STATE OF CONNECTICUT
MANAGEMENT ADVISORY COUNCIL
SURVEY RESULTS - 2002

INTRODUCTION

In the early summer of 2002 the Management Advisory Council decided to survey the managers to determine if there were issues of concern that the Council should address.

A questionnaire was developed which contained twenty-one questions. The questions fell into three categories:

- Those with multiple answers that sought a ranking
- Simple Yes/No questions
- Traditional multiple-choice questions that sought one answer per category. More than one category may have been covered by a question

The questionnaire was sent to over two thousand managers. Three hundred and nineteen were returned and scored.

The main topics covered were:

- PARS – How it is used; how it should be used and what, if anything, is missing
- Salary Compression – Does it exist; if so, how prevalent is it and what is its impact
- Bonuses for "Exceeding Expectations" – How important are they; is the award objective and is it a motivator. Should the bonus process be changed and, if so, how should it be changed
- What should a performance evaluation tool do and what are its characteristics
- Training – Are there problems with obtaining training and in what areas is training available
- Comments on the above and any other areas were solicited

RECOMMENDATIONS

Based on a review of the survey scores, it is recommended that the Council address the following issues:

- Stop the erosion of Tier II retirement benefits by seeking a change to Sec. 5 –192f of the state statutes
- Stop the erosion of Tier I retirement benefits by seeking a change to the timing of the reduction of state benefits to coincide with the eligibility of full social security benefits
- Reduce the incidence and impact of salary compression by increasing the maximum salary for a job by 15%
- Replace the PARS system with an objective evaluation system that:
  - Measures an employees' performance against objectives, tasks and goals
  - Measures desirable characteristics of an employee
  - Minimizes the impact of upper level management on ratings due to the requirement to divide the bonus pool for "Exceeds Expectations"
- Separate the performance bonus from the evaluation system by either eliminating the performance bonus or establishing a separate system to consider only bonuses

- Change the structure of the performance bonus (if it is to be kept) so that the maximum is retained and the minimum is dropped to a low level
- Establish a MAC newsletter and use it to keep managers informed of progress and status

DISCUSSION

The responses were completed in a thoughtful manner; many contained written comments on the survey subjects as well as other subjects. One of those comments led to the first point of discussion.

Erosion of Retirement Benefits

Sec. 5-192f of the state statutes deals with Tier II retirement. This section states that the breakpoint salary that is used to reduce monthly retirement benefits will increase at the rate of 6% per year. This means that a salary increase of less than 6% will result in an erosion of retirement benefits. One cannot determine (without extensive research) the intent of the bill, but with its origin in 1984, a period of rampant inflation and rapidly escalating salaries, it is logical to assume that this was to protect and reduce the state's liability for future retirement benefits. The environment has changed; inflation is no longer rampant, salaries are increasing at a more modest rate – less than 6% - and retirement benefits are being eroded.

For instance, in 2005 the breakpoint will reach $40,900. If the three highest years of a manager's salary do not exceed the breakpoint, the breakpoint becomes a significant negative factor rather than a controller or growth modifier. There are no provisions in the statute to preclude the breakpoint calculation from becoming a negative number.

The six percent growth rate was an arbitrary limit, but was probably a wise choice at the time. It was probably lower than the Consumer Price Index and other indices. However, times have changed and so should the provisions of this statute. First, the breakpoint should not increase when the managers have no raise. If the breakpoint is allowed to increase because unions have gotten raises, then managers, as group, are not being treated equally. Secondly, the breakpoint increase should be more closely tied to the actual increase manager's receive for competent performance. The proper index may evolve as a combination of the budgeted percentage increase for the Managers and the Consumer Price Index

In the Tier I plan, state benefits are reduced at age 65, which was designed to coincide with eligibility for full Social Security benefits. The Federal Government has changed the age, depending upon the year of birth, at which full Social Security benefits may be obtained. Unless a person's birth year is 1937 or earlier, eligibility for full Social Security benefits starts at some age over 65. For instance, if the birth year is 1960 or later, full benefits cannot be obtained until age 67.

