

**REPORT OF THE
DEPARTMENT OF HUMAN RESOURCE MANAGEMENT**

Study of Commonwealth Recognition Programs

**TO THE GOVERNOR AND
THE GENERAL ASSEMBLY OF VIRGINIA**



HOUSE DOCUMENT NO. 40

**COMMONWEALTH OF VIRGINIA
RICHMOND
2001**



COMMONWEALTH of VIRGINIA

Department of Human Resource Management

SARA REDDING WILSON
DIRECTOR

101 N. 14TH STREET
JAMES MONROE BUILDING, 12TH FLOOR
RICHMOND, VIRGINIA 23219
(804) 225-2131
(TTY) 711

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Dear Governor Gilmore and Members of the General Assembly:

The Speaker of the House requested that the Department of Human Resource Management (DHRM) study the issues in House Joint Resolution #241, which was not reported during the 2000 General Assembly session. The resolution acknowledges that state employees are in the best position to determine how government can operate more efficiently and effectively, and that state employees should be encouraged and rewarded for verifiable savings for the Commonwealth.

Enclosed for your review and consideration is the report that has been prepared pursuant to this study.

Respectfully submitted,

A handwritten signature in cursive script that reads "Sara R. Wilson".

Sara Redding Wilson

Enclosure:

cc: The Honorable G. Bryan Slater
Secretary of Administration

The Honorable S. Vance Wilkins, Jr.
Speaker of the House

The Honorable Allen L. Louderback
The Honorable Bruce F. Jamerson
The Honorable Susan Clarke Schaar

PREFACE

The Department of Human Resource Management (DHRM) was requested by the 2000 General Assembly through House Joint Resolution 241 (HJR241) to study the merits and mechanics of establishing a bonus program for state employees based on suggestions or improvements that save money for the Commonwealth. The resolution acknowledges that state employees are in the best position to determine how government can operate more efficiently and effectively, and that state employees should be encouraged and rewarded for verifiable savings for the Commonwealth. Although HJR241 was not reported during the 2000 General Assembly session, the Speaker of the House requested a study of the issue.

The objective of this study was to review existing policies and procedures and make recommendations for improvement to encourage and reward state employees for suggestions that lead to verifiable savings for the Commonwealth.

Note: On July 1, 2000, the name of the Department of Personnel and Training (DPT) became the Department of Human Resource Management (DHRM). References to the DHRM acknowledge that the former name of the agency was DPT.

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EXECUTIVE SUMMARY

Pursuant to House Joint Resolution 241, the Commonwealth has considered an incentive program for state employees based on suggestions or improvements that save money for the Commonwealth. The two existing Department of Human Resource Management (DHRM) policies, with recommended enhancements, will provide an opportunity for awards and recognition to state employees.

The Employee Recognition Policy, DHRM Policy No. 1.20, provides a means for state agencies to reward an employee's contributions to the overall objectives of the agency and state government. The recognition policy, when first implemented in 1992, was limited in the type and quantity of awards that could be given. The non-monetary awards with a value of \$25 or less limited the ability to provide awards that were comparable to the performance they were to recognize. The September 2000 revisions to the policy have provided for monetary awards, in addition to the non-monetary awards not to exceed \$1,000 per employee each fiscal year, which increase the flexibility agencies have to give awards and recognition. Agencies also may award recognition leave up to 5 days per calendar year.

The Employee Suggestion Program (ESP), DHRM Policy No. 1.21, encourages state employees to submit suggestions that improve the efficiency and effectiveness of state operations or save money. If after review and evaluation the suggestion is implemented, the employee shares in the savings that result. This policy was adopted in 1985 and produced considerable savings to the state when first implemented. Since the program was decentralized from the Department of Human Resource Management in 1994, the number of suggestions has dropped significantly. For fiscal year 1999, only 94 suggestions were received. During fiscal year 1998-99 the savings resulting from ESP were 65% lower than the average savings over the first 3 years of the program.

