all (particularly when they can see vast differences in performance). Finally, well-developed goals and objectives go a long way in aligning the efforts of the employees to the goals and objectives of the employer.

In our analyses, we found that the elements which we generally insist be in place before a pay for performance system be considered are, for the most part, in place in the County's pay system. A successful pay for performance program requires the following:

- Individual differences in job performance should be measurable.
- Individual differences in job performance must be significant enough to merit the time and effort required to measure them.
- The pay range should be sufficiently broad (35 percent to 50 percent) to allow for adequate differentiation of pay based upon performance, and/or level of experience and skill.
- There should be a high level of trust between managers and supervisors.
- Policies and procedures to support the judicious and even-handed use of a merit-based pay system must be in a place.
- Supervisors and managers must be trained in employee performance planning and evaluation.
- Management must be committed, and employees must be receptive to making distinctions between employees based upon performance.
- Management's level of compensation skill must be adequate in order to administer successful merit increase programs.
- Sufficient control systems must be implemented to ensure that merit increase guidelines are followed.



- Significant organizational efforts are needed to ensure that managers measure performance as objectively as possible.
- Managers must carefully evaluate performance and make judgments regarding pay differentials. Significant commitments of time and effort are required by all involved in this process.

Chapter 3 Assessment of Current Conditions

This chapter is designed to provide an overview and insight into the current performance management system within Seminole County. It will be divided into three major parts: a summary of Evergreen Solutions interviews and focus groups, survey analysis of both an internal and external survey designed to gauge employee satisfaction, and finally, a specific review of the structure of the present system.

EMPLOYEE OUTREACH

Rank and file employees, in addition to managers and supervisors, were interviewed and/or participated in focus groups designed to elicit meaningful dialogue with regard to their specific criticisms and praises for the present system. It is important to note that employees tend to emphasize perceived problems during these sessions and sometimes gloss over the positive aspects. It would be highly unusual to receive more positive comments during this process than negative comments.

Listed below are the key issues raised by the supervisors and managers during the interview and focus group process. It should be noted that these are perceptions and perceptions are not always based in fact.

- The system lacks consistency across departments.
- The system lacks accountability between managers.
- Some managers noted that the Human Resources department inconsistently enforces the policies within the system and also inconsistently trains staff on how to utilize the system.
- Several managers noted that the layout of the ratings has been established so that a "good" rating is considered a bad thing for an employee.
- Some managers noted that there are departments within the County utilizing a self-established bell curve to determine how many employees can achieve high and low ratings.

- A number of managers mentioned that ratings are changed above them in the administrative hierarchy, meaning that if a higher level supervisor disagrees with the rating of the lower level supervisor, they sometimes change it without communicating.
- The different ratings are not clearly defined for the managers assigning them to employees, which causes inconsistency of ratings across the County. What is "good" in one department, may not be in another depending on a supervisors definition of "good."
- Most supervisors and managers noted that there is no mechanism to request additional money if your section is truly outstanding.
- A consistent complaint was that the present system does not engender employees to seek self improvement.
- Managers noted that quantity of information in a review easily replaces quality information.
- The current system is only "touched" twice per year and managers noted that a more consistent method of formally monitoring progress would be appreciated.
- Some managers requested that the new form be integrated into the present county computer system so that automation could assist in streamlining the process by auto-populating essential fields.
- Managers complained that they are losing the flexibility they once had in managing their own budgets.
- Most managers agreed that some instantly available discretionary bonus money would be a useful tool in motivating their staff.



On the following page is a summary of focus groups attended by rank and file employees and their comments. Again, it is important to note that these are only perceptions, yet offer very valuable insight into the front-line perceptions as to how the performance management system and occupational culture of the County affects them.

- The majority of employees feel that they are high performing.
- Employees noted that expectations are inconsistently communicated from manager to manager.
- Most employees noted that they work for more than one supervisor yet only one is responsible for their review.
- Employees stated that the score of their review does not matter because everybody gets the same financial compensation.
- Several employees noted confusion in how scores are calculated.
- Overall, the percentage of any pay increase resulting from the review process is very small.
- The system as a whole is seen as valueless to the majority of employees who expressed feeling unmotivated to achieve higher levels of performance.
- Some employees noted that their supervisors use their own forms and procedures for administering reviews which are separate from the County's system.
- Mid-year feedback is performed by some supervisors and not others. This points, again, to consistency.
- Employees feel that there is no managerial accountability for a supervisor to do a good job on an employee evaluation.
- Divisions vary widely in implementation of the system, even within departments.
- The form should be shorter and more user friendly.
- Employees think there may be some sort of peer evaluation form in the current system, but if there is, it is not being utilized.
- The present system does a poor job of motivating the County's employees to go above and beyond the call of duty.
- Sometimes goals laid out in the review process do not mesh with the job description of the employee being asked to perform them.
- Employees feel that the County needs to get rid of poor performers, but the idea of job security is why people take less pay to work for the County and these poor performers have no motivation to improve.
- The staff feel that the .5% difference between performance ratings don't mean anything and that bigger gaps between raise levels are needed to engender a more performance driven culture.
- Most employees feel that the COLA and merit increases should be separated while others questioned whether or not a merit raise even existed in the current system.
- Accusations of favoritism were levied but specific instances were not provided.
- Some employees feel that the ratings are determined by the amount of dollars available for raises versus the actual performance levels of the employees.
- Several employees expressed their interest in providing upward feedback for their supervisors.
- Some employees are familiar with the concept of the "360 review process" and find it attractive and something the County should consider.
- Employees desire a more simplified and automated system.
- Many employees would like to see training and educational accomplishments during the year as part of the evaluation form.

Some descriptive words used when discussing the current system were: antiquated, non-beneficial, "typical government", non-motivational, and cumbersome. Each of these leads to an overall sense of employee and supervisory dissatisfaction with the system presently in place.

In summary, from interactions with the employees at every level within the County, it can be determined that:



- Employees are dissatisfied with the behavior of supervisors and managers across the County. This manifests itself in complaints about consistency of promotion, salary increases, fairness, and execution of the performance evaluation processes already in place.
- Managers have been provided a well constructed best practices performance management system with strong supporting documentation. Seminole County should be commended for establishing an overall sound system on paper. As strong and well organized as the system is, it exhibits a variety of areas in which it can be bolstered and strengthened and provide more opportunities to motivate the workforce. Training on the use of the system, supervisory accountability, and financial rewards are the focus of employee desire in this regard.
- The thrust of complaints, apart from consistency of implementation, centered around the system's ability to motivate employees via additional compensation. At present, no link exists between a superior performance review and compensation of that high performing employee. If the County desires to create a true culture of performance in concert with its stated mission, tangible rewards for answering the call of the mission should be contemplated and implemented within the constraints of the County budget.
- The culture within Seminole County as it relates to encouraging high performance.
- The strength of training opportunities to promote career/job advancement.
- Employee supervisor on how well he/she provides meaningful feedback on job performance.
- Employee supervisor on how well he/she provides regular feedback on job performance.
- The level of consistency of performance evaluations across departments in Seminole County.
- Overall rating for the quality and effectiveness of the Seminole County performance management system.

