



EXECUTIVE CHAMBERS
HONOLULU

BENJAMIN J. CAYETANO
GOVERNOR

August 16, 2001

ADMINISTRATIVE DIRECTIVE NO. 01-02

TO: All Department Heads

SUBJECT: Policy and Guidelines Regarding Performance Incentives Program

Discussion:

This Administrative Directive establishes the State's policy regarding the Performance Incentives Program. This policy shall be applicable to all Executive Branch departments, except that the Department of Education and University of Hawaii may elect to develop separate policies for their own agencies.

Policy:

To promote excellence in State government, it is essential that we create an environment that welcomes and encourages continuous improvements in the way we operate and the way we service our customers – the people of Hawaii. To achieve such an environment, we need to have tools with which to motivate and empower our most valuable resources, our employees.

Therefore, it shall be the policy of the State of Hawaii to provide opportunities, through the attached Guidelines, for departments to develop awards programs which will serve as tools for recognizing and rewarding their employees for extraordinary achievements in meeting or exceeding target performance goals. These Guidelines provide broad guidance for the development of such programs and are designed to be flexible enough for a department to tailor a program to best meet its unique needs.

Each Department Head is encouraged to implement Performance Incentives Programs for your respective employees, in accordance with the Guidelines, so that we may not only promote excellence, but also foster pride in public service as well.

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Authority and Responsibility:

The Department of Human Resources Development shall be responsible for overseeing the Performance Incentives Program Guidelines.

BENJAMIN J. CAYETANO



**STATE OF HAWAII
DEPARTMENT OF HUMAN RESOURCES DEVELOPMENT**

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EFF. DATE August 16, 2001	REV. NO. -----

**TITLE: PERFORMANCE INCENTIVES PROGRAM
GUIDELINES**

APPROVED BY:
Governor Benjamin J. Cayetano

I. Purpose

The purpose of the Performance Incentives Program is to encourage continuous improvement and extraordinary work in the provision of public services by providing a direct link between meeting pre-established target objectives, and recognition and reward.

“Extraordinary work” includes, without limitation, performance at a level significantly above the expected standard established for the position in terms of:

- Quality and/or quantity;
- Demonstrated benefits to the department or work unit’s purpose and objectives; and/or
- Benefits to the public.

II. Authorization

Hawaii Revised Statutes (“HRS”), Chapter 82, Incentive and Service Awards.
(Eff. 7/1/02: HRS Section 78-29, Incentive and Service Awards, Act 253, SLH 2000)

III. Responsibilities

A. The Department of Human Resources Development (HRD) shall:

1. Administer the State’s Performance Incentives Program;
2. Issue policies, standards and procedural guidelines governing the Program;
3. Review and approve departmental performance incentives plans to assure statewide consistency;
4. Seek guidance from the Department of the Attorney General for legal issues, if any;
5. Furnish technical advice to agencies, as requested, in the development of their departmental plans;
6. Audit State agencies for compliance with established guidelines; and
7. Evaluate the effectiveness of the program on a continuing basis and report the results, with pertinent recommendations, to the Governor as necessary.

B. Each Department Head shall:

1. Determine if the establishment of a performance incentives plan for the department or work unit will result in a significant benefit to the State;
2. Check with the Department of Budget and Finance to ensure that the source of funds can be used for the proposed purpose;
3. Notify the affected employees' union(s) of the intent to develop a performance incentives plan, concurrently or prior to obtaining employee input on components of the plan;
4. Submit a performance incentives plan to HRD for review and approval before it is implemented. Revisions to existing plans shall also be subject to approval;
5. Seek guidance from the Department of Accounting and General Services for payroll processing purposes, if applicable;
6. Consult or negotiate with the affected employees' union(s), as applicable, pursuant to HRS Chapter 89, prior to implementation. If the employees are excluded from collective bargaining, the department head or designated representative must consult with the affected employees;
7. Ensure that all steps in the "Checklist to Establish a Performance Incentives Plan" (page 7) have been followed prior to, as well as during implementation;
8. Submit to HRD at the end of each evaluation period, the cost-benefit analysis for the plan (see paragraph VI.A of this policy); and
9. Monitor the effectiveness of its performance incentives plans, ensure that they are implemented in a fair and equitable manner, and authorize changes in or termination of its plans, as appropriate.

