

PRODUCTIVITY

MANAGING HUMAN RESOURCES IN LOCAL GOVERNMENT:

A Survey of Employee Incentive Plans

The National
Commission on



Productivity

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MANAGING HUMAN RESOURCES IN LOCAL GOVERNMENT: A SURVEY OF EMPLOYEE INCENTIVES

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PREFACE

Responding to an interest expressed by public administrators throughout the U.S.A., this report was prepared by the Urban Institute under contract to the National Commission on Productivity. Its principal authors are John M. Greiner and Harry P. Hatry.

The Commission is engaged in efforts to make the public better aware of the meaning of productivity, the problems it involves, and potential means of enhancing it for the benefit of all. By publication of this survey the National Commission on Productivity hopes to stimulate thought and actions that will improve the utilization of human resources presently available to public administrators in their effort to render services more productively.

Andrew Hamilton provided considerable assistance in making the report more readable. Lynn Bell of the Urban Institute made valuable contributions. Others from the Institute who provided useful ideas, information and suggestions include Peter Bloch, Donald Fisk, Philip Schaanman, and Richard Winnie. And finally, the authors wish to thank the many city officials and employees who have shared their experiences—if it were not for their creativity and dedication to more effective government, there would be no innovative employee incentives to report.

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INTRODUCTION

After a decade of record growth in public payrolls and responsibilities, most local government budgets are now being squeezed by continuously increasing demands for services while the cost of producing these services is escalating at a much faster rate than the growth of revenues. These circumstances are forcing public administrators to seek new methods for producing more and better services for each tax dollar and man-year invested. They are trying to make government more productive.

This interest in effective resource allocation is not unique to the public sector. Other segments of the American economy such as manufacturing and agriculture have for a long time been utilizing the concept by developing and applying measures of productivity. However, recently productivity has become a major national economic and social concern. Our society has come to expect an abundant supply of goods and services while simultaneously desiring more leisure time to enjoy them. In effect, this means we want more produced with less manpower or, in other terms, we want to increase productivity.

But, the fact is, the rate of productivity growth in the U.S. has been declining. As local government is one of the major consumers of national resources and producers of services, and is the fastest growing sector of the American economy, with expenditures having increased 135% from 1960 to 1970, it too has a responsibility to work toward reversing this trend.

Local governments are currently exploring the potential of several approaches to improving productivity—measurement techniques, organizational change, technological innovation, employee motivation. This report focuses on the last, with the understanding that by itself it often is not sufficient to provide the productivity improvements demanded by local government constituencies. But, considering that people are the largest expense in local government, accounting for 54 percent of all direct general expenditures, it is reasonable to assume that there are opportunities for significant savings through better manpower utilization.*

Typically, 80 percent or more of the police budget goes for pay and associated personnel costs. Sixty-eight percent of the school budget is for people, and 56 percent of the sanitation department's budget is spent on personnel. Moreover, justifiably or not, citizens feel that public servants do not perform adequately.

* These and the following figures were derived from data given in: U.S. Bureau of the Census, *Governmental Finances in 1970-1971*, Series GF 71-No 5, U.S. Government Printing Office (Washington, D.C. 1972). "Direct general expenditures" include operating costs, capital outlay, debt service, subsidies, and insurance repayments.

According to a recent poll conducted by Louis Harris and Associates for the National Commission on Productivity, government employees are considered to be among the least productive workers in America. Of those persons sampled, 39 percent felt that government employees were below average in productivity, and only 11 percent felt they were above average.

This public dissatisfaction is often matched by that of the worker. Conditions in public employment can rival those notorious on the assembly line: monotonous, repetitive tasks; "dead-end" careers; remote and uninspired management; and little opportunity for individual recognition, autonomy, and growth. Such conditions can lead to worker alienation, frustration, and low morale. Employees tend to feel neglected and unappreciated.

A Governmental Responsibility. Every city is responsible to its employees for making their jobs satisfying, and to its citizens for producing services effectively and efficiently. It is not enough that a citizen learn that a government employee is processing more applications per man hour if the citizen finds that same employee to be unhelpful and discourteous.

Thus, government officials must address themselves to the problem of employee motivation. They may buy better equipment, or design a better plan for using an employee's time, or establish higher standards for performance, or experiment with a new organizational structure, but unless employees understand and accept these changes, increased productivity and service quality may be elusive. Indeed, many governmental units may be able to achieve better results, at lower cost, from a serious effort to encourage improved employee performance than from an investment in new technology.

A growing number of local governments have been seeking ways to improve motivation, morale, and job satisfaction. Skillful use of performance-oriented incentives is an attractive technique which has the additional advantage of avoiding large capital investments and the acquisition of scarce, high-priced technical skills.

The remainder of this report will describe a variety of employee incentives now being tried in local governments across the country. Guidelines will be offered for expanding these applications to other jurisdictions and agencies. And, finally, criteria will be provided for evaluating the effectiveness of such incentives. It is designed to identify innovative incentives which have been tried by various jurisdictions and to enhance future incentive development with the knowledge gained by past experiences. The purpose of this report is to illustrate for public managers the potential gains that can be achieved through better employee incentive programs and to encourage further work in this area.

This report represents a brief summary of a study conducted by The Urban Institute in late 1972 and early 1973 for the National Commission on Productivity. It draws upon information obtained from many individuals, organizations, and publications regarding unusual employee incentives being tried in local governments—and a few state agencies—throughout the United States.

WHAT IS AN INCENTIVE?

Broadly speaking, an incentive is anything which is offered to obtain a desired performance or behavior from an employee. It may be a reward, such as pay tied to performance, or more responsibility, or more free time. It may be a penalty, such as a reduction in pay, or loss of other benefits, or even dismissal.

This concept of incentives may seem too broad to some persons. To many, the word "incentive" means simply more money, either in pay or in fringe benefits. But experience indicates that more money is not the only means of inducing greater productivity or creating higher morale. Employees have a range of needs, including job security, equitable distribution of rewards, opportunity for personal growth and craftsmanship, and the desire for autonomy—that is, the ability to influence and in some measure control one's own work methods, job assignments, working hours and other conditions.

Monetary incentives address only part of this range; indeed, non-monetary incentives may be particularly effective with government workers, whose purely economic drives are often counterbalanced or outweighed by the motivation to perform useful public service. In addition, such incentives clearly have appeal for cost-conscious public administrators.

There is no single panacea for motivational problems: jobs differ; employees differ. Some organizations are unionized; others are not. Laws differ from one locality to the next, often precluding some types of incentive arrangements. However, through careful selection of incentives, specifically directed, and properly monitored, they can be adopted to fit these and other conditions.

Distinctive Elements. The initiation of any single employee incentive or formal motivational program requires consideration of several key questions.

Incentives may be aimed at supervisory and managerial personnel or at non-supervisory personnel, or both. They may apply to all agencies, one agency or only to specific functions. Rewards may be based on the actions of an individual employee, a group of employees, or the organization as a whole.

Incentives can be designed to elicit generally improved employee performance, increased output, cost savings, acceptance of changes, better attendance, safer work habits, enhancement of educational and job skills, and many other actions. Rewards provided without such specific objectives in mind would be classed as fringe benefits.

Inducements can be positive (rewards) or negative (penalties). Rewards can be monetary or non-monetary.

When a reward is used, the determination of how large it is and who is to receive it may be based upon historical customs or precedents, competition, precisely specified formulas, or personal judgments (either arbitrary or based upon more or less well-defined criteria).

Selection of rewards can be based upon many factors. It may utilize measures of job performance, the quality of work produced, and/or factors not related to assigned tasks. The measurement of performance may be simple (the savings or service improvements resulting from employee actions, the reduction of sick leave usage) or increasingly complex (the establishment of formal work standards). Relevant information can be provided by subjective assessments or objective measurements. In most jobs, it is important to measure not only the quantity of work done but also the quality. In the absence of satisfactory measurements for work accomplished, many agencies use personal characteristics as a yardstick of performance.

Incentives may be used singly or in combination. A given incentive plan might include work standards, competition, and both individual and group awards. Local governments are trying a variety of programs, frequently mixing various types of incentives.

TYPES OF INCENTIVES

A wide range of incentives are currently used by local governments. Table 1, below, lists these incentives by the type of resulting reward. This section describes the reward techniques involved—monetary, non-monetary, and programs which can indirectly motivate employees ("quasi-incentives"). Included are several approaches which are not at present employed by local governments but appear relevant to their needs. Negative incentives are considered briefly. Specific program examples will be dealt with in the next section.

TABLE 1

| Types of Incentives: | Class of Incentive: | Type of Reward: |
|---|---------------------|---------------------------|
| Merit Increases Piecework Performance Bonuses Shared Savings Suggestion Awards Attendance Incentives Safety Incentives Miscellaneous Monetary Incentives | Positive | Monetary |
| Career Development Performance Targets Job Enrichment Task Systems Variation of Working Hours Competition and Contests Recognition and Awards | Positive | Non-monetary |
| Productivity Bargaining Educational Benefits Unearned Bonuses (Fringe Benefits) | Quasi | Monetary and Non-monetary |
| Rules Threats Punishment | Negative | Monetary and Non-monetary |

MONETARY INCENTIVES

Merit Increases

The merit system is widely used in local government, at least in name. However, its role as an employee incentive is often questionable. Two related problems are common:

(a) Merit increases, in practice, are frequently based on factors such as longevity rather than an evaluation of performance.

(b) When performance is the basis, the criteria used are often highly subjective. They may include assessments of personal characteristics—such as appearance, dependability, judgment, leadership potential, temperament, initiative, and thoroughness—whose relationship to ultimate performance is often hard to establish.

A few innovative governments are addressing one or more of these difficulties in an effort to tie merit increases more closely to job performance. Such programs have been applied to management as well as to line employees, although the detailed techniques tend to differ for the two groups.

Several jurisdictions are attempting to develop more objective, standardized measurements which include assessments of an employee's productivity, achievement of specific work targets, and other factors directly related to performance. Others are developing new approaches to incentive pay within the merit system. These are designed to encourage—or force—supervisors to emphasize performance rather than, or in addition to, longevity, tradition, appearance, etc. Among those uncovered by The Urban Institute were the following:

—Provision of merit raises to only a limited number of employees each year. Typically, funds are set aside to reward only the "top" 10 to 20 percent of the employees with merit increases, and both the sizes and the recipients of the increases are left up to management.

—Extra step increases for outstanding performance. This approach allows a special step increase in pay (usually about 5 percent) for outstanding performance during the past year, in addition to, or in place of, a longevity increase. Variations include: (a) a differential between ordinary longevity increases and increases for outstanding performance, (b) restriction of the last two or three steps in a grade to employees who have demonstrated superior performance, and (c) early granting of longevity increases for outstanding performance.

—A few jurisdictions grant *grade* increases to non-supervisory personnel primarily on the basis of job performance.