For each question, employees were asked to rate their feelings on a 10 point scale with 1 being the lowest and 10 being the highest.

Average responses of the 558 responding employees ranged from a low of 3.31 with regard to the County's merit pay structure to a high of 6.85 in the area of supervisory feedback on job performance.

Exhibit 3A lists all 10 questions and their aggregate responses.

The results of this survey at the macro level mirror the responses Evergreen consultants heard during their time on-site with the employees of Seminole County and reveal that employees are generally less than satisfied with the current performance management system. Further analysis of these results individually has revealed the following:

With regard to the lowest scoring area in the survey, merit pay:

- 139 employees (24.9 percent) responded with the lowest possible rating.
- 195 (34.9 percent) responded with either a two or a three.

When coupled together, this represents nearly 60 percent of respondents. It is also interesting to note that 24 respondents chose to ignore this question altogether. This could indicate that these employees feel that there is no merit pay to speak of, let alone rate on a 10 point scale.

SURVEY ANALYSIS

Another vital aspect of the review process was the administration of two survey tools, an internal instrument designed to collect employee feedback on a number of key areas and an external survey of every county in the state and the top 50 cities by population. In the following pages the results of these surveys will be detailed.

Internal Survey

In order to determine employee satisfaction with the present system, the survey asked employees to rate the following on a ten-point scale.

- The quality and effectiveness of the Seminole County performance evaluation tool (the evaluation form).
- Seminole County's merit increase program.
- The non-compensation-based recognition and rewards program within Seminole County.
- The level of fairness in promotions within Seminole County.



Exhibit 3A Internal Survey Questions and Average Responses

Question	Average Response
The quality and effectiveness of the Seminole County performance evaluation tool (the evaluation form).	4.61
Seminole County's merit increase program.	3.31
The non-compensation-based recognition and rewards program within Seminole County	4.82
The level of fairness in promotions within Seminole County.	4.96
The culture within Seminole County as it relates to encouraging high performance.	5.23
The strength of training opportunities to promote career/job advancement.	5.91
Your supervisor on how well he/she provides meaningful feedback on your job performance.	6.85
Your supervisor on how well he/she provides regular feedback on your job performance.	6.67
The level of consistency of performance evaluations across departments in Seminole County	3.80
Overall rating for the quality and effectiveness of the Seminole County performance management system.	4.29

The next lowest response came when employees were asked to rate the consistency with which performance evaluations are handled across departments within the County. Consistency was a common thread expressed in all interviews and focus groups and as such, a low rating here was expected.

First and foremost, it should be noted that 135 employees left this question blank and offered no rating. This could be an overt omission indicating that consistency is so poor within the County that it is not worth rating or it could be a simple oversight on the part of the employees.

In either case, of the 423 employees who did answer the question responded with an average of 3.8 out of 10. From their responses, the following can be seen:

- 106 (25.1 percent) of them responded with the lowest possible rating, a 1.

- 56 (13.2 percent) responded with a 2 and also 56 (13.2 percent) with a three.
- Only 49 of the respondents (11.6 percent) rated the County with an 8, 9 or 10 in this category.

When these results are coupled with the repeated mentions of a lack of consistency during focus groups and interviews, it is apparent that supervisors and their employees both struggle with implementation of the current system. This indicates that additional training and the development of a true performance culture are needed to ensure that any system in place is consistently administered. In addition, making supervisors accountable for the reviews of their subordinates throughout the County could benefit in this area.

Alternatively to these low points in the survey, the highest praise for the system came when employees were asked to rate their supervisors on the content and regularity of feedback as it relates to job performance.

Specifically, when employees were asked about their satisfaction with the quality of feedback they receive, they rated it 6.85 on average. The data indicate that:

- 92 of the 540 employees who responded to this question (17 percent) rated their supervisors as a 10.
- Only 30 (5.6 percent) rated it a one.
- Overall, 287 (53.1 percent) rated this category an 8 or higher.

When the survey respondents are divided into their representative departments, no clear connection is made that would indicate that the quality of supervisor feedback is especially weak in any one department.

The second highest rating by employees came when they were asked to rate the frequency with which their supervisor provided feedback pertaining to their job performance. The average score in this area was 6.67. When the responses are examined in detail, the following can be seen:

- 83 of the 542 respondents (15.3 percent) gave their supervisor a 10, the highest score possible.
- 30 of the 542 respondents (5.5 percent) scored this area the lowest possible score of 1.
- 250 of the 542 respondents (46.1 percent) reported an 8 or higher level of satisfaction in this area.



These responses that the relationship between the rank and file employee and their direct supervisor is of sufficient quality and the frustration with the system stems from enforcement and implementation. The majority of employees are satisfied with the quality of feedback they are receiving.

Also, when the responses are broken down into departments, no clear connecting line can be drawn that would indicate specific problems in these areas in one department versus another. Subtle differences occur, and in some cases where only one individual from a particular department responded to the survey, clear analytical statistics cannot be derived.

Overall Satisfaction:

In addition to the previously mentioned specific aspects of the performance management system, employees were asked to rate their overall satisfaction with its quality and effectiveness.

While employees noted relatively high levels of satisfaction with their immediate supervisor's use of the system, it is difficult for them to mask the overriding sense that the system is lacking.

Specifically, when one looks at the results of the questions of consistency of implementation and fairness, and their responses to focus group and interview questions of this kind, it is at least possible that the design of the present system is more adequate than meets the eye and its implementation is causing a large part of my dissension within the County.

Overall satisfaction of with the Performance Management System falls short of the 50 percent mark and comes in at an average of 4.29 out of 10. From the survey responses in this area, the following can be seen:

- 216 of the 526 employees (41 percent) who responded to this question indicated either a 1, 2 or 3 level of satisfaction.
- Just 59 of the 526 respondents (11.2 percent) scored their overall satisfaction in the 8, 9 or 10 range.

The return to overall dissatisfaction at the end of the survey document shows that employees and managers alike have lost confidence in the system's ability to effectively motivate the staff and encourage increasing levels of performance. The greatest points of contention, according to the survey, are merit pay and consistency of implementation.

The addition of a pay-for-performance component to the existing structure is something that will be detailed later in this report. Matters of consistency can best be attended to by a concerted effort to more fully train all levels of staff on the structure, purpose and procedure surrounding the system, regardless of the form it takes.

REVIEW OF CURRENT MATERIALS

The Performance Management Training Manual is a comprehensive document detailing the process of employee appraisal from concept to implementation in action. It includes samples of the various forms and a glossary of core competencies and other essential definitions to assist supervisors through the process.

Directors Instructions:

This section of the manual provides for supervisors to read the Vision and Mission statements laid out by the Human Resources Director and the County at large for the performance appraisal process. In addition to this, the Core Values for the County are laid out. They form the acronym "CHAIR" and are as follows:

- Commitment
- Honesty
- Accountability
- Integrity
- Respect

After the core values, the Director has listed the goals and desired results of the performance management process as well as management responsibilities and accountabilities.

