

MINUTES OF THE HOUSE KANSAS 2000 SELECT COMMITTEE.

The meeting was called to order by Chairperson Kenny Wilk at 1:30 p.m. on January 26, 1999 in Room 526-S of the Capitol.

All members were present except:

Committee staff present: Paul West, Legislative Research Department
Jim Wilson, Revisor of Statutes
Janet Mosser, Committee Secretary

Conferees appearing before the committee: Dan Stanley, Secretary, Department of Administration

Others attending: See attached list

Chairman Wilk noted that, at the committee's request, Mr. Robert DeBruyn has provided each committee member a copy of his January 20, 1999 presentation to the committee on Legislative Strategies for Maximizing Teacher and Administrator Performance and Student Learning (**Attachment 1**).

Dan Stanley, Secretary, Department of Administration, shared with the committee his views on the state personnel and compensation system (**Attachment 2**) and the Department's analysis of the Fox Lawson Report entitled "Evaluation of Performance 2000 Report Issues" (**Attachment 3**).

Chairperson Wilk reminded members that the committee will be addressing retirement issues in addition to the pay plan and that a subcommittee has been formed. Representative Carmody will be chairing the subcommittee. Members will be Representatives Sloan, Jenkins, Sharp, and Barnes.

Chairperson Wilk adjourned the meeting at 2:20 p.m.

The next meeting is scheduled for January 27, 1999.

KANSAS 2000 SELECT COMMITTEE GUEST LIST

DATE: 1-26-99

NAME	TITLE	REPRESENTING
Keith Haxton	lobbyist	SEAK
Marlin Ben		KU
Joe HARKINS	DIRECTOR	KU CAPITOL CTR
Forus Chabwa		Division of the Budget
Shelley H. King	lobbyist	McGill, Gaches & Assoc.
Judy Pickerson	HR Director	DOC
Angela Costardo	HR Director	Dept. of Ag
Dennis Penabaz	HR	Dept of AG.
Mary Brookstone	HR	KTEC
George Vega	SRS HR	SRS
Kevin Collett	Financial Analyst	KPRB
Dick Koentz		KDWP
Mark DeBetti	GR specialist	KNET
PAUL WILSON	Exec. Dir.	KAPE
Ron Seiber	Assist to Sec.	Dept of Admin
Bobbi Mariani	Asst Dir.	DPS Dept of Adm.
Karen Watney		Dept of Admin/DPS
Paul King	Camp & Plans	Dept. of Adm/DPS
Steve Ashley	Benefits mgr.	Dept of adm/DPS
Denny Burgess	lobbyist	Kansas District Judges

**Legislative Strategies for Maximizing
Teacher and Administrator Performance and
Student Learning**

Robert L. DeBruyn

January 20, 1999

1:30 p.m.

**Topeka State Capitol
Room 526 South (5th floor)**

Kansas 2000 Select Committee

Meeting Date 1-26-99

Attachment 1

Before I begin, let me say that I come here today as a friend...not as a critic.
I have no ax to grind.
I am one of those who thinks Kansas is a pretty great place.
I like almost everything about it--including its government.
And while I keep abreast of education in Kansas because it's home and because we do a lot of business here, our focus is really on world education--with an emphasis on North America.
If I am too direct today, do not be offended--because no offense is intended.
I am just going to offer some thoughts and observations which you might find helpful.
So, I don't represent anyone in the state.
I don't even represent my own organization, The MASTER Teacher.
But I do confess to being here to represent our kids.
I've been asked to talk to you about elevating the performance of educators and work and mission of the schools.
To address these topics appropriately, there's one fundamental belief we all need to have--and that is, "Schools are for kids."
While learning is our primary objective, schools exist to meet the needs of students on a wide front.
Schools were not created--nor are they maintained--to meet the needs of superintendents, principals, teachers, counselors, board members, parents, or anyone else.
This is important, because as a member of the legislature, you get a lot of pressure from a lot of people to make decisions that serve their interests more than the interests of kids.
But anytime you take actions that are teacher-centered, principal-centered, administrative centered, politically centered, university-centered, or special interest group-centered, you have lost sight of the reason for the existence of schools.
Then, you become part of the problem rather than part of the solution for making schools work--whether you intend to or not.
"The customer is always right" is the greatest slogan of all time--not because the customer is right--but because it keeps our focus in business on the fundamental value--and the reason for our existence.
We must know that anytime we become teacher-centered, administrator-centered, policy-centered, bureaucracy-centered, or politically-centered our chances for failure in schools to meet our objectives are greater than our chances for success.
You see examples of that every day.
Last week I heard a teacher say, "We always put kids first here. That's all we ever talk about. When are we going to put teachers first?"
If you don't accept the fact that kids are the reason for schools, you're going to be deviated continually by things you believe are very important but have nothing to do with student achievement.
If we're going to get what we want out of schools, the second understanding we've got to have is that we're all on the same team with the same mission.
Whether we are teachers, principals, administrators, board members, or members of the legislature--we're all on the same team.
We all have the same mission.
It's only our functions that differ.

Until we adopt this belief and insist that others do the same, we will all function as adversaries.

We will all treat each other with suspicion--or as the enemy.

We will never function from a collaborative or cooperative platform necessary to make schools better.

And making schools better is one of the biggest problems of our time.

Nobody trusts the other guy.

I travel around the country working with many teachers, administrators, students, parents, and government officials.

Everywhere I go, I hear, "Education isn't working."

Educators say it.

Parents say it.

Legislatures say it.

The question you have to answer first is, "Is that true in Kansas?"

I've said it a hundred times, but every time I come back home I say, "We've got what the whole world is looking for in Kansas--and we don't know it."

That's sad.

But worse, rather than know it and work to make it better, we continually make two mistakes in Kansas.

First, we tend to think that the world is us--and it's not.

Second, we tend to follow the world rather than our own example.

As a result, we tend to adopt the changes made in other places rather than work to make our system work even better.

The question is: What changes are needed?

In Kansas, there's evidence that student performance is improving as a result of the changes being made under the quality performance accreditation process.

If you don't believe me, the State Board's Annual Accountability Report shows you the results that have been achieved over time.

ACT scores are increasing in all areas--and in 1998 exceeded the national ACT score in each area of the test.

In 1996, the Kansas school completion rate of 92% exceeded the national rate of 86% according to the National Education Goals Panel.

Earlier this month, the media gave comparison rankings of the schools in Kansas and Missouri.

It showed Kansas way ahead.

Kansas educators are responding to the call for increased performance--and evidence shows good results.

When you look at education in the United States--and in Kansas--you must separate the inner city schools from suburban and rural schools.

They are different.

They have different problems.

And they are getting different results.

If you don't look at inner city and rural schools separately, you're not going to get the right picture.

You're not going to see two different kinds of problems.

And you're probably going to take actions you shouldn't take.

Nationally, inner city schools have lower test scores...
...lower graduation rates
...fewer certified teachers in the subject matter they teach.
Teaching outside your certified subject areas in places like Manhattan or Salina or Lawrence, for instance, is rare.
Make no mistake: All schools have the *same problems*, but the degree of each problem is different in different places--especially inner city schools.
But there's no doubt we need a new vision for education.
Peter Drucker builds the case that traditional ways of thinking about--and reacting to--the impact of economic forces no longer work in business and industry.
None of us in business and industry will argue the fact that today's realities call for a transformation in thinking about managing economic forces.
This is true in education too.
Education is in a time of transformation.
Education is in a period of transition regarding how we taught in the past and how we need to teach in the future.
Education has been a process-oriented profession, just like we have been process-oriented in business and industry.
We had a process for making cars.
And even though the Japanese were killing us, we kept holding to our assembly-line process.
Then someone said, "The process isn't working. We must change the process."
We became driven by results.
The same is true in education.
We had a process for teaching.
The first process we had when I began teaching was very simple: Tell them what you're going to teach them, teach them, tell them what you taught them.
That was it.
We leaned on the process.
We exhausted the use of all our processes.
Then, if a kid couldn't read or write or did poorly in math, science, or English, we would throw up our hands and walk away "guilt free."
Now, because education is reflective of society, educators are starting to realize no matter how well we know the process, if it doesn't work, we have to change the process.
We've got to get results.
So we are going from being a process-oriented profession to a results-oriented profession.
That is a huge transformation.
That is a huge transition.
If I am a traditional teacher who has taught all my life by lecture in 55 minute periods, that's tough.
And if teachers don't have new methods, techniques, and skills to change the process, they aren't going to change.
And they will not change without planning time, training time, evaluation time.
You can legislate all you want, teachers will not move to higher and higher levels of performance without training.
They will use their traditional approaches.

And administrators will run schools in the ways of the past.
The tension in schools and communities is great between those who want to see past organizational *patterns* and *traditions* and *outcomes* continue--and those who recognize the school must change to prepare students for the future.
But this is the first time in the history of our nation that we have increased the standards and requirements for students.
I know the dangers: We're looking for a quick fix.
But we have to understand what has happened in education and what the realities of the past really are--before we apply the "fixes."
The good old days were not as good as you think.
Schools were not what people say they were.
As legislators, you need to know the truth if you intend to improve teacher performance.
In the past 100 years, we have had at least three eras: The manual labor era, industrial era and, most recently, the high-tech era.
In each era, the attitude towards educators, schools, and education has been uniquely different.
An in each era, education has had to adjust to be reflective to the needs of society--and for a very good reason...
The needs of this country were changing...
First was the manual labor age.
When the year was 1899, it took 95 percent of the population to feed the nation.
Planting crops, tending, and harvesting were regarded as far more important than schooling.
A minority of children were educated.
School schedules revolved around the labor needs of the family farmer.
Anyone could teach.
Later, requirements were changed. You had to attend school one or two grades beyond the grade you taught.
Educators were kept outside the regular community, respected but not included.
Manual laborers in both rural and urban environments were the rule of the day.
The workday was 12 hours...and the work week 6 to 7 days.
Less than 5 percent entered college.
The standards and requirements in schools were not very high.
"Come when you can" was more of a rule than "Come every day or you can't come back."
Then came the industrial era.
As we all know, it brought a migration from the farm to city with a need for a large work force which could operate industrial machinery.
As the complexity to operate and maintain equipment increased, so did the need to have a work force which could read and write...run and fix...maintain and build...this industrial equipment.
All of a sudden we realized that to have a mass production economy, you had to have a mass consumption society.
To get more kids in the classroom and have them be successful, we had to *lower the standards*.
If not, the masses of students entering school would have failed.

Then came World War II.
And we promised all GI's a free education.
To facilitate their success rather than guarantee their failure, we lowered academic requirements again...K through the university.
By the 1950s, over 50 percent of all the eligible young people were in high school.
Teacher certification requirements started to increase.
Had to.
Teachers had to have more skills to teach the masses.
Management and professional needs increased...and college enrollment rose to 10 percent of the population.
In addition, the industrial era saw rebellions and demands from minorities in the 1960s.
This forced education to lower standards again to facilitate success rather than guarantee the failure of minorities as we brought them into the schools.
And rightly so.
Remember, our mission in education is to pick students up wherever they are--and take them as far as they can go.
By the late 1970s, over 90 percent of the kids eligible to be in school were in our classrooms.
Teachers took their place in society and even organized unions.
Employment in education without a degree was not allowed.
Requirements for continuous teacher certification included additional college study.
The Master's degree became common...terminal degrees were not rare...and teacher salaries rose to new levels.
Then, the 1980s brought the high-tech era.
The computer brought the need for greater skills and more sophistication in the work place.
The high-tech era meant that fewer people were required in order to produce greater quantities of work.
That's right.
Fewer people were needed to get more work done...a whole lot faster...and much more accurately.
We have moved to a high-tech, information-based society.
Jobs are no longer in the manufacturing economy.
Jobs are in the service sector of our economy.
Ten years ago, 85 percent of all jobs were manufacturing or product related.
Only 15 percent of all jobs were service related.
These percentages have completely reversed.
Education has not caught up with this age.
In schools, we are increasing the standards and requirements for students...for the first time in our history.
That's why we must increase our knowledge and skills to teach effectively at these new levels.
If we don't increase our teaching skills, many kids aren't going to make it with these new standards and requirements.
It takes a better teacher to help kids be successful today.
The answer to being a teacher in the 21st century lies in extensive training.

The same is true for administrators.

Unfortunately, most of the staff development requirements that were in your funding plan have been taken out.

So, at a time when training teachers and administrators to enhance performance is vital--the mechanism to get the job done doesn't exist.

And remember, the yardstick for school performance has changed.

In the past, we judged schools as good or bad by how well we did with the top 50 percent of our students.

Today, and in the future, schools will be judged as good or bad by how well we do with the bottom 50 percent.

That's because there won't be any jobs for students unless they are educated.

The new vision we need for education is one that recognizes the need for students to be critical thinkers, problem solvers, and resilient in the face of constant change.

How can the Kansas legislature help?

By being open to the idea of changing old delivery systems and old measures of accountability.

By recognizing that the only reasonable management goal is improvement--continuous improvement.

By understanding that what we want from schools won't happen by osmosis. Training is a must.

Since it takes schools 13 years to complete their product, educators must be forward-looking.

I am not sure our state leaders are allowing educators to be forward-looking.

The rules are pretty tight.

What else can the legislature do?

Schools and legislators need to change the way they communicate about education.

To increase achievement, what is needed are open conversations at the community level about what we want education to be.

You need to be involved in these discussions.

This is the best way for community patrons to begin to think about education and the future in new ways--because schools will be changing continually in the next 25 years.

We estimate there will be 635,000 *new* jobs in the years ahead and we don't even know what they are yet.

One of the greatest challenges of schools is to increase the participation of the community in the conversation because less than half the population has kids in school--but they have to pay for schools forever.

How can the legislature help schools move from communication to engagement?

Your task is to be careful.

Your task is to make the rules--but not make them until:

1. Training
2. Tools to get the job done
3. Assessment
4. And funding are in place.

If any of the four are missing, teacher performance will not increase.

Such actions only keep schools communicating to continually inform communities rather than communicating to engage the community.

And as long as new rules, new regulations, new procedures, and new mandates dominate school efforts, teaching and student learning will never be in first place.

One of your primary tasks is to remember that America is about opportunity.

Schools are about opportunity.

For instance, there is a major flaw in finance formula in Kansas.

We do not have equal opportunity for all students across all size school districts in Kansas.

Students in small or middle size school districts don't have the same opportunities as other students in large districts.

The base funding is not enough.

We have the local option tax. But a 2-mill levee in Johnson County is a 12-mill levee in Manhattan.

You need to make sure ALL children in Kansas have access to education.

We have some very diverse educational communities in Kansas.

The students and families in some districts like Junction City are diverse in every way possible.

Students vary ethnically and culturally.

In levels of ability.

In special talents.

And in their strengths to handle the environments they face daily.