These two policies provide the framework for rewarding state employees. They can provide the basis for such innovative employee incentives as spot awards for performance, team awards, and gain sharing. The Recognition Program, as recently revised, provides adequate opportunities to recognize and reward employees; however, changes are recommended to the ESP Program.

ESP has been a viable program that resulted in significant savings and streamlining of state processes. To strengthen the ESP, it is recommended that the program be centralized with administration in the Department of Human Resource Management, Office of Human Resources and Business Engineering. This Office could strengthen the ESP as it promotes and assists with improved business practices throughout state government. The Department would need additional staff (1.5 FTE), and sufficient funds to adequately support and administer the Program.

I. INTRODUCTION

During the 2000 Session of the General Assembly, HJR 241 proposed a study to explore the merits and mechanics of establishing a bonus incentive program for state employees based on suggestions or improvements that save money for the Commonwealth.

Although the Resolution was not reported, the Speaker of the House requested that DHRM study the issue. The resolution acknowledges that state employees are in the best position to determine how government can operate more efficiently and effectively, and that state employees should be encouraged and rewarded for verifiable savings for the Commonwealth. Additionally it recognizes that an employee bonus incentive program may increase employee morale and produce saving for the Commonwealth.

II. COMMONWEALTH POLICIES RELATED TO THE ISSUE

The Commonwealth currently has two policies that address the issues described in House Joint Resolution 241. Employee Recognition Programs are provided under DHRM Policy 1.20. In this policy, agencies are provided guidance in giving recognition to employees for contributions to the overall objectives of the agency and state government. An Employee Suggestion Program (ESP) is provided in DHRM Policy No. 1.21. This policy recognizes and rewards employees for suggestions adopted that improve their agencies' and state government operations.

A. Employee Recognition Programs

In 1992, agencies were authorized by DHRM Policy 1.20 to establish agency recognition programs. These recognition programs fall within the guidelines of the Appropriations Act of the Code of Virginia, Section 2.1-114.5 [13]. The intent of the recognition program was to encourage agencies to enhance agency pride and employee morale through programs that formally recognize their employees' contributions to the efficient operation of state government. The recognition programs covered by Policy 1.20 are not intended to replace the Awards for Length of Service, the Employee Suggestion Program or the Compensation Policy.

The policy suggested the following types of awards: enhancement of employees' pride in their agency and/or encouragement of employee teamwork; contributions to their agency beyond the expected performance identified in their performance plans; enhancements to employee efficiency by creating opportunities for employees to practice job-related skills in a competitive environment; and acknowledgement of overall improvement or appreciation through the establishment of annual or semi-annual agency-wide awards. The 1992 policy was constrained by the \$25 per person non-monetary limitation for awards. House Document No. 56, 1994 states that the University of Virginia Hospital, the Virginia Employment Commission, the Department of Social Services, the Department of Agriculture and Consumer Services had established recognition programs. Agencies found creative ways to recognize employees within the dollar constraints (\$25) imposed by policy. Though most awards were non-monetary (certificates, plaques, mugs, lapel pins, etc.), some agencies awarded gift certificates; theater tickets, employee of the month assigned parking, and passes to amusement parks and sporting events. Agencies reported that employees enthusiastically received prizes such as these.

Agencies have developed recognition programs unique to their individual role and mission. These awards recognize employee contribution to the agency beyond the expected performance identified in his or her position description. Awards such as the Commissioner's Award, the Employee of the Year, Employee of the Month, incentives for reaching stated work unit goals, safety awards, Merit Awards to employees by their peers, and Outstanding Service Awards are examples of recognition programs developed within agencies. The awards are given to employees to recognize their contributions to the overall objective of the agencies and the state.