Piecework

A worker's pay may be based directly on the amount of his output. Although a common system of incentive payment in industry, it is infrequently used in local government. Somewhat surprisingly, in those instances of use which we examined, administrators appeared to be enthusiastic about the results. Piecework has most often been applied to high-volume, standardized

tasks similar to factory operations, such as meter repairs, electronic data processing, typing and record keeping. Development of work standards for more complex tasks might make it possible to apply this approach to other areas of government as well.

On the other hand, managers may encounter worker and union opposition to piecework plans on grounds that they encourage speedups, create sweatshop conditions and spread alienation. A modified approach is to pay the standard wage for work which meets, or is below, a norm for quantity and quality; premium piecework rates then apply to production above the norm.

Performances Bonuses

Monetary awards over and above regular wages or salaries may not necessarily result in a permanent pay increase. Such bonuses may be given in recognition of specific individual or group accomplishments—e.g., for taking certain desirable actions, improving past performance, achieving specified goals, or encouraging similar accomplishments by others. They may also be earned competitively as a prize to the outstanding individual in a group of workers or to the best unit in a group of competing units (trash collection teams, for example).

Relatively few performance bonus plans have been found in local government. Some jurisdictions have legal barriers against payment of public money to employees for any purpose except salary or wages. However, such laws have been changed in several cities to permit particular bonus plans.

Shared Savings

There are "group incentives" which operate like profit-sharing plans in the private sector. Cost savings generated within a given period of time by a department or an entire organization are shared by employees and management. Detroit's productivity contract with the sanitation workers (page 27) is the only example that could be found of a similar plan in any governmental unit. However, a number of private, non-profit hospitals have had encouraging experience with "shared savings" and it is felt that the approach may be adaptable to a number of government operations, including, in particular, city and county hospitals.

Evaluation of two such plans—at Memorial Hospital Medical Center of Long Beach, California, and Baptist Hospital in Pensacola, Florida—indicates that incentives which focus on savings achieved by individual departments rather than by the organization as a whole offer the greatest benefit to employees and to the organization.^{1, 2} Frequent, perhaps monthly, distribution of savings bonuses appears to be a better incentive than investment of those bonuses in retirement trust funds.

Application of this concept to public organizations will be considerably more difficult than it is in the private sector, especially when specifying the costs, revenues and savings to be included in the plan. Additionally, there is the question of whether the savings realized through the plan should be distributed to employees only or used, at least in part, to reduce charges to the public.

Suggestion Awards

Both monetary and non-monetary awards are given to encourage employees to contribute ideas for decreasing costs, increasing quality of service, or otherwise improving operations. Although such programs are widely used, many city officials report that their effectiveness in generating productivity increases is limited. In the past, interest and participation have come primarily from one group of employees—public works personnel.

Attendance Incentives

Generally aimed at reducing abuses of sick leave, attendance incentives have been found in relatively few governments. There are two distinguishable approaches: in one, workers are given an annual bonus in cash or extra vacation time for their unused sick leave; in the other, unused sick leave is added to terminal leave or converted to additional retirement benefits. The former appears to be the more effective.

Neither, for the most part, has produced encouraging results. Some jurisdictions have found that they actually increase costs without reducing sick leave abuses; personnel who habitually do not use their sick leave collect a regular bonus, while workers who regularly abuse sick leave privileges continue to do so. Other types of incentives such as productivity bargaining and disciplinary measures have been used to encourage improved attendance, but results have been generally inconclusive.

Safety Incentives

Reducing equipment, man-hour and financial losses due to accidents can obviously have a significant impact on costs and productivity. Such incentives have been found in few jurisdictions. They occur mainly in transit, sanitation, and public work departments. Monetary awards have been employed, as well as non-monetary rewards such as pins, free uniforms, and public recognition.

Some experts argue that no incentive is greater than a worker's concern for his own safety, and that where this is lacking it is doubtful that any incentive program can have an effect. However, results from an imaginative program for sanitation workers in Kansas City, Missouri, (see page 26) show an impressive improvement in safety and in operating costs.

Miscellaneous Monetary Incentives

There are any number of monetary incentives which relate only indirectly to productivity and performance. For instance:

—Some police departments pay a bonus or give extra time off to personnel who bring in new recruits.

—Certain jurisdictions pay a bonus to employees who live within the jurisdiction, the assumption being that resident employees better understand the municipality and consequently can give better service.

NON-MONETARY INCENTIVES

Non-monetary incentives offer two major advantages:

—They help to meet the needs of employees for growth, self-actualization,

responsibility, and more leisure time. Neglect of such needs can be a major cause of alienation and poor service.

—They do not require large expenditures.

Career Development

Provision of well-defined promotional opportunities is one of the most common non-monetary incentives in private industry. It frequently includes the establishment of career "ladders" to illuminate the promotional options available. Career development programs provide wage increases as well as achievement and prestige.

Local governments are notorious for "dead-end" jobs, yet their use of career ladders appears to be limited. A few innovative cities have developed promotional ladders, and some are operating federally supported projects to encourage the upward mobility of employees from disadvantaged backgrounds. A comprehensive effort to promote career development has been undertaken by the American Federation of State, County, and Municipal Employees (AFSCME) in several cities and states. This has resulted in the establishment of career ladders for municipal hospital workers, trash collectors, and custodians—positions historically synonymous with dead-end jobs.

Another approach several jurisdictions have taken is to train qualified low-level employees to fill higher-grade city manpower needs (e.g., for operations research analysis and work measurement specialists). Such a program can improve short-term employee performance, by providing an opportunity to escape from a dead-end job, while raising long-term government productivity. Only a few isolated instances of well-defined career development programs for *supervisory* personnel were found.

Performance Targets

Work accomplishments desired but not required are, in effect, the non-monetary analogue of performance bonuses. They can be applied to management or to line employees, but the former usage is more common.

When the goals are set in large part by the employee himself, the procedure is usually termed "management-by-objectives." Targets can be based on historical precedents, subjective assessments, normative analyses (such as work standards), negotiations, or some combination of these. In any case, there must be a way to evaluate the degree to which the targets are achieved.

The potential benefits are numerous. Employees are made aware of desirable levels of effort; in the case of management-by-objectives, they participate in establishing levels for themselves.

Use of performance targets for local government employees is limited but growing as jurisdictions, in conjunction with their program budgeting efforts, begin to specify performance measures and goals. Performance targets already in use frequently focus on "immediate" workload or schedules rather than relating to government objectives—for example, achieving certain response times or handling a given number of calls rather than reducing crime or fire rates.

Job Enrichment

An increasingly popular incentive is the expansion of the scope of tasks and decision-making responsibilities associated with a job. Job enrichment includes participation in management, the use of teams, the redesign of individual jobs to provide more varied and satisfying assignments, and job rotation.

—Increased participation involves expanding opportunities for workers and/or supervisors to contribute to decision-making and problem solving situations, often restricted to other management and engineering personnel. Although only a limited number of instances have been found, it has been employed with success by governments in a variety of areas: the design of a safety incentive program by refuse collectors (Kansas City, Missouri), the involvement of field staff in the design of parks facilities (Scottsdale, Arizona), the delineation of waste collection responsibilities by sanitation workers (Washington, D.C.), and even in overall city management (Simi Valley, California).

—Employees may work more effectively as members of a team than they do as a group of individuals. Most of the experience with the use of teams in local government is in police work and in sanitation, although management teams are now receiving increasing attention.

—Job redesign usually includes several aspects of job enrichment. In principle, it redefines a work assignment so that it includes (a) a complete piece of work rather than a fragmented task, (b) maximum control by the employee in deciding how and when the work is to be carried out, and (c) frequent direct feedback on performance. Job redesign has been infrequently used in local government, with one possible exception: the "public safety officer" programs operating in some jurisdictions. These establish a class of public employees with training and responsibilities for both police and fire activities.

—Job rotation provides experience in several different assignments. Its incorporation into the duties of established employees on a regular, continuing basis can enlarge their perspectives, capabilities, and overall work experience. In local governments, some rotational assignments have attempted to give the employee an overview of city problems from the perspective of the city manager or of a department head.

Though not yet in widespread use in local government, job enrichment incentives are the focus of increasing interest and experimentation. The results to date are mixed. When carefully planned and managed, they appear to be effective in improving morale and job satisfaction. Measurable productivity improvements have not been so clearly demonstrated.

Task Systems

In this approach, one or more well-defined activities is specified as the "task" which constitutes a day's work. The employee is then free to leave as soon as he completes that assigned task. For the jurisdiction, a properly designed task system provides an incentive for the necessary work to be done quickly and with reasonable quality—though it does not necessarily lead to lower unit costs. From the worker's standpoint, the connection between effective job performance and extra time off is made clear and immediate.

The approach has frequently been applied to sanitation workers, where the task is a specific route which must be covered by a collection crew during the day. However, it can also be utilized wherever a repetitive job can be described with precision: existing local government examples include task systems for water meter readers and janitors.

Variation of Working Hours

Several possibilities for increasing a worker's leisure time and control over his activities are afforded by varying working times. For the government, adoption of this practice may mean provision of longer service hours, more efficient use of facilities, and higher employee morale. In general, it appears that the design of such programs should be left to the discretion of each department so as to minimize administrative problems. The approach taken by San Diego County is notable in this regard. The only general requirements stipulated by the county are that department employees put in 80 hours every two weeks, that they participate voluntarily in any variation of working hours, and that no extra manpower be required.

Working hours can be rescheduled in a number of different ways. For example:

—The work day can be expanded to nine, ten, or more hours, giving the worker one or more extra days off per week.

—Employees can be assigned to different groups, each of which begins work at a different, fixed time. One group, for example, might begin work at 8:00 a.m., another at 8:30 a.m., and a third at 9:00 a.m. This approach is called "staggered hours."

—"Flexible hours" (or "gliding hours") allow the employee to choose his own time to report for his eight hours of work, usually within a two- or three-hour band (e.g., 7:00-9:00 a.m.).

—"Variable hours" permit the employee to set his own schedule, provided he puts in a stipulated amount of time on the job—for example, 40 hours a week or 80 hours every two weeks. The worker can vary the hours he works on a day-to-day basis.

Under the first approach, the most common practice is the four-day, 40-hour week. This and similar plans have been tried in some 94 jurisdictions, with inconclusive results. Law enforcement agencies have been involved in over 75 of these efforts.

For employees, shorter workweeks have proven to be mixed blessings, although participating workers have generally been satisfied with the program. Major employee advantages such as more usable leisure time, reduced transportation costs, and fewer commutation problems must be weighed against disadvantages such as less time with families on certain days, reduced overtime, fatigue, and the difficulty of meshing with a world attuned to five eight-hour working days per week.

Advantages realized by governments have included longer service hours for the public at no extra cost, less employee overtime, reduced tardiness and absenteeism, high morale, and—in the case of police—improved allocation of

manpower. However, these benefits have been tempered by scheduling difficulties, supervisor complications, communication problems, limited human resources and a consequent need to cross-train personnel, and, at times, higher costs.

Nevertheless, some lessons do seem to have emerged from recent experiences. A four-day week for police departments appears to be most successful in small and medium-sized cities. On the other hand, application of a four-day workweek to all workers seems to cause special difficulties in smaller governments and organizational units, especially with regard to scheduling, communication and supervision. Indeed, it appears that participation of supervisory personnel in a reduced workweek should be limited or avoided.