Families vary socio-economically...and in the ability or desire to be involved with their children.

In spite of these differences, you must be sure the education program gives all students throughout the state access to equal opportunity and a quality education.

Sorting and selecting or tracking practices limit access to higher level courses--and add to the growing division between "haves" and "have nots."

And this is one of my biggest concerns--in Kansas and the nation.

The gap between the haves and have nots is widening.

It may be out of character, but you need to be aware that there are two dangerous types of critics of schools today: the *elitists* and the reporters who want to write a story.

If a school reveals ten magnificent achievements and one flaw, the story or headline will be about the flaw.

And the elitists want schools for their children--especially the college bound.

The press and the elitists also like to compare foreign schools to those in the United States.

I travel the world--and we cannot compare schools in other countries with the United States.

It's comparing apples and oranges.

They only educate the elite.

We educate them all--and you have to make sure that we do.

You need to be sure we don't tell students they CAN'T, before you give them a chance to TRY.

The legislature must build in incentives for students to learn.

The legislature must be careful not to build systems of accountability that close doors for students.

High stakes tests, for example, will not help us open doors for students.

I hate to say it, but with qualified admissions, you already have closed the door on a lot of kids.

By law, you have said to students, "You can't even try."

This is one of those examples where we *were doing it right* in Kansas--and chose to follow the world.

As a result, we took an opportunity that you and I had when we were young people--and took it away from our own kids.

What else can you do?

You can decide if you want to make a commitment to public education.

It appears that some legislators have not made such a commitment.

Some talk about the public schools needing some competition.

This is why vouchers and charter schools appeared on the scene.

But once you lean in two directions, commitment is twofold as well.

Charter schools take money away from the public schools.

Charter schools and vouchers reduce the legislative focus on public schools.

Worse, it lets the charter schools in as a form of competition--but doesn't require them to play by the same rules.

What can the legislature do?

Commit yourselves to the public schools--and helping them be successful.

Once you commit to the public schools, keep your perspective.

The services public schools provide students and parents and society exceed those of any public institution--and more and more seems to get heaped upon the schools continually.

Schools bus children.

Feed them.

Provide health care.

Counseling services.

Tend to their social needs.

Extracurricular needs.

Compensate for mental and physical strengths and weaknesses.

We even have alternate schools for those who can't make it in the regular classroom.

Our schools provide students with more academic classes than any schools on earth.

These realities alone should tell you that the knowledge and skills needed to be effective in schools is extensive.

And the conditions in schools are different than the past.

When I was a boy, if I was in trouble at school, I was in more trouble at home.

Today, if I'm in trouble at school--the school is in trouble.

In all honesty, I can tell you that the schools do more good for more people more consistently than most public institutions.

Do schools have to do better?

Yes.

But they will be no better than the standards you set, the expectations you establish, the support you give, and the training you offer.

We need a competent, caring, qualified teacher in every classroom.
Just be aware that there are two sides to any job: yours, mine, doctors', lawyers', teachers', mechanics'...the technical/academic side and the people side.
We must be competent on both sides.
Just because you are highly competent on the technical or academic side of teaching does not mean you will be a good teacher.
You've got to be good on the people side.
The people side is the hard side. You don't teach math--you teach people math.
You might be interested to know that 85 percent of all people who lose or leave their jobs could do the work.
They left or were fired because they couldn't get along with people.
Research shows that the competence of the teacher is the greatest single positive factor in predicting student success.
You are probably familiar with the 1996 report of the National Commission on Teaching & America's Future, "What Matters Most: Teaching for America's Future."
The Kansas Policy Board for the Conditions of Teaching & America's Future is already working on similar recommendations for Kansas.
You need to see that it gets done.
Kansas needs to complete the redesign of teacher licensure, look at teacher preparation programs, and find ways to attract and maintain good teachers in the classrooms.
Strong teacher preparation programs with access to financial assistance, competitive salaries, and mobile benefits will help attract and maintain good teachers. This is a must.
At the local level, schools must continue to work closer with higher education and collaborate on teacher preparation in the professional development school model and in special projects to strengthen the content skills of practicing teachers.
The State can assist by providing retirement benefits that can cross state lines.
You can also increase access to affordable health insurance.
You can provide funding incentives for working in less desirable geographic locations or school assignments...and funding for attracting teachers into areas of teacher shortage, such as special education.
Kansas needs to continue the same direction it has been headed the past ten years.
There is certainly a need for refinement, for improvement in the process and its components.
Data shows that Kansas is making progress, but school reform is a four- to seven-year process--after the *process* stabilizes.
The instability of our present situation has disrupted morale and effective planning--and has had an effect on student achievement.
Everywhere we go, we see that schools have received many memos this year that began, "disregard the directions in the previous communication."
When you're talking about teacher performance and student achievement, that has got to change.
It's driving people crazy.
State leaders seem to have lost sight of the impact of this active, continuous indecision and inconsistency and its impact on schools.
What else can be done at the state level to drive performance in education?

School districts need positive, consistent leadership and support from the state level. Generally speaking, those in the field don't see actions from the legislature or state board meeting that standard.

Kansas does have a strong educational leader in the position of State Commissioner.

Dr. Tompkins is truly functioning as the glue holding us together at this time.

Let me say again: Teachers, administrators, local board members, state board members, and legislators must support each other as members of the SAME team--working together for the best we can do for Kansas's kids.

But the legislature must get input from the players.

You must get input from the best players throughout the state.

You should invite practicing administrators and teachers--*excluding* spokespersons for strong associations like K-NEA and KASB--to participate in conversations about increasing teacher and student performance.

Too often, practicing educators--especially administrators--are not part of the discussions about education on the state level.

Remember, administrators have the responsibility for carrying out whatever procedures, regulations, or accountability requirements you put in place.

Their input should be helpful in the planning process.

And when you're talking about the equity issues in funding that must be resolved, these are the players that will make you look wise.

Some people feel that more than enough money has been given to education these past few years.

But it should be noted that the increase in funds has *not* gone to teacher or administrator salaries.

The biggest chunk has gone to special education.

I am not saying this is wrong, but it is NOT directly related to student achievement scores for basic subjects.

What can you do?

You can know that the answer is not more regulation.

For example, we hear a lot of talk about class size.

But an overemphasis on class size, even if state subsidies are available, can create more tension because it pushes districts to act before the real problem is identified.

This kind of action diminishes flexibility with resources.

It discourages districts from finding the new or best solution which increases teacher performance and student achievement.

We also need to talk about disparity if we want to maximize teacher performance and student achievement.

The disparity among Kansas districts continues to grow.

While some districts are dealing with rapidly increasing enrollments, many others face critical issues of enrollment decline.

Within school populations, demographic shifts are creating additional stress on district budgets.

This reality is affecting programs.

It's difficult to focus on improving student performance in the face of these issues that have a major impact on the daily assignments and routines in a school district.

If you're serious about increasing teacher performance, we need to have a full day--7 hours--required for all high school students.

What worries me with all the new requirements is that kids won't have any room for electives in the school day.

Look at kids.

How important do you think physical education is to young people today?

And if the new requirements eliminate courses in the visual and performing arts, you will no longer have comprehensive high schools.

Of all the things we teach in schools, there is only one area--the visual and performing arts--that we know determines the quality of life in a place.

The visual and performing arts affect the quality of life in a school, in a city, in a state, in a nation, and in a world.

When you tamper with and deny kids the opportunity to engage in the visual and performing arts, you tamper with the very heart of our being.

I would suggest looking to a 200-day teaching year for students.

And twenty more days in the summer for teachers to work on curriculum, training, professional development, and people skills.

Time on task is vital to student achievement.

If I have two days to teach a student something, so many in a class will learn--and so many will not.

If I have three days, more will learn.

Four days--more will learn.

If I have enough time, all students will learn.

That's because there is a correlation between time on task and learning.

We have so much diversity in schools, we need more teaching days if we want to raise the bar.

We might also think about a plan for salaries--and letting teachers choose the one they want.

One based on tenure...for those who want security.

Another based on performance.

Tenured people, of course, would make less.

Those who choose the performance-based schedule would make more and have three-year contracts, just like administrators.

But teachers should be paid for knowledge and skill--not just years of service.

Teachers must be paid for evidence of being an effective teacher.

And the primary factor for the measure of teacher competency should be singular: student learning.

But that's not all.

Retirements are hitting Kansas hard.

We do not have a lot of qualified administrators waiting in the wings.

For the next few years, the number of administrators retiring is likely to continue to increase.

The pool of qualified and interested replacements is already very shallow.

A plan for developing leaders is needed.

The training academies for superintendents and principals just being initiated by the state board are good, but are available to limited numbers.

But I think you're going to have to look outside the state department and universities to create the competent administrators you need.

In addition, a state-funded pool of incentives to attract and maintain good teachers and administrators in less desirable geographic areas or school assignments would assist districts that can't compete on some quality-of-life issues.

This is an increasingly serious problem for districts that cannot offer the state's highest salaries.

The state must invest in training to produce quality leaders at the building and district level.

What will *not* be productive for education in Kansas is for rigidly applied "solutions" to the "problems" to be legislated.

Schools should be held accountable for results, but the community must be able to customize strategies to get there.

The legislature should avoid creating labels and regulations for narrowly defined practice. A great example of a flexible program with a bare minimum of paper work is the Educate America Program in Kansas.

The resources must be used for staff development, but the format is limited only by the district's ability to find creative and effective solutions to real needs in that location.

There is very little paperwork required beyond what is already in place for existing routines.

This may seem contrary to my comments, but I do not favor block grant structures.

There is too great an opportunity for resources to miss the areas of real need or to be diminished during budget planning when many different programs are addressed through a block grant approach.

Let me close by saying, if you remember these three things, you will be positioned well to make legislative decisions.

First, the single most important factor in giving a child a quality education is a quality teacher.

Teacher salaries represent 85-90 percent of our budgets in schools--and we spend almost nothing to increase the value of that investment, but we pay teachers more each year.

That's crazy.

You can buy all the books, computers, supplies in the world, and if you don't have a good teacher in the classroom, nothing is going to happen for kids.

Second, you can have good teachers in a school without a *good* principal.

You can have good second grade teachers, third grade teachers, math teachers, science teachers, without a good principal.

But you can't have a good school without a good principal.

The MASTER Teacher will pay you \$100,000 dollars today--if you can show me a good school with an average or mediocre principal.

It doesn't exist.

Third, you can have good teachers in the classroom and good principals in schools without a good superintendent.

But you can't have a *good* district without a good superintendent.

It doesn't exist anywhere in America.

The teacher is the learning leader and the chief executive officer in the classroom.
The building principal is the chief executive officer and the instructional leader in the school.
And the superintendent is the chief executive officer of the district.
You want to increase the productivity of teachers and administrators.
You want to increase student learning.
It won't happen without training.
The state should put more emphasis on--and provide more support for--professional development of practicing teachers and administrators.
Make no mistake: Training is the key to maximizing teacher performance.
It is the key to maximizing student learning.
The volume of knowledge in all fields is increasing rapidly.
Teachers need constant updates of their content knowledge and expertise if they are to have a profound impact on student learning.
Teachers also need to continue to upgrade their skills in delivering instruction.
We know all kids can learn.
Brain research will reveal even more about how students learn.
But one thing is certain: We're learning more and more each day about how to teach people--children and adults--in ways that ensure learning.
Organizations like The MASTER Teacher have evolved over the past 30 years into centers for applied research.
Our task is to take the research and make it practical, workable, and effective.
We're so confident that we can teach teachers how to teach effectively that we offer a money-back guarantee.
When we go into a school district and work with teachers and administrators, they don't pay anything if they don't get the results we said they could get.
Fourteen years ago, we went to Branson, Missouri.
They had the lowest test scores in the state.
We trained all their teachers--and still do.
If you're a new teacher and sign a contract for next year, it's null and void until you spend a week with us in Manhattan.
And every teacher undergoes continuous training with our Cadre.
It took us three years to have the 2nd highest test scores in the state.
And we've maintained that record for the past decade.
Personally, I think you've got to grow 15 percent a year just to stay even in this profession.
Without continuous professional growth, the master teacher of ten years ago wouldn't make it in today's classroom.
There is a reality you've got to understand about teaching and being a teacher.
Teachers operate as a separate entity in the school and district.
They are adults who work all day in the world of children--five years old or fifteen years old.
They plan lessons alone, deliver instruction alone, grade papers alone, solve problems alone.
They can't take a break after a bad experience.

And they don't have a lot of people--colleagues, students, parents, legislators, or reporters--telling them how wonderful they are.
Without continuous professional nurturing, negative teacher attitudes are almost predictable.
Something else you need to know, if teachers are successful with kids in the classroom, they'll do anything for kids.
If they aren't successful with kids, they will blame everyone: students, parents, administrators, boards of education, the community, and the state for every problem they encounter.
I've been in education for almost 40 years.
I own four businesses now.
I've worked for Standard Oil and Dun and Bradstreet in management positions--and I can tell you openly and freely that being a high school principal is the toughest leadership and management job in the world.
As for being a superintendent, the average superintendent in America only lasts 2 ½ years.
That should tell you all what you need to know.
If we want schools to fulfill our dreams, we can't play musical chairs with the chief executive officer of the organization.
I can also tell you something you probably already know--but something you should never forget...
If you're a good teacher, it's one of the hardest things you can do to make a living. You have so many different kinds of kids, with so many different needs, personalities, strengths, and weaknesses--and you have to teach them all.
Teaching is not telling.
It's more than planning and presenting a lesson.
It's arousing, persuading, and convincing kids to do what they need to do.
The average teacher does well with a percentage of the class.
The master teacher can teach them all--and that takes many skills.
And your work is never done if you're a good teacher.
On the other hand, if you're a poor teacher, it's about the easiest thing you can do to make a living.
If you're not good, what can your kids do about it?
Hold up your paycheck?
Get you fired?
Complain about you to administrators?
I don't think so.
Children who complain and resist adults don't do very well in our schools.
And to think we don't have poor teachers in our schools is ridiculous.
Everyone has poor employees--businesses do, industries do, the professions do, and schools do too.
But until we recognize that everything we are asking educators to be to kids, someone must be to them--we have not given teachers the ways and means to be successful in the classroom.

Until we realize that continuous training from the beginning to the end of our careers is mandatory for success in the 21st century, the kind of success we want and need is going to be difficult.

Thank you.

If you have any questions or observations, I would be glad to hear them.

*Testimony by
Dan Stanley
Secretary of Administration
before
Kansas 2000 Select Committee
January 26, 1999*

Mr. Chairman, distinguished members of the Committee:

I am delighted by the formation of this important committee and gratified by the opportunity to present some of my views regarding our personnel and compensation system.