In the pages following the Director's Statement, the Human Resources Department has laid out the basic content typical in most Performance Management Systems. The components of the remainder of the document are as follows:

- An overview of the entire process including:
 - Develop the Performance Plan
 - Interim Update Meeting
 - Ongoing Feedback
 - Prepare for the Annual Performance Evaluation
 - Conduct the Annual Performance Evaluation
- A section detailing how the Performance Plans are to be developed including:
 - Specific responsibilities
 - Performance Expectations
 - Growth/Training Goals
 - Performance Assessment Discussion



- Conducting the Performance Plan:
 - Build Consensus
 - Create the Proper Environment
 - Encourage Employee Participation
 - Be Sure that the Employee Hears What You Say
- A section with sample Discussion Questions
- A Glossary of Competencies and other Definitions involved in the process

Providing supervisors with a clearly defined roadmap and timetable for the process is important when seeking to ensure its satisfactory implementation.

The remainder of the package is comprised of a collection of the following documents:

- Notification of Salary Change
- At-Will Performance Evaluation
- Performance and Growth Planning and Evaluation
- Career Goals and Planning Worksheet
- Member Performance Feedback Questionnaire

This basic template provides a stable foundation from which to recommend changes to the Performance Management System that will provide valuable incentives to employees and motivate them to achieve higher levels of performance.

Once again, the County should be commended for establishing a robustly documented best practices performance management system. Seminole County leaders have provided a strong set of tools for creating a culture of performance and excellence within its workforce.

Of particular value is the glossary of core competencies organized by pay band. This portion of the manual will require updating and reorganization as a result of the recently completed compensation and classification study and its recommended changes to these bands.

Additionally, when the manual/document is viewed in-whole it is clear that it has been compiled over a significant period of time. Some portions look very new in their formatting and style while others have a dated look which would give the impression that the County is not current in its methods, even though that may not be the case.

The system, as it is written, is heavily weighted on technical theory as to what a performance review is composed of and what the various component parts of the process are. The section labeled “Developing the Performance Plan” is ripe with valuable data as to what the content of the process should include but is deficient in establishing a specific process by which it should be completed. Timing, frequency, and accountability measures appear to be missing.



Chapter 4 Peer System Analysis

When examining a system as important to the overall state of an organization as the Performance Management System it is valuable to examine the solutions in use in peer organizations. In the case of a county the size of Seminole County it was determined that input would be sought from every county in the state in addition to the 50 largest cities in the State by population. Of the 117 targets contacted in the survey, timely data was collected from 57 which represents 48.7 percent of the possible respondents.

When possible, department directors from each representative human resources department were directly surveyed and asked the following questions which were approved by Seminole County leadership:

- What was the percentage of the most recent Cost Of Living Adjustment (COLA)?
- Does your organization use a merit pay system? If so, how does it work and what was the percentage or amount of the most recent merit increase?
- Does your organization use a pay-for-performance system? If so, how does it work and what was the percentage or amount of the most recent increase?
- Does your organization offer any kind of bonus structure? If so, what determines who gets the bonus and what amount is given?
- How would you rate the performance management system in place on a scale of 1-10 with 1 being the worst and 10 being the best?

Evergreen also asked for a copy of each participant's performance review instrument and any supporting documentation regarding the process by which reviews are completed.

Each question is important for a unique reason and as such, each will be covered in this chapter individually.

COLA:

COLA salary increases are a popular method used by public organizations to account for changes to the price

of basic goods and services within the living area of their employees. It is designed to compensate employees and maintain their standard of living with inflation. COLAs are often determined by regional inflation averages, national inflation statistics and the consumer price index (CPI) or any combination of factors.

Responses to this inquiry varied greatly across the respondents. The lowest COLA offered was two percent. Those organizations offering two percent increases are as follows:

- The City of West Palm Beach
- The City of Ocala
- Santa Rosa County

Six other organizations approved COLAs lower than three percent in the most recent budget cycle, those are as follows:

- Jacksonville (2.3%)
- Bradenton (2.5%)
- Hardee County (2.5%)
- Indian River County (2.5%)
- Nassau County (2.5%)
- Pasco County (2.5%)

It is interesting to note that these organizations vary greatly in their location, population and economic base. The City of West Palm Beach, for example is densely populated, with over 88,000 residents and an average per-capita income of over \$23,000 per year compared to Hardee County whose total population is just over 28,000 in the entire county and a per-capita income of slightly more than \$17,000 per year. As this information shows, little, if any connection can be drawn between the various organizations offering small COLAs.

Alternatively, the largest COLA offered by any peer organization surveyed was six percent and was by the City of Boynton Beach. Four other organizations offered COLAs of five percent and those are listed below:

- The City of Pembroke Pines
- Levy County
- Liberty County
- Suwannee County



As was seen in the examination of low COLA organizations, very little empirical data exist that links the organizations listed. This would indicate that while they are located in different parts of the state, and exhibit different population and economic traits, the organizations grouped together in the 2-3 % range and the 5-6 % range appear to use similar calculations and factors when determining their respective COLAs.

Also of interest, 13 of the 57 organizations (22.8 percent) responded that they offer no COLA salary increase. Of these 13, 11 compensate for eliminating COLAs by offering merit or pay-for-performance programs. The organizations not offering any COLA are as follows:

- Coral Springs
- Hialeah
- Largo
- Margate
- Franklin County
- Gilchrist County
- Lake County
- Leon County
- Pinellas County
- Sarasota County
- Hollywood
- Bay County
- Citrus County

The most intriguing COLA option, however, was offered by Manatee County. They utilize a graduated scale of COLA divided by salary level which is displayed in Exhibit 4A below:

Exhibit 4A Graduated Scale of COLA
Divided by Salary Level

Salary Range	COLA Percentage
\$0.00 - \$45,000	5.0 Percent
\$45,000.01 - \$65,000	4.5 Percent
\$65,000.01 or more	4.0 Percent

Merit and Pay-For-Performance Systems:

Through the course of many conversations with Human Resource Directors it became clear that these two terms are used interchangeably. When asked if an organization offered a Merit Pay system, those individuals indicating yes described very similar systems to those indicating that they use a pay-for-performance system. For the purpose of the remainder of this chap-

ter, we will refer to these two categories as pay-for-performance.

Survey data indicates that 41 of the 57 organizations responding to the survey use some form of pay-for-performance system. This represents 72 percent of the respondents. Exhibit 4B lists these organizations below.

Exhibit 4B Cities and Counties Offering
Pay-For-Performance Programs

Name of Organization	
Alachua County	Largo
Bay County	Lee County
Boynton Beach	Leon County
Bradenton	Levy County
Calhoun County	Manatee County
Citrus County	Melbourne
Clay County	Miami-Dade County
Clearwater	Nassau County
Collier County	North Miami
Coral Springs	Ocala
Daytona Beach	Pasco County
Flagler County	Pembroke Pines
Fort Lauderdale	Pinellas County
Gilchrist County	Pompano Beach
Hernando County	Putnam County
Hialeah	Santa Rosa County
Highlands County	Sarasota County
Hollywood	Sunrise
Jacksonville	Tallahassee
Kissimmee	West Palm Beach
Lake County	

As the exhibit illustrates, some very notable cities and counties offer financial incentives to their employees for job performance. The details of these plans were shared and it was interesting to note that none of the systems are inordinately complex, in fact they are quite simple to explain.