Performance Rating Systems

In general, performance-rating systems should either compare an employee's performance against objectives, projects or milestones or compare the employee against their peers. PARS, as constituted and proceduralized, does an acceptable job of comparing an employee's performance against objectives until the overall rating falls into the category of "Exceeds Expectations" which warrants a performance bonus. At that point agency management decides who should be awarded the bonus and this entails peer-to-peer comparisons that are not in the structure of PARS. The ratings may also be directed by a level of management that has no direct knowledge of the employees' performance. This may result in the situation where an employee and their supervisor believe that the employee is exceeding expectations, but the final rating, directed by higher management, is lower. Surprises at final rating time are a definite disincentive.

The respondents' perception of this procedure is not favorable to PARS. They perceive that the most important use of PARS, as currently used, is to divide the money available for raises and bonuses. In response to another question, they believe that the most important use of a performance measurement tool is to compare the employees' achievements against objectives, projects or milestones.

In summary, PARS is used for something that it was not intended for and is not being used for some things that the respondent group would like to see.

It seems that most of the angst surrounding PARS is related to the bonus issue. The obvious solution is to remove the bonus consideration from the PARS process. There are two ways to accomplish this: The first is to eliminate the bonus entirely. 60.6% of the respondents found that such an action would be a positive or insignificant factor. This would make the PARS process more pure and would eliminate the necessity of upper management to direct ratings so that the pool of bonus money could be divided. The second is to create a separate bonus process that would be based on the PARS (or other performance measuring tool) overall rating and would only require a YES/NO decision from upper management. This second alternative is not directly from the survey, but is a way to support the almost forty percent of the respondents who found the elimination of the bonus to be objectionable. If the bonus process is to be retained as an integral part of PARS, then the funding for the bonuses should be increased so that performance ratings are not driven by financial constraints. It is the financial constraints that force the PARS raters to move from a comparing an employee's performance against projects, milestones or other objective criteria to a peer-to-peer basis.

There were so many negative responses and comments about PARS that any effort to repair it would, in all likelihood, have questionable results. It is probably more efficient and would have a better impact on morale to implement another protocol. This recognizes that PARS contains most of the elements that the respondents have deemed desirable in a performance measurement tool. PARS, however, should be retained in its present form until an acceptable alternative is found and tested.

Bonus Structure

60.9% of the respondents recommended that the bonus structure be changed. The biggest group suggested the minimum and the maximum be eliminated. Eliminating the maximum opens the door for abuse; where upper management could give very large bonuses to a favorite or a group of favorite employees. It is widely recognized that money is not the prime motivator in white-collar ranks, but rather self-fulfillment and peer recognition are prime motivators. Consequently, eliminating the minimum – within reasonable limits – would not harm the effectiveness of the bonus as a motivator; and would increase the theoretical percentage of deserving managers who could get such recognition. While 55.3% of the respondents found that the bonus was either an insignificant motivator or a disincentive, it is clear from the comments that the process has a lot to do with the negative feelings.

Any question dealing with increasing money available to the managers received an overwhelming positive response. This is not unexpected. Budget considerations notwithstanding, the foundation for certain changes must be laid soon to maintain some sort of equality between the managers and unions. The first is to restructure the bonus so that more may participate and the second is to address salary compression, which is the next topic to be discussed.

Salary Compression

Two thirds of the respondents found that salary compression is a problem. Over half of the respondents are personally affected by it. Given COLA and the increased number of steps available to the bargaining units, the salaries for the union personnel are increasing at a faster rate than that of the managers and, in addition, the union salaries have, in many instances a higher upper limit than the supervising manager. In recent years the number of “steps” within a bargaining unit pay grade has been increased. This means that a supervised, union employee may make more than the supervising manager. If salary compression is a problem today, it will only get worse in the future unless something is done. Increasing the amount of money available for managers’ raises will not solve the entire problem since over half of the respondents are at the top of their grade. It will help those that are not at the top of their grade and, for whom salary compression is a problem.

The other side to this equation is increasing the grade limits – adding steps if you will to the managers’ pay grades. This will have no budget effect if implemented this year…a year without raises. Indeed, it could be timed so that it would have no effect in the year of implementation. It will, however, have a budget impact in the second and subsequent years of operation. It will, also, tend to return salary as a performance motivator. It will have somewhat of an impact on retirement costs since the potential earnings of managers are increased.