1939 was the year that Germany invaded Poland thus beginning World War II. It was the same year that the state of Kansas developed, passed, and implemented the current compensation and personnel system. And while there have been a number of changes, tweaks and adjustments, the system is fundamentally the same as it was in 1939. As we approach a new century and seek to become more efficient, competitive, and demand more from our employees in terms of service and performance, it is reasonable to challenge and examine our approach, philosophy, and mechanics of compensation and personnel management. In my view, it is way past time.

In 1996, the Legislative Coordinating Council directed and sponsored a study addressing a number of issues relating to our pay philosophy and how that might be changed. Fox Lawson and Associates, noted experts in personnel and compensation issues was hired and a major study was conducted. This study was delivered to the LCC in July, 1997. Following that study, I was directed by the LCC to analyze our system in light of the Fox Lawson study, make comparisons to other states, and to develop options as to how we might proceed. That study was delivered to the LCC in November and each of you has a copy. It is my understanding that Fox Lawson will present their conclusions and recommendations as an informational briefing to this Committee so I won't dwell on them. However, allow me to quote a few conclusions from that study that frame the problem: "...we have been unable to identify any clearly defined philosophy, goals, or objectives for the (Kansas) systems. Consequently, we conclude that the current system has evolved without any clear sense of purpose. ...it appears that the changes that have occurred over the past 56 years have largely been reactive to immediate concerns rather than through any pre-established philosophy regarding the purpose, goals, and objectives of a classification and compensation system."

I was relieved when I first read these conclusions. Since first accepting my appointment in November, 1996, I had been struggling to comprehend just why we operate the way we do and what was the underlying rationale of our approach. I didn't feel quite so bad to learn that noted experts in the business couldn't figure it out either. There just isn't one. The system is antiquated, kludged together over time and amended out of crisis, and is neither fair nor competitive. Our system stifles innovation and change, restricts agency heads with varying needs and requirements, offers no incentives for excellence, and often drives away highly skilled people that possess a modicum of entrepreneurial spirit. This is not to suggest that we don't have good people in state government. To the contrary, most are outstanding and succeed in spite of the

Kansas 2000 Select Committee
Meeting Date 1-26-99
Attachment 2

system. But this will not remain the case, especially in a strong economy that is creating more and better paying jobs at a very high rate.

All pay plans should support the employer's pay philosophy with respect to:

- how employees are to be rewarded
- the competitiveness of the employer's hiring rates
- the employer's desire to retain its employees by maintaining its jobs at market rates
- the degree and speed to which the employer must address changes in the supply and demand for skills in the job market; and
- training and promotional opportunities

Agreement on the pay philosophy with these factors in mind is, therefore, essential before any pay plan(s) are developed.

Kansas has long attempted to administer a very diverse conglomeration of widely differing skills and talents with a "one size fits all" compensation plan. We have done this because change is threatening and the culture we have nurtured has grown comfortable with a predictable system that neither rewards nor punishes, a system defended as being "fair." Thus, in the pursuit and protection of the "most fair" system possible, we have a system built to support the lowest common denominator. We are strapped with hundreds of regulations that encumber all agencies because somewhere along the line someone made a mistake and it caused a stink. So, as good public servants we had to make sure it never happened again. And the only way to document to the public that it would never happen again was to pass a statute or a regulation and use those as substitutes for good management and supervision practices. In order to be totally "fair", and still have a single pay plan we have a 35 grade, 15 step pay matrix. This single, albeit enormous matrix is used in an attempt to manage a bizarre system which relies heavily on narrowly defined skills. For instance, we have specific job classifications for glass blowers, seamstresses, barbers, meat cutters, as well as building engineers and petroleum industry regulatory technicians. We try and compensate doctors the same way we compensate janitors. Not at the same level, but under the mandated "single pay plan." This neither makes sense nor is it appropriate for any employer who relies completely on good people in order to be successful.

Our current good economy creates different market conditions for all employers. And while businesses can readily adjust, our system is too inflexible and ponderous to respond. This is especially acute in the computer area where the combination of exploding technology and the desperate necessity to make the Y2K repairs before the millennium has created a "white hot" market for these professionals. You have also heard testimony by judges articulating this problem with court staff. The KBI expressed similar concerns with forensic scientists. And similar difficulties may occur with engineers and other occupations related to the coming highway program. A "one size fits all" system is not flexible enough for Kansas to compete and retain the human resources we require to meet our customer's needs. At a time when we are demanding more and more of our people, and demanding that they do more with less, neither the culture or the compensation and personnel system can support these demands for long.

Change is very difficult. As busy legislators, your attention is often drawn to constituent complaints, employee associations, media coverage of this dispute or that dispute, whether it be the Highway Patrol, Correction Officers, or the Regents. And from my perspective, my predecessors have been so busy stuffing chewing gum into a leaky dam or stomping out the above mentioned brush fires that few have really wanted to play Cisivius and push this boulder up the hill. Me included. But we seem to have a narrow window here to make some badly needed change. And this change will require all stakeholders to come to the table and work to make the Kansas personnel and compensation system competitive and world class. We owe this to our customers, the tax payers, and we owe it to our employees.

So, how do we get started? Attached to my testimony is a concept to begin the needed change and act as an interim while we grapple with determining just what our compensation and personnel system philosophy should be. Let me refer you to that document.

As I have said, this is just a beginning. We must also change the narrow approach to classification and hiring practices. While Kansas has relatively fewer classes than most states, we still have too many. Since the major classification study, we have reduced the over 1,200 classes to 750. More consolidation is required, but this is another difficult area.

Management and supervisory training must become a key part of our culture. Good management skills include the effective use of employee evaluation and feed back tools. These must be in place and effective if Kansas is ever to consider a performance based system. In cooperation with the KU Capitol Center, the DoA has developed just such programs and they are being put to use by various agencies. Still, we have just begun.

Training as an approach to improving the skills of our employees and providing them the opportunity to grow professionally and advance within state government must become a priority. Traditionally, training is the last thing funded and the first thing cut. And yet, training dollars are strategic investments. They allow us to gain emerging critical skills, adapt to the market, and adjust our needs with existing employees. An effective and enduring training program can assist the state in "growing our own." This would make state government much more attractive to young people coming out of college than it is under the present system that relies totally on already acquired skills and experience. I have taken steps to move to just such a program, but it is embryonic. The Comprehensive Management Education and Training System (CMETS) is the core of this effort, and our Certified Public Manager Program has doubled in size each year. But, we are just scratching the surface.

State government must broker many needs with scarce resources. As a government, our only asset is our people and we succeed or fail through their quality, their commitment, their skills, and their dedication. I, as an agency secretary, cannot simply demand these things, and you as a legislative body can't simply pass a law requiring them. We must invest. This initial investment is our time, intellect, and courage to change, be creative, and make our system worthy of the 21st Century. Let us begin.

STATE OF KANSAS THREE-STEP PAY PLAN OPTION

Objectives

- Modify the existing pay plan
- Provide flexibility in distributing the salaries and wages budget
- Recognize the external environment in which the State must compete for human resources

This could allow us to explore other options for:

1. paying competitive hiring rates;
2. maintaining competitive rates for career employees; and
3. providing incentives for employees who excel in job performance.

Structure

Minimum Hiring Step
(current Step 1)

Market Step
(current Step 5 or
mathematical midpoint)

Maximum Step
(current Step 15)



(Retain current 40% spread)

Characteristics

- Open pay grades except for 3 steps: 1) Minimum Hiring Step 2) Market Step 3) Maximum Step.
- Permit hiring up to the market step or a percentage of the market step depending on qualifications, availability of applicants, criticality of need, geographical location
- Establish market step at the midpoint or other market reference point obtained by surveying prevailing market rates of jobs within the relevant job environment.
- Allow movement within a pay grade at a faster rate from the minimum hiring step to the market step than movement beyond the market step to the maximum step.

Pay Administration

Pay Structure Increases

- Adjust the pay structure to reflect market considerations and make like adjustments for employees who remain below the market rate or just those who are below the hiring rate following the adjustment.
- Shift salary budget to a pool of money to fund individual increases for employees consistent with whatever pay philosophy the State may wish to adopt.

Within Pay-Grade Increases

- Provide individual base pay increases on the basis of longevity, performance, skills, competencies or a combination of these factors.
- Give all employees the same percentage increase or make increases different based on predetermined factors.
- Provide for the ability to have different progression criteria for different job codes or occupational groups.
- Provide for increases above the market step, which include variable pay such as bonuses that have to be re-earned each year.
- Continue using employee anniversary dates to spread costs evenly throughout a fiscal year.

EVALUATION OF
PERFORMANCE 2000
REPORT ISSUES

Department of Administration
Division of Personnel Services

November, 1998

Kansas 2000 Select Committee
Meeting Date 1-26-99
Attachment 3

STATE OF KANSAS



DEPARTMENT OF ADMINISTRATION

State Capitol
Room 263-E
Topeka, Kansas 66612-1572
(785) 296-3011
FAX (785) 296-2702

DAN STANLEY, *Secretary*

BILL GRAVES, *Governor*

November 25, 1998

Senator Dick Bond, Chairman
Legislative Coordinating Council
State Capitol
Topeka, KS 66612-1504

Dear Mr. Chairman:

In response to your August 5, 1997 letter, the Department of Administration, Division of Personnel Services, has studied the issues identified in your letter and submits the enclosed report for your review and consideration. Enclosed are copies of the report for distribution to members of the Legislative Coordinating Council.

We look forward to working with you on these important issues addressed in the report. Please let me know if you have any questions or concerns.

Sincerely,

A handwritten signature in black ink, appearing to read "Dan Stanley", written over a circular stamp or seal.

Dan Stanley
Secretary of Administration

DS:WBM/ask

Enclosure

Table of Contents

Executive Summary

Evaluation of Performance 2000 Report Issues

Chapter I. Background.....	1
Chapter II. Cultural Issues Associated with Performance-based Pay.....	4
Chapter III. Examination of Issues.....	9
Chapter IV. Conclusions.....	35

Bibliography

Evaluation of Performance 2000 Report issues Executive Summary

Introduction

- During the 1996 Interim, the Legislative Budget Committee of the Kansas Legislature studied the Kansas Pay Plan in response to a number of concerns from agency managers, employees, and other legislators.
- As a result of the Committee's work during the summer of 1996, the consulting firm of Fox Lawson was hired to address these concerns, as well as to examine civil service goals, objectives, and priorities for a state pay plan. In their final report, the consultants set forth a pay philosophy and recommended goals and objectives to achieve this philosophy.
- The Legislative Coordinating Council requested that the Department of Administration study a number of issues related to the Fox Lawson recommendations and report back no later than December 1, 1998. This report addresses and provides responses to these issues based on research conducted by the Department of Administration, Division of Personnel Services.

Cultural Issues Associated with Performance-based Pay

The State of Kansas' movement toward performance-based pay raises a number of issues about the organizational cultures in which such pay systems thrive. These environments are dramatically different from the pay environment that has existed in State government for nearly sixty years. Cultures in which performance-based pay has succeeded are characterized by manager's having the flexibility, authority and accountability for administration of individual employee pay increases. This represents a major *cultural difference* from the manner in which Kansas (and many other state governments) operate, and would require thorough and continuous communication and training over several years to achieve. These cultures also recognize that "one size fits all" pay systems do not recognize differences among employees jobs, skills, competencies, and contributions they make to the organizations they serve.

Examination of Issues

- Performance Evaluation.

The current performance review system is designed to coach and develop employees. Performance-based pay changes the system's purpose to measuring employees' value and worth to the organization. A move to link performance review ratings to employee pay increases in Kansas would require three major components of change -- conceptual, technical, and cultural. Conceptual changes redirect the purpose and utilization of the system. Technical changes redesign the system's methodology. And cultural changes effect an environment to link performance with pay.

Compensation experts disagree on linking pay increases to performance ratings. While some experts believe that it reinforces employee behavior, others argue that it destroys teamwork and cooperation. Both sides agree that sufficient funds must be available to reward actual differences in performance, administration must be fair and equitable, and communication and training are instrumental.

- Training of Supervisory and Managerial Personnel.

The most significant aspect in the movement toward performance-based pay systems is **changing the present culture through training. Changing the pay system alone will not change the culture, because the pay system must support the culture, it cannot drive it.**

Other states have put forth tremendous training efforts in attempting to effect cultural change, and many have utilized consultants to assist in this effort. Kansas can expect to do no less, and must anticipate developing and conducting training programs of similar magnitude and scope associated with the Kansas Quality Management and SHaRP implementation programs. These latter programs also represent cultural changes that have needed continuous support through extensive training.

- Classification Consolidation.

Although class consolidation often is a concurrent condition with contemporary pay structures like *broad banding*, it is not a prerequisite to performance-based pay. It is a common perception that classes have to be broadened just to accommodate performance-based pay. This is not necessarily the case and depends more on the degree of freedom and flexibility agencies have in administering pay. **There is nothing inherent in the current Kansas classification structure that precludes our providing pay increases to employees, either by movement through a pay structure or by provision of variable pay such as bonuses, on the basis of performance rather than longevity.**

- Job Evaluation.

In Kansas, because systematic maintenance of the classification plan is in place which maintains the integrity of classifications in the plan, wholesale consolidation of classes is not needed at this time to adopt pay for performance. Further, the whole job classification method of job evaluation works well in Kansas for most jobs, and more consolidation of classes for the purpose of embracing pay for performance is unnecessary and would make the current method of job evaluation less effective. However, **the State should remain open to considering quantified job evaluation systems in the future for some types of jobs, if job classifications for those jobs are broadened to the extent that whole job evaluation becomes ineffective.**

- Implementation

Basic assumptions inherent in implementing performance-based pay in Kansas are that 1) the method of budgeting for pay increases may need to be modified; 2) administration of individual pay increases would be delegated to some degree; 3) performance-based increases would be adequately funded; and, 4) statute and regulation changes will be required to replace longevity-based pay. Other implementation considerations are that the same pay system for all kinds of state jobs is neither necessary nor advisable. With the diversity of employees, jobs, and agency missions, the “one size fits all” paradigm no longer applies. In addition, the State should consider the total compensation package it offers to employees, not just direct pay, in any implementation strategy.

Implementation of performance-based pay programs should be measured. Any new initiatives in this direction should be tested and evaluated prior to permanent implementation. This cannot occur without legislation that would allow for pilot testing new compensation programs. Cultural change associated with implementation of performance-based pay could be facilitated by first removing steps from the current pay plan and getting the State used to the idea that pay increases do not always have to be in the form of discrete steps. Moreover, existing occupational job categories should be studied separately to determine the effectiveness of different types of performance-based pay systems to these categories.

Conclusions

Investigation of performance-based pay, quantified job evaluation, broad banding, and a host of other contemporary human resource management systems during the past year has led to the conclusion that **the State of Kansas is attempting to bring about a change in culture, rather than a change in pay philosophy, per se.** The new culture would take on the following characteristics:

- responsiveness to changing needs of government.
- shift in responsibility and accountability.
- recognition of accomplishment over length of service.
- realization that different kinds of work may be worthy of different treatment.
- continued adherence to quality management principles such as customer service and process improvement.