Respondents indicated that their pay-for-performance system fits into one of two categories; all-or-nothing or a graduated scale. Those organizations using an all-or-nothing have a performance threshold at which point employees became eligible for the previously agreed upon salary increase. Typically employees are scored on a scale similar to that in use currently within Seminole County and the minimum level of performance required to get the all-or-nothing increase is in the middle of the performance range and is typically identified as "Satisfactory" or "Meeting Standards."



Alternative to the all-or-none model of performance reward is the graduated scale, where every rank in the review score hierarchy receives some prescribed level of bonus. Collier County for example, uses this type of graduated scale. Their reviews are scored and accrue a point score ranging from 0-500 points. Employees scoring from 0-260 points earn no salary increase, employees scoring from 261-341 receive a 1.1 % increase, employees scoring 342-422 receive a 2.25 percent increase and finally, 423-500 points earn a 3.4 percent increase. These percentages are determined by a basic annual salary comparative analysis of the surrounding area and the established difference in salary between Collier County and its local competitors. The system in Collier County represents the most complex system involving graduated raise increments that was encountered.

A much more common approach can be seen in the City of Fort Lauderdale. Here, there exist four levels of job performance: Unsatisfactory, Satisfactory, Above Average and Exceeds Expectations. Salary increases are given to all employees ranked Satisfactory or above in the following steps: Satisfactory – 2.5 %, Above Average – 5 %, and Exceeds Expectations – 7 %. This represents a simple graduated scale at use in a major metropolitan area. The individual in charge of administering the system rated it an 8 out of 10 for its simplicity and ease of administration. They also mentioned that the graduated scale does motivate employees to achieve the highest levels of performance possible. Abuse of this system is possible and as such, they have adopted a plan where supervisors recommending the highest level of raises must justify them with examples of instances where employees exhibited these traits and they must be approved.

Another instance where a simple graduated scale is put into use is Leon County. There, employees are scored on a 4 point scale and individuals earning a score of 1 get no salary increase, a score of 2 nets a 3 percent salary increase and any employee earning a score of 3 or 4 receives a 5 percent salary increase.

From studying the various pay-for-performance systems in place around the state and speaking to the human resources professionals tasked with administering them it was made clear that a simple graduated scale of reward for performance is appreciated by both the end-users of the system and the day-to-day administrators. One comment heard by administrators of simple “all-or-nothing” systems is that they fail to motivate employees to reach higher performance goals. Employees are rewarded for meeting minimum standards and no differentiation exists between those meeting minimum standards and those meeting the highest levels of performance.

Bonus Structure:

In a public sector environment bonuses are less common than other forms of reward-based compensation. This fact was reflected in the results of our survey. Of the 57 organizations in response, just 13 of them (22.8 percent) have a formal bonus program. A number of them offer educational incentives which are additional pay but are not a true performance bonus in the traditional sense.

Bonus structures among these 13 respondents divide into two distinct groups; those offering a percentage of salary and those offering flat dollar amounts. For those offering percentage of salary bonuses, the amount ranged from 0.5% in the City of Jacksonville to 10% in Alachua County. Alachua County actually provides their department directors with discretion over a range of bonus from 1% to 10%. In addition, Alachua County department heads are able to actively counter-recruit their own staff via retention raises designed to match outside recruiters. This ability on the part of the department directors and their graduated pay-for-performance system provides ample tools to motivate, retain and recruit the best and brightest candidates for the citizens of Alachua County.

It is also important to discuss what bonuses are awarded for within these organizations. Far and away, the most popular reason to give a bonus in any of the respondents is participation or completion in a special project. Such things as software implementations, systems conversions, large scale studies, etc. are all reasons to award bonus money in the public sector. Another avenue for providing a bonus is the exhibition of consistent, documented performance at an “excelling” level. Situations like this occur beyond the scope of a typical special project and require repeated documented examples of behavior consistent with the very highest possible level of performance or duty beyond the norm. Organizations such as Lee County, Miami-Dade County, and The City of Hollywood require City or County Manager approval for the award of bonus money as an additional layer of protection against impropriety.

The presence of a bonus system does not always mean it is available to all employees. In particular, Miami-Dade County offers \$5,000 lump sum bonuses to its non-union senior managers only. Rank and file and/or employees represented by a labor union have no such system available which often times reflects dissent within the supervisor/subordinate relationship.

The addition of a simple bonus system would set Seminole County apart from the majority of counties throughout the state. A bonus structure should be



dovetailed into a robust pay-for-performance plan so that employees exhibiting exemplary performance above and beyond the call of duty are able to be formally recognized and rewarded. Feedback from respondents indicates that a system where the department director has full discretion over a limited bonus budget engenders participation on all levels. This is in contrast to systems where the Board of County Commissioners or another governing body must approve all bonuses. It was expressed that systems of this type are under-utilized because of the "red tape."

Department heads should be adequately trained in this area in methods of administering such a program in such a way as to avoid instances of favoritism and prejudice. Administrators of these systems spoken to as a part of this survey indicated that while major instances of favoritism are very rare, it is something they must always remain vigilant over to ensure that the best interest of their employees are protected.

Overall Rating of the System:

Respondents to the survey were asked to rank it on a scale of 1-10 in its overall quality and effectiveness. Responses varied widely from as low as 0 in the case of two Florida Counties to as high as a 10. Five organizations rated their respective systems a 10 in overall quality and effectiveness. Those are as follows:

- City of Bradenton
- City of Clearwater
- City of Margate
- Leon County
- Putnam County

On the whole, the average rating received by a performance management system in this survey was a 6.15. While this is not an overwhelmingly positive response, it does show that Seminole County is not alone in its struggle to design and enforce a system which meets 100 % of the needs it encounters. Of the 57 respondents to the survey, 16 asked not to respond in this area. Of the remaining 47, 31 (66 percent) rated their systems a 6 or higher. With some appropriate adjustments to the present pay-for-performance system and system training as well as the addition of a funded discretionary bonus program it is well within reason to expect Seminole County to be at the forefront of effective performance management in the State of Florida.



Chapter 5 Conceptual Solution

CONCEPTUAL SOLUTION

The last four chapters have presented the experience of others as well as Seminole County. This section brings those ideas together to provide a solution for improving the current performance management process and system as well as the manager and supervisor use of the system. Before exploring our proposed solution, it is important to discuss in more detail the current structure in Seminole County.

Current Structure

According to the August 2003 Performance Management Training Agenda produced by the Human Resources Department, the County possesses a well developed, best practice-focused system. Some of the commendable key components that it contains include:

- linkage of the vision, mission, and core values;
- desirable goals for the process;
- clearly detailed process that includes a performance plan, interim updates, ongoing feedback, an annual evaluation, and review;
- inclusion of major components of high performance (job tasks, competencies, and expectations);
- clear instructions on what should be included in the assessment as a primary component;
- the review has four rating scores that account for different performance outcomes; and

Each employee should have a growth and training plan that includes specific goals.

The structure of implementation includes recognized practices for improving employee performance:

- Build consensus
- Create the proper environment

- Encourage employee participation
- Be sure that the employee hears what you say

The competency section allocates the competencies by category based on pay band and type of responsibility. This approach allows groups of similar jobs to be evaluated in the same manner. Exhibit 5-1 captures the current competency categories for each pay band grouping.