C. Each Division Head and Supervisor shall:

1. Obtain employee input in the development of the performance incentives plan, including establishment of the target objectives and awards;
2. Establish and communicate target objectives, plan provisions, and award parameters with affected employees prior to the start of the evaluation period;
3. Objectively review the employees' performance against the established target objectives to identify employees whose efforts merit recognition and reward;
4. Initiate recommendations for appropriate recognition and reward for employee performance; and
5. Maintain accurate records of all awards given as outlined in paragraph VII of this policy.

IV. Awards

Awards shall be limited to non-negotiable items (awards that are negotiable may include benefits such as time off, leaves, health plan contributions; increases to base salary; and safety-related awards).

V. Formal Performance Incentives Plan

Each department or work unit who provides or intends to provide a performance incentive must have a formal performance incentives plan that has been approved by HRD. At a minimum, all performance incentives plans shall include the following components:

- A. Overall goal of the incentives plan and how it relates to the mission of the department or work unit.

A statement that provides the overall framework (what, who, why) of the performance incentives plan and its relationship to the department or work unit's mission. For example, the statement should explain how the awards to eligible employees advance the interests of the department or work unit, and/or are beneficial to the public.

- B. Target objectives and evaluation method

1. When developing target objectives, keep in mind that at a minimum they should:
 - a. Be specific, attainable, well timed, measurable, and easy to understand;
 - b. Be established high enough to be meaningful, substantial, and a significant benefit to the State;
 - c. Result in a demonstrated benefit to the department or work unit's purpose and objectives, and/or be a benefit to the public;
 - d. Be established to take into account seasonal trends that may make the target levels impossible to achieve during certain periods and more easily achieved in others; and
 - e. Be communicated with the affected employees prior to the evaluation period.
2. Target objectives shall, at a minimum, specify the desired activity:
 - a. In measurable units or amounts (quantity);
 - b. At an expected performance level (quality of work);
 - c. In an allotted time frame;
 - d. With the method of evaluation and evaluation instrument; and
 - e. With a statement of whether overtime may or may not be incurred in order to meet the target objectives.

C. Eligibility criteria

The plan must be very specific in this area. Eligible employees should have a substantial role in achieving the defined objectives. The plan should specify whether the following are eligible to participate:

1. Permanent, limited term, temporary appointment outside of list, and/or emergency hire employees;
2. Initial probationary or new probationary employees;
3. Full-time and part-time employees;
4. Civil service and exempt employees;
5. Employees recently hired;
6. Employees who worked less than the entire evaluation period;
7. Employees on leave status (workers' compensation, leave without pay, sick leave, vacation, paid leave, etc.);
8. Employees who terminated prior to issuing the award;
9. Employees in a particular division, branch, section, or unit;
10. Managers and non-managers;
11. Employees in a particular class or series; and
12. Employees who do not have at least a "meets expectations" performance appraisal.

The plan shall also specify whether all eligible employees are required to participate or may elect not to participate. If non-participation is an option, it shall be done in writing and the procedure for waiving participation shall be set forth in the performance incentives plan.

D. Award

At a minimum, the plan shall specify:

1. The type of award; e.g., cash or non-cash;
2. Whether it is a team or individual award;
3. The award structure/amount of the award, including amount of the award for part-time employees or employees working less than the full evaluation period; and
4. Frequency of the award.