EVALUATION OF PERFORMANCE 2000 REPORT ISSUES

Chapter I. Background

During the 1996 Interim, the Legislative Budget Committee of the Kansas Legislature studied the Kansas Pay Plan in response to a number of concerns from agency managers, employees, and other legislators. The primary concerns were that:

- The current pay plan is based on employee longevity rather than employee performance; those employees who perform satisfactorily are given the same increases as those who perform exceptionally.
- State appointing authorities do not have the ability to offer prospective employees a competitive rate of pay based on the individual's knowledge, skills, abilities, and value of the job, or to provide competitive pay in order to retain existing employees with high-demand skills.
- Because the cost of statewide salaries and wages is driven by the cost of step movement and longevity pay, recent base pay increases make it difficult to maintain the market rate for some job classes on the current pay matrix.
- The current pay plan does not account for geographical market differences such as work force supply, purchasing power, and other factors.
- Movement through the pay plan is rigid and controlled by regulation.

As a result of the Committee's work during the summer of 1996, a Request for Proposal (RFP) was written for consultative services to further address these concerns, as well as to examine civil service goals, objectives, and priorities for a state pay plan, using either focus groups, interviews, surveys or other systems that include executive branch and legislative input. Bidders were specifically asked to consider the underlying business goals of the state, and whether the pay philosophy is to reward performance, longevity, or some other factor(s). Specific questions that contractors were asked to address included:

1. What is the current pay philosophy and should it change?
2. What pay plan philosophies and pay plan trends exist in other states?
3. What do Kansas legislators view as the goals and priorities of a state pay plan?
4. What do state managers view as the goals and priorities of a state pay plan?

5. How can the state's pay philosophy, goals, and priorities be incorporated into a pay plan for the State of Kansas that also coincides with what employees value?
6. What type of pay plan would best encourage and reward maximum performance of state employees?
7. Can a single pay plan address the complexity and diversity of state services, jobs, and the work force?
8. Should pay and other compensation for salaried employees differ from that of hourly employees?
9. What internal and external constraints and considerations such as state and federal regulations affect any changes to the state pay plan?
10. What features and benefits of private sector pay plans could be applied to the state pay plan?

The consulting firm of Fox Lawson and Associates was awarded the contract to provide these services in February, 1997. Initial work included meeting with randomly-selected employee focus groups to discuss perceptions of the strengths and weaknesses of the current compensation system and their thoughts about how the system could change. Similar focus group meetings were held with management employees and legislators. Additional data were gathered in a compensation survey sent to approximately 3,000 randomly-selected employees.

The next phase of Fox Lawson's work involved meeting with a Strategic Advisory Group consisting of legislators, employees, department heads, officials of the judicial branch, a designee of the Governor, a board of regents representative, the Director of the Budget and the Director of Personnel Services. The purpose of this meeting was to study current compensation practices, review data from the focus groups and employee questionnaires, and to develop a state pay and compensation philosophy with supporting goals and objectives.

The concluding phase of the consultant's work was to prepare a final report on pay and compensation issues which was presented to, and accepted by the Legislative Coordinating Council on July 23, 1997. In this report, Fox Lawson sets forth the following statement of purpose (pay philosophy) developed through the work of the Strategic Advisory Group and recommended the following goals and objectives:

Statement of Purpose

The State of Kansas values its employees as a means of providing efficient, effective, responsive and creative public services to its citizenry.

The purpose of the classification and compensation system is to support the recruitment, motivation and retention of well qualified and productive employees. The classification and compensation system should support the employees of the executive and judicial

branches by encouraging them to be responsive to its customers/taxpayers while being fiscally sound and cost effective in order to obtain continued taxpayer support.

In an August 5, 1997 letter to Dan Stanley, Secretary of Administration, Senator Dick Bond, Chairman of the Legislative Coordinating Council, requested that the Department of Administration study a number of issues related to the Fox Lawson recommendations and report back no later than December 1, 1998. The Department of Administration was asked to address the following issues :

1. *Performance Evaluation.* What changes would be required in the state's performance evaluation system to support a pay for performance system?
2. *Training of Supervisory and Managerial Personnel.* What recommended training would be required of supervisory and managerial personnel in order to consistently administer a pay for performance system? We ask that you gather information that might be available from other states who have conducted similar reviews.
3. *Classification Consolidation.* Changes in technology, downsizing, and the application of quality management principles have affected traditional organizational structures to an extent that the character of the classification structure needs to change further for some classifications. While much has been done already in this area, careful examination of job classes should be conducted, especially below supervisory levels. This task could be accomplished by the Division of Personnel Services with assistance from other agencies.
4. *Job Evaluation.* If classifications are broadened and the number of classifications are reduced, the current form of job evaluation becomes more difficult to employ because skills related to a specific job are not always addressed in the broader classification. Some states have addressed this issue by developing quantifiable job factors that are used to determine pay within these broad classifications. You are requested to research these methods to determine how they could be incorporated into our classification system.
5. *Implementation.* We request that you examine and report key aspects of implementation of any new pay plan for the state of Kansas. This would include a detailed list of statute changes required, changes in standing regulations, new statutes or new regulations may be necessary for the implementation of any new pay plan. In addition, your recommendations and views regarding phased implementation as opposed to block implementation would be extremely helpful. Consideration of pilot programs for supervisory and managerial employees or another homogeneous group of employees would also be worthy of your examination.

The purpose of this report is to address and provide responses to these issues based on research conducted by the Department of Administration, Division of Personnel Services.

Chapter II. Cultural Issues Associated with Performance-based Pay

Moving the State of Kansas toward performance-based pay from an environment of traditional structured longevity-based pay will be a challenge. The reason is that the currently predictable processes such as budgeting and other aspects of pay administration will require more judgment and objectivity on the part of State administrators. This is a cultural change which needs to be driven by more than compensation changes, and is not just a change in a process or procedure.

Performance based pay is a cultural change, and is not just a change in a process or procedure.

The following Compensation Philosophy Continuum charts illustrate characteristics and features of both traditional and contemporary classification and pay systems. In order to understand Kansas' location along the continuum of each chart, this chapter defines and analyzes the inherent cultural characteristics of both longevity and performance-based compensation systems.

Classification Plan Characteristics

Compensation Philosophy Continuum

Kansas

Traditional----- Kansas -----Contemporary

CHARACTERISTICS AND FEATURES

Numerous, narrow classes ✓ Classification system of job evaluation ✓ Centralized classification of positions ✓ Central control by regulation ✓	Fewer, broader classes Point factor job evaluation Agency classification of positions Agency control by guideline ✓*
---	---

Primary Features of Kansas System ✓

* 20 state agencies, representing the majority of employees, have authority to classify their positions.

Kansas, as well as many state governments, still employs a standard classification system to evaluate its jobs. In such a system, individual or "whole" jobs are compared to a standard classification specification to determine the job's worth. On the other hand, other state governments, as well as many private sector organizations employ quantitative methods to evaluate jobs such as point factoring. These methods are discussed in Chapter III in more detail. Although Kansas has delegated to many agencies the authority to classify positions, the system is still centralized in that the classification plan is maintained by the Division of Personnel Services.

Pay Plan Characteristics

Compensation Philosophy Continuum

Kansas

Traditional-----\-----Contemporary

CHARACTERISTICS AND FEATURES

<p>Longevity-based pay ✓</p> <p>Single pay plan ✓</p> <p>Step pay plans ✓</p> <p>Base pay only ✓</p> <p>Guaranteed pay ✓</p> <p>Job (position) focused pay increases ✓</p> <p>Market value of jobs ✓</p>	<p>Performance-based pay</p> <p>Multiple pay plans</p> <p>Pay plans with broad pay bands</p> <p>Variable pay such as bonuses ✓*</p> <p>Pay at risk ✓*</p> <p>Employee (person) focused pay increases</p> <p>Organizational value of employees</p>
--	---

Primary Features of Kansas System ✓

* Information Technology Bonuses

Longevity Based Pay

In the traditional environment, of which Kansas is largely a part, jobs have assigned pay grades with minimums, maximums, and discrete steps that lead progression through the grade according to strict rules and regulations usually on the basis of longevity. In a performance-based pay environment, more flexibility exists for State managers to set pay of individual employees, reward employees for extraordinary work performance, and to provide incentives for average employees to excel. This latter type of environment would move the State away from predefined, regularly-occurring pay increases that add to employees' base pay. More bonuses and other types of "at risk" pay, which must be earned, would replace the across the board increases that employees have learned to expect with a reasonable degree of certainty.

Currently, the State's salary and wage budget is driven by: 1) the step in the pay grade assigned to an employee's classification, 2) anticipated step movement based on "next increase date," and 3) the employee's length of service date which is used to calculate a longevity bonus. This is a relatively simple, straightforward and predictable methodology for determining payroll budgets for a coming fiscal year because every employee gets an equal percentage.

Performance-based Pay

In a performance-based pay environment, budgets are based more on programs, anticipated costs (including salaries and wages) to effectively manage and operate those programs and, especially in the private sector, anticipated revenues or profits those programs will generate. Distribution of dollars based on these types of estimates is a more difficult task in the public sector, because it requires a much more thoughtful consideration of an employee's worth, and managing a pool of money for salaries and wages that reflects this consideration. Decisions of this type, which are foreign to most public sector managers, need to be based on objective, fair, and prudent recognition of individual differences among employees, and the current and future value of employees to the organization.

Such a scenario inherently strains relationships between supervisors and employees. Despite this tendency, performance-based pay has been widely used and is successful in the private sector because it is part of that culture. This is not the case in government where "merit" has been tantamount to time in grade, and managers have not been expected to make decisions that produce pay increase differences among employees. Another cultural aspect of the private sector which may have influenced the success of performance-based pay systems is the widely-held practice of keeping the pay of individual employees confidential. This is not the case in government, where employee pay is a matter of public record (Risher and Fay 130).

Another common feature of contemporary performance-based systems is banded pay structures. The process for developing these structures is called **broad banding**. It involves reducing the number of job classifications and levels of jobs and replacing numerous, narrow pay grades with fewer, but wider pay grades called pay bands. Broad banding is not a cure-all

Broad banding is not a cure-all for solving the problems of traditional employee direct compensation programs, but serves as a support mechanism from which the new employee rewards programs based on skills, competencies, and performance are developed.

for solving the problems of traditional employee direct compensation programs, but serves as a support mechanism from which the new employee rewards programs based on skills, competencies, and performance are developed. Pay bands are often referred to as open pay bands because they do not have specific pay rates (steps). Some employers designate areas within a pay band for specific levels of performance.

Under broad banding, fewer, more generic job classifications are needed to cover a wider range of work, e.g. trainee, full performance level, senior worker, etc. These new classifications are assigned to the wider pay band and pay increases within the pay band are based on employee performance. In state governments, new job classifications are assigned to a pay band by the state's central personnel department while agencies administer employee compensation within the pay band. Movement through the band is usually administered by agencies to meet their individual and unique organizational needs. Broad guidelines for movement may be developed by the central personnel organization. In a broad banding environment, supervisors and employees are often paid within the same band, and status associated with class title and pay band is minimized.

In a broad banding system, such as a number of states have adopted or are considering to adopt, there is:

1. **limited, if any expectation of employees reaching the maximum pay rate of a band.** Bands are established to accommodate a variety of job and performance levels and movement is achieved mainly through performance and increased responsibility.
2. **limited opportunity for achieving pay in a higher level band.** Bands usually accommodate all the jobs within an occupational category, and movement to a different band would occur mainly with a dramatic career change. Thus, reallocation of a position might result in a pay increase, but it normally would not result in being paid from a different, higher pay band.
3. **deemphasis on hierarchy,** and more focus on individual employee value to organization. An initial step in this direction that already has been taken is to provide a variety of skills and incentive bonuses for information technology employees. This is a form of variable pay that focuses on employee value that is already in place.
4. **less significance to the concept of "market rate" for jobs except for hiring rate.** Market rates for jobs are less important than the value of individual employees to the organization.
5. **difficulty in establishing pay comparisons among classifications within the same occupational group, and among individual employees.** The reason is that pay rates are no longer associated with job classes or steps that are based on time in grade.
6. **non acceptance in traditional hierarchical organization cultures** where employee "careers" are based on moving to a higher level classification.

Multiple Pay Systems

The traditional approach of state governments could be described as a "one-size fits all" approach where pay administration among all types of jobs and among all types of employees is uniform. This is somewhat of an enigma in that state governments, like their private sector counterparts, also require a diversity of employees with different skills, e.g. medical, engineering, skilled labor, social service, clerical, accounting, protective service, etc. As state governments compete with private employers in diverse industries to attract and retain qualified employees, uniformity of pay plans and structured compensation practices hinder their effectiveness to do this. Traditional direct compensation programs of state governments have often been limited to a single base pay plan and a few premium pay components such as shift differential, and holiday pay.

"One size fits all" classification and pay systems are neither necessary nor advisable. If the State wishes to operate government more like a business which is a common idea among progressive government leaders, the notion that all employees must be treated alike, must be replaced with the notion that all employees must be treated fairly. These should be mutually

exclusive concepts, but traditional government systems have assumed that identical treatment is the only avenue to fairness despite differences in jobs and levels of performance. The State of Kansas should be open to considering some features of new performance-based pay systems as

The traditional approach of state governments could be described as a “one-size fits all” approach where pay administration among all types of jobs and among all types of employees is uniform.

As state governments compete with private employers in diverse industries to attract and retain qualified employees, uniformity of pay plans and structured compensation practices hinder their effectiveness to do this.

well as being open to retaining features of our current system if they work well for certain types of jobs and agency organizations. One approach to identifying what works well and what is fair for different types of employees and jobs is to analyze recruitment, turnover, and market pay characteristics of occupational categories to determine what type of pay plan and employee reward system should apply. From this analysis, corresponding policies that support a pay philosophy/objective and culture of the occupational category could be developed.

Cultural Change

In order for performance-based pay to occur, though, State agencies will have to be provided with a greater degree of flexibility, authority and accountability for administration of pay increases than currently exists. This represents a major cultural change which requires thorough and continuous communication and training.

Finally, implementation of performance-based pay has failed and will continue to fail in the public sector without impetus, leadership and commitment from top management through the management/supervisory ranks. This, too, can only be achieved through strategic planning, involvement, and communication on the part of all levels of management, employees, and other key stakeholders. Training must occur on a continuous basis, not just to introduce the concepts or the process changes that will take place.

Training must occur on a continuous basis, not just to introduce the concepts or the process changes that will take place.

Chapter III. Examination of Issues

This chapter addresses the five research areas assigned to the Department of Administration. These five issues are key to the use of a compensation system process to change cultural mores that are endemic to the State work force.