The spending cap of \$25 for recognition awards was stated by most agencies as limiting the effectiveness of the intent of the policy. With the implementation of the new policy, agencies have more flexibility in the types of awards they can offer

In September 2000, Policy 1.20, Employee Recognition Programs was revised based on recommendations received from The Task Force on Employee Recognition (composed of representatives from state agencies). The revised policy directs agencies to develop and implement recognition programs to acknowledge employees' contributions to the overall objectives of the agency and state government. Agencies also are provided with a handbook regarding the development of agency recognition programs.

The revised policy suggests categories of formal, planned, and immediate recognition awards. Formal recognition programs include such activities as Employee Service Awards, Employee Suggestion Program awards, and other major agency wide awards developed within the agency, which are characterized by high profile, organization-wide events that occur at least annually. Planned recognition awards are more frequently scheduled ways of acknowledging contributions and accomplishments of individuals and teams. Employee of the month, attendance, safety, customer service, productivity, and outstanding achievement awards are examples of planned recognition. Immediate recognition provides recognition at any time for demonstration of behaviors and values of the organization, contributions to the goals and objectives of the organization or work unit and to acknowledge individual or team accomplishments. These awards might include recognition for teamwork, special projects, new or modified business practices, and exemplary effort.

Agencies have the responsibility to develop and communicate to employees the guidelines for their programs to include: the criteria upon which recognition decisions will be based; a description of the selection process; who selects the recipients; and a description of the awards and manner of presentation. The agency may elect to have formal, planned and/or immediate recognition awards, which provide monetary, non-monetary or leave awards to employees.

Under the revised policy, the total monetary and value of non-monetary awards shall not exceed \$1,000 per employee per fiscal year. Agencies also may award Recognition Leave up to 5 days per leave year (January 10 – January 9). The policy assigns agency heads the responsibility to ensure that funds are available to support costs incurred by their employee recognition programs. Agencies have the discretion to determine the manner in which their recognition awards are presented. It is expected that the increased incentive will encourage greater participation.

The Commonwealth's recognition programs as outlined above are currently being implemented primarily at the agency level, with administrative support from the Department of Human Resource Management.

B. Employee Suggestion Program

In 1985, the Commonwealth implemented an Employee Suggestion Program (ESP) for state employees. The purpose of the program is to recognize and reward employees for adopted ideas that improve agency and state government's operations. The Department of Human Resource Management (DHRM) established this program under its authority to adopt and implement a program of meritorious service awards (Section 2.1-114.5 [k], Code of Virginia). The DHRM staff provided the leadership for the development, assisted by task forces and committees of personnel professionals from various state agencies. The ESP program was fully implemented on April 1, 1985.

The Employee Suggestion Program draws its strength from the belief that the employee performing the task is closest to the work, and therefore in the best position to determine how to improve the effectiveness and efficiency of the way the work is performed. Suggestions that have been recognized have included recommendations for new tools, streamlining or eliminating unnecessary steps in the workflow, and designs for systems to improve costs, safety, and time.

The employee submits his suggestion through the appropriate channels on a form designed for that purpose. The employee outlines the suggestion, concisely identifying a problem or an area in which productivity or efficiency can be improved, and proposes a viable solution. The suggestion is evaluated on: the degree of improvement in operations, forms, facilities, or equipment; degree of improvement in employee relations, working conditions, safety, service to the public, or public attitude; the extent of application; the completeness of the proposal; the effort involved; and the cost of adoption. The award given to the employee can be monetary, which usually represents a percentage of the savings achieved, or non-monetary, when the suggestion results are not quantifiable.

When the program began, the Department of Human Resource Management had centralized responsibility for receiving suggestions, forwarding suggestions to the appropriate agencies for evaluation, monitoring the evaluation and eligibility processes and approving the issuance of awards. DHRM promulgated policy, prepared policy manuals, and provided agencies with training and technical assistance. A designated ESP Coordinator carried out administration at the agency level. Both DHRM and the agencies promoted the program. From April of 1985 to October of 1988, approximately 2675 suggestions were received (approximately 67/month). Of these, 9% received awards, which exceeded the average (4% as established by The National Association of suggestion Systems). The total dollar amount of cash savings for the three-year period to the Commonwealth was estimated at \$832,241, an average anticipated savings of \$277,413 per year.