Since retirement funding is a future consideration it will be paid for with less valuable dollars than we have today. Also, funding for retirement is not 100% at retirement. Consequently, there is certainty that dollars will be even cheaper and there is some probability that, because of death, certain retirements will never be completely funded.

As long as union salaries increase at a faster rate than the managers’ salaries, the problem of salary compression will continue to grow at an accelerating rate.

Training

56% of the respondents found training unavailable or difficult to obtain. Most cited the unavailability of time or money to use for training purposes. The survey did not measure the weight of either “time” or “money”. The impact of the current budget situation was not measured, but it is sure to have had some negative effect. If money: tuition, registration fees, travel, etc. was the only problem, it could be addressed by recommending the establishment of a training fund as some union contracts do. Time, however, is a different matter and can have a variety of causes such as trained staffing shortages, job structure/descriptions and management attitude. Unfortunately, the survey is only marginally beneficial in this area. The 56% referred to above is too high. We know that technology is changing job content at an increasing rate. It is imperative that the managers keep pace with the rate of change so that they can do their jobs for the citizens of Connecticut in a timely and efficient manner. To accomplish this, training is necessary; it is suggested that each agency make a commitment to properly train managers and be willing to reserve the time and money to properly accomplish the necessary training.

Dealing with the categories of training, the respondents found that “Software Packages”, “Personal” and “Job” were the most popular. The selection of these categories implies that the employer is trying to support the employee to accomplish a job – when and where training was performed.

Effect on the Managers

Stating that managers’ morale is low is felt to be an understatement. It is, also, subjective and anecdotal. Whatever strategies the Council selects, the only one that will have a negative effect is to do nothing. The response rate is very high for this kind of survey, and, as has been said ‘only those that are unhappy will respond’. Well accepting that comment as absolute truth; then we have a large number of unhappy managers. Selecting a strategy, pursuing change and publishing our results – positive or negative – will have a positive effect on the environment. It will show the managers that we care about the issues that affect them and it will show the policy makers that we expect equal and fair treatment.

APPENDIX – Analysis of Responses

Question # 1: How is PARS used?
The purpose of this question is to determine how people perceive the use of PARS. The possible answers are divided into two groups: Allocating dollars and monitoring performance. Eliminating the 7 responses that indicated that PARS is not used we have the three categories deal with money: raises, bonuses and ranking. 47.4% of the positive responses (picked a category) said that PARS was used to allocate dollars. The remaining 52.6% said that it was used to monitor and motivate.
The conclusion from the results of the first question is that PARS is used for two purposes: observing performance and allocating dollars.

Question # 2: What is the most important use of PARS? (Same categories as Q#1)
Over 53% of those giving positive responses said that the primary uses of PARS dealt with money. The remainder said that the primary use of PARS was to monitor and motivate. This agrees with the results of the first question. However look to other questions to ascertain if these responses were influenced by the "school solution": monitor and motivate.

Question # 3: What category is very important, but not used?
Again the same categories were used. Over 78% of those giving a positive response (picking a category) said that PARS was not, but should be used to monitor performance (motivate, monitor and match goals). This questions the results of the first two questions – were they the school solutions?

Question # 4: Is salary compression a problem?
Over 66% of the respondents to this question said that compression is a problem.

Question # 5: Personally affected by compression?
51 % of the responses indicated personal impact. Over 12% solicited personal contact. The conclusion that can be drawn from these last two questions is that compression is an important issue. Many, who are not personally affected, recognize it as a problem. Also, the number seeking personal contact may indicate that, not only is it widespread, but that the personal impact is significant. Note: We should establish a protocol for contact.

Question # 6: Are you at the top of the salary grade?
50% are and 50% are not. Assume that 50% are at the top of the grade do not have a problem with compression. Since the union salaries are advancing faster than the managers, compression can be seen to reach 100% if nothing is done. Now, if we assume that that the 50% that are not at the top of their grade are affected by compression; then the problem will not only tend towards 100%, but the supervised, union personnel will tend to earn a lot more than the supervisor. In either scenario a problem brews.