3.1 Performance Evaluation. What changes would be required in the state's performance evaluation system to support a pay for performance system?

Basic Structure of Current Performance Review System

The performance review system is designed to review the effectiveness of employees and ensure their performance is consistent with quality management principles and practices. It is primarily used as a developmental tool. Two review systems distinguish the intrinsic differences of managers and employees: The Manager Review System and the Employee Review System. Both systems focus on priority outcomes and performance indicators. **Priority outcomes** are critical outcomes that must be accomplished in a given period of time. They are an agreement between the supervisor and employee regarding the outcomes to be accomplished, processes used and target completion dates. **Performance indicators** are those characteristics expected of all employees, with distinctive categories for managers and non-managers. For non-managers, these indicators focus on areas such as work processes and results, self-management, teamwork, and innovation and change. For managers, the indicators focus on innovation and change; organizational perspective; human resource management and development; communication; program, project and process management; and leadership. They serve as a frame of reference for feedback on how well the employee performs the outcomes and tasks identified on the employee's position description.

A review is required prior to the end of a probationary period and at least annually thereafter. However, more frequent feedback is strongly recommended. An annual overall rating is assigned in one of three categories: Exceptional, Satisfactory, or Unsatisfactory. Employees receiving an overall rating of "Unsatisfactory" are ineligible for step increase. Employees receiving a "Satisfactory" or "Exceptional" rating are eligible for a step increase, with no differentiation between the two ratings.

Changes to the Current Performance Review System

The underlying purpose of Kansas' performance review system is to coach and develop employees. A move to link performance review ratings to employee pay increases would require three major components of change -- conceptual, technical, and cultural.

Conceptual

- Develop a pay philosophy specifically stating that employee pay is based on individual performance relative to factors identified in performance reviews.
- Change the system's purpose from coaching and developing employees to measuring their value and worth to the organization.

Technical

- Utilize Priority Outcomes to set performance objectives for upcoming evaluation periods.
- Develop measurement standards to rate, or score, the achievement of performance objectives.
- Develop measurement standards for Performance Feedback components.
- Identify clear distinctions among performance rating levels and their link to different levels of compensation.
- Additional rating levels may be necessary. The three rating levels in the current system (Unsatisfactory, Satisfactory, and Exceptional) may not be sufficient to allow for meaningful differences in performance. For example, the State of Georgia has four levels, with different pay increase percentages for employees who meet, exceed, or far exceed expectations. No increase is granted to employees who do not meet expectations.
- Consider a weighting mechanism to distinguish Performance Feedback components which may vary among different positions.

Cultural

- Ensure that performance reviews are conducted fairly and in a timely manner. As Fox Lawson reported from the results of focus groups, employees have a general lack of trust in supervisors ability to fairly evaluate and accurately assess employee performance.
- The public and the private sectors differ in their approach to compensation. Individual pay levels are often considered confidential information in the private sector. But individual salaries of public servants are typically a matter of public record. This fundamental difference in the approach to compensation creates differences in accountability, need for justification, and willingness to attempt basic changes in the compensation structure (Risher and Fay 130).

- Extensive and continuous training and communication for managers, supervisors and employees to:
- attain trust and confidence in rating system;
- tie ratings to pay, identify appropriate rating levels, develop performance measurements, and link priority outcomes to organization goals;
- explain what is required of employees to receive a pay increase;
- articulate the organization goals in terms of expectations and how performance contributes to those goals; and
- acclimate to a different compensation approach.

Highlights of Other Employee Evaluation Systems

Kansas' current performance system aligns with today's emphasis on quality management, employee development, and communication of priority outcomes or performance indicators. The system's concept and purpose is similar to those used by many other private and public sector organizations who also stress professional development, teamwork, and goal setting. The following are highlights of information gathered from both private and public sector employers concerning performance appraisal processes.

Private Sector

Hoechst Marion Roussel, a Kansas City pharmaceutical company, changed the focus of their performance review system two years ago when they decided not to directly tie pay increases to employee evaluation ratings. The emphasis of the performance review system moved from the "rating" to employee improvement and attaining goals. Employees receive an annual rating of "Acceptable" or "Unacceptable" and must receive an "Acceptable" rating to be eligible for a pay increase. Almost all company employees are rated "Acceptable" because employees rated "Unacceptable" must improve at some point or they are terminated.

Security Benefit Life Insurance Company has three rating levels -- Below Expectations, Meets Expectations, and Exceeds Expectations. Performance appraisal includes problem solving, communication skills, decision making, leadership, team participation, and technical and functional skills. Pay increases are tied to performance in that those employees who meet expectations receive a lesser increase than those employees who exceed expectations.

Other States

Information was gathered from 43 states. A little more than half of the states indicated that they have a system in place to link performance to pay increases in varying degrees for some or all employees (five states are considering or preparing to implement performance-based pay). However, many of the systems differ little from Kansas' current merit system in which employees who receive a rating of "Satisfactory" or "Exceptional" are eligible for a step increase. Many of the systems tended to be plans with an across the board increase with nearly all employees rated as satisfactory.

The states that tie performance with pay do so in various forms such as step movement, cash incentives, base or non-base building pay increases, variable payouts, lump sum bonuses, and bonus pay. Four of the states also specifically indicated that this variable pay is in addition to other annual increases, such as step movement and general increases (COLA). Also, several reported that the increase decision considers both the performance rating and the employee's place within the pay grade or longevity.

For example, the State of Idaho reported that agencies develop their own merit increase plans, which may allow for the amount of increase to be based on an employee's evaluation rating and current place on the salary range. Under this type of plan, an employee receiving an above standard rating who is below market on the salary range may receive a greater increase than an employee with the same rating who already is paid at or above market. However, Idaho agencies also have the flexibility to develop plans that provide the same percent of increase to all employees. In another instance, Idaho agencies can provide bonuses of up to \$1,000 to excellent performers. The program has not been successful because agencies must pay the bonuses out of their existing funds and managers are reluctant to use the option. Disparity among agencies based on their funding source has also been a problem.

Virginia's policy permits supervisors to consider the length of time that employees perform in their job, along with how well they perform, in arriving at employees' overall ratings.

Seven of the states reported that, even though they have the ability to tie pay to performance, the system is not currently funded or is experiencing funding problems. For example, Arkansas, Nebraska, and Mississippi have systems in place to provide pay incentives. However, none are currently funded.

GeorgiaGain, the State of Georgia's new performance-based compensation system, has received much publicity. Beginning in 1997, performance increases for employees who met, exceeded, or far exceeded performance standards include two components:

- A market adjustment to increase competitiveness with outside job market, based on availability of state funds.
- A variable award amount, based on level of performance.

Results of the 1998 payout are:

Performance Rating	% of Employees	% of Increase
Does not meet expectations	0.7%	0
Meets expectations	81.5%	4%
Exceeds expectations	13.5%	5.5%
Far exceeds	0.8%	7%

Factors to Consider for Integration into Performance-based Pay System

Kansas' performance review system can be adapted to fit with most pay for performance theories.

Kansas' performance review system can be adapted to fit with most pay for performance theories. The methodology and level of effectiveness in supporting performance-based pay largely depends on the type of system established.

Research finds opposing viewpoints to linking pay increases to evaluation or performance ratings. In *Completing the Compensation Package*, R. Henderson states:

A primary reason for appraising performance is to encourage employees to put forth their best efforts so that the organization can reach its mission and goals. Through the appraisal process, the organization identifies and recognizes efforts and contributions. Rewarding employees relative to these efforts and contributions reinforces their behaviors in a manner that increases the likelihood that they will achieve their own goals (132).

Thomas F. Lyons and Thomas J. Callahan agree in *A Third Role in Performance Appraisal: A Suggestion from the Medical Care Quality Appraisal Systems*. They state that:

Public sector organizations across the U.S. are being asked to provide more services per tax dollar while demonstrating increased levels of accountability to taxpayers. The expansion of the formal appraisal process in the public sector is a trend that theoretically supports this notion of doing more with less and increasing the accountability of individual employees (133).

However, other authors point out pitfalls and concerns in linking performance appraisals to pay increases. Alfie Kohn, in *Rewards Produce Temporary Compliance*, believes that the "scramble" for rewards creates competition, destroying teamwork and cooperation. Kohn states that rewards tempt employees to conceal problems and to discourage risk-taking (www.fed.org/motivation/kohn.html, September 3, 1997).

In *New Strategies for Public Pay: Rethinking Government Compensation Programs*, Howard Risher and Charles H. Fay state that there is a gap between the philosophy and the reality of merit pay. They believe that while it is difficult to argue against the ideals of merit principles, it is also difficult to translate the principles into effective practices. The policies are meaningful when supervisors throughout an organization are comfortable making salary increase decisions based on their assessments of individual performance. They also state that it is critical that the link between performance and reward be apparent as well as real and that employees see the linkage as consistent and fair. They cite a common problem that supervisors may decide that saving award money will make them look good as budget managers. However, shortsightedly saving a few dollars hampers the potential for improving employee performance in the attainment of organizational goals (211).

Both perspectives highlight certain common themes:

- Organizations should design schemes that work for their environment, which include the organization goals and availability of financial resources.
- If performance appraisal is to be used as a vehicle to administer merit pay, managers and subordinates must perceive that sufficient funds are available to reward actual differences in performance and that the administration of the plan is done in a fair and equitable manner. Fox Lawson reported that few managers believe that funds will be available to reward good performers (60).
- Communication and effective training are instrumental in linking performance to pay. Employers must effectively communicate the organization's goals so that employees recognize the significance of their contributions in the workplace. Both employers and employees must clearly understand the new environment, the organization goals, and the significance of performance levels.

Summary

The current performance review system is designed to coach and develop employees. Performance-based pay changes the system's purpose to measuring employees' value and worth to the organization.

More than half of the state governments contacted indicated that they link performance to pay increases. The success of the various programs is questionable due to their similarity to Kansas' current system, lack of funding, or the short period of time the system has been in place.

Compensation experts disagree on linking pay increases to performance ratings. While some experts believe that it reinforces employee behavior, others argue that it destroys teamwork and cooperation. Both sides agree that sufficient funds must be available to reward actual differences in performance, administration must be fair and equitable, and communication and training are instrumental.

A move to link performance review ratings to employee pay increases in Kansas would require three major components of change -- conceptual, technical, and cultural. Conceptual changes redirect the purpose and utilization of the system. Technical changes redesign the system's methodology, and cultural changes effect an environment to link performance with pay.

The design and phased implementation of the current performance review system took two years. This was accomplished by a multi-agency team which included staff from the Division of Personnel Services. It is reasonable to expect that a move toward performance-based pay would require significantly more time, perhaps four years, and other resources because of the cultural change. Due to staffing and budgetary reductions, it is likely that consultative assistance would be needed to determine the scope and technical aspects of this endeavor.

3.2 Training of Supervisory and Managerial Personnel. What recommended training would be required of supervisory and managerial personnel in order to consistently administer a pay for performance system? We ask that you gather information that might be available from other states who have conducted similar reviews.

Recommended Training Needs Associated with Performance-based Pay

Training required with any type of performance-based pay system must encompass all who are affected by it. This includes *employees*, as well as supervisors and managers. The State's recent experience in implementing the existing performance review system in 1995 with training *only for supervisors* substantiates the need to include employees in such a far reaching cultural change as performance-based pay, because many employees still do not have a sense about how well or poorly they are performing as Fox Lawson confirmed in their employee questionnaires focus groups (58). Training of all employees also will be required because there is a widespread lack of trust in managers and supervisors to effectively evaluate employee performance, a fact also documented by the Fox Lawson report (57). The State's Comprehensive Management Education and Training Strategy Evaluation Team (CMETS) provided similar feedback in their recent evaluation of the Employee and Manager Performance Review Systems.

Training of all employees also will be required because there is a widespread lack of trust in managers and supervisors to effectively evaluate employee performance.

Therefore, the content of training programs associated with any performance-based pay program should include, at a minimum, the following:

- a Statement of Purpose of the compensation philosophy, and its Goals and Objectives as identified by Strategic Advisory Group.
- examples of support by all levels of management of the Statement of Purpose and Goals and Objectives, such as testimonials by State leaders, administrators, and employee representatives which demonstrate their support of the compensation philosophy.
- a specific plan regarding the manner in which supervisors and managers will make salary increase decisions based on employee performance.
- the methodology by which supervisors and managers are to accurately assess individual performance.
- mechanisms by which supervisors and managers assess rank and file employee performance and how this assessment is tied to supervisor's and manager's leadership performance.
- reinforcement of employees' understanding of the link between performance and reward, and their role in the process.

Scope of Training Required for Effective Cultural Adaptation to Performance-based Pay

To gain a better understanding of the scope of training required to bring about cultural change associated with performance-based pay, the State of Kansas can draw upon the experiences of other states that have gone, or are going through this process. Two states which have implemented major cultural changes of this type are South Carolina and Georgia.

South Carolina wanted to create a classification and compensation system which was simpler to use and understand, and which gave more flexibility to individual agencies. This among several other major changes statewide created the need for staff to become knowledgeable about changing the organization's culture. South Carolina staff members who shared their experience with Division of Personnel Services staff emphasized that two key components of a successful change in culture are 1) top management must be totally committed to the change in both *words* and *deeds*, and 2) organizations must provide training that promotes and develops skills related to their desired values and beliefs.

Over a year's time, the South Carolina classification and compensation manager and a staff of six to eight analysts designed a multi-faceted communication plan for both internal and external employees in the classification and compensation reforms. Key human resource people in their state agencies became champions of the change through their participation in focus groups. A video was developed to explain the change to all employees, and the reasons behind it. Brochures were disseminated everywhere and state employee groups used these as communication tools. Conferences covered the changes and key staff spoke everywhere in state government. There were quarterly meetings for all the trainers conducting training sessions on the changes and other training programs incorporated the changes into their programs.

In addition, communication of cultural change associated with decentralized pay for performance was accomplished through news releases, e-mail and direct meetings with agencies. Employees were updated on activities of the Compensation Committee through e-mail.

Georgia has implemented **GeorgiaGain** teams to address merit system issues related to compensation and performance. GeorgiaGain concepts and strategies have been developed by multi-agency employee teams. In addition to a task force, a core team of managers from the agencies represented in the task force makes policy recommendations to the task force and provides day-to-day direction to various work teams. Representatives from 26 other agencies made up an advisory team and provide both the task force and core team with input from their departments. Work teams address special issues such as Job Evaluation, Performance Management and Training with agency-level project teams coordinating implementation.