Exhibit 5-1 Competency Category by Pay Band

Pay Band	Competency Categories
At Will	Championing Change Displaying Organization Savvy Leading Courageously Long Range Planning Strategic Leadership and Decision Making Visionary Leadership
4 - 7	Analysis/Problem Assessment Building Internal and External Partnerships Coaching and Developing Others Operational Decision Making Planning and Organizing/Work Management Selecting and Developing Talented Staff
2 - 3	Creativity and Innovation Customer Service Knowledge and Orientation Diversity Understanding and Appreciation Judgment/Problem Solving Knowledge and Commitment to Organizational Mission and Goals Resourcefulness Additional

If the system was the only consideration for success, then Seminole County would possess all the prerequisites for success. When considering the comparison of system to execution, Seminole County falls in the high quality and poor execution category (see Exhibit 5-2). The County has done a great job designing this system, but execution has not been at the same level.



Exhibit 5-2 Typology of Success in Performance

Execution/ System Quality	Low Quality	High Quality
Poor Execution	Poor system and poor execution	Good system and poor execution
Superior Execution	Poor system and good execution	Good system and good execution

Consequently, the biggest need is to refine the system to aid execution while recommending methods of improving execution. Exhibits 5-3 and 5-4 contain the current status of the Seminole County system and its execution. The system quality comparison (Exhibit 5-3) yields strong results. Like many organizations, there is some ambiguity between each major level of organization. In addition, the technology resources are not available to facilitate the current system. Most employees felt that the results of the system are not easy to understand. A big part of this relates to how pay is distributed instead of the actual operation of the system. Finally, more attention could be given to personal evaluation. The current forms possess a section for employee feedback. However, more emphasis should be given to employee self review and improvement.

Exhibit 5-3 Presence of System Quality Factors in the Current System

Organization	Management	Employee
Coordination so work at the organization, unit, and individual levels coincide	Tool for documenting performance shortfalls	X
Method of determining challenges to success	information necessary for making management decisions on promotions and development	X
Essential job functions are known	Document barriers to success	X
Linkage between job and organizational goals	Technology available to ease processing	X
Value of success to employee and organization		
How performance will be measured		
Document barriers to success		

Exhibit 5-4 Presence of Execution Factors in the Current System

Organization	Management	Employee
Clearly defined system	X	On-going communication
Defined and attainable goals for the organization	Partnership between employee and supervisor	Partnership between employee and supervisor
Well trained employees	Clear expectations	Concern with success of the organization
Well trained managers	Constructive feedback	Appreciation of feedback and personal development
Sufficient resources for success		Confidence that the system is being applied fairly

Execution factors are less present in the County's practices. Some of the factors that fails short include:

- Lack of defined and attainable goals;
- Inadequate levels of training for employees and managers; and
- Low levels of committed resources for performance.

The management factors vary by department. Nevertheless, more attention needs to be paid to on-going communication, partnering between employees and managers, and establishing clear expectations. For the employee level, confidence in the system is a serious concern and has an impact on execution success.

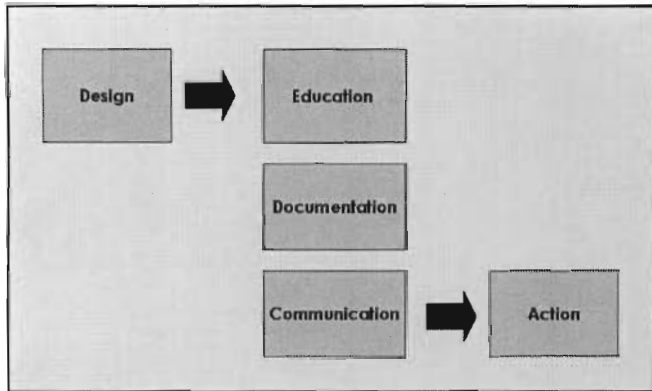
The next section contains a summary of the conceptual structure needed to improve the execution of the system and the recommendations for making the performance management system a success.

Proposed Solution

When designing a performance management system, there are key components that are necessary for successful implementation (see Exhibit 5-5). Before any action is taken, it is critical that an organization designs a strategically aligned set of processes, educates employees and managers, documents the processes and tools, and communicates the system and expectations.



Exhibit 5-5 Performance Management Conceptual Design



This section summarizes the major elements of each component of the conceptual design. When changes are needed, a recommendation is provided that would bring the current system in compliance with recognized best practices.

Design

The design process needs to include a careful assessment of what would solicit the highest level of performance within that specific organization. Based on our review, Seminole County possesses a well designed system and structure. The system is not being utilized to its full potential, but the design is solid.

The major areas to consider in the design of a performance system include:

- What are the goals of the organization?
- What units provide each component for attaining the goals?
- How should work be divided?
- What are employee responsibilities by area?
- What are the most important tasks?
- What are the barriers to success?
- How are outcomes tied to rewards?

The County has answered many of these questions through its strategic planning process. The only area of concern relates to linkages between levels. The County could improve its linkages between employees and departmental as well as organizational goals.

RECOMMENDATION 1:

Collect department specific outcome information from each department.

A protocol should be developed that can be used to solicit departmental level outcome information. Sessions should be held with the senior management of each department to determine the outcomes areas and specific factors.

Education

Education of employees and managers will make or break most performance management systems. The education process begins with broad concepts and plan elements, but must include clear and specific details for implementing and utilizing the system. Some of the key questions to consider include:

- Does senior management understand and completely support the system?
- Do managers have the training necessary?
- Do employees understand the system and is information readily available?
- Is there an on-going education system?

The County has dedicated resources to develop a training manual and conducting training in the past. However, the tools available (non-automated) and the need for additional training has reduced the effectiveness of the education effort. Based on our review, senior managers support the system if it is adequately funded. However, most managers do not have the training necessary and most employees do not fully understand the system. Finally, there is not an on-going education program, so the level of competence varies considerably across the organization.

RECOMMENDATION 2:

Develop and utilize an education program for employees as well as managers.

The training manual that was developed by the Human Resources Department needs to be expanded to provide more operational advice to managers. In addition, a corresponding document needs to be developed for employees. Both documents should be available in electronic form and available to all employees.



RECOMMENDATION 3:

Provide on-going training on a bi-annual basis.

More than any other factor, training impacts the successful execution of a performance management system. The Human Resources Department should offer in-person training classes twice a year to supervisors and managers. The sessions should cover conceptual as well as operational information. Real examples should be given to assist managers with understanding some of the issues that are typically encountered when conducting a review.

Documentation

Documentation brings together the elements of the performance management process into tangible tools that can facilitate the interaction between the supervisor and the employee, account for high performers, and provide a foundation for organizational planning. Some of the key documentation elements include:

- Are data gathered at the organizational, unit, and individual levels?
- Do you report results at the organizational, unit, and individual levels?
- Are fact-based positives and negatives reported to employees?
- How early is a problem identified to the employee?
- How are strengths documented for employees?
- How are employees motivated to be successful?