Only a few applications of flexible and staggered hours have been found in local governments, and no instances of variable hours. In one case—City of Los Angeles—a five-month experiment with flexible hours for 60 employees in the Personnel Department led to a drop in productivity and major organizational problems. It has been suggested that flexible and variable hours should be used in conjunction with measurable, independent tasks; such plans may therefore be incompatible with certain service jobs. Staggered hours are being considered primarily by large jurisdictions whose numerous employees can make an impact on area traffic problems.

Contests and Competition

At least temporary increases in productivity can be generated through contests and competition, but care must be taken to avoid such undesirable side-effects as competitive tensions, cheating, and anti-social behavior. Although local government offers many opportunities for the creative use of competition, actual examples are infrequent. Those which have been found are quite varied—including instances of competition among municipal clerks, sanitation crews, police teams, and even elementary schools.

Recognition and Similar Non-Monetary Awards

There is widespread use of such approaches as testimonial dinners, citations, special emblems or badges, and pictures taken with the mayor. Some appear to be quite effective in motivating better employee performance—for instance, good results have been obtained from putting an employee's name on the door of the truck he drives, or awarding special emblems to be displayed on the patrol cars of outstanding police officers.

QUASI INCENTIVES

These activities fall only marginally under the definition of an employee incentive; in general, the motivational effects are indirect.

Productivity Bargaining

Negotiation between management and labor may be used to trade improved worker benefits—wages, pensions, or other fringe benefits—for increased productivity. It usually is aimed at changing established work rules through the collective bargaining process, with the objective of increasing output or reduc-

ing costs. Local government experiences with productivity bargaining so far have been infrequent. Those jurisdictions where it has been tried usually have had employee unions or strong employee associations. Procedures used and agreements negotiated were tailored to specific city functions and bargaining units.

The approach has been used extensively in New York City to obtain major changes in work practices in fire department, police department, sanitation, welfare and health insurance operations. In Washington, D.C., productivity bargaining significantly improved trash collection. And in Tacoma, Washington, a productivity agreement between the city and fire department personnel has reduced the workweek for firefighters while improving responses to fires. A number of cities have experimented with productivity bargaining to improve job attendance.

Educational Incentives

Many local governments utilize educational incentives, especially for police and firemen. Indeed, pressures from public employee unions appear to be encouraging their use. They commonly consist of tuition reimbursement, time off to attend courses, wage increases based upon educational achievements, or a combination of these. Although acquisition of additional knowledge and skills can improve job commitment and productivity, educational incentives often provide the employee an opportunity to qualify for a new and better position.

Unearned Bonuses

Many bonuses are given in local governments with no regard to specific employee action. These can be interpreted as *fringe benefits*. They range from such traditional items as Christmas turkeys to the reduction of utility bills. Their effectiveness in motivating the employee is quite dubious.

NEGATIVE INCENTIVES

Rules, Threats, and Punishments

Local government frequently employs a variety of negative measures to induce employee efforts. These range from application of peer-group pressure to threats of dismissal and criminal prosecution. Work rules and administrative orders act in much the same way. Indeed, it appears that work standards and even merit increases are more often used to control unsatisfactory performance than as positive incentives. In the case of attendance problems, disciplinary tactics do appear to work better than most others, although this approach may gloss over a much deeper problem of worker dissatisfaction or alienation.

ILLUSTRATIONS OF INCENTIVE PROGRAMS

Given the preceding general description of the nature of incentives and some of the broad options available, without listing any specific projects, it is now appropriate to turn to some of those specific efforts.*

Existing programs are stressed, but a few especially innovative incentives still in the planning stages are also described. Local government experiences are emphasized throughout, except for one or two relevant examples of state and private, non-profit, programs.

Appendix I of this report is a cross-index by type of incentive, which relates each incentive identified by this study to the local governments utilizing it. Appendix II is an alphabetical listing by jurisdiction of the incentive programs included in the survey.

Inclusion of any given example does *not* imply a recommendation that it should be adopted by other jurisdictions. Due to political, climatic and other factors, transferability of programs cannot be assumed.

Examples in this section are divided into supervisory and non-supervisory incentives. The non-supervisory are further subdivided in terms of city services or functions addressed: city-wide, law enforcement, sanitation; etc.** Relevant examples are grouped according to types discussed in Table I.

SUPERVISORS AND MANAGEMENT PERSONNEL

Plans designed specifically for supervisors and management personnel have been found in only a few jurisdictions. They include special merit increases, performance bonuses, career development, job enrichment, and performance targets. In some jurisdictions such incentives have been barred to avoid additional distinctions between employees. In certain programs, management participation has been restricted—examples being suggestion awards, performance bonuses, and reduced workweeks. However, three cities—Simi Valley, Dayton, and Los Angeles—provide a wide variety of innovative management incentives.

* These examples were identified by means of a telephone survey and a literature search of journals active in reporting innovations in local government. The telephone survey utilized a "citation chain" approach: persons known or suspected to be knowledgeable in the area of employee incentives were contacted to identify promising leads. These were followed up by calls to jurisdictions suggested as potentially using incentives.

** Findings presented do *not* necessarily represent the diversity and incidence of employee incentives in the individual government *functions*, although they do indicate incentive usage in these areas. The study methods employed emphasized identification of the various *types* of incentives used, rather than usage by specific city functions.

Managerial Job Rotation. The City of Simi Valley, California has been trying out a management team, rotation of department heads, and a merit system for supervisory personnel that emphasizes productivity and task achievement. The team, which handles decisions concerning the government as a whole, includes the city manager, the heads of the functional departments, and three lower-level employees who rotate every three months.

The four department managers were themselves assigned to other departments as acting heads for a three-month period in 1972. They retained their regular titles for the duration of their rotation in order to exercise functions, such as signing payroll checks, not legally transferable to an acting head. The rotation has provided better management perspective and role understanding, back-up expertise for other managers, and improved delegation of authority.

In 1972-73, pay increases for supervisory personnel in Simi Valley were allocated to reflect each supervisor's standing in an innovative merit rating system. Each department head was assigned three projects to be accomplished during the rating period. One-third of his rating was based on ability to plan and complete the projects on time and within budgetary constraints. The other two-thirds was based on a subjective assessment of leadership ability, job skills, and creativity etc.

The second man in each department was rated by his department heads in terms of productivity, job commitment and administrative traits. Productivity was measured in terms of volume of work produced, thoroughness and accuracy, weekend and night requirements, and difficulty of the work. An independent rating was made by a committee of subordinates appointed by the city manager, who then made the final rating decision based on both assessments. Performance rating procedures were also applied to non-management employees, and served as the basis for allocating merit increases (these are described later in this section).

Task Force Management. Dayton, Ohio, has designed several management incentive plans, including special merit increases and performance bonuses, around a team concept it calls "task force management." Each department head is required to join one of several interdepartmental management task forces which address such major city problems as crime, racial discrimination, and the city's future on an integrated basis. This has focused the attention of the most qualified people on the city's problems, broadened the concern and awareness of departmental management, and led to the delegation of more responsibility within the departments.

A special evaluation procedure is applied to department heads. Final three-step increases in each pay grade for supervisors are awarded at the discretion of the city manager (who is also authorized to reduce pay). Each department head is rated by the manager on three equally weighted factors: (1) performance of his department, (2) performance of the task force in which he participates, and (3) rates of improvement of his department and task force.

The city manager feels that this evaluation procedure is responsible, in part, for the seriousness with which supervisory personnel pursue their task force assignments. He expects, in the near future, to augment it with a system of competitive bonuses. Under the proposed plan, line departments will be

subjectively rated by the city manager in each of several categories—most improved, most innovative, most responsive to citizens, etc. Heads of the first and second "best" line departments in each category will receive bonuses of \$1,000 and \$500 respectively. Similar bonuses will be paid annually to each member of the first and second best task forces ("best" would be defined as setting the highest goals and attaining them).

Evaluation of Managerial Performance. The City of Los Angeles also provides several supervisory incentives. Managers are regularly evaluated on the basis of numerous qualitative and quantitative criteria. Qualitative assessments are based on 20 performance evaluation criteria, ranging from "decisiveness" and "professional reputation" to ability to control expenses and execute policy. The latter criterion is defined in terms of the effective use and achievement of department goals.

Quantitative factors include, for example, departmental accident records and sick leave usage. It is expected that this assessment will be augmented by holding management responsible for meeting quantitative workload and performance targets now being developed in conjunction with Los Angeles' program budget.

Merit increases in the last three steps of the salary schedules for Los Angeles managers and bureau heads are closely controlled by these performance evaluations. "Excellent" and "outstanding" ratings reduce longevity requirements for certain step increases according to a well-defined policy. Indeed, the fifth and highest step can be reached *only* if the manager's performance is rated "excellent."

Another innovation for supervisory personnel (as well as for certain non-supervisory employees) in Los Angeles is the existence of more than one pay grade within certain job classifications. Promotions to higher grades, on the basis of performance, are then possible *within* a given position classification.

Supervisory Bonus Programs. Several other jurisdictions are using or considering performance bonuses for managers and supervisors whose departments achieve specified goals. Interesting supervisory bonus systems have been introduced into two government operations which use piecework incentives for line employees.

A bonus plan was established in 1967 for supervisors in the Meter Shop of Philadelphia's Water Department. Supervisors can receive an incentive award of up to 35 percent of their base pay, the actual amount being determined from the reduction achieved in average unit costs over the preceding three months. "Unit cost" is defined as the total cost of the labor reporting to the supervisor divided by the number of water meters processed by his personnel in the given period.

In the State of Pennsylvania's Bureau of Employment Security supervisors in the Electronic Data Processing Unit each receive a bonus which depends on both the total production of their operation (e.g., the number of wage records processed) and the incentive pay earned by their employees, who receive piecework bonuses for production above standard. Thus, a supervisor's bonus is a

function of both the total production and the productivity of the workers he manages.

Enlarging Managerial Perspectives. Job enrichment incentives for supervisory personnel—in the form of team management and job rotation—have already been illustrated by Dayton and Simi Valley. Another example is provided by the experience of Tacoma, Washington. Department heads there participated as a team in determining how to use the city's portion of revenue sharing funds. Instead of competing for pet projects, they developed a number of multi-departmental programs.

Performance Goals. The specification of managerial performance targets is increasingly popular in local government. This appears to result from two factors: successful utilization of management-by-objectives in many areas of the private sector, and the growing use of program budgeting and effectiveness-measurement in state and local government.

Management-by-objectives sets personal performance goals to help focus and evaluate efforts systematically. Ideally, the goals are set by the individual manager with the help of his supervisors. The individual defines his major responsibilities, specifies reasonable goals for his unit, and identifies criteria for measuring progress. These goals and criteria are refined through face-to-face discussion with his supervisor. Among the many local governments experimenting with management-by-objectives are Burbank, California; Fulton County, Georgia; and Rockville, Maryland.