Development and implementation of training programs associated with the GeorgiaGain performance-based pay system occurred over a two-year period. During the first six months, three teams (delivery system, record keeping, and curriculum) comprised of state trainers and key champions of the system change planned and developed the statewide training effort. Their initial task was to identify 32 state agency volunteers with training skills, and the ability to commit the time, to attend 8 days of intensive training to become master trainers. The master trainers then taught 400 instructors in a 7-day program. The 400 instructors, in turn, formed into two-person teams that instructed 16,000 state managers in a 4-day training session. Because policy issues were not identified in the initial training, the 16,000 managers had to be trained

twice in the two-year implementation period; once in implementation of system changes, and once in policies related to the changes. **This is a training effort equivalent to approximately 1,075,900 staff hours or 517 FTE over a year's period.**

Georgia launched a performance management system statewide in October, 1995 for a one-year trial run, with the former job classification and pay structures still in place. Managers and employees used the trial cycle to get comfortable with the process of planning and coaching for optimum performance before the variable pay component was to be added. This staggered implementation helped to ensure employee and institutional readiness and support the cultural changes at the heart of GeorgiaGain.

The State of Colorado initiated a comprehensive strategy and plan design for linking pay to performance called **Colorado Peak Performance**. Colorado Peak Performance was a considerable change in the way the State conducted its business and to prepare the workforce, an investment in training and communication is being made. Through this training employees at all levels of the state organization can acquire new skills, attitudes and behaviors to adapt to the changes being recommended.

A Colorado Peak Performance Coordinator was appointed and a consulting firm was hired to provide training and consulting. The consultants were contracted to perform a variety of work including the production and distribution of a video, conducting "Town Meetings," and conducting orientation and goal setting training sessions for senior staff, managers, and the Governor's Cabinet. These were training strategies in addition to the development of training modules on performance management, train the trainer sessions, toll-free help line for trainers and other training services.

Other states that have developed training initiatives in support of cultural changes associated with performance-based pay are Missouri and New Mexico. Missouri has utilized a number of approaches over a three-year implementation period to manage the change from pay ranges to pay bands. Orientation sessions about the change and Performance Appraisal Training for supervisors and managers were conducted. The change was initiated by an ad hoc task force made up of members from the General Assembly, agency officials and citizens. The Governor supported the task force recommendations. A communication effort recommended by the task force was to conduct regional stakeholder meetings at 7 cities throughout the state. That effort has become an annual event. In addition, focus groups with managers affected by the broad banding were held and a two day conference for all personnel was conducted on broad banding issues. The agencies will sponsor and provide lunch for 50-75 stakeholders in July, 1999. The pay for performance was funded within existing agency budgets; however, the attitude by employees and supervisors is that there is insufficient money for the program to be effective, so they are reluctant to make it work.

In New Mexico, all supervisors, including cabinet heads, have been required to attend a 7.5 hour training session on employee performance appraisal. This effort was completed over a six month period. In agencies with 500 or more employees, the agency trainers conducted these sessions. In smaller agencies, trainers from central personnel provided the training. A follow-up 3 hour class provided supervisors and managers additional training on developing performance

standards and conducting evaluations. There was a one year transition period between implementation of the new employee performance appraisal system and pay for performance. Other communication in New Mexico was handled through direct contact with agency human resource staffs. The central Personnel Director explained these changes to the Cabinet. There was very little direct employee contact due to short time frames and limited human resource staff. Communication to employees was accomplished through three mass mailings and payroll information fliers.

Thus far, employees' reactions to these changes in New Mexico is mixed, but it appears that the majority likes the feedback from the performance appraisal process. Initially, employees were fearful of linking pay to performance rather than everyone getting the same increase.

Other Training Requirement Considerations

More than 100 companies shared lessons in change management in a benchmark report, *Best Practices in Managing Change*, which showed that the change management activities that had the greatest impact on an implemented change included open and consistent communications, support from all levels of management, and pre-implementation training of employees. Project teams also reported they would have started their change management activities earlier in the project, attended change management training, and increased the involvement of managers at all levels in both change management planning and on-going activities. These recommendations must be considered if performance-based pay is implemented in Kansas (ProSci 2).

Kansas has moved forward with two programs that can serve to enhance cultural change associated with performance-based pay.

Kansas has moved forward with two programs that can serve to enhance cultural change associated with performance-based pay. An **Executive Development Program** was implemented in 1998. Agencies that already have participated in this program are: the Department of Agriculture, Department of

Administration, Department of Human Resources, and Insurance Department. Other agencies slated to participate are the Department on Aging, Juvenile Justice Authority, and the Department of Wildlife and Parks. This program teaches agency managers skills related to:

- leadership in the changing organization.
- agency goals, values, and practices.
- setting priority outcomes and providing feedback to employees.
- problem analysis and problem solving.
- persuasion and negotiation in the workplace.

An **Employee Leadership Program** is currently being developed to provide rank and file employees with training in the following areas:

- being an effective employee.
- organizational objectives, employee priority outcomes, and performance feedback.
- persuasion and negotiation in the organization.
- the power of personal excellence.

This program will be piloted in the Department of Administration beginning in January, 1999.

Together, the two programs lay a foundation and philosophy for managers and employees to adapt more easily to organizational (and cultural) change. Both programs foster more frequent and meaningful dialogue between employee and supervisor, and focus on improving and acknowledging successful performance.

In addition, other training components to enhance effective cultural change in Kansas should include:

- training for all new employees that is incorporated into employee orientation programs.
- refresher courses for supervisors/managers/employees to communicate enhancements and to continually improve skills.
- Train the Trainer programs for agencies wishing to train their own managers/supervisors/employees.
- training stakeholders such as the Civil Service Board, Legislature/Legislative Coordinating Council, and employee organizations.

Summary

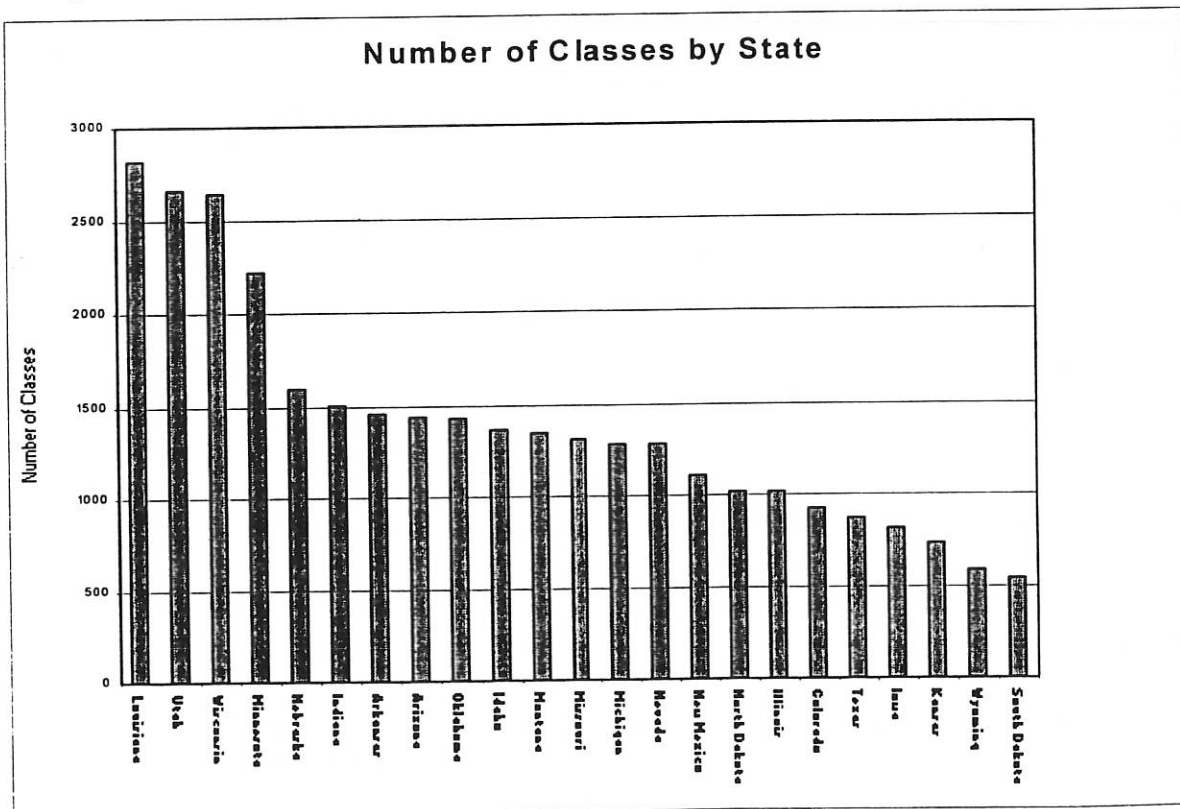
The most significant aspect in the movement toward performance-based pay systems is changing the present culture through training. Changing the pay system alone will not change the culture, because the pay system must support the culture, it cannot drive it.

Other states have put forth tremendous training efforts in attempting to effect cultural change, and many have utilized consultants to assist in this effort. Kansas can expect to do no less, and must anticipate developing and conducting training programs of similar magnitude and scope associated with the Kansas Quality Management and ShaRP implementation programs. These latter programs also represent cultural changes that have needed continuous support through extensive training.

3.3 **Classification Consolidation.** Changes in technology, downsizing, and the application of quality management principles have affected traditional organizational structures to an extent that the character of the classification structure needs to change further for some classifications. While much has been done already in this area, careful examination of job classes should be conducted, especially below supervisory levels. This task could be accomplished by the Division of Personnel Services with assistance from other agencies.

In November and December, 1997, a team of classification analysts reviewed current job classifications by occupational category to determine the degree to which the classifications could be reduced through consolidation of work. Based on this initial review and analysis, the team concluded that the approximately 740 existing classifications could be further reduced. The team agreed that, with rare exception, a class series normally need not contain more than the following distinguishable levels : 1) trainee; 2) full-performer; 3) specialist; 4) supervisor; and 5) manager. The team discovered class series with additional levels that made differences between classes difficult to distinguish as Fox Lawson has reported (14).

A considerable degree of class consolidation occurred as a result of the Comprehensive Classification and Job rate Study which was concluded in December, 1995. Over the course of this effort which began in 1984, approximately 1,200 classes were reduced to approximately 760 classes. Most of this consolidation was *horizontal* in nature, i.e. individual classes that were found to provide for essentially similar work resulted in broader classifications with that work defined at a higher level. Many of these classifications were consolidated into broad class series such as public service executives, public service administrators, program consultants, and program support workers. As a result of this work, the State of Kansas has far fewer job classes than other states, as illustrated in the following chart:



Source: 1998 Central States Compensation Association Survey

Vertical consolidation of classes also occurred during the Comprehensive Classification and Job Rate Study, and continues to occur in situations where some levels of work have become superfluous or hard to distinguish from others. This has resulted from a variety of factors. First, the organizational structures of most state agencies have flattened due to downsizing, and quality management initiatives that have addressed agency issues via inter-functional teams rather than traditional hierarchical methods. The explosion of technological advancements in the last half decade also has facilitated the streamlining of a number of agency processes which has combined the work of some job classes. More reduction in the number of levels in class series is likely to occur for these reasons. In other words, class consolidation that has and will continue to occur is the result of normal classification plan maintenance which reflects changes in kinds and levels of work that occur in a complex and diverse work force.

State pay programs often do not recognize the need for flexibility in compensating employees. The sole method for achieving pay increases for employees in some states involves the reclassification of an employee's job to a higher level job classification. For this reason, managers strive to create numerous classes which often describe very small and vague distinctions between levels of performance within an occupation. Kansas is no exception to this situation, and this may be a reason why Fox Lawson reports that "meaningful differences between adjacent classes are difficult to discern" (14). This leads to inequities among employees performing similar work. Therefore, numerous states including Oklahoma, Nebraska, Arizona, Idaho, are striving to reduce the number of current job classes as Kansas has done.

Summary

Although class consolidation often is a concurrent condition with broad banding, it is not a prerequisite to performance-based pay. It is a common perception that classes have to be broadened just to accommodate performance-based pay. This is not necessarily the case and depends more on the degree of freedom and flexibility agencies have in administering pay. There is nothing inherent in the current Kansas classification structure that precludes our providing pay increases to employees, either by movement through a pay structure or by provision of variable pay such as bonuses, on the basis of performance rather than longevity. More extensive consolidation of classes could also potentially affect EEO and Fair Labor Standard Act compliance, layoffs, and the meet and confer process where job identification by classification is important.

The number of levels of some class series have been, and will continue to be reduced as needs dictate. In other cases, new classes may need to be established to provide for new work that is not covered by the existing classification plan. This is a normal part of classification plan maintenance, and performance-based pay need not depend on changes in the classification system more dramatic than these at this time.

- 3.4 Job Evaluation.** If classifications are broadened and the number of classifications are reduced, the current form of job evaluation becomes more difficult to employ because skills related to a specific job are not always addressed in the broader classification. Some states have addressed this issue by developing quantifiable job factors that are used to determine pay within these broad classifications. You are requested to research these methods to determine how they could be incorporated into our classification system.

The design of compensation programs involves consideration of both the **value of a job** and the **value of the individual employee**. State government classification and pay plans traditionally have focused on the value of individual jobs. The formal process of evaluating the intrinsic value of a job to the *employer* is called **job evaluation**. The *labor market* value of a job is measured in terms of the compensation rates provided by other employers with whom the employer competes to attract and retain skilled employees. This value is normally arrived at by surveying the base pay, total direct compensation (base pay and variable pay), or total direct compensation (base pay, variable pay and benefits) of like jobs in a relevant labor market. Both the value of the job to the employer and the labor market value of the job are components in establishing **employee compensation**.

The two most common methods of job evaluation among state governments are **whole job classification**, and **point factoring**. In both cases, substantially similar individual jobs are grouped together within a job classification. This classification process provides for equal treatment of like jobs. The **whole job classification** method employs specifications (narrative job standards) for different classes to describe differing levels of work within an occupation, e.g. Accountant I (trainee level), Accountant II (full performance), Account III (senior worker), etc. Individual job descriptions are compared to the specifications to arrive at the most appropriate class and corresponding pay for a job. This is the job evaluation method the State of Kansas employs. The whole job classification method does not directly compare the value of different occupational class specifications (e.g. custodians, nurses, equipment operators) with each other. Each class series is commonly assigned to a pay grade on the basis of labor market data for these unique jobs. This method enables the employer to establish pay rates which are competitive with the individual occupational groups, but it can result in perceived disparity among different jobs within the organization if such disparity exists in the external market.

The **point factor** method measures each job classification against established standards with specific values (points) assigned to each performance level of each standard. The total points received from each factor determines the value of the classification to the employer. Job classifications which require more skill, effort, responsibility or where working conditions involve adverse working conditions are generally valued more highly than jobs which do not require these conditions. Wage surveys are completed for benchmark job classifications. All jobs are assigned to pay grades on the basis of their internal value as compared with these benchmark job classifications. This method enables an employer to establish a more structured internal value system, but it is common for internal job values and labor market rates for individual job classification to conflict. In other words, the internal job values may assign a pay rate that is higher, or lower, than the "market" rate paid by other employers.