Currently, the evaluations utilize elements that are drawn from each level of the organization. The biggest improvement that could be made is linking the strategic goals for the department more directly. Strength and weakness documentation varies by department and in some cases by manager. This needs to be addressed since it provides a non-uniform method of feedback to employees and impacts performance outcomes. Moreover, employees indicated that the current structure does little to impact actual employee motivation given the inconsistencies. All of these factors together indicate that the County needs to adjust the tools that it is using.

The County evaluation forms contain a number of best practices. Specifically, the inclusion of competencies, tasks/activities, and goals affords a well rounded picture of employee performance. However, some of the

concerns with the at-will performance evaluation forms include the lack of:

- listing the linkage between the job and the organizational goals;
- providing examples of growth and development targets;
- inserting examples in the core responsibility section; and
- offering space for a personal performance improvement plan.

RECOMMENDATION 4:

Improve the general employee form.

The general employee form needs the following improvements:

- Include some standard core responsibility questions for each job or classification;
- Increase the scoring range on key competencies from three to four levels;
- Create an employee-based review and feedback section; and
- Provide examples of goals by classification or department.

These additions will increase the usability as well as the validity of the tool. Each recommended change adds a best practice component.

RECOMMENDATION 5:

Improve the scoring process to enhance transparency and employee support.

The scoring section of the current County form is confusing and undermines the County's efforts to improve performance. If an employee can not easily understand the overall rating, how it was calculated, and how it can be improved, then the scoring is relatively useless. Improvement can be accomplished by adding a page that clearly gives the outcome of each area of the evaluation and asks the supervisor to write a brief statement explaining the score.



RECOMMENDATION 6:

Automate the entire review process.

The current process is time intensive due to its inherent paper-based nature. In order to dramatically improve execution, an automated tool needs to be provided to supervisors and managers. This would allow supervisors to spend more time working with the employee and less time doing paperwork. Moreover, an automated tool would allow real-time access for supervisors to update records and make improvement suggestions.

Communication

Communication of expectations, methods of assessment, and how improvement can occur must be communicated to supervisors and employees, alike. An investment in training and the use of automated tools is not sufficient for performance outcomes to be realized. An employee must understand the “rules of the game” and have the ability to communicate directly and often with the one evaluating his or her performance. Some of the key questions to consider include:

- Is there an annual communication of the direction and expectations of the organization?
- Do all employees understand the role that they play?
- How are employees involved in the direction setting process?
- Are employees met with on a regular basis?
- How often can employees provide feedback or make recommendations?
- Are there opportunities to celebrate successes?

As one would expect, the level of communication and interaction varies across the organization. Not only is there variation across departments, there is variation within the same department among managers and supervisors. Most employees seem to understand the role of his or her job in the organization. However, most employees are not involved in assisting with determining the direction of the organization. The County has done a good job with recognition for the most part.

RECOMMENDATION 7:

Conduct employee meetings four times a year.

Although some departments meet with employees on regular basis, most employees felt that more feedback would be beneficial. As part of a supervisors or managers review, determination if four meetings occurred should be included. Each supervisor should meet with his or her employees individually four times year. The feedback given should cumulatively be what an employee receives in his or her evaluation.

Action

Action is the culmination of the all the steps that lead up to actually utilizing the system.

- Do all employees receive an action plan?
- Do employees have a chance to provide input for the plan?
- Are the plans linked together and tied to organization-wide goals.
- How is the performance management structure tied to the workforce planning efforts?
- Do all employees have a growth plan?
- Does the organization have the resources to provide development opportunities?

The County does provide a limited section for suggestions and feedback from the employee. Nevertheless, the instrument would be more useful if a greater emphasis was placed on providing instructions to employees on how to improve and allowing comments or suggestions in response. One way to address this is to have every employee create a growth plan taking into account current responsibilities, capabilities, and training goals. This would allow the County to assess areas of capability underutilization as well as plan for future needs. One of the most critical, yet time consuming components of work planning is accessing staff capability and developing strategies to fulfill needs.



RECOMMENDATION 8:

Develop specific action plans for improvement as part of the review process.

A supervisor should work with each employee to develop an action plan for improving shortcomings and building on strengths. Employees should be given the chance to provide feedback on the plan and interject suggestions. This will permit real and tangible improvement for each employee. In addition, it will involve employees more in their own development and career expectations realization.

RECOMMENDATION 9:

Allow employees to develop with the supervisor professional development plans.

Employees need to be given chance to not only assist in developing plans for improvement, but for skill and capability growth as well. Each employee should be asked once a year to develop a professional development or growth plan. The plan should be reviewed by the supervisor and suggested changes should be made. The plan should be used by supervisors to allocate resources, tracking skill and capability development, and match work with skills.

RECOMMENDATION 10:

Create a specific linkage between evaluation results and compensation.

The County needs to develop a transparent and relatively simple linkage between the employee review score and the allocation of performance-related dollars. The compensation methods utilized by Seminole County for rewarding employees is confusing and lacks credibility with most employees across the organization. The employee survey average for satisfaction with merit pay was 3.31 on a scale of one to 10. Although most reward systems never reach 100 percent satisfaction, this score is below the median score for most organizations. Chapter six will address this issues specifically.

CONCLUSION

Overall, the County is to be commended for the structure that it is put into place at the conceptual level. Most of the elements included in the tools and processes are close to peer as well as universal best prac-

tices. The big area for future improvement resides with execution. The three greatest challenges from an execution standpoint include:

- Lack of defined and attainable goals;
- Inadequate levels of training for employees and managers; and
- Low levels of committed resources for performance.

A series of recommendations have been provided that attempt to address each of these weaknesses. The final element to consider is how the rewards component actually works. Chapter six addresses this key and final element.

Chapter 6 Operational Recommendations

The previous sections discussed the current situation in Seminole County, the experiences of other local governments in Florida, best practices in performance management, and provided recommendations for improving the current performance management system. As discussed in Chapter four, three key elements impact the success of a performance management system: availability of results, system structure, and execution. Seminole County has developed a fairly solid system structure, but has not earmarked resources nor executed effectively on a consistent basis. Neither of these findings is surprising or unusual. Among public entities, it is very common that resources are scarce and elected officials as well as senior managers are concerned about putting too many resources into a performance management system that they lack confidence in its ability to produce results. In addition, execution is complicated by the fact that the system will be judged by the actions of many with varying levels of management skills. The last chapter addressed the operational elements of bringing execution together with the system structure. This chapter makes recommendations on how to join results with execution.

Pay for performance in reoccurring pay or as a bonus is the most common mechanism utilized in successful performance management systems. If Seminole County wants its compensation plan to provide appropriate incentives to encourage and recognize growth and outstanding performance, this requires that performance be evaluated, incentives made available, and that performance and incentives are linked appropriately. Evergreen has studied many performance-based pay systems in local government, but we have seen few successful plans.

CHALLENGES

Using money to bring about employee motivation and satisfaction is a controversial undertaking. Most people understand the potential of money to motivate and satisfy, but it is the method used to translate this potential into practice that is less certain. Unfortunately, when we look at the literature that has addressed the effects of pay for performance programs, there is a serious

question as to how effective merit increases really are. Closer evaluation of merit increases reveals that such increases create other potentially significant organizational costs, notwithstanding increases to satisfaction and motivation. The "costs" in using merit increases stem mostly from the practice of giving merit-based rewards not only for the performance period being considered, but also as annuities to be received over the full term of employment. Consider an employee earning even \$15,000 a year who receives a 6 percent merit increase for good work this year, and stays with the County for 10 more years. At his 6 percent rate, the employee has not only been awarded a \$900 salary increase for this year, but also an \$8,200 increase in future income. If we discount this future income back in today's dollars using a 10 percent discount rate, the employee is effectively receiving a \$3,325 increase – not a 6 percent, but a 22 percent merit raise.

