Gainsharing/Goalsharing System [26]

NOTE: The content of this document has not been reviewed by legal counsel, nor does it represent a consensus view of the Design Team or indicate any kind of preference among options presented to the Senior Review Committee.

Summary Description:

Gainsharing and goalsharing are group incentive pay plans for rewarding groups of employees when targets (such as reduction of operating costs) are met.

Gainsharing usually refers to systems that share money realized through increasing revenues or cutting costs. Employee rewards come from savings (or revenue increases) in the gainsharing program itself. Goalsharing involves systems to reward employees for continuous improvement toward strategic business unit goals. These kinds of plans are usually funded in the organization's budget in advance rather than depending on cost savings.

Gainsharing has been used in the Federal government. In the 1970's the Air Force Logistics Command used a gainsharing plan for a portion of the civilian workforce at McClellan Air Force Base.

Key Features:

Coverage:
This option is designed to cover DHS employees in any appropriate work environment.

- Goalsharing and gainsharing are used to provide group incentives to employees in organizations in order to reach certain goals, such as increasing productivity, reducing costs or increasing revenues.

- Inclusion of financial, quantity, quality and/or other measures that provide a clear indication of whether, and to what extent, preset goals were not met, were met or were exceeded. Measures may also be set on the degree to which individual employees contributed to the overall goal.

- Communication with participants at points throughout the performance period to relay the relative degree of success achieved.

- Incentive is in the form of bonuses paid to employees at the conclusion designated time periods (e.g., the end of the year, fiscal quarter, etc.).

- These programs typically have no effect on base pay, classification or individual performance appraisal.

- Appeals can be established to allow review of payouts or distributions of shares.

- Programs should be evaluated based on improvements achieved. Ancillary improvements (e.g., improved cooperation among participating organizations) could also be the basis of an assessment.

Sub-options:

None

Relation to Other Options:

- This option is a plug in play. It could work with any other systems, but when used in combination with a pay for performance base pay systems it could cause confusion about the relationship between the two systems.

Implications (This section contains "possible advantages/benefits" and "possible problems/challenges" and "other implications" suggested by design team members. The views expressed in these "implications" represent the opinions of one or more members of the design team and therefore reflect sometimes opposing points of view. These opinions do not reflect the collective judgment of the entire design team on any of the issues addressed, nor have they been reviewed by legal counsel.):

Possible Advantages/Benefits

- Because these plans pay bonuses (rather salary increases) to employees, they can be a method of introducing pay for performance to organizations without putting employees' base pay at risk.
- Could help organizations achieve increases in productivity by channeling employees' efforts toward specific goals by letting employees share in the benefits of improvements.
- Could improve the ability of an organization to collaborate on projects.
- May promote commitment to some types of organizational goals.
- Could promote efficiency and/or productivity in an appropriate work environment
- Might help employees be more engaged in the work in situations where individual appraisal allows for little differentiation among employees.
- Could increasing line-of-sight to organizational strategic goals for employees.
- Might foster cultural change toward ongoing improvement in the organization.

Possible Problems/Challenges

- The formulas and calculations necessary to run the program may be difficult to understand.
- Gainsharing programs based on realizing savings in operating costs eventually reach a point of diminished returns and no longer provide payout funds.
- Gainsharing/Goalsharing may not be appropriate for all occupational groups. (e.g., law enforcement).
- Goalsharing/Gainsharing programs, with their clear-cut measures of success and pre-established rewards, could distract people from other important, but less well-measured, organizational goals that are not rewarded by the system.

Other Implications

- Requires a shift to a more team oriented management style.

Cost

Awards in gainsharing programs are financed through actual cost savings realized by the organization. In goalsharing programs, award payments could be funded through existing incentive award funds, or

additional funds may be established to provide appropriate recognition. Management of the effort itself may bring additional administrative costs. (In gainsharing, these costs could be funded out of cost savings, although this could reduce the amount of payment to employees.)

Evaluation in Terms of Guiding/Design Principles:

Mission Centered
- Gainsharing, which focuses on productivity, is not intrinsically mission centered, but can be used to focus attention on outcomes essential to mission accomplishments.
- Goalsharing usually is focused on meeting specific organizational goals.

Performance Focused
- These incentive programs are always focused on improving organizational systems or meeting specific organizational goals.

Contemporary and Excellent
- Developed in the last half of the 20th century, these systems continue to be used in a wide variety of organizations.

Generate Trust and Respect
- Gainsharing programs can establish trust with employees for outcomes-based performance management systems.
- These systems can be used to develop performance-oriented pay capabilities in organizations with no previous performance pay experience.

Based on Merit System Principles and Fairness
- Properly designed and managed gainsharing systems align with the merit system principle of providing appropriate incentive and recognition for excellence in performance.

Transition & Implementation:

- Gainsharing programs must be carefully designed, thoroughly communicated to employees, and transparent in their evaluation and payout methods in order to have positive reception by the workforce.
- Gainsharing and goalsharing should be undertaken only in situations where all employees involved in the project have a clear understanding of how their participation contributes to its overall success.