The State of Kansas employs a **whole job classification** method of job evaluation. In this method, individual job duties which are written on a job description, are compared to a standard, the class specification, to determine the appropriate classification (and corresponding pay) for the job. **As was stated in the discussion of class consolidation, this method of job evaluation need not change in order to implement a pay for performance system.**

However, if job classifications are broadened to the extent that is occurring with some employers to facilitate decentralization of pay administration, the whole job classification method of evaluating and paying for jobs is less effective. The reason is that broadened classifications contain more diverse jobs for which the market pays different rates. Job classes

can no longer be assigned to a pay grade that represents the full range of pay for jobs in the class. This creates the need to place job classes within broad pay bands. Determining the relative worth of jobs within the band, then, necessitates the use of quantified job evaluation systems such as point factoring, market surveying, or a combination of both.

A number of states, including Missouri, Nebraska, Iowa, Oklahoma, Colorado, and North Dakota use point factoring systems at least to a limited degree. Missouri and Colorado use a combination of whole job and point factor systems. The State of Wyoming has had a point factor system for a number of years, but recently reverted to the whole job classification method of job evaluation. In most cases, point factor systems require the services of a consultant to develop and implement.

Summary

In Kansas, because systematic maintenance of the classification plan is in place which maintains the integrity of classifications in the plan, wholesale consolidation of classes is not needed at this time to adopt pay for performance. Further, the whole job classification method of job evaluation works well in Kansas for most jobs, and more consolidation of classes for the purpose of embracing pay for performance is unnecessary and would make the current method of job evaluation less effective. However, the State should remain open to considering quantified job evaluation systems in the future for some types of jobs, if job classifications for those jobs are broadened to the extent that whole job evaluation becomes ineffective.

- 3.5 Implementation.** We request that you examine and report key aspects of implementation of any new pay plan for the state of Kansas. This would include a detailed list of statute changes required, changes in standing regulations, new statutes or new regulations may be necessary for the implementation of any new pay plan. In addition, your recommendations and views regarding phased implementation as opposed to block implementation would be extremely helpful. Consideration of pilot programs for supervisory and managerial employees or another homogeneous group of employees would also be worthy of your examination.

Assumptions

Any implementation strategy the State of Kansas would adopt regarding performance-based pay would include the following assumptions:

- **The method of budgeting for pay increases may need to be modified.** Depending on the degree of decision-making delegated, agency administrators may need to provide estimates of salary and wage increases based on individuals' performance and their value to agency programs rather than scheduled step movement and length of service. In addition, administrators may need to be knowledgeable about where individual employees' pay is in relation to the market rate of their job class, and factor this into their budgeting decision. At a minimum,

agency administrators would need to be able to manage a “pool” of money and decide how it should be distributed.

- **Administration of individual pay increases would be delegated to some degree.** In states such as Georgia and Idaho, pay administration is decentralized to a significant degree. In fact, the Georgia central human resources group acts as a “consultant” to state agencies, competes with private sector human resources in bidding for provision of services, and charges fees to the agencies that they serve. Other states such as Oklahoma and Colorado will delegate pay administration to state agencies within the framework of specific guidelines. In Kansas, agency managers could initially be responsible and accountable for allocating a pool of money similar to the “merit pool” that is allocated among unclassified employees.

- **Adequate funding for performance-based increases would be available.** Annual direct compensation budgets of most employers consist of 1) adjustments to pay plan structures, 2) additional adjustments to the pay of specific job classifications

States surveyed by the Division of Personnel Services report that **insufficient funding** is the major hindrance to performance-based pay programs.

to reflect market rates, and 3) within grade pay increases, and 4) variable pay. States surveyed by the Division of Personnel Services report that **insufficient funding** is the major hindrance to performance-based pay programs. The two most common scenarios of inadequate funding are: (1) actions which enable agencies to reward employees for performance, but for which funding is inadequate, and (2) failure to effectively fund various components of the annual salary budget. For example, in the State of Arizona 67% of all state employees are paid in the bottom half of the pay ranges due to inadequate funding of “within pay grade” increases. This results in insignificant pay differences between long term employees and new hires. Nebraska also has not provided sufficient funding for “within pay grade” increases. The result of these practices means that even employees with 10 years of service are still 3% below the midpoint (labor market rate) of the pay grade. Missouri has also historically under funded “within pay grade” increases. Missouri will attempt to address this issue this year by funding multiple step increases to employees who are more than 10% below the market rate.

- **Statute and Regulation changes will be required to replace longevity-based step movement with performance-based increases, both in the form of increases to base pay and increases in the form of bonuses.** A detailed list-of potential statute and regulation changes is shown below:

**PAY/PERFORMANCE REVIEW STUDY
POTENTIAL STATUTE & REGULATION CHANGES**

Statute #	Title
75-2938	Classified service; assignment of positions to classes; titles and descriptions for classes; assignment of classes to ranges; pay plan; wage and salary surveys; delegation of assignment of positions; schedule of salary and wage ranges and steps; approval of governor.
75-2943	Notice of new positions and vacancies; certification of names; probationary appointments; performance ratings; public inspection; rules and regulations.
75-2944	Vacancies filled by promotions or transfers; probationary promotions, right of demotion to prior job class in certain cases.
75-2947	Transfers; leaves of absence; reinstatements.
75-2948	Layoff procedures; notice to director and affected employees; reemployment preference, when.
75-2949	Dismissals, demotions and suspensions; basis; procedure; hearings; status after demotion; employee relieved of duties pending investigation.
75-2949d	Dismissal, demotion or suspension of permanent employee in classified service; grounds and procedure, generally.
75-2949e	Dismissal, demotion or suspension of permanent employees in classified service; evaluation requirement, exceptions; counseling.
75-2949f	Same; personal conduct detrimental to state service.
75-3746	Director of personnel services; powers and duties.
75-3747	Powers and duties of secretary of administration; agreements with state agencies, adjutant general.
75-37,106	Employee suggestion award program and employee service award program.
75-37,115	Kansas quality program; state employee incentives; procedures; guidelines; quality awards, basis and limitations; rules and regulations.
75-5501	Formulation, installation and operation of system of payroll accounting; system elements and principles; modification for biweekly payroll period; plan for deductions for certain employee organization and association dues.
75-5501a	Biweekly payroll periods; university of Kansas medical center; statutory authorization required for establishment; approval by; "approval date"; integration into payroll accounting system; "implementation date"; transition period, authority to vary procedures.
75-5502	Payroll accounting system; staggered or cycled payroll periods or pay dates, limitations; powers of director of accounts and reports.
75-5505	Same; standard 40-hour workweek established; exception, when; submission of information to director of accounts and reports; inapplicability to elective state officers.

Statute #	Title
75-5515	Same; fixing of salaries and wages on annual basis prior to beginning of fiscal year; reports of changes to director accounts and reports; payroll periods; budgeting and accounting for payments.
75-5537	Overtime compensation, mandatory provisions of rules and regulations; invalidation of contrary provisions.
75-5541	Longevity pay; eligibility; limitations; administration.
Regulation #	Title
1-2-25	Compensatory time credits.
1-2-51	Pay increase date.
1-2-54	Pay grade.
1-2-86	Time-on-step.
1-4-1	Preparation of classification plan.
1-5-1	Preparation, installation, and revision of the pay plan or plans.
1-5-4	Assignment of classes to pay grades.
1-5-7	Employees to be paid within the pay grade, approval of employee pay changes; effective date; retroactive increases.
1-5-8	Beginning pay.
1-5-9	Pay of temporary employee.
1-5-10	Pay of employee rehired by reinstatement or reemployment.
1-5-11	Pay of employee returned from military leave.
1-5-13	Pay of employee promoted to a higher class.
Regulation #	Title
1-5-14	Pay of employee upon transfer.
1-5-15	Pay of employee upon demotion.
1-5-16	Pay of employee in position reallocated to a lower class.
1-5-19b	Individual pay step increases.
1-5-19c	Effect of pay grade changes on pay.
1-5-20	Individual pay decreases.
1-5-21	Biweekly salary or hourly rates.
1-5-22	Payment for two or more positions.
1-5-24	Overtime.
1-5-25	Call-in and call-back pay.
1-5-26	Stand-by compensation.
1-5-28	Shift differential.

Regulation #	Title
1-5-29	Longevity bonus pay.
1-5-30	Benefits for employees activated to military duty.
1-6-24	Transfer.
1-6-27	Demotion.
1-7-3	Probationary period.
1-7-4	Duration of probationary period.
1-7-6	Notices relating to probationary periods and extensions.
1-7-10	Performance reviews.
1-7-11	Employees entitled to appeal performance reviews.
1-7-12	Performance review appeal procedure.
1-9-2	Holidays.
1-9-13	Payment for accumulated vacation leave and compensatory time credits upon preparation.
1-10-6	Dismissal, suspension or demotion.
1-10-7	Relief from duty, or change of duties, of permanent employee, with pay, under certain circumstances.
1-14-7	Agency submission of layoff notice to director.
1-14-8	Computation of layoff scores.
1-14-9	Layoff notice to employee.
1-14-10	Procedures for bumping and layoff conferences.
18-1-2	Service award.
18-2-1	Eligibility to receive award.
18-2-2	Acceptable suggestions.
18-2-3	Non-acceptable suggestions.
18-2-4	Suggestion submission; evaluation; approval.
18-2-5	Types of award; payment of award.
18-2-6	Determination of cash awards for suggestions with intangible benefits.
18-2-7	Suggestion property rights.

Other Considerations for Implementation

If the State of Kansas is to have performance-based pay, consideration should be given to the following factors:

- **Total Compensation** - Implementation of any performance-based system should consider an employee's total compensation. **Total compensation** consists of both of direct and indirect compensation. **Direct compensation** is defined as all forms of compensation that include direct and immediate payment to the employee, and consists of base pay, premium pays, differentials, bonuses and incentives. **Indirect compensation** is defined as compensation beyond base pay and incentive pay, and consists of employee benefits such as employer contributions to employee health care insurance, unemployment insurance, workers' compensation, social security, and retirement.

Thus, consideration of compensation program redesign is not limited to pay issues. States are reviewing their indirect compensation program to coordinate with their direct compensation programs to achieve more efficient total compensation programs. Paid leave and retirement

Thus, consideration of compensation program redesign is not limited to pay issues.

programs are one example. Employees can often cash out accrued sick leave upon retirement. The most common methods for cashing out accrued sick leave involves paying a portion of the accrued leave as cash or converting accrued sick leave to service credit for the purpose of calculating retirement benefits. West Virginia, Idaho, and Minnesota allow employees to convert accrued sick leave into health care premiums at retirement thus lessening the financial burden of health insurance for retirees. Other states, such as Arkansas and Missouri are encouraging employees to be more responsible for their financial security after retirement by having the State contribute to employees' voluntary deferred compensation plan which supplements retirement benefits. **Such measures might be considered as alternative ways in which to reward long-term employees rather than direct pay rewards for longevity.** North Dakota is reviewing the potential for converting from a defined benefit retirement plan to a defined contribution plan, which are more common to the private sector. Idaho, New Mexico and Arizona have developed short term disability programs for employees to supplement sick leave.

If the employer's direct compensation program includes base pay, **variable pay** rewards and premium pays the minimum and maximum pay rates are established on the combined values of minimal and maximum pays received or achievable under these pay programs. Incentives, such as bonuses, do not build into an employee's base pay and are more appropriate for rewarding employees for one-time achievements, e.g. production bonuses, and project bonuses. Incentives are often referred to as **variable pay** or "pay at risk" programs. Funding for these reward programs comes from a limitation of earning potential in the base pay. If an employee is successful he or she may earn more than their base pay. If an employee is not successful, they will earn less than they would under a pay plan that only includes base pay. Variable compensation programs are designed so

that only those employees who achieve specific goals will receive additional rewards (pay). For this reason, the maximum potential pay under a variable pay program is higher than that provided for in a base pay only compensation program. Some variable pay programs are designed for individual employees while other are designed for teams of employees.

Other states are seeking ways to use variable pay in rewarding employees. Some states are providing bonuses as a method for rewarding employees for their contributions. In Idaho, agencies can provide a bonus of up to \$1,000 per year to excellent performers. This program has not proven successful because agencies must fund these bonuses from within their existing budget. Iowa provides pay for performance bonuses based on a percent of the employees base rate. There are no limits on the bonuses but they average approximately 10% of base pay. Bonuses are viewed as valuable incentives in rewarding employees for achieving short term goals or attaining proficiencies in critical skill areas. In addition, bonuses provide an efficient incentive which does not build into an employee's base pay but must be re-earned each year and is subject to meet the changing needs of an organization.

Some states are seeking ways to use bonuses to reward and recognize specific skills and competencies. Most of this work is at the research stage at this time. The State of Kansas implemented a bonus system which provides bonuses to employees with specific skills in information technology (IT) jobs which are critical to the State. The labor market recognizes the value of different IT skills and pay rates for programmers, systems analysts and other varies substantially according to their specific skills. The State's IT bonus program provides a method for rewarding employees for skills which are critical to the State while providing a monetary reward to maintain a competitive position in attracting and retaining these employees. These bonuses do not build into the base pay like regular pay increases so they can be adjusted to meet dynamic technological changes and labor market conditions. While this program is still in its infancy, indications are that recruiting and retention of Kansas IT employees has improved. The program has captured the interest of public employers throughout the country.

The most common types of **premium pay** include **geographic differentials, shift differentials, weekend premiums, holiday pay, and hazard pay** for work that is not common to the occupation. As employees differ with respect to their skills, abilities and motivation, employers design reward programs to recognize and reward these differences. The most common method of rewarding employees involves the placement or movement of employee pay within a pay grade. These types of rewards build into the base pay of an employee and are, therefore, more appropriate for rewarding employees for continued achievement. Historically, the two most common criteria used for gaining higher pay rates within a pay grade are employee performance or longevity. Employers are now experimenting with the use of employee skills or competencies as a basis for pay increases within the pay grade.

Direct compensation programs of private sector employers commonly include base pay, variable pay (incentives and bonuses) and premium pays. Private sector employers commonly use a combination, if not all of these methods for compensating employees. In addition, private sector employers commonly use a combination of different direct compensation components for different occupational groups, e.g. unskilled, skilled, technical, professional and managerial employees. Also, the compensation practices of private sector employers often differ with respect to the industry they serve such as health care, engineering, or manufacturing. Thus, these employers design their compensation programs to be competitive within their specific industry. Another component of private sector pay plans is providing different levels of pay based on prevailing geographical market differences. This may be manifested by the use of geographical pay premiums, or across the board pay rate differences for like jobs.

- **Employee Participation** - The success of implementing any performance-based pay system depends on the participation and input from employees during the development, implementation, testing, and evaluation processes. This is crucial to ensuring that the merits of such systems are taken seriously and fairly considered.