Governments are increasingly looking to the corporate world for answers to serious compensation questions. Corporate compensation programs are based on widely used concepts and practices. As a rule, corporate pay programs have little in common with public sector programs. In general, corporations have considerable latitude to respond to labor market trends and to change program components that are found to be overly costly or ineffective. Rapid response and significant changes in compensation programs are infinitely more difficult in local government due to strong union presence, the public nature of employee compensation, and the difficulty government has in making changes in a short period of time.

When we consider pay systems, we need to think about some of the unique characteristics of the public sector. As a bit of background, the most widely-used alternate pay systems have their roots in private industry, and were generally developed in order to achieve greater levels of profitability – they were tied to "the bottom line." The bottom line concept is not applicable in local government, with the possible exception of functions which produce revenue to the County, in which performance could influence the amount of revenues in areas where the revenues are not mandated (for exam-

ple, revenues associated with public use of recreation programs, as opposed to tax-generated revenues, which are independent of employee behavior). Alternate pay systems are used much less frequently in government, but there is a definite trend toward them, varying by region in the country, as well as variation within states.

There are other elements present in the public sector which make implementation of a pay for performance program more difficult. Performance evaluations can be influenced by personality considerations or favoritism. Past attitudes and experiences present another major hurdle for managers in a public performance-based pay system. If an employer has established a history of playing favorites or distributing raises without regard to performance differences, then its employees inherit a legacy of skepticism and distrust in any new or existing pay for performance program. Research indicates that managers are likely to make compensation decisions based on factors other than performance, such as length of service or future potential.

Another consideration is that although it is possible to design a system that includes internal consistency, external competitiveness, and employee contributions, the system will not achieve its objectives without competent administration. In the public sector, there tends to be approximately one human resources professional for every 250-350 employees. In the private sector the ratio is closer to 1 professional for every 100 employees. Therefore the limited resources in the Human Resources Department must be considered when we contemplate the appropriate pay system for the County.

Also, in terms of fair and accurate performance evaluation, because many government jobs are more service-oriented, they are more difficult to define in terms of clear performance objectives. The public sector also operates without the profit motive as an inducement for performance and a yardstick for measurement. The evidence in the County suggests that there have probably been different thresholds for what constitutes meritorious performance between departments. Anecdotal evidence supports that when merit increases were allowed, the merit increase program may have been used to recognize and reward aspects other than merit –including loyalty, and in some cases, the perceived need to drive salaries up in order to remain competitive with the market. If a pay for performance system is installed, it must be solid and effective, so that the trust of employees that pay for performance is what it actually says is developed.

Performance related pay systems absolutely require that managers have the skills to objectively measure performance and that the performance evaluation sys-

tem lends itself to objective performance measurement, and allows for clearly distinguishing different performance levels. Pay for performance systems are heavily dependent upon the assessment of individual and/or team contributions and therefore require a great deal of management training to objectively measure performance and therefore require a great deal of management training in the public sector, where supervisors and managers often “come up from the ranks,” and may or may not have significant formal management training.

Furthermore, public managers find themselves more constrained in their positions by the formal rules and regulations that comprise public personnel systems. These rules and regulations can be inconsistent with the flexibility often needed to maximize the use of performance-based pay systems.

There is a final list of issues which generally must be confronted when alternate pay systems are implemented in local government:

- The Entitlement Mentality – a major roadblock in the way of moving away from equal (defined as the same) treatment of employees in pay progression is the entitlement perception held by public and private sector employees as well. As a result of many years of inflation, which led to pay increases, the perception that pay will increase each year has embedded itself in the mind of many American employees. In the public sector, where the entitlement perception may be even stronger, movements away from predictable pay increases are bound to be met with some resistance, especially from employees who are either unwilling to perform at high levels, or employees who do not believe “the system” will fairly evaluate their contributions.
- The “Pay Everyone the Same Mentality” – There have been many forces in local government pressuring managers to treat people the same, such as the influence of labor unions. In this context, the County may want to consider a pay progression system which combines more predictable pay increases to the midpoint (whereupon the employee is being paid at a rate approximating the general pay for the position in the market), and then attaching the concept of significant individual or team contribution to movement beyond the midpoint. This is a form of a flexible step plan, which has some real advantages. For example, by structuring a more- or –less automatic progression to grade midpoints, the most notable being minimizing compression between employees and their



supervisors, and minimizing compression between new employees and employees who have been employed for a couple of years.

- **Selling Innovative Plans to Governing Bodies** – The difficulties associated with this vary depending upon the structure of government and the philosophies held by the members of the County Commission, City Council or other governing body. As pay plans are introduced which put portions of pay “at-risk”, and/or reserve some salary budget dollars for high performers, and/or introduce non-traditional incentive programs such as on-the-spot awards, attitudes ranging from puzzlement to rabid opposition and everything in between generally are brought forth. Those implementing the system have to gauge the climate of the governing body, and their willingness to be open to new ideas in compensation, and consider tailoring recommendations to the climate. Stakeholders have to be prepared to very carefully teach and communicate the reasons and rationales for these types of programs.

In entities with professional administrators, such as the County, it is generally easier to introduce alternate pay systems, as the governing body often becomes less involved in system design.

- **Selling Innovative Compensation Programs to the Public** – Depending on the plan being contemplated and the nature of the constituency, the public may vary in their acceptance of implementation. Problems are encountered generally when the perception appears that more money will be spent in the salary budget. Problems are encountered most often when a variable pay system has been in place, and has been shown to be more expensive than a more traditional (e.g. step plan). In this case, the system may be administered ineffectively, and defending its continuing use to the public can be a real challenge. Again, education carefully planned and communicated, is a key element in minimizing objections to innovative systems by the public. Nevertheless, certain systems just may not “fly” in certain communities at particular points in time.
- **Employee Confidence in the Ability of the Employer to Fairly Evaluate Performance** – As the relationship between pay increases and performance measurement becomes stronger, employee confidence in the performance evaluation system becomes a critical element in the success of pay for performance programs. If the employees can not see the link between job performance and increased pay opportunities, the program will not work.

- **Resistance to Change in General** – We are not arguing that government entities are more resistant to change than the private sector, but the lack of profit motive can greatly reduce the perception of the need to change the compensation system. Private sector organizations simply have to be flexible in compensation system design to react to the ebbs and flows of profitability, competition, etc. in order to survive. Meanwhile, government operations continue, and survival concerns are generally not an issue. Therefore justifications for new pay programs must be tied to issues such as increasing productivity and efficiency, reducing tax levies, and other elements the public, the governing body, and the employees will accept. As financial resources become more tight, we find that governing bodies and the public are becoming more open to the idea of pay systems based on accountability, performance, and individual and team contribution. Nevertheless, the more radical the change, the more resistance we expect to encounter.