On July 1, 1994, the Employee Suggestion Program was decentralized to permit agencies more flexibility. All full-time classified, part-time classified and wage employees in the Executive Branch agencies are eligible to participate. The goal was to see improved agency operations, cost savings, and improved government service to

the taxpayers of Virginia. DHRM Policy 1.21 delegated the responsibility for maintaining the ESP to the agencies. During the 1998-99 fiscal year 175 suggestions were received (average of 14.6/month or a 78% reduction from the first 3 year average). The total dollar amount of cash savings for the year to the Commonwealth was \$95,831 (this represents a 65.5% reduction from the first 3-year average).

Under the decentralized program, employees submit their suggestions to their agency ESP Coordinator who forwards the suggestion to the person in their agency responsible for evaluation. If the suggestion does not pertain to the employee's agency, the ESP Coordinator is responsible for determining the appropriate agency to evaluate the suggestion and forwarding it to the ESP Coordinator of that agency. The success of the program is dependent upon the proper agency receiving the suggestion, the evaluator in the assigned agency thoroughly reviewing and evaluating the suggestion, and returning it to the suggesting agency ESP Coordinator. Evaluators must possess knowledge of suggestion subject matter and agency/state operations. They should be sufficiently qualified to consider the following: originality of idea; value of the suggestion; feasibility of its implementation; extent of its application; estimation of costs; and savings upon implementation.

Cash awards are computed as a percentage of savings or revenue based on prescribed formula in Policy 1.21. Awards of cash are authorized only for eligible employees whose ideas are adopted and implemented and result in quantifiable dollar savings or revenue. Awards for group suggestions are divided equally among eligible employees in the group. Eligible employees may receive non-cash awards of one to five days leave for suggestions that result in significantly improved processes, programs or safety, for which benefits are not quantifiable.

Under decentralization the agency ESP Coordinator usually is located in the human resource office or related administrative staff unit; they perform the ESP Coordinator duties in addition to their other staff functions. Some larger agencies assign the suggestions to a single staff member. Though these coordinators are also members of the human resource staff, the ESP responsibilities are a major job function for them. The success of the decentralized program has hinged on the availability of staff to review, coordinate the evaluation process, and plan the appropriate recognition.

The Employee Suggestion Program, while still active in some of the larger agencies, has seen a significant decline in suggestions submitted since the decentralization of the program to the agencies in July of 1994. During the calendar year 1999, ninety-four (94) suggestions were submitted (a decrease of 88% below the yearly average in the first 3 years).

Reports of the number of suggestions currently being submitted varied from agency to agency. Agency coordinators in some larger agencies reported receiving as many as 10 -15 suggestions per week, while other agencies have not received any in several years. The larger agencies reported having a staff member for whom the ESP was a major job function; smaller agencies reported that the ESP coordinator work was not a major emphasis of the human resource office duty to lack of staffing and funding.

Promotion of the program, monitoring the review process and the time required of the evaluators to review the suggestions were cited as the chief concerns regarding the Employee Suggestion Program. The impact of a suggestion is sometimes lost during the weeks and months required to get it reviewed by managers who are in the best position to evaluate its merits, but lack the time to commit to it. Larger agencies have programs in place to promote the ESP, while the program has “slipped through the cracks” in smaller agencies. New employees who were not exposed to promotion of the ESP program when it was centralized, are not aware of its existence.

III. CONCLUSIONS

The enhanced ability to provide monetary awards, as provided in the revised Policy 1.20, will increase the effectiveness of recognition programs. Within the guidelines established, state agencies will be able to provide meaningful incentives.

The decentralization of the Employee Suggestion Program has resulted in a decline in the suggestions submitted. With fewer suggestions, the effect has been to reduce the streamlining of processes or instituting of new procedures that would increase the savings and efficiency of services to the citizens of Virginia.