The existence of compensation committees appears not only to provide a useful means of addressing compensation issues, but also sends a positive message to state employees and the public that compensation of state employees is a matter that needs to be regularly and consistently dealt with, rather than an issue of routine importance.

Compensation Committees - Several states report the existence of compensation committees which serve in an advisory capacity to the governor, legislature or both. Such committees do not replace the current compensation function in the central personnel agency, but serve as an additional sounding board for compensation policies. Members of these committees are commonly appointed by the governor and include members of the legislature, representatives from the private sector, representatives for the governor and high level state managers.

Idaho has two employee compensation committees. The first committee, comprised of members of the legislature, Chief of the Governor's staff and staff representing budget and human resources considers policy issues. The second committee which addresses daily operating issues is comprised of agency managers and human resource staff. The Pay Board in New Mexico, consisting of appointed members, serves in an advisory capacity to the governor on pay issues. The Wyoming Compensation Committee, consisting of a senator, a representative, and agency director and two appointees from the private sector, meets to discuss pay issues. The existence of compensation committees appears not only to provide a useful means of addressing compensation issues, but also sends a positive message to state employees and the public that compensation of state employees is a matter that needs to be regularly and consistently dealt with, rather than an issue of routine importance.

Implementation Strategies

How can the State of Kansas successfully implement performance-based pay when it involves a such an enormous cultural difference from the pay system that has been in place for nearly sixty years? A major factor to consider is to **proceed at a moderate pace. Thus, carefully planned, phased implementations are prudent courses to follow if the State is to effect successful cultural change.** A cultural change of this magnitude may require at least a decade to be fully accepted, and is likely to encounter major resistance if launched by a major program that mandates it to occur. There are implementation strategies, however, that over time can facilitate the transition from the traditional longevity-based system we now have, to systems that more closely reflect the characteristics of contemporary pay systems on the right side of the Pay Philosophy Continuum illustrated in Chapter II of this report. The State of Kansas, like most employers, will probably not chose to adopt all of the characteristics listed on that end of the continuum. Rather, only certain characteristics of performance-based pay may be chosen if they fulfill a particular need the State identifies.

1. **As an initial strategy in moving toward performance-based pay, the Civil Service Act and its supporting regulations would need to provide flexibility to develop and pilot test different types of job evaluation, pay, and employee evaluation systems.** This flexibility does not currently exist. This could be accomplished by amending the Civil Service Act to provide for pilot testing of such programs. This approach would also allow existing Civil Service statutes and regulations to exist without major modification until tested programs could be evaluated and considered for permanent implementation.
2. **Another strategic measure could be to eliminate or substantially reduce steps on the current pay matrix.** Percentage increases comparable to step movement (2.5%) could continue, but eliminating steps would pave the way toward providing performance-based pay in the future, without disrupting the pay structure. If agency managers were to have limited flexibility to manage a merit pool for pay increases under this arrangement, they would gain familiarity with making variable pay decisions. **This would require modification mainly to K.A.R. 1-5-1 through 1-5-23 which make reference to steps on the pay plan.**
3. **A third approach could be to begin analyzing job classes and class series by occupational category to assess their adaptability to pay for performance.** For example, it may be too difficult to measure performance distinctions among employees in jobs where the work is routinized. Others, such as managerial jobs, may be better adapted to a performance-based pay system. Once this type of analysis is completed, pilot groups could be selected to test the effectiveness of performance-based pay systems. Initial selections could be based on agencies who wish to volunteer as pilots. After an established time period (perhaps a minimum of two years), the effectiveness of these pilot programs could be evaluated and considered for more permanent implementation.

In using this type of approach, the State does not commit itself to programs that may not be successful. By the same token, if piloted programs are successful, the experience will make affected employees and managers more receptive to 1) carrying the programs forward; 2) developing improvements; and 3) selling the concept to other agencies and their employees.

Implementation Scenarios

Possible alternatives for implementing a performance-based pay system in the State of Kansas are described below.

Scenario 1

This scenario opens the door for the State of Kansas to consider a number of different performance-based pay systems, to test, evaluate, and improve upon those systems, and does not commit the State to any system or systems that have not been part of this evaluation process. Thus, it represents a gradual approach that supports, rather than forces cultural change.

<u>Actions</u>	<u>Date</u>
1. Notify employees that FY 2000 pay plan will be the last pay plan with steps.	July, 1999
Remove steps from FY 2001 pay plan.	July, 2000
3. Consider legislation to provide for development and pilot testing of pay systems.	2000 legislative session
4. Review of occupational categories to identify adaptability to performance-based pay and choose homogeneous employee groups as pilots on a volunteer basis.	July, 1999 through July, 2000
5. Train supervisors and employees of affected pilot groups.	July, 2000 through June, 2001
6. Pilot test new systems.	July, 2001 through June, 2003.
7. Evaluate results, improve systems, discontinue, or consider permanent implementation.	July 2003

Scenario 2

This scenario also depicts a gradual process in order to facilitate cultural change. However, it assumes that a single performance-based pay system would be developed and implemented for all employees without prior testing. It also would require extensive revision to Civil Service Act and administrative regulations (see the attached listing of Potential State & Regulation Changes), and comprehensive training of employees, supervisors, and managers.

<u>Actions</u>	<u>Date</u>
1. Notify employees that FY 2000 pay plan will be the last pay plan with steps.	July, 1999
2. Remove steps from FY 2001 pay plan.	July, 2000
3. Consider legislation to replace movement through pay plan on the basis of longevity with movement based on performance in 2002.	2000 legislative session
4. Rewrite KAR's to reflect legislation, if passed.	July, 1999 through July, 2000
5. Train supervisors and employees statewide on performance-base system.	July, 2000 through June, 2002
6. Implement performance-based pay system.	July, 2002

Scenario 3

This scenario is similar to Scenario 2 except that it provides for pilot testing of a single, performance-based pay system. Pilot testing of supervisory and managerial employees would occur in agencies that have participated in Executive Development and Employee Leadership training programs. It also requires passage of legislation to allow pilot testing in addition to legislation to implement the new performance-based system.

<u>Actions</u>	<u>Date</u>
1. Notify employees that FY 2000 pay plan will be the last pay plan with steps.	July, 1999
2. Remove steps from FY 2001 pay plan.	July, 2000
3. Consider legislation to replace movement through pay plan on the basis of longevity with movement based on performance. Also consider legislation to provide for development and pilot testing of pay systems.	2000 legislative session

4. Rewrite KAR's to reflect legislation, if passed. July, 1999 through July, 2000
5. Train supervisors, managers and employees in selected agencies that have participated in Executive Development and Employee Leadership Programs. July, 2000 through June, 2001
6. Implement performance-based pay system for selected agencies for a two-year period. July, 2001 through June, 2003
7. If successful, implement system for other agencies. July, 2003.

Summary

Whatever type of scenario would be chosen, the State of Kansas should continue to proceed with caution in its movement toward performance-based pay. The watchword in this process should be, "Is this workable in our culture?" What has been developed by mandate in other state governments cannot always be carbon copied and implemented in another state, because states vary in size, resources, cultures, and political climates.

The State of Kansas should be searching for new and creative ways in which to recruit and retain a quality work force, and to provide the best possible compensation within the resources that are available. This cannot be achieved without experimentation, evaluation, and willingness to consider alternatives.

Successful transition to this type of culture is achievable through gradual, but carefully planned experimentation and sustained training support. This effort likely will require the assistance of consultants who are experienced in the development and delivery of cultural change programs. Concurrently, performance-based pay systems that support this new culture may be developed, tested, and implemented in settings where they enhance and support human resource management goals, agency strategic goals and objectives, and standards of cost effectiveness.

Flannery, Hofrichter, and Platten of the Hay Group seem to have most effectively summarized and provided guidance regarding how to manage relationships among pay, performance, and culture in their book, People, Performance, and Pay, where they list the following “Nine Principles of Dynamic Pay”:

1. *Align compensation with your organization's cultures, values, and strategic business goals.* When the dust finally settles, the failure of most compensation programs today can be traced to a lack of alignment. Older, established programs fail because they no longer support the evolving work cultures. New programs fail because they are designed without a recognition of those cultures. That is why it is so critical to not only understand how cultures have changed, but also to determine where your organization is in the cultural universe and to assess where it needs to be headed.
2. *Link compensation to the other changes.* Yes, pay is important. But don't put it on a pedestal or keep it in isolation. Compensation should support and reinforce other change initiatives and be fully integrated with them. Pay today is about far more than security or status. It is a tool that, when tied to performance, can be used effectively to motivate and empower employees, increase productivity, and improve quality. A compensation program that is suddenly introduced amid dozens of other changes such as reengineering or quality improvement, but which is not presented in the context of those changes, stands a good chance of not just failing, but backfiring---creating mayhem where there should be momentum.
3. *Time your compensation program to best support your other change initiatives.* As in sports, business, and most of life's other pleasures, so in compensation: timing is everything. Simply knowing where your organization is and where it is headed doesn't mean you're ready to implement a new pay strategy. All too frequently, new compensation plans are introduced too early in the change process. Many organizations believe---wrongly---that compensation is the ideal catalyst to propel the organization through change. Certainly pay is a powerful motivator. It is an excellent vehicle for reinforcing new values and behaviors. But it cannot *drive* or *lead* the change process.
4. *Integrate pay with other people processes.* As important as compensation is today, it alone cannot provide the support that the people in your organization need. Rather, it must be developed in the context of a more complex human resources system that includes how work is designed, how people are selected and developed for that work, and how their performance is managed.
5. *Democratize the pay process.* To centralize pay decisions or to decentralize them, the debate continues. Do neither. Instead, democratize the process. Do not condemn compensation to the “black hole” of human resources. Make every executive, manager, and supervisor accountable for their part of the compensation program. Certainly there are aspects of compensation, including policy and core administrative issues, that should be centralized. But many of the ongoing day-to-day activities surrounding compensation---including most communications and specific performance/pay issues of both individuals and teams---should be handled at the line, the department, or the team level. If you are really going to give people more power, if you are serious about asking them to share in the success of the organization, then you'd better be ready to give them more authority for the rewards that

Chapter IV. Conclusions

Investigation of performance-based pay, quantified job evaluation, broad banding, and a host of other contemporary human resource management systems during the past year has led to the conclusion that the State of Kansas is attempting to bring about a change in culture, rather than a change in pay philosophy, per se. The new culture would take on the following characteristics:

- Responsiveness to changing needs of government.
- Shift in responsibility and accountability.
- Recognition of accomplishment over length of service.
- Realization that different kinds of work may be worthy of different treatment.
- Continued adherence to quality management principles such as customer service and process improvement.

The new culture would reflect responding to changing government needs and a willingness and ability to try new things before implementing system-wide changes. This would be accomplished through a statutory provision to allow pilot testing, evaluation, and enhancement to different types of pay systems, employee evaluation programs, and other human resource management programs.

Another aspect of the cultural change would involve a shift in responsibility and accountability for determining employee increases. The responsibility that current exists centrally in the form of standardized regulations would shift to agency managers who would be responsible for determining who received increases and to what degree within available resources. This change also would reflect greater recognition of individual accomplishment and less recognition of length of service.

The future culture of the State of Kansas as an employer would reflect a realization that different jobs may need to be treated differently in terms of employment, job evaluation, pay practices, employee evaluation in order to recruit and retain an effective work force. This aspect of cultural change also embodies the realization that the State of Kansas is a unique employer with needs that may differ from other state governments and private employers.

The future culture of the State of Kansas as an employer would reflect a realization that different jobs may need to be treated differently in terms of employment, job evaluation, pay practices, employee evaluation in order to recruit and retain an effective work force.

Finally, the culture would continue to support the progress the State of Kansas has made in adopting quality management principles such as customer service and continuous improvement of processes that serve the people of Kansas.

supposedly will result from their new-found responsibility.

6. *Demystify compensation.* You can't, of course, expect people to be accountable for something they don't understand. If pay is truly going to motivate people and help support change, then---like many other organizational processes---it needs to be hauled out of the safe, unwrapped, and displayed for all to see. That doesn't mean that the pay of individual employees should suddenly become public information. Certainly sensitive confidential issues remain. But the bigger whys and hows of compensation should be known throughout the organization. Communicate continually. Inform, educate, share success, and acknowledge setbacks. Although this is a lot of work, we guarantee it is worth the effort.
7. *Measure results.* There is no use tying pay to performance if you can't or don't measure that performance, or if you are unwilling to pay significantly more for superior performance. The measures you use depend on your organization and its goals. They may be based on financial performance, productivity, quality improvement, economic value added, shareholder value, or customer service. Many organizations find a combination most appropriate. Whatever the measures, they must be understood by the employees in the program. The bottom line: If performance can't be accurately measured, if employees don't understand how it is evaluated, or if they can't see the link between their efforts and the desired results, the program won't work or will be less than fully effective.
8. *Refine. Refine again. Refine some more.* Call it CCI---continuous compensation improvement. Once your new compensation program is implemented and running smoothly, don't turn your back and walk away. Instead, review it on a regular basis, refine those elements that need improvement, and change those that aren't working. You may, for example, find that an incentive program that once worked well is now reinforcing inappropriate behavior and advancing the wrong goals. Or, you may find that your employee benefits program---the one that everyone used to think was wonderful---no longer meets their needs. Remember, pay is not a static process. To maintain its effectiveness, it must continually change as the organization evolves.
9. *Be selective.* Don't take to heart everything you hear or read about pay. When it comes to compensation, there are no miracle cures. There is, however, a seemingly endless supply of new theories and strategies about how people should be paid. Some are valid, value-adding options if---an important if---they fit your organization. So be selective. Don't grasp at the latest trend, or follow the lead of a competitor. Explore all the available options and then decide on the solutions that are right for your organization, your culture, and the changes you are going through (247-250).

Bibliography

- Fox Lawson & Associates, LLC. (1997). State of Kansas Revised Final Report: Diagnostic Review and Draft Philosophy and Strategies for the State's Classification and Compensation Systems.
- Flannery, Thomas P., Hofrichter, David A., & Platten, Paul E. (1996). People, Performance, & Pay. New York: The Free Press.
- Henderson, R. (1985). Completing the Compensation Package. Reston, VA: Reston Publishing.
- Kohn, Alfie. "Rewards Produce Temporary Compliance." Reprinted with permission from the Small Business Forum, Winter 1994/1995. Printed September 3, 1997 at www.fed.org/motivation/kohn.html.
- Lyons, Thomas F., & Callahan, Thomas J. (1996). A Third Role in Performance Appraisal: A Suggestion from the Medical Care Quality Appraisal Systems, Public Personnel Management, the Journal of the International Personnel Management Association, 25, 133.
- Editors of ProSci. Best Practices for Managing Change Report: Executive Summary. ProSci, 1998.