Management targets can also be derived from an analysis of overall government objectives and performance. As noted, the City of Los Angeles is planning to use performance standards, based on a detailed program budget, for evaluation of managers. New York City, through its productivity program, places the burden of achieving prescribed productivity goals on individual agencies. Public productivity targets are set by each unit on a month-to-month basis. Actual results are then compared against the targets in quarterly reports to the public. Indeed, public exposure and discussion of departmental performance provides not only an incentive to meet pre-determined targets but a means to obtain a broad-based public discussion of the validity of those goals.

NON-SUPERVISORY PERSONNEL

Most of the incentive programs listed in Table 1 are or can be applied to non-supervisory workers, although some have been applied to all employees, including management. Selected examples are given below—first some incentives designed for a variety of city employees, then a few used in specific city functions.

Citywide Incentives

Incentive plans which have been applied across-the-board to non-supervisory employees include performance-based merit increases, suggestion awards, attendance incentives (rewards for unused sick leave), job enlargement (pri-

marily rotation and improved participation), variations in working hours, and career development programs.

Categorical Competition for Raises. Simi Valley has introduced an innovative system of merit increases and an interesting approach to job enlargement for non-supervisory employees. As of 1972-73, across-the-board step based increases based on longevity were eliminated. Instead, all non-uniformed city employees were given numerical ratings by their supervisors on productivity, job commitment, and other relevant traits. These were combined into a single numerical assessment for each employee. Pay increases were then allocated from a common "pot" of money available for raises. Allocations were made in accordance with the employee's standing in the ratings within his group: clerical, maintenance or professional.

For some groups, half of the "pot" was awarded at the discretion of the department head; the other half was awarded to them by the city manager. Employees within each group effectively competed with each other. The goal was to apportion 75 percent of the money to those ranked in the top half of their group. Raises ranged up to 17 percent of an employee's pay.

The program is now being evaluated under an Intergovernmental Personnel Act (IPA) grant. Preliminary results are mixed: 68 percent of the employees favor an incentive plan of *some* type, but the competition engendered by the present program led to some hard feelings. In particular, some employees felt that the heterogeneity of the groupings caused inequities. However the overall effect of the plan is deemed worthwhile, and it will continue, although possibly in a modified form.

Job Enlargement for Line Positions. Simi Valley has also experimented with participative management by selected line employees. In January of this year, the city's management team (the city manager and the heads of the functional departments) was expanded to include three lower-level employees: a supervisor from the Community Safety Agency (police), a line employee (the present "at large" participant is from Environmental Affairs), and an administrative assistant. These people serve for three months before being replaced by new personnel. All are voting members of the team. There are plans to further expand this type of employee participation.

In Eugene, Oregon, employees from various departments serve for six months as "community relations officers" assigned to the office of the mayor or city manager. This is designed to provide an overview of municipal operations, an understanding of citizen problems, and management experience.

Multiple Pay Grades. The City of Los Angeles has developed multiple pay grades within certain existing job classifications. Promotions to higher grades are thus available to outstanding employees without changing job responsibilities. (For most line employees in Los Angeles, the only other means of obtaining a salary increase, short of promotion to a new job, is a yearly longevity increase which only requires maintenance of a "satisfactory" level of performance.)

Sick Leave Reduction. Although citywide incentives vary in detail, all but a few of those found, involved annual cash bonuses or additional retirement

benefits for unused sick leave. A notable exception was the provision of additional time off to employees with good attendance records. St. Petersburg, Florida, provides up to three days of extra vacation for low usage of sick leave. Several other cities give employees the option of receiving a cash bonus or additional time off for their unused sick leave. New Orleans employees can elect to add accumulated sick leave into their length of service at the time of retirement. The advantage to a city of such incentives lies primarily in an improved ability to reduce or plan for absence.

Several jurisdictions have tried versions of productivity bargaining over sick-leave usage. In Philadelphia, a contract signed with about 50 percent of the city's workers in 1971 stipulated that the average usage of sick leave by all employees in the bargaining unit must fall by two days per year or the city would be free to tighten sick-leave rules. At present it is doubtful whether the employees will achieve their goal.

In San Mateo County, California, a negotiated agreement provided that if the total sick leave taken by the 1,500 employees in the bargaining unit were reduced by 12½%, the employees would be eligible to receive a retirement bonus equal to 50 percent of the cash value of their unused leave. After trying for a year, the employees were unable to accomplish the required reduction.

Variations in Flexible Scheduling. An alternate approach to attendance problems—and one which potentially addresses several other needs of city administrators and employees—is the introduction of variations in working hours. Many jurisdictions have been experimenting with versions of the short workweek, with longer workdays but more days off. The most common is the so-called 4-40 plan: employees earn an extra day off each week by working four ten-hour days. At least 94 jurisdictions have tried or are trying some form of the shorter workweek. While many governments have introduced such plans in only one or two departments, usually the police department, governments such as those in Minnetonka, Minnesota; San Diego County, California; and the cities of Los Angeles and Atlanta have tried extending the reduced workweek to a variety of employees. To date, the results from such experiments have been mixed. The experiences of Minnetonka and San Diego County illustrate the problems and potentialities.

In the Minneapolis suburb of Minnetonka, all but 14 of the 114 employees went on a mandatory 4-40 plan in 1971. Half of them took Mondays off, the other half Fridays. After six months the program became voluntary, and participation dwindled rapidly. By early 1973 the program was terminated, except for the street department, whose union contract called for a four-day week during the summertime.

Many problems had arisen. With management personnel on the four-day week, the absence of key people interfered with important business on Mondays and Fridays. Scheduling of staff meetings became exceedingly difficult. Employees covering for those missing during days off needed extra training, and illnesses on those days stretched the staff so thin that service windows were sometimes curtailed. Although a major goal of the 4-40 plan was to provide extended service hours, few citizens took advantage of them.

San Diego County has made extensive use of variations in the workday in nearly all departments. In June 1971, the Board of Supervisors authorized department heads to modify their schedules in any way they felt best, provided that no additional manpower was required, workers participated voluntarily (to avoid disagreements with the unions), and employees put in 80 hours of work every two weeks. The underlying management principle was that each department should be able to set up its work schedule in a manner most agreeable to its employees and most conducive to getting the job done.

Among the more than 1,500 employees now using a non-standard workweek in San Diego County are correctional officers, workers in the probational institution, administrative and clerical personnel in the Department of Medical Institutions, sanitation workers, and certain employees from the Sheriff's Office, Auditor's Office, Library, Personnel Office, Welfare Department. Some agencies use a schedule of seven days on, seven off; others use a four-day, 40-hour workweek; a few use a nine-day, nine-hour per-day biweekly work schedule, with a three-day weekend every other week.

In the only formal evaluation of these efforts to date, employees in the Auditor's Office cited the following benefits (in decreasing importance): additional usable leisure time, relief of traffic and parking problems, decreased child care costs, and increased opportunity to take daytime college courses. The long hours turned out to be less objectionable than expected, but some employees expressed concern over conflicts with early evening activities at home. The reduction in interruptions experienced during the extra morning and evening hours did contribute to an apparent increase in the output of some agencies.

Upward Mobility. Career development incentives for line employees have included the provision of career ladders and other upward-mobility programs for a broad range of low level workers, and the retraining of qualified employees in "dead-end" jobs.

Several upward-mobility and other career development programs have been created in Los Angeles. Career ladders, which show clearly the various promotional paths available from any given starting position and the time needed to qualify for each interim job, have been developed for many non-supervisory jobs. For instance, a four step path exists from asphalt raker to asphalt construction foreman, requiring a minimum of about eight years.

A six-month pilot program conducted by the City of San Francisco in 1972 under an IPA grant illustrates the retraining approach. Objectives of the program were (1) to improve the efficiency of the city government by creating an in-house work measurement capability (the city had no previous skills of this type), and (2) to provide technical training and upward mobility for qualified but underutilized employees locked into low-level jobs.³ From over 250 applicants, six promising non-professional city employees were selected—all without college degrees and all in low-level jobs ranging from medical orderly to auto serviceman.

They successfully completed 24 weeks of training as operations research (work measurement) analysts. Already, they have suggested numerous ways to

improve public services and have identified nearly \$1.3 million worth of cost-reduction opportunities in areas such as public health, billing practices, and record-keeping. Most of these suggestions have been implemented, and cost savings of several hundred thousand dollars have already been attributed to them. In addition, the trainees have developed work standards for hospital laundry operations and have introduced measures of manpower utilization to assist in management planning and control. Ten more trainees will enter the program this summer.

There is some uncertainty regarding this program's effectiveness as a general employee incentive, due in part to its small size, high selectivity, and failure to predicate eligibility on past job performance. Nevertheless, it illustrates a direct approach to enhancing both productivity and job satisfaction through career development.

Law Enforcement

The greatest diversity of local government employee incentives has been found in police departments and sheriff's offices. Nearly every major type of incentive has been explored at one time or another by one or more law enforcement agencies.

Performance Targets and Rewards. Merit pay increases for superior performance are relatively uncommon in police work. A recent survey found that only 14 of the 99 cities responding provide policemen with in-grade salary increases for superior performance, and only seven reward continued outstanding performance with salaries above the normal maximum.⁴ On the other hand, 78 percent of the cities withhold salary increments for poor performance.

A few cities are making efforts to tie police pay increases more directly to performance. One approach is the use of *grade* increases to reward outstanding efforts, although traditionally, such increases can be achieved only by promotion to a higher rank, often on the basis of written examinations rather than performance. The City of Los Angeles has created multiple pay grades within the same position classification; some police classifications contain as many as three such grades. Promotions to higher grades within a given job classification are made on the basis of performance, ability, and potential.

Performance bonuses for police do exist, but they are often highly controversial. Commonly termed "bounties," these special rewards include payments by public (often federal) and private organizations for detention of military fugitives, illegal aliens, and escaped federal prisoners; information and assistance in connection with postal law violations; special efforts in fighting drug abuse; and return of stolen property such as credit cards.⁵ Bounties are widely considered to be incompatible with good law enforcement because they create the impression (sometimes correct) that police officers may spend undue time as "bounty hunters" to the detriment of their other duties. Thus, bounties may actually be "perverse incentives" in that they distort law enforcement priorities.

Less controversial are bonuses, in cash or extra time off, paid by some departments to personnel who bring in new recruits. For example, Kansas City, Missouri, recently offered a \$75 bonus to officers who referred acceptable candidates. This approach turned out to be considerably more effective for quickly

filling a large number of vacancies (more than 500 openings) than conventional recruitment methods.

Performance targets applied to policemen can have beneficial or perverse effects. Care must be exercised to avoid distorting overall priorities by placing undue emphasis on a few activities. For instance, the allegedly common practice⁶ of assigning quotas or norms for writing parking tickets and traffic citations serves to focus attention on one aspect of police work at the expense of other, equally important ones.

On the other hand, utilization of "management-by-objectives" by police departments in cities such as St. Petersburg, Florida, and Menlo Park, California, shows a potentially more balanced application of personal performance targets. Explicit goals systematically developed as part of a management-by-objectives approach can deal with a wide range of police activities.