E. Source of funding, and estimated total cost for the first implementation

F. Appeals procedure

Each plan shall provide an appeal process which shall include the following:

1. Who may file – An employee who believes the award should have been provided to him/her or believes he/she was entitled to a larger award, may file an appeal;

2. What can be appealed – Shall be limited to evidence provided by the employee that existed or occurred during the evaluation period and was not considered when the award determination was made;
3. How to file – All requests for appeal shall be done in writing;
4. Where to file;
5. Timelines and deadlines; and
6. Final authority on decisions – The department head's decision regarding all requests for appeal shall be final. The department head shall respond, in writing, to all requests for appeal.

G. General provisions

All performance incentives plans shall include the following provisions:

1. "Awards are not permanent employee benefits, do not confer or intend to confer permanent property rights or interests on the employees, and are dependent upon available funds."
2. "Cash awards are not intended to increase the base salary or any other benefits of the employee."
3. "It is the intent that this plan be retained. However, the department reserves the right to amend or terminate the plan in whole or in part, for any reason, and at any time; without the consent of any employee or other persons."

VI. Evaluate the Results

The plan's effectiveness shall be reviewed at the end of each evaluation period. The evaluation results shall be included in the report to HRD as outlined in paragraph VII.

A. Cost-benefit analysis

To determine the effectiveness of the plan, a cost-benefit analysis shall be done to measure the benefit to the employer and/or the public. Actual performance should be compared to target objectives and baseline data (performance during a similar period prior to implementation of the plan), if any, with consideration of outside factors or influences that may have affected the outcome of the results.

B. Feedback from employees

Informal, as well as formal, feedback from employees will help determine whether or not the objectives were clearly communicated, how well participants understood the rules and goals, how much the performance incentives plan impacted performance, and how sufficient the awards were.

VII. Documentation

A report of each performance incentives plan shall be completed by each department and submitted to HRD at the end of each evaluation period. At a minimum, the report shall include:

- A. Each participant's name, position title, work unit, and evaluation period;
- B. Base level of performance during a similar period (level of performance prior to implementation of the plan);
- C. The employees' target objectives;
- D. The actual performance level;
- E. The award amount and date(s) provided; and
- F. An evaluation of the plan that includes a cost-benefit analysis, feedback from employees, and proposed plan changes.

Checklist to Establish a Performance Incentives Plan

- _____ 1. Check with the Department of Budget and Finance to ensure that the source of funds can be used for the proposed purpose.
- _____ 2. Notify the affected employees' union(s) of the intent to develop a performance incentives plan, concurrently or prior to obtaining employee input on components of the plan.
- _____ 3. Obtain employee input in the development of the performance incentives plan, including establishment of target objectives and awards.
- _____ 4. Develop a formal Performance Incentives Plan proposal that includes the components identified in section V of this policy (see pages 3-5).
- _____ 5. Submit proposal to HRD for review and approval.
- _____ 6. Confer with Accounting and General Services for payroll processing purposes, if appropriate.
- _____ 7. Consult or negotiate with the affected employees' union(s), as applicable, prior to implementation. If the employees are excluded from collective bargaining, the department head or designated representative must consult with the affected employees.
- _____ 8. Communicate target objectives, awards, and plan parameters with affected employees prior to the evaluation period.

Upon implementation of the plan,

- _____ 9. Objectively review the employee's performance against the established target objectives to identify employees who meet the objectives and qualify for the award.
- _____ 10. Maintain accurate records of all awards as outlined in section VII of this policy, including the reasons for granting each award.
- _____ 11. Evaluate the effectiveness of the plan and authorize changes in or termination, as appropriate.
- _____ 12. Submit to HRD at the end of each evaluation period the required documentation as outlined in section VII of this policy.

Sample Performance Incentives Plan

**Department of ABC
Division of XYZ**

Plan Objective

This performance incentives plan has been established to provide awards to employees in the XYZ Division for achieving superior performance by meeting or exceeding documents processing deadlines. The XYZ Division is responsible for maintaining the public registry and the recording of business documents. Implementation of this plan is expected to provide greater service to the public.