Many of the suggestions have applicability to agencies outside of the suggester’s agency, thus increasing the benefit to the Commonwealth of the suggestion. The decentralized processing of suggestions has minimized the potential for interagency benefit from the suggestions. The decentralized program assigns no responsibility or provides no mechanism for sharing the creative, cost saving ideas between agencies.

The Employee Suggestion Program, prior to decentralization, received administrative guidance, assistance, systems support for data collection and record keeping, and marketing from DHRM. As the central human resource agency, DHRM has the tools to market the program to state employees provided adequate funding is allocated for enhancing systems and marketing.

IV. RECOMMENDATIONS

Employee Recognition Program:

- Promote the enhanced recognition programs based on provisions of policy using the employee newsletter “Commonwealth Currents”, and encourage agencies to promote the programs in agency publications.

Employee Suggestion Program:

- Centralize the Employee Suggestion Program in the Department of Human Resource Management, Office of Human Resources and Business Engineering. This section could provide the necessary support for administering, coordinating, marketing, evaluating, and utilizing the benefits of an active Employee Suggestion Program. Additional FTE and funding will be necessary to support program administration
- Develop an updated automated system for tracking suggestions so that each suggestion will be handled consistently and the potential benefit to the Commonwealth can be maximized
- Provide mechanism for communicating adopted suggestions to all state agencies so that maximum benefits can be realized.
- Rename program in order to promote participation from employees and to market more effectively
- Appoint a Task Force of representatives from state agencies under the guidance of DHRM to design program changes
- Enact changes to the ESP through the administrative process under the authority of the Director of Human Resource Management to implement personnel policies and procedures consistent with Section 2.1-114.5 [13] of the Code of Virginia.

Appendix

HOUSE JOINT RESOLUTION NO. 241

Offered January 24, 2000

Establishing a joint subcommittee to study the merits and mechanics of establishing a bonus incentive program for state employees based on suggestions or improvements that save money for the Commonwealth.

Patron-- Louderback

Referred to Committee on Rules

WHEREAS, state employees are in the best position to determine how government can operate more efficiently and effectively; and

WHEREAS, state employees should be encouraged and rewarded for verifiable savings for the Commonwealth attributable to their suggestions or actions; and

WHEREAS, it may increase employee morale and produce savings for the Commonwealth to establish an employee bonus incentive program; now, therefore, be it

RESOLVED by the House of Delegates, the Senate concurring, That a joint subcommittee be established to study the merits and mechanics of establishing a bonus incentive program for state employees based on suggestions or improvements that save money for the Commonwealth. The joint subcommittee shall be composed of eight members, which shall include seven legislative members
1 one ex officio member as follows: four members of the House of Delegates, to be appointed by Speaker; three members of the Senate, to be appointed by the Senate Committee on Privileges and Elections; and the Director of the Department of Personnel and Training to serve ex officio.

In conducting its study, the joint subcommittee shall consider the mechanics of creating a program to reward state employees based on a percentage of verifiable savings to the Commonwealth implemented as a result of their suggestions or actions, as determined by an impartial awards committee. The joint subcommittee shall (i) review current programs of a similar nature with other employers, public and private, and (ii) hear from a cross-section of employees and managers from a variety of state agencies.

The direct costs of this study shall not exceed \$7,000.

The Division of Legislative Services shall provide staff support for the study. Technical assistance shall be provided by the Department of Personnel and Training. All agencies of the Commonwealth shall provide assistance to the joint subcommittee, upon request.

The joint subcommittee shall complete its work in time to submit its findings and recommendations to the Governor and the 2001 Session of the General Assembly as provided in the procedures of the Division of Legislative Automated Systems for the processing of legislative documents.

Implementation of this resolution is subject to subsequent approval and certification by the Joint Rules Committee. The Committee may withhold expenditures or delay the period for the conduct of the study.