A major new direction in performance incentives has been taken by the City of Orange, California. That city recently contracted with its police association to provide periodic pay increases to non-management personnel if the number of reported "repressible" crimes (rapes, robberies, burglaries, auto thefts) fell by certain percentages. A 3 percent drop in the crime rate will bring a 1 percent wage increase; a drop of 12 percent will bring a 3 percent wage increase. Since the system was negotiated only in May of this year, no evaluation is possible as yet.

Job Enrichment. Numerous experiments have been undertaken to make the policeman's job more interesting and challenging. Approaches include team policing, participatory management, and job enlargement.

Simi Valley, California, has employed what it calls a "generalist team approach" to law enforcement since July 1971. Policemen, designated "community safety officers," have total responsibility for their beat, including follow-up. Each officer is trained in a number of areas, including investigation, and each is expected to mobilize the resources he needs in any given situation. Much of the latter assistance is given by two other classes of community safety personnel: youth coordinators who draw upon community resources such as schools, mental health, welfare, and youth counselling; and investigation coordinators who handle long-term investigations (e.g., where there is a pattern of crimes) and maintain liaison with other law enforcement agencies.

The Community Safety Agency (as the police department is termed) does not have the traditional paramilitary rank structure. The essentially "flat" organization consists of an administrator, supervisors, agents, and officers. In contrast with the organizational independence common in municipal police departments, Simi Valley's Community Safety Agency represents only one element of a larger Human Resources Department. This overall approach seems to have been quite effective in terms of the morale of the officers, their impact on crime, and their acceptance by the citizenry.

A team policing program implemented in Cincinnati in March 1973, is representative of efforts by cities across the country.⁷ It grew out of over two years of planning by a task force of men from all levels of the police department, aided by additional inputs from citizens, middle management, and police

officers. Team members are trained in a broad array of skills, and all participate in running the team. The teams are responsible for keeping their areas safe and healthy, and they carry out a full range of special police duties such as investigation and traffic control—the only exception being homicide investigations.

Members of the team shoulder increased responsibilities: patrolmen are responsible for all preliminary investigations (they can close a case); sergeants handle planning and community relations; lieutenants coordinate with other teams. A detailed evaluation of the program is being undertaken.

The Kansas City, Missouri, department has created several task forces to bring policemen into the decision-making process. Each force consists of three to ten patrolmen and a sergeant. The members explore their own ideas—developing, testing and evaluating them as needed. If the evaluation verifies their usefulness, the ideas are introduced into the entire department. For instance, one task force has been investigating several alternate patrol strategies since early 1972; the results will be formally evaluated in the fall of 1973.

Another task force has introduced participatory meetings, in place of roll call, to discuss specific patrol problems and possible solutions. Other groups are investigating recruitment policies, reviewing promotion procedures and developing an in-house capability in operations analysis. The popularity of the program can be judged by the current need to expand the task forces in order to accommodate all those who want to participate.

Dual Responsibility. The "public safety officer" programs operating in some jurisdictions have many of the elements of job redesign. They establish a class of public employees with training and responsibilities for both police and fire activities.

In St. Petersburg, Florida, the first duty of public safety agents is responding to a fire when their parent ladder company is called. However, this requires only two percent of their time. The rest is spent performing fire and police inspections and backing up police on service calls. Public safety agents are recruited from the fire and police departments and must be college-educated. They receive both fire and police training, are paid a higher salary than either a fireman or a policeman with comparable tenure, and have more discretion in the use of their time. Begun in 1972, the program is scheduled for expansion.

Public safety officer programs have also resulted from efforts to consolidate police and fire departments to make more effective use of personnel.⁸ A program of this type was instituted experimentally in Winston-Salem, North Carolina, in 1957. It was expanded in October 1972, with the introduction of a public safety school featuring a twelve-month training program. Both police and fire personnel may participate in the program on a voluntary basis. The city feels it has achieved better utilization of manpower, recruited better-educated personnel, cut overall costs, and improved fire protection—all with no adverse effect on morale. The net cost savings are viewed as something of a dividend, since the program was originally conceived primarily as a re-allocation of resources, rather than a means of cost savings.

However, several plans for public safety officers have been discarded in the face of strong employee opposition, and in other instances the programs

lowered morale and reduced effectiveness in the fire department. Many such problems appear to have arisen from inadequate attention to overall job redesign when expanding the roles and responsibilities of police and firemen. Neglect of such incentives has sometimes led the employees involved to look upon the Public Safety Officer Program as merely an effort to make them accept unwanted responsibility, make them work harder, and/or to reduce employment.

Four-Day Pros and Cons. The four-day workweek has a special advantage for police work: the use of three ten-hour shifts creates daily overlaps in manpower, permitting higher concentrations of personnel during periods of maximum need. Over 75 police departments are known to have tried such a schedule, with mixed results. Larger cities have frequently discontinued four-day-week experiments; their reasons range from insufficient impact on crime (Washington, D.C., and Dallas, Texas) to problems with excessive fatigue (Memphis, Tennessee) and difficulties in bookkeeping and supervision (San Francisco).

In general, such programs appear to have been most successful in small and medium-sized cities. San Bruno, California, a suburban city, has taken a creative approach to the use of a short workweek. In August 1972, its police department combined a four-day, forty-hour week with team policing.⁹ Six teams of four or five men, including a team leader, were established. Each team goes on and off duty together and trains together. The work day is divided into three ten-hour shifts, permitting overlapping schedules during the periods of peak police activity.

The results have been notable. Overtime was cut drastically. Sick leave usage dropped about 30 percent, equivalent to adding one full-time man a month to the force. Traffic citations increased by 35.5 percent, patrol mileage increased, and serious felonies declined. Morale improved, and turnover was completely eliminated. However, competition between the teams did produce some unwanted side-effects, including instances of overzealous policing. There have also been difficulties in communication, job continuity, and followup of cases between teams working during different "halves" of the week.

Education/Career Development. Incentives based on education and career development are being used in a number of police departments. Education incentives are especially common and may involve tuition reimbursement, time off to attend classes, wage increases, and/or promotional schedules predicated on educational achievement. In December 1971, San Jose, California, introduced a new approach to career development for its police officers in the form of a "duty assignment preference list." Officers below the rank of captain may indicate their top five choices for future assignments commensurate with their present rank. These preferences are considered when filling vacancies.

Several departments are trying to provide career development opportunities which avoid the pay and rank distinctions common in most police organizations. Menlo Park, California, has abolished all traditional police titles. Dallas is planning to introduce "horizontal" pay and career paths for patrolmen; an officer will become entitled to additional pay and prestige if he acquires and uses special capabilities, such as training in handling family conflicts or investigating crimes. Thus, he can advance his career without being promoted

out of the patrol force. Reaction by patrolmen has been less than enthusiastic, however. Many would prefer the larger salary increases available through "vertical" promotions.

Sanitation

Experiences in municipal sanitation departments are quite varied and differ in many respects from those common in law enforcement. Examples include bonuses of time or money, safety incentives, productivity bargaining, and negative incentives in the form of discipline and work standards. Some efforts at job enlargement and career development can also be found.

The Task System. St. Petersburg, Florida, provides a number of incentives for its sanitation workers. Trash collectors earn merit pay increases based in part on performance. A small bonus is awarded each month in the commercial sanitation division to the crew with the best "compaction ratio" (greatest weight of trash hauled per number of trips taken to the landfill). Within the past year, the city inaugurated a task system under which workers may go home when they have completed their route; if assigned to other jobs after finishing their collection tasks, they receive overtime pay. The system includes a four-day week: tasks are designed to fill four twelve-hour days. Officials report that the change has lowered turnover, improved morale, and raised efficiency.

In July 1971 Alexandria, Virginia, introduced a task system in conjunction with certain changes in technology. Routes are divided up equally, taking account of topography, traffic, and physical abilities. To prevent haste from making waste, complaints of missed collections are verified and tabulated, and the crew with the highest total each week must stay late on Friday for additional duty. Since this system was introduced, employee turnover has been nearly eliminated.

Accident Prevention. An innovative safety program in Kansas City, Missouri, combines team efforts, competition, participation, and both individual and group bonuses.¹⁰ Introduced in the Refuse Division in 1970, the employee-designed plan replaced an ineffective conventional approach which relied upon rules and disciplinary action. Teams of 17 employees compete for the best safety record; there is an annual cash bonus for each man on the team with the fewest preventable vehicle accidents and personal injuries, and a one-day vacation bonus for each employee who works a full year without an accident. Implementation of the plan required passage of an ordinance permitting payment of bonuses to municipal employees.

The results: in the first year of operation, vehicle accidents were 48.7 percent lower than in the previous year; accident repair costs fell 23.5 percent; bodily injuries dropped 41 percent; lost man-hours were reduced 72 percent, and the cost of lost man-hours dropped 66 percent. Total cost of the bonuses and the extra vacation time was \$1,879, compared to the \$5,766 saved through the reduction in lost man-hours and accident repair costs. The program has now been adopted by all field operations within the city.

Union Contracting. Specification of the "task" (the collection route) has been the subject of productivity bargaining in cities such as New York, Detroit, and Washington, D.C. A 1971 contract negotiated between the District of Columbia

government and its sanitation workers authorized a major revision in work rules in return for a 2 percent increase in pay. The agreement raised the standard day's work, provided for more complete utilization of employees throughout the week, and introduced a system of penalties to discourage the heavy absenteeism common Mondays and Tuesdays. Since the contract took effect, productivity has risen on an average of 33 percent (from 12 to 16 truckloads per crew per week), citizen complaints have fallen by 60 percent, and the work force has been more stable.

Washington's productivity contract also incorporated some elements of job enlargement, in the form of increased participation by sanitation employees. A "productivity committee" of labor and management officials established under the contract meets monthly to iron-out problems and analyze complaints. The committee worked out the details for implementing the productivity agreement and contributed to the achievement of a significant reduction in absenteeism. When friction developed over who was responsible for picking up garbage at the point of collection, an agreement reached in the committee defined an area of responsibility for collection crews around each point.

The City of Detroit recently concluded two contracts—one with the American Federation of State, County and Municipal Employees (AFSCME) and the other with the Teamsters Union—which call for a quarterly bonus to be paid to sanitation collectors based on a Productivity Index.

The agreement states that;

"The Productivity Index (P.I.) will be derived from the following factors:

- "1. Paid man-hours per ton of refuse collected (50% of P.I.),
- "2. Crew effectiveness in the alleys and streets of the city (10% of P.I.),
- "3. Percentage of routes completed on schedule by the original crew (20% of P.I.), and
- "4. Overtime reduction from previous years (20% of P.I.).