Question # 7: Rate Training Opportunities.
The five categories can be grouped into two: positive, no or slight problems and negative, significant or not available. There were 315 responses by 310 respondents. 1138 or 43.8% found little or no problem getting training. Almost 39% found that there were significant problems with getting training. 55 or 17.5% said training was unavailable. The impact of the current budget situation was not measured, but 56% - comprised of those who found significant problems or who found training unavailable - is an awfully high number.

Question # 8: Available areas of training.
270 respondents listed 703 areas of training. The lowest, “Academic” (34) represented only 4.8% of the choices. The highest, “Software Packages” (175) was virtually 25%. The “Personal”(111) and “Job”(144) selections, when combined, represent 36% of the choices made. Combining the Personal, Job and Software Packages categories, it seems as if the employer is supporting the employee.

Question # 9: Are ratings changed or directed?
Over 78% of the respondents said that ratings were directed or changed. In other words, over three quarters of the rating managers do not have the final say how an employee is rated. **Note**: This is not where the employee’s boss’s boss formally signs off on a different rating than the one given by the direct supervisor, but where the boss is told how to rate the supervised manager.

Question # 10: How *should* a performance tool be used?
Almost 95% of the responses to this question indicated that an employee should be measured against “objectives, projects or milestones” rather than “against their peers”. There were eleven respondents that chose both answers. These responses should be considered with question 1, 2 &3.

Question # 11: How *is* the performance tool used?
38% of the responses indicated that the performance tool is not used to measure an employee’s performance against objectives. There is a major difference between what should be, question 10 and what is, question 11. This should be an area of concern.

Question # 12: Is the tool effective?
Of the 411 responses to this question, 59.8% indicated that the tool is ineffective to motivate or to increase and monitor performance. Only 15.3% indicated that it motivates. The effectiveness of the tool to increase and monitor performance was judged very evenly, 102 indicating, “Yes” and 111 indicating “No”.

Question # 13: What would be the impact of eliminating the bonuses?
Over 60% of the responses indicated that eliminating the bonuses from the PARS system would be either positive or insignificant. 39.4% found that it would have a significantly negative impact on the organization.

Question # 14: Is the bonus for exceeding expectations an incentive?
Interestingly, an equal number of responses labeled the bonus as a “driver” and a “disincentive”. Of the total number of responses, 10.9% more indicated that the bonus was an insignificant motivator than those who indicated it was a significant positive factor. Considering only these two responses, ”Significant Plus” and “Insignificant”, 49.3% called it insignificant and 38.4% called it a significant positive factor.

Question # 15: Would it be wise to increase the money allocated for bonuses?
Fully two thirds thought that it would be wise to make more money available for bonuses. That leaves one-third that thinks it unwise to increase the allocation for bonuses. The current budget situation may have affected the answers to this question or perhaps there is a significant group that does not like the bonus – or the bonus process.

Question # 16: Eliminate the minimum and/or maximum of the bonus?
Only 19.6% of the responses indicated that either the minimum or the maximum should be eliminated. The remaining responses are almost evenly divided between eliminating both the maximum and the minimum (112) or making no change (106). However looking at it from a change/no change point of view, the overwhelming number of responses (61%) are suggesting a change.

Question # 17: What is the value of the annual PARS review?
66% of the responses indicated that the annual review was insignificant or had a negative impact on the employees. Most of the responses (159 of 295) indicated that the annual review is insignificant.

Question #18: Does the organizational level of the manager’s position affect their rating?
This was a Yes/No question that was almost evenly divided. A preponderance of “Yes” answers may have indicated systemic favoritism. A preponderance of “No” answers may indicate a more objective approach to rating. Several respondents pointed out that top performers get promoted and tend to continue top performance, which is reflected, in their ratings. The results of this question are somewhat inconclusive being split almost evenly.

Question #19: What are the most important uses of a performance-rating tool?
From the results of this question, we should look for a rating system that measures the following, in sequence:

First: Measures the individual’s performance against objectives, tasks and goals
Second: Measure the desirable characteristics of the employee
Third: Used to divide available dollars for raises and bonuses.

Question #20: Increase the maximum salary within a job by 15%?
Only 13% (38) disagreed with the concept of increasing the salary range by 15%. Of these, 31 suggested other values/approaches leaving 2.4% of the respondents that answered “No” to the question without an alternative.