Target Objectives and Evaluation Method

Documents Processing

- Each quarter, all documents submitted for filing under expedited review shall be reviewed within 1 to 2 business days after the date of filing. Current average performance level is 3 business days.
- Each quarter, all documents submitted for filing under regular review will be reviewed within 3 to 5 business days after the date of filing. Current average performance level is 5 business days.

Documents Information

The type of work varies based on the time of year.

- For the second and third quarters, at least 25,500 annual reports/statements shall be posted or rejected per quarter.
- For the second, third, and fourth quarters, at least 15,500 annual reports/statements shall be scanned and indexed per quarter.
- Throughout the year, all new file numbers shall be assigned on a daily basis and all call outs of processed documents shall be completed by 4:15 p.m.

Recording

- Each quarter, for each document, the keying in of all document data fields, preparation of folders, and filing will be completed within 3 business days.

- Each quarter, the issuance of all certifications and file numbers will be completed within 1 to 2 business days.

Steps in documents processing, documents information, and recording are detailed in the XYZ Division's Procedure Manual. Failure to meet the accuracy levels established in the manual will result in a reduction in the award amount (see the Award section below). No overtime hours shall be incurred to meet the target objectives established above.

The quantity and accuracy of the division's operations will be monitored through statistical reports produced by the computerized information system. The supervisor of the work unit shall be responsible for evaluating the performance of the unit and certifying whether target objectives were met.

Eligibility Criteria

- All employees in the XYZ Division, excluding managers in the excluded managerial compensation plan (EMCP), are eligible for the award.
- Employees must have worked at least 75% of the entire evaluation period to be eligible (including paid leave status).
- Employees on paid or unpaid leave status for 15% or more of the entire evaluation period shall not be eligible.
- Eligible employees working less than the entire evaluation period shall receive a prorated share of the award amount based on time worked during the period (including paid leave status).
- Part-time employees shall receive a prorated share of the award amount based on the employee's full time employment equivalence.
- Employees who did not receive at least a "meets expectations" rating on their last completed performance appraisal prior to the end of the evaluation period, shall not be eligible.

All eligible employees in the unit must participate in order for the plan to be implemented.

Award

The maximum amount of the bonus is proposed to be \$100 per person for each quarter the target objectives are achieved and certified by the supervisor of the work unit. A fund shall be established each quarter which shall equal the number of eligible positions multiplied by \$100.

If the target objectives are not achieved, the fund shall be reduced by:

- the amount of expedited fees returned to the public;
- \$100 per each increment of 500 annual reports/statements below 25,500 that are not posted/rejected by the end of the quarter;
- \$100 per each increment of 500 annual reports/statements below 15,500 not scanned and indexed by the end of each quarter;
- \$100 per week target objective is not met on the assignment of new file numbers and completed call outs on processed documents on an average weekly basis;
- \$100 each week the target objective for recording is not met.

The money in the fund at the end of the quarter shall be divided by the number of eligible employees in the work unit. The resulting amount, not to exceed \$100 per employee, shall be paid to each eligible employee except as provided in the Eligibility Criteria section above for part-time employees and employees who do not work for the entire evaluation period.

Source of Funding and Cost

This performance incentives plan shall be self-funded by expedited fees earned by the Division. The approximate cost of this proposed plan is \$5,000 per quarter.

Appeal

An employee who believes an award should have been provided to him/her or that he/she was entitled to a larger award, may file an appeal. All appeals shall be limited to evidence provided by the employee that occurred during the evaluation period and was not considered when the award determination was made.

All appeals shall be filed with the Departmental Personnel Officer in writing and shall be filed no later than 10 working days after the awards have been distributed. The department head's decision regarding appeals shall be final.

General Provisions

Awards are not permanent employee benefits, do not confer or intend to confer permanent property rights or interests on the employees, and are dependent upon available funds.

Cash awards are not intended to increase the base salary or any other benefits of the employee.

It is intended that this plan be retained. However, the department reserves the right to amend or terminate the plan in whole or in part, for any reason, and at any time without the consent of any employee or other persons.