"All bonuses resulting from an increase in productivity will be paid from a productivity bonus pool on a 50-50 basis. This bonus pool will be made up of savings from the following two areas:

- "1. Overtime reductions as compared to the previous three years' overtime average. These comparisons will be made between similar seasons of the year.
- "2. Savings accrued through attrition. This will be based on the regular refuse collection route employees and Sanitation collection supervision directly related to regular refuse collection."¹¹

Career Development. Inglewood, California, has demonstrated the value of an active career development program. The city hires only high school graduates for its sanitation division, gives each a battery of aptitude and occupational tests, and helps him find in-house training or college courses appropriate for his talents. The city pays the tuition.¹²

Sanitation employees are expected to stay in the department no longer than five years (preferably only three years), and consequently turnover is high, as

refuse collectors continually move on to a variety of skilled jobs in other city departments. The development program has provided a cadre of young, ambitious employees who work fast, with few accidents, and maintain their equipment well. Their high morale has benefited the entire department while providing citizens with a favorable impression of city employees.

Work Standards in Vehicle Repair. Another aspect of sanitation operations—vehicle maintenance and repair—has felt the impact of negative incentives and work standards. New York City recently insisted that workers in the vehicle repair shops of its sanitation department accept commercial work standards for the time required to complete standard repair operations.¹³ Failure to meet these standards could lead to disciplinary action.

After considerable bargaining, the union accepted work standards which speeded repair operations by about 46 percent. A year after the introduction of the revised standards, the percentage of vehicles down for repairs dropped from 45 to 14 percent. The approach appears to be readily adaptable to other city functions, such as transit, which maintain vehicle repair facilities.

Public works

Although a number of innovative employee incentives have been used in sanitation, they are less frequent in other areas of public works, such as street maintenance, water and sewers, and engineering. Safety and suggestion award programs are common but, for the most part, unexceptional.

Combination: Standards and Piecework. A wage incentive plan based on piece rates has been in operation since 1952 in the Meter Shop of Philadelphia's Water Department. Repairmen working in the shop and in the field perform a series of standardized operations in the disassembly, cleaning, repair, inspection and testing of water meters. Each task is assigned a standard time, and a worker is paid the base wage appropriate to his position for meeting those standards (the time standards are designed to constitute a fair day's work on an eight-hour basis). If the worker completes more than the standard day's work, he is paid for each extra piece at his regular wage rate, computing his bonus from the standard time allotted each piece. Work must meet a quality standard before it can be credited to the employee. Standards and pay rates are adjusted periodically to conform to new conditions. City officials say the plan has cut costs and increased productivity.

Self-Scheduling. An experiment in job enlargement was conducted for 5½ months during 1970 in a division of Ohio's Department of Highways.¹⁴ Although this is a state example, the experiment seems directly relevant to local governments.

The study involved six construction and electrical crews responsible for installation of electric utilities. They were given different degrees of authority to schedule their work for the coming months: two teams assumed complete responsibility for their work schedules, the other crews lesser degrees.

Analysis by researchers from Ohio State University indicated that morale increased with the degree of decision responsibility, but that none of the crews showed a significant improvement in productivity. It was concluded that some workers are not prepared to accept increased responsibility and that

participation in itself, without economic incentives, may not be enough to improve productivity.

Work Standards. There appears to be a growing utilization of work standards in public works. New York City and King County, Washington, are among the jurisdictions which have developed extensive work standards for road maintenance. For instance, in King County the standard for a crew sanding an icy road is 0.667 man-hours per lane mile.¹⁵ Although such standards have not generally been used in connection with financial incentives, work standards for public works employees have been incorporated into task systems where, in effect, they determine "bonuses" of leisure time. For instance, a task system used for years by water meter readers in Atlanta is based on completion of a standard route defined by the number of readings which constitute a fair day's work.

Fire

The Urban Institute study disclosed relatively few incentive programs aimed at fire department employees. One recent survey of municipal personnel practices found that only 15 out of 100 respondents reward superior performance with merit pay increases, and only five pay salaries above the normal maximum for persons who continuously render superior services.¹⁶ But 71 cities reported that they will withhold salary increments from firemen for unsatisfactory performance.

In some jurisdictions, consolidation of police and fire departments (described earlier under Law Enforcement) has created new opportunities and broadened responsibilities for firemen. But elsewhere fire personnel have sometimes opposed such consolidations as an infringement on their jobs and a device for reducing department strength. Few jurisdictions appear to have consciously stressed job enlargement.

Productivity Bargaining. A few local governments have conducted productivity bargaining with fire department personnel. After more than 18 months of negotiation, the City of New York reached an agreement in early 1972 to introduce a system of "adaptive responses,"¹⁷ which permitted a reduction in the number of engines answering an alarm in certain areas of the city without sacrificing jobs or fire protection.

Firefighters in Tacoma, Washington signed an agreement with the city in 1972 which provided that both parties investigate ways to improve productivity. Any savings accruing from such efforts were to be returned to the firemen in the form of a shorter duty week or increased fringe benefits. It was determined that modification of the response policy of a certain underutilized engine company would permit a reduction in manpower for other companies. When implemented, the overall manpower response to alarms was actually increased, while firemen gained a long-sought two-hour reduction in their workweek.

Educational Advances. The hours worked by firemen have not lent themselves to experimentation with a four-day workweek, and have made it difficult for firefighters to pursue additional education. However, under union pressure educational incentives are increasingly being included in contracts and have served to increase professionalism. A survey of municipal departments in 1972

indicated that 25 of the 119 cities responding provide increased salary for advanced educational work.¹⁸ Other educational incentives have included the awarding of extra points on promotional examinations solely on the basis of educational attainments (for instance, in Spokane, Washington) and the more familiar tuition reimbursement plans.

Health and Welfare

Few employee incentives were found in health and welfare. Those plans which were identified were primarily addressed to clerks or other staff workers. Incentives for clerical employees included scattered instances of piecework (medical records typists), competition between individuals and groups, job redesign, productivity bargaining, and the application of work standards. Incentives for staff employees appear to have been limited largely to productivity bargaining, career ladders, and work standards—in particular, caseload standards for social workers and work standards for hospital laundries.

Career Development. Since 1969, the American Federation of State, County and Municipal Employees (AFSCME) has conducted a program to provide career ladders for hospital workers in traditionally "dead-end" jobs.¹⁹ The associated training, conducted by the union, and well-defined promotional schedules make it possible for orderlies and kitchen help to move into higher-level jobs such as Laboratory Assistant, Dietary Hostess, and Senior Licensed Practical Nurse. Such cities as Cleveland, Boston, Milwaukee, Detroit, St. Paul and Memphis have adopted such ladders for their municipal hospital workers.

Work Standards. New York City offers examples of some of the incentives being tried in the health and welfare area.²⁰ Work standards have been established for clerical personnel in New York's Bureau of Medical Assistance, and productivity bargaining with social workers has eliminated restrictive standards on maximum caseloads. The latter negotiations also resulted in the reassignment of non-professional tasks from social workers to the clerical staff. Officials feel that this transfer led to more varied and satisfying jobs for all concerned. The price of these changes was an annual increase of about \$340 per social worker. Despite this, it is estimated that the contract has raised efficiency and reduced overall personnel costs in the Human Resources Administration by \$120,000,000 per year.

Productivity bargaining with employees in New York's Health and Hospital Corporation led to an agreement to double the number of Medicare and Medicaid claims processed daily by each worker in return for a \$500 per year productivity raise for each employee affected. The more rapid processing of these claims has increased collections by more than 200 times the total cost of the salary increases. Previous delays had caused the loss of some state and federal reimbursements.

Competition. New York City has also experimented with purely competitive increases.²¹ Clerks handling old Medicaid forms were instructed to place the papers they processed in separate piles. Differences between the heights of the piles were visible to everyone, and the resulting spirit of competition boosted productivity 20 times. Although the employees ultimately endeavored to keep all piles to the same height, they maintained the increased work pace.

Shared Savings. The shared savings plans used by a number of private, non-profit hospitals are of special interest. Although not yet adopted by local governments, they do appear to be applicable to public hospitals.

Baptist Hospital in Pensacola, Florida, introduced a shared savings plan in 1966.²² Savings and bonuses are calculated separately for each department and employee unit; typical groupings include laundry, surgery, nursing, radiology and laboratory personnel. Norms for costs controllable by employees, such as labor hours and supply costs, are determined for each group from historical records which are compared monthly with the actual expenses incurred by a unit. When a group operates below the norm, the savings are shared with all participating employees. Personal shares are calculated from formulas which reflect both individual and group productivity. The bonuses are paid monthly for savings generated in the previous month.

There have been some employee complaints that the formulas are complicated and difficult to understand, and that the distribution of savings is inequitable. Nevertheless, evaluations of the plan show a substantial improvement in costs, salary levels, services, and overall productivity. Patient surveys indicate that the quality of service has been maintained.

Education

Another public service area in which few performance incentives were found is education. This is explained in part by (1) practices and constraints arising from professional and union pressures and (2) the difficulty of specifying appropriate performance measures.

Several experiments with educational performance bonuses have been tested by the federal Office of Economic Opportunity. These have involved various systems of financial rewards for students, teachers, and parents predicated on measured improvements in reading and mathematics. Results of experiments conducted in Cincinnati, Jacksonville, Oakland, and San Antonio indicated that teacher-only incentive bonuses were ineffective but a parent-teacher bonus was worth further exploration.²³

The experiments also included an effort to establish competition among various grade schools and educational programs in the Alum Rock Public School District of San Jose, California. Twenty-two individual programs are offered, and parents are given a voucher permitting them to enroll their children in any one of these programs. The schools are, in effect, competing among themselves for students. In principle, this technique gives parents a role in deciding how to meet the educational needs of their children while forcing schools to upgrade their offerings, in response to competitive forces.

Incentives in the educational system need not be limited to teachers. For instance, a career development program sponsored by the AFSCME in Baltimore's Department of Education has brought about the graduation of 425 school custodians into better-paying jobs.²⁴

Parks and Recreation

A few notable examples of incentives have been found in the parks and recreation area. The four-day workweek has been tried in departments of at

least seven jurisdictions. The city of Los Angeles recently completed a six-month experiment with a four-day week which involved 298 employees in the parks department. Results were that productivity rose, due mainly to reduced cleanup and preparation times; participants favored the plan; more than half of the employees reported increased fatigue, yet injuries did not increase significantly; sick leave and time off without pay dropped sharply; and service at recreation centers increased (except for the one-man centers, where a service day was lost each week).²⁵

The city has recently extended the four-day week to all 2,000 parks and recreation employees—and to approximately 1,500 additional municipal employees in nine other departments.

Scottsdale, Arizona developed an approach to increased participation by park, and other, employees which won an Achievement Award in 1972 from the International City Management Association. The city involved the field staff of the parks department in the design and planning of new park facilities, thus giving those responsible for operating a facility some say in how it was constructed. The custodian offered suggestions for easier maintenance, and the parks repairman advised on the type of lighting fixtures to be used.

Work standards for parks employees are finding increasing use, although as yet they do not appear to have been associated with any employee incentives. New York City has developed time standards for the maintenance of specific parks.²⁶ These are built up from detailed work measurements of the various operations associated with maintaining facilities.

For example, one park was found to require 68.73 man-hours per month during the winter for the completion of routine daily work including raising and lowering the flag, cleaning the comfort stations, emptying litter baskets, and raking the grounds. Work measures for standard park maintenance have also been developed by Long Beach, California: 1,800 square feet per hour for raking leaves, five acres per hour for seven-unit mowing, etc.