ESSENTIAL ELEMENTS FOR A SUCCESSFUL PAY FOR PERFORMANCE SYSTEM FOR SEMINOLE COUNTY

If the County adopts a plan which ties pay opportunity to performance, there are a number of essential recommendations we will make:

1) Go slow and Plan, Plan, Plan

We recommend that the County first overhaul its performance management system over the next year. The planning and development activities will occur between now and the end of 2007. Once these activities are completed, the County will bring the new system “on-line” about a year from now. We believe that the extent of the planning activities and the efforts involved, particularly in designing a performance measurement system will take a full year to be done correctly.

2) Start From the Top Down

We believe that a pay-for-performance program needs to start “from the top down.” Consequently, we are recommending that the plan be implemented along with extensive management training on the system as well as performance evaluation and developing of performance standards. However, along with this training, department heads must clearly define the goals and objectives for their departments – these should be part of the goals and objectives for the County. These goals and objectives should then



“filter down” to each manager, supervisor, and employee, as performance standards and goals are put into place on an individual basis.

3) Develop the Best Performance Evaluation System Possible

Of course this is a lofty goal, but we can't emphasize the importance of the system and its outcomes in shaping performance. By all means the system must be *comprehensive*. By this we mean that it is very important that the performance evaluation system measures all elements of behavior which the employers wish to reward. Employees rewarded for performance will tend to continue to focus their efforts on the behavior they believe was rewarded. Hence, the link between performance standards, performance evaluation and rewards is critical.

An ill-contrived performance evaluation will not only be invalid, but because of a lack of faith in its ability to distinguish performance, it will not be used correctly and eventually will be abandoned.

4) Begin Evaluating Performance Through Mini-Appraisals

We recommend that, beginning in early 2008, the County Administrator, and all staff who evaluate employees begin scheduling quarterly “mini-appraisals” with the subordinate employees they are assigned to evaluate. The purpose of the less formal periodic meetings is to review progress in the quarter, review goals and objectives, modify goals, objectives and performance standards as appropriate, and to maintain more frequent communication between supervisor and subordinate about performance.

The process of implementing performance evaluation is slow and is done best by getting managers to begin to use their evaluation skills and improve them as necessary, as soon as possible. In this way, when the entire program goes “on line,” managers and employees will have a higher level of comfort in the ability of the managers to fairly and accurately evaluate performance.

5) Be Realistic in Developing Merit Policies and Procedures

First, in an organization like the County, where there has not been a defined merit pay program, we would suggest that the move be made slowly rather than overnight. For this reason, we are recommending a phased approach. The supporting

systems must be in place first, including an excellent performance evaluation system, definition of performance standards for each person to be evaluated and significant management training.

Second, we believe that one of the biggest mistakes the County could make would be to differentiate rewards beyond its ability to differentiate performance. People soon catch on that rewards are being based on “something else,” not on job performance.

There will need to be policies and guidelines created by the County to support this reward program. This is part of the planning activities that need to take place in 2007 and 2008.

6) Management Training Will Be Critical

Management training in applying the performance-based pay system is vital. This can take place in early 2008, once the policies and guidelines are created. Nevertheless, the system inherently requires judgment and discretion on the part of the evaluators. *The Human Resources Department will assume the role of constructive monitoring, guidance and assistance to managers who are learning to work with the system.*



Appendix: Implementation

Though the County has a significant amount of planning, training, development, and evaluating to accomplish in the next year to create a fully functioning pay for performance system, the dollars needed for the system to function must be set aside well in advance of plan initiation.

By determining available funds in fiscal year 2005-06 for use in the pay for performance plan in fiscal year 2006-07, employees are aware of the funds availability for award and are able to see a direct connection between their hard work and the potential financial rewards. By setting aside money one year in advance, employees are not left to wonder what money might be available or whether the County will fund pay for performance in a particular year.

Evergreen Solutions recommends setting aside two (2) percent of the County's total payroll to provide pay for performance bonuses on an annual basis. Using October 1, 2006 through September 30, 2007 estimated pay roll figures, two percent of total pay roll is approximately \$1,455,118. While the actual dollar amount would change each year, we recommend that the County set aside at least two (2) percent on an annual basis.

The County Manager should maintain responsibility for determining how the funding is divided among departments, and department allotment should be tied to both number of employees and how well the departments meet organizational goals and performance measures discussed in chapter five. This will provide for the top-down method of pay for performance also discussed in chapter five and allow departments that are successful in meeting organizational goals to reward the employees responsible for the success.

As discussed in chapter five, the new employee evaluation form to be developed by the County should include

scoring mechanisms that provide a quantitative method for comparing performance of employees, divisions, and departments. To make the pay for performance rewards meaningful, Evergreen Solutions recommends that the County set thresholds for providing bonuses. In other words, the bonuses will be meaningful to employees only if they see a direct connection between exceptional performance and a performance bonus. For this connection to be clear, the County must limit the number of employees who receive bonuses.

The evaluation documents and processes will allow County Human Resources staff and department directors to determine a performance ranking of employees by department. Department directors would then be responsible for determining which employees in the department should receive a bonus. Within each department and cumulatively across the County, approximately 20 to 30 percent of staff should receive pay for performance bonuses. To ensure the bonuses are distributed appropriately within departments, no single employee should receive a pay for performance bonus that is more than 10 percent of their total salary.

This format for distribution allows the County Manager to provide greater reward to departments that have achieved over and above what was expected in a particular year, while maintaining equity among departments by instituting comparable thresholds for distributing performance bonuses on an individual basis.

It is important to note that while funding for pay for performance should be budgeted on an annual basis, individual performance bonuses should be non-reoccurring. Employee performance should be assessed each year to determine the appropriateness of providing a performance bonus. Further, the bonus should not be included as part of an employee's base salary or rate of pay.



It is important to note that a pay for performance system will not maintain the County's relative market position. Cost of living adjustments or COLA increases should continue to be used to maintain labor market competitiveness in the future. Given the average movement over the last five years and recent projections, the County will need to anticipate between four or five percent increases per year. In the future, the County should tie the CPI to the state average.

In addition, the merit program provides more of a market adjustment or time in class function than a true merit reward to employees. The merit program should continue, but its resources should be used as a mechanism to move employees through the pay plan. In essence, those employees that are not representing the highest 20 or 30 percent of performers would still be rewarded by reaching full competency. The highest 50 percent of employees would be moved through the pay plan with merit compensation. The average allocation for merit should be between two and five percent of total payroll.

Finally, there are administrative costs to implement these changes in the current system. If these costs are ignored, it is unlikely that the County will be successful at implementing a true pay for performance management system. The cost for implementing the necessary automated tool and making the recommendations in this report ready includes: \$112,200 for implementation consulting, \$75,000 for software licenses, and \$10,000 in reoccurring maintenance costs. In addition, the magnitude of the endeavor will require supplemental resources for human resources. During the first year of implementation, one extra full time staff member will be needed. The staff member should be a highly competent professional paid in the D pay band.

A transition to pay for performance is not easy from a cultural, organizational, or management standpoint. However, successful implementation holds great rewards for citizens and employees of those jurisdictions. Seminole County has taken the first step to realizing those goals.

