



CHARLOTTE.

FY98

PAY AND BENEFITS
RECOMMENDATION REPORT

COMPETITION-BASED GAINSHARING PLAN

- Recommend establishment of a Competition-Based Gainsharing Plan which will reward employees when the City has successfully competed against the private sector and is able to perform the work for less than our successful bid amount.

Adopted by City Council on June 23, 1997
as a part of the FY98 Budget Ordinance

Note: This is an exert from the report

COMPETITION-BASED GAINSHARING PLAN

Purpose of Proposed Plan

Competition-Based Gainsharing is an incentive program which will be self-funded from savings achieved against 1) competitively-bid projects when the City is the low bidder; or 2) "optimization" projects. "Optimization" is the application of benchmark standards (work processes, staffing, quality, etc.) developed during a successful competitive bid process to other similarly situated organizational units which have not competed. Due to a need to reflect the unique nature of City services/business units, a number of individualized plans may be developed under the broad heading of Competition-Based Gainsharing; however, all plans must meet the design characteristics and limitations set forth below.

Competition-Based Gainsharing is consistent with our Human Resources Philosophy, congruent with other incentive plans, and encourages continuous improvement by the City organization. By providing monetary incentives to the employees who achieved the savings, the proposed plan will motivate employees to develop better and more efficient methods of performing work. This will make the City more competitive and save taxpayer dollars.

Under the proposed plan, City Council will delegate authority to the City Manager for approval of gainsharing plans which meet the plan design cited below.

Process and Assessment

- Work is identified for competitive bid or for optimization.

Competitive Bid

- For work which is competitively bid, if the City submits the low bid and is awarded the contract, the organizational unit that won the bid would submit a gainsharing plan proposal to the City Manager for approval. If the plan is approved by the City Manager, as set forth below, the unit would become eligible to participate in the Competition-Based Gainsharing Plan.
- If the unit completes the work for less than the bid amount, up to one-half of the difference between the contract amount and the final actual cost may be shared with employees. The total payout to an employee, excluding payments attributable to overtime, may not exceed 25% of the employee's base rate of pay during the contract period.

Optimization Projects

- If the Key Business Executive (KBE) applies the principles of optimization to an organizational unit, the KBE may submit a gainsharing plan proposal to the City Manager for approval. If the plan is approved by the City Manager, as set forth below, the unit to which the benchmark standards are applied would become eligible to participate in the Competition-Based Gainsharing Plan.
- If the unit completes the work for less than the benchmark amount (usually expressed in unit costs), up to one-third of the difference between the benchmark amount and the final actual cost may be shared with employees. The total payout to an employee, excluding payments attributable to overtime, may not exceed 17% of the employee's base rate of pay during the applicable period.

Development of Plans/Approval

- Each Key Business Executive will develop the plan(s) to be used in their business unit, including plan structure, quality standards, how decisions will be made about the amount to be paid to each employee, etc.
- All plans, whether competitively-bid or for optimization projects, will require the prior approval of the City Manager. Each plan should outline the following:
 - Specifications for the bid/project, including a Memorandum of Understanding outlining organizational roles/responsibilities/expectations
 - Process for determining cost savings, including audit process
 - Performance and quality standards which must be met and how these will impact payouts, including whether there will be penalties on an individual or team basis
 - Whether there will be the potential for bonus awards for significantly exceeding standards and what those amounts would be. Any bonus awards must not result in the total payout to employees exceeding 50% or 33% of the savings for competitive-bid or optimization projects, respectively
 - How payout decisions will be made:
 - Minimum savings which must be achieved before a payout will be made;
 - Percentage amounts to be paid;
 - Frequency of payouts, including whether partial payouts will be made during the year with a final payout at the end of the year.
 - Eligibility requirements to participate in plan:
 - Who/what level of employees will be eligible (for example, will managers, support staff or administrative staff be eligible?);
 - How long must the employee be in the unit to be eligible;
 - Whether temporary employees are eligible;
 - Performance levels that must be met to be eligible (for example, must be

- at Meets Basic or higher level to be eligible);
- Disposition of employee shares when an employee does not meet quality, attendance, etc. standards.
- How impact of incentive pay on overtime pay will be addressed.
- The Key Business Executive's decision on payout is final and not grievable.

Disposition of Savings Not Awarded to Employees

- The portion of the savings not paid to employees will be retained in a contingency fund in the business unit to cover possible contract/optimization cost overruns, purchase of new technology, employee training, etc. At the end of the contract period, remaining funds in the contingency fund will be returned to the appropriate fund (General Fund or enterprise fund).