Miscellaneous Services and Functions

Scattered examples of incentives have been located in a wide variety of other local government services and functions, including transit, personnel, libraries, probation and corrections, financial services, complaint processing, inspections, and data processing. The types of incentives found in each of these areas during the Urban Institute study are summarized in Table 2.

Increased Safety in the Transit System. Few innovative incentives were identified in local public transit. One commonly used is that of safety awards in cash, goods, or recognition, usually given to bus drivers who achieve "good" safety records measured by the number of chargeable accidents. Suggestion award programs are also used, particularly in larger cities. Public bus companies have made some efforts to relate wages to the number of passengers carried; transit unions have opposed this on the grounds that drivers have no control over this factor.

Piecework Bonus in EDP. Many of the incentives for data-processing employees arise from the relative ease with which work standards can be developed for the repetitive tasks often involved. In addition data-processing equipment fre-

TABLE 2

Miscellaneous Incentives Found in Various Government Services and Functions.

| Service or Function | Types of Incentives Found |
|---------------------------|---|
| Transit | Suggestion systems Safety incentives Productivity bargaining |
| Personnel | Shorter workweek Gliding hours |
| Libraries | Shorter workweek Work standards |
| Probation and Corrections | Revised workweek Work standards |
| Financial Services | Shorter workweek Staggered hours |
| Complaint Processing | Shorter workweek |
| Inspections | Shorter workweek Work standards |
| Data Processing | Piecework Performance-oriented merit increases Performance bonuses Shorter workweek Work standards Performance targets |

quently tabulates the necessary performance information as part of its normal operating routine. The following example, although taken from a state agency, seems applicable to local jurisdictions with large electronic data processing (EDP) operations.

A work incentive plan has been used for several years in the Electronic Data Processing Unit of Pennsylvania's Bureau of Employment Security.²⁷ Approximately 85 non-supervisory employees are involved. Each quarter, they must enter over four million wage records on a tape file, check production for accuracy, train new employees, carry out routine clerical tasks, and provide a variety of other services. The incentive program was instituted to combat high personnel turnover, a shrinking supply of applicants, high training costs, and sluggish productivity.

Each operator is assigned a quota of 115,000 wage records per quarter. The base wage provided by the civil service job classification is paid for meeting this requirement. For production above the quota, each employee is paid a piecework bonus of 32 cents per 100 wage records. Quality is controlled by

deducting a penalty for errors. Production and error records for each operator are tabulated and posted weekly. The goal is to motivate employees "to reach a point in time as quickly as possible . . . when they are in essence working for themselves."²⁸

Employees may earn incentive rewards even when not working, on wage records. These are calculated by extrapolation from the rate at which the operator earned bonus pay when last entering wage records.

As a result of this piecework plan, output per hour increased 60 percent, unit costs dropped 37 percent, deadlines were met, personnel turnover and absenteeism virtually disappeared, training costs were reduced, and employee morale improved significantly.

CONSIDERATIONS FOR IMPLEMENTING INCENTIVE PROGRAMS

Although employee incentives have long been used by industry to motivate higher productivity and increased job satisfaction, their use in the public sector has been infrequent and unsystematic. Public administrators have generally restricted themselves to the use of merit increases, task systems, educational inducements, recognition, and negative incentives—rules and discipline—in attempting to motivate city employees.

There has been a growing interest in the four-day workweek, job enrichment, performance targets, productivity bargaining, and career development, but these are by no means widespread. Local governments have increasingly applied work standards, but they have been used primarily for control and manpower planning, rather than as the basis for positive incentives.

Nevertheless, a surprising number and variety of incentives are presently being tried by local governments, as reported in the preceding section.

OBSTACLES TO INITIATION

The exploratory survey by the Urban Institute makes it possible to render a preliminary assessment of the major factors that have limited local government application of incentives:

1. The factor most frequently cited by city officials was the absence of adequate measurements for characterizing and evaluating the performance of government operations. Many apparently believe that government jobs are not measurable in a manner conducive to the installation of industrial-style incentives. Others feel that the available measures seriously distort the nature of government services and can lead to a corresponding misemphasis of certain employee activities.

2. The great number and diversity of existing incentive techniques present a very confusing choice to the city administrator, especially since there has been little evaluation information that would indicate potential effectiveness and applicability to any given jurisdiction.

3. Most city officials contacted in the course of this study were unaware of what other jurisdictions were doing in the area of incentives. In general, the incentives found in local government represent isolated, often *ad hoc*, efforts. Indeed, the introduction of unusual incentives currently appears to depend more on the creativity of individual city officials than on diffusion of information.

4. Employee and union concern for job security constitutes a major source of resistance to the introduction of incentives designed primarily to improve productivity. When job displacements are likely, provisions for relocating employees must be carefully considered. However, given the present context of expanding responsibilities and growing demands for government services, it seems likely that job security could often be guaranteed even in the presence of effective incentives.

WORK STANDARDS AND MEASUREMENT OF PERFORMANCE

Two recent developments—the growing application of work standards to government activities and the specification of measurements of quality and effectiveness for municipal services—are combining to alleviate the performance measurement problem.

Work Standards. They are measurements of time or other characteristics which precisely specify the work needed to complete a given job. Examples might include the man-hours appropriate for repairing street potholes, the number of cases to be handled by a social worker each month, or the number of man-hours reasonably required for a food inspection.

There are a number of potential benefits in developing such standards:

—They inform employees of desirable levels of effort and so facilitate their understanding of complex jobs.

—Their mere existence can motivate some employees, who in many cases will strive to meet the standards without any additional incentives.

—They can be used to establish minimum acceptable levels of performance.

—They can aid first line supervisors in scheduling tasks, setting program goals, measuring progress toward those goals, and evaluating the performance of groups.

—And finally, they can serve as the basis for incentive reward systems, a feature of special interest here.

Design of Work Standards. Establishment of work standards must be undertaken with care. If not properly designed, they can actually reduce the overall quality and effectiveness of services. One must take pains to incorporate all important aspects of an activity—including adequate quality controls—in specifying standards.

Work standards can adversely affect costs, if set too low. Hence there should be periodic review and adjustment of the standards to reflect changes in equipment and other factors.

In addition, improperly treated standards can damage employee morale. They must be carefully explained to workers, who need to know both why they are being set and how they were determined, and to regard them as equitable.

The foregoing observations indicate that revision or lack of revision of work standards can be a chief source of employee discontent and a focal point for conflict. The burden is placed upon management to create a climate and

a mechanism whereby standards can be adjusted to accommodate both employee and organizational needs.

There is currently considerable interest and activity in developing and using work standards. Examples of departmental efforts of this type were pointed out in the preceding section. Table 3 illustrates the variety of local government activities to which work standards have been applied. More examples seem likely in the future as a result of current efforts to establish standards for such non-routine activities as highway engineering, nursing, and computer programming.²⁹

TABLE 3

Illustrative Local Government Activities for Which Work Standards Have Been Developed.

1. Law Enforcement: fingerprint classification, traffic or parking citation standards
2. Probation Activities: caseloads for investigation, review, and supervision of probation cases
3. Health and Welfare: caseload standards, hospital laundry operations, claims processing
4. Solid Waste Collection: pickup times, tonnage standards, collection tasks, vehicle maintenance and repairs
5. Street Maintenance: pothole repairs, sanding, plowing, sweeping, snow removal
6. Building Maintenance: janitorial tasks (sweeping, cleaning, etc.)
7. Utilities: water meter repairs (in the shop or in the field), meter reading tasks
8. Inspections: buildings, restaurants, wiring and safety, weights and measures
9. Clerical: transcription, typing (especially for special repetitive forms, e.g. medical, welfare, or police records)
10. Data Processing: entry of data onto cards or tape, verification
11. Library Services: cataloguing
12. Parks and Recreation: park maintenance activities such as pruning, raking, grass cutting

Few governments appear to have moved from the development of standards to their incorporation into employee incentives. The piecework systems in use in Philadelphia's Water Department and in the State of Pennsylvania's Bureau of Employment Security are notable exceptions. In addition, the task systems widely used in sanitation, and less frequently in certain other municipal operations, incorporate work standards as the basis for determining how much time off a worker earns for the extra effort he expends. Yet, highly precise work measurements are not always necessary. In many cases, rough standards can

be established as a starting point for improving both management and performance. These criteria can be supplemented by more precise standards as knowledge of the isolated work measurement activities of local governments becomes more widely available.

Performance Measurement. This is a more general concept than work standards. It involves determining the degree to which a municipal service or employee fulfills stated organizational objectives, which may be given in terms of operating and workload goals: respond to emergency calls within five minutes, inspect all supermarkets once every two months, supervise 120 probation cases while incurring no more than two parole revocations, reduce crime or fires by ten percent.

Unlike work standards these are more likely to be appropriate for supervisory employees or groups of non-management workers rather than for individual workers.

Performance measurement encompasses more than a determination of whether an employee acts with a specified speed or produces a given output. It is also concerned with the larger picture; the overall contribution of employee actions to the objectives of his department, his city, and the public. Thus, the specification of measures of the *quality* and *effectiveness* of city services is critical to the development of practical incentives focused on the performance of city employees.

Many local jurisdictions are undertaking to measure the performance of their services. Cities and counties are moving to specify detailed sets of objectives, measurements of objective achievement, and criteria and controls that permit regular monitoring of the status of their operations. Often, this is done in conjunction with the use of PPBS, or program budgeting. Jurisdictions as diverse as Charlotte, North Carolina; Fairfax County, Virginia; and the City of Los Angeles are in various stages of preparing such measurements.

A practical citywide measurement system for regularly assessing the effectiveness and productivity of a broad range of municipal services is being developed by the International City Management Association and the Urban Institute, with support from the National Science Foundation, The National Commission on Productivity and the Department of Housing and Urban Development (HUD), for the cities of St. Petersburg, Florida, and Nashville, Tennessee.

These efforts are symptomatic of a growing concern with measuring the performance of city operations.³⁰ Taken together, they are creating a pool of measurements and techniques which could be readily incorporated in the evaluation and motivation of city employees. Few such applications have been found as yet.

As noted earlier, the city of Orange, California, has recently entered into a contract with its police association providing periodic pay increases if the number of reported "repressible" crimes falls by certain percentages.³¹ And performance targets such as the well-publicized productivity goals set by the city of New York often serve as non-financial management incentives.³² It can be expected that the expanding stock of tested, practical measurements of

performance of city services will encourage development of many similar incentive programs.

EVALUATING THE EFFECTIVENESS OF INCENTIVES

Local government faces a number of questions in introducing and operating employee incentives. How effective are existing plans? How good are those being used in other jurisdictions? Are the programs and experience of other governments applicable to their own jurisdiction? Which of the many types of available incentives would be most effective in a given situation? How much would it cost in time, dollars and effort to implement the new incentive programs?

As pointed out earlier, employee incentives usually have two major objectives: production of more and better services for each dollar or man-hour invested, and enhancement of employee job satisfaction. Of course other, more specific goals, such as the reduction of accidents or stimulation of employee interest, might be involved in any given situation. However, the two main objectives provide a common basis for evaluating incentive plans. The following criteria are suggested:

Productivity. Measurements of the impact of an incentive program on government productivity include:

—Net savings achieved (in both dollars and manpower). Special costs—such as for training and program administration—should be considered, as well as any resulting changes in general operating costs.

—Changes in the "outputs" of the services affected.³³ The "output" of each service should be characterized in two ways, if possible: workload measures (number of units produced or services rendered) and measurements of the quality of service and its contribution to overall departmental and city objectives (e.g. the number of errors, employee courtesy, and response times provide the service).

—Changes in productivity.³⁴ Since productivity is usually defined as output divided by input, what is of interest here is the change in this ratio after introduction of the incentive plan. For instance, one might measure the total employee workload and the total costs of the service before and after installation of an incentive system. The change in "workload per dollar" during that period would then be identified, while also considering possible other causes for the change.

Job Satisfaction. As with productivity, there are many dimensions to job satisfaction. Useful indicators include changes in the following:

—Employee morale and overall job satisfaction, perhaps as detected by surveys.

—Number of employees displaced and not relocated in equivalent or better jobs.

—Turnover rates.

—Absenteeism (in terms of the rate of unexcused absences and sick leave usage).

- Earnings.
- Accident rates.
- Number of grievances.
- Difficulty in filling vacancies.
- Percent of those participating in voluntary incentive programs such as suggestion plans.
- Perceived fatigue, depression, and deterioration of relations among workers or between workers and supervisors.
- Disruptive incidents such as work slow-downs, stoppages, strike-days, sabotage, and pilferage.

Ideally, these criteria taken together provide a basis for comparing the effectiveness of existing incentive schemes. Where such information is available or can be predicted, it will contribute to selection of the "best" of several alternative plans. However, acquisition and assessments of such information requires careful planning and an understanding of the operational factors which go into designing and selecting appropriate incentives.

INCENTIVE, DESIGN AND ADAPTATION

Applicability of the variety of incentives being used or contemplated by specific units of local government is by no means limited to the original functional areas. Local government administrators may wish to consider adapting one or more of these approaches to their own needs, or they may decide to design their own systems.

A brief outline of the problems and procedures involved in developing incentives may facilitate the efforts of government officials.

Problems and Obstacles

For all the benefits they offer, employee incentives are subject to a number of potential problems and obstacles which may affect the likelihood of success. These will vary from jurisdiction to jurisdiction and from job to job. The following are relevant:

—The benefits of some incentive plans may be short-lived. There is sometimes a tendency for the novelty of the program to wear off after a while—perhaps a year—and for performance to return to previous levels. Consequently, incentive plans must be regularly monitored and adjusted to maintain their effectiveness.

—Plans may have "perverse" effects, such as a decline in the quality of service or an undue emphasis upon short-term results. Such a situation indicates that the performance factors which determine the incentive rewards have been poorly chosen. If the selective evaluative criteria do not completely characterize the desired behavior or objectives, actions which are in fact encouraged may not be those intended.³⁵ The classical example is the evaluation of police officers in terms of the number of arrests they make.

—Incentives may conflict with other organizational requirements, such as the maintenance of pay differentials, exercising of management authority, or adequate supervisor-employee communication.

—Incentive plans may become a source of conflict within the organization. Conflicts may arise over the setting of goals, measurements and standards of performance; over the interpretation and equitability of incentive award formulas; from rivalry between workers who participate in the incentive plan and those who do not; and from competition between individuals, teams and departments participating.

—Incentive plans, particularly those involving a substantial degree of job enlargement and redesign, may create new training or administrative requirements which increase costs.

—Other potential obstacles to the use of certain incentives in local government include union policies, work rules, bureaucratic and professional traditions (such as resistance to performance evaluation), and state and local laws and regulations.

—Incentive plans may be resisted or resented by the public if a disparity is observed to exist between the rewards of government work and of similar work in the private sector.

Planning and Implementing Incentives

These problems and obstacles underscore the need for careful diagnosis, planning and consultation or negotiation. Once installed, a plan must be monitored and adapted in response to changing conditions and the emergence of perverse effects on either productivity or employee morale. Some of the major elements in the planning, implementation and maintenance of an incentive system are outlined below.

Prerequisites. The potential usefulness of a system will be conditioned by these factors:

- Sound Management.
- Adequate wage levels.
- Satisfactory working conditions.
- Job security for all employees.
- Trust and respect between workers and management.

Deficiencies in any of these areas suggest that the improvement of job satisfaction or productivity will require more fundamental changes than the addition of an incentive system.

Diagnosis. Analysis of the design problem involves four considerations: what management would like from an incentive plan, what the employees would like, what external constraints exist, and what types of incentives could satisfy these demands.

—Management concerns. Management should determine the objectives it seeks through incentives, and whether the achievement of those objectives can be measured.

—Employee concerns. Recent efforts to increase productivity have illustrated the importance of obtaining early in the planning process employee cooperation and suggestions through worker preference surveys and discussions with employee leaders.

—Practical constraints. Design and feasibility of some types of incentives may be affected by external conditions. Constraints such as budgetary limitations, union policies, workload demands, the nature of the work (repetitiveness, use of teams), legal restrictions, and relative bargaining strength should be identified.

—Potential programs. From the spectrum of possible incentives (see Table 1, page 5), it should be determined which are realistically available to the jurisdiction, in view of the existing constraints. Groupings of examples by type of incentive or type of jurisdiction might be helpful (Appendices I and II). Given the desires of labor and management, which available incentives are most likely to succeed?

Design. Armed with a diagnosis of the situation, the administrator can proceed to the specification of one or more systems in some detail.

—Objectives. Specific goals of the system must be determined by selectively combining management and employee concerns. For instance, a program might be aimed at increasing productivity through reduction of sick leave abuses and provision of greater worker autonomy.

—Participants. Specific persons covered by the incentives must be identified. Commonly used groupings were noted earlier; others which might be appropriate include abusers of sick leave, professional employees, or members of minority groups. It must be decided whether participation is to be automatic or elective.

—Detailed incentive plan. Formulation of the plan itself requires decisions concerning:

- The type of inducement to be used (monetary or non-monetary, the range of the rewards or penalties);
- The source of funds (direct appropriation, savings, etc.; funds to be pooled by department, by employee group, or by some other unit);
- The frequency with which the rewards are to be distributed, and the time intervals between performance and reward;
- The general way in which rewards will be related to performance (the information called for, quality factors considered, and the differences in the criteria to be applied to various groups);
- The manner in which performance will be assessed (subjectively or objectively, in terms of individual or group characteristics) and the quality and performance measures to be used;
- The technique for determining the size and recipient of the reward (custom, precedent, competition, formulas, personal judgment; the amount of management discretion involved); and
- Provisions for adjustment, appeal, and administration.

In specifying the incentive system, several principles can serve as useful guidelines:

1. Plans which are not clearly understood are not likely to be effective. An understanding of work objectives and the method used for performance evalua-

tion is nowhere more important than when an employee's pay depends directly upon that evaluation.

2. Imposition of additional constraints upon the employee—such as time standards, reporting requirements, or outright controls—may act as a disincentive. Professional employees in particular may resent some types of incentive plans as constituting an unwarranted interference with responsibilities and skills.

3. The connection between the incentive and the desired performance should be direct and obvious, and the payoff should occur regularly and fairly frequently. Thus, annual bonuses may be less effective than incentives providing a more immediate reward or penalty.

4. The design of the system can have a significant effect on the degree to which employees emphasize short-term—as opposed to long-term—objectives, especially for supervisory personnel. Actions contributing to short-term improvements are usually encouraged by frequent, even annual, rewards; reliance upon quantitative rather than qualitative performance measures; and a non-discretionary, formula-based process for selection of awards.

5. Incentive plans should be based, insofar as possible, on objectively measurable performance, so that the individual can see for himself how he is doing. Where the performance rating system is largely subjective and the responsibility for applying it rests on a single supervisor, the allocation of rewards based on performance is likely to place a difficult burden on the decision-maker, resulting in conflict and, eventually, effective disuse (e.g., by giving equal rewards to all or by rotating the recipients). However, when qualitative factors are important to a job, they must not be sacrificed on the altar of "objectivity." Their inclusion may necessitate the introduction of some management discretion and subjective assessments.

6. Plans should be flexible enough after implementation to allow for periodic review and adjustment.

The synthesis of the incentive plan provides an excellent point at which to encourage employee contributions and participation.

Selection. In selecting a specific incentive plan from a number of promising options, several additional steps and considerations are appropriate.

—Evaluation of Operational Feasibility. There are three elements to this assessment: the expected (or historical) effectiveness of the plan, its ease of implementation, and its adaptability.

- Effectiveness. This is an estimate of the degree to which the plan will achieve the objectives sought. The criteria discussed earlier in this section may have to be altered or supplemented, depending upon the information available, the predictive capabilities of the organization, and the presence of other, more specific objectives (such as reduction of accidents). The assessment of costs is especially critical to operational feasibility—if they appear to be excessive, the possibility of substituting less costly, or cost-free, incentives should be explored.
- Ease of Implementation. A number of practical considerations may inhibit the transferability of an incentive plan from another jurisdiction or

otherwise impede its introduction. The following questions should be checked:

- Are special legal issues involved (local ordinances or state laws which may need to be changed)?
 - Is there a minimum size or level of participation (for elective plans) below which the plan is infeasible?
 - Is there a requirement for special start-up funds?
 - How easily can the program be understood by employees and supervisors?
 - Is there a need for special training?
 - What special demands does the plan make upon management capabilities or attention?
 - Will the plan create administrative problems or discontent among supervisors?
 - Does the plan pose special problems of trust between management and employees?
 - What is the need for obtaining the cooperation of special interest groups such as unions or employee associations?
- Flexibility. The plan should be adaptable to new conditions. For instance, one must consider how easy or difficult it will be to revise the plan, and how frequently such revisions will be needed—is it very sensitive to changing conditions?

—Discussion with employees. The incentive plans should be explained to the employees, and their comments and suggestions sought. The important issues they raise should be explored, and significant suggestions should be incorporated if possible into the proposed plans. Indeed, the final specification will sometimes be made jointly through the medium of collective bargaining.

Continuing Evaluation. It has been stressed repeatedly that any employee incentive plan must be periodically evaluated. Appropriate criteria have been suggested earlier in this section. Any shortcomings of the plan in the achievement of productivity, employee job satisfaction, or other objectives should be identified and diagnosed, and appropriate changes should be made.

Of course, these considerations cannot guarantee that an effective incentive plan will be found. There is little to build upon in terms of systematic experimentation, evaluation, and accumulated experience with employee incentives in the public sector. Much is left to the ingenuity of local government officials and their employees. Nevertheless, the benefits appear to justify what risks are involved. Even the latter can be limited by initially resorting to experiments and pilot studies. With a healthy organization, evidenced by the quality of its management and the overall working environment it provides its employees, the creative administrator can devise incentives which will benefit both the employees involved and the public as a whole.

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