

TRANSIT COOPERATIVE RESEARCH PROGRAM

TCRP Synthesis 3

**Incentive Programs to Improve
Transit Employee Performance**

**Transportation Research Board
National Research Council**

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TRANSIT COOPERATIVE RESEARCH PROGRAM

The nation's growth and the need to meet mobility, environmental, and energy objectives place demands on public transit systems. Current systems, some of which are old and in need of upgrading, must expand service area, increase service frequency, and improve efficiency to serve these demands. Research is necessary to solve operating problems, to adapt appropriate new technologies from other industries, and to introduce innovations into the transit industry. The Transit Cooperative Research Program (TCRP) serves as one of the principal means by which the transit industry can develop innovative near-term solutions to meet demands placed on it.

The need for TCRP was originally identified in *TRB Special Report 213--Research for Public Transit New Directions*, published in 1987 and based on a study sponsored by the Federal Transit Administration (FTA). A report by the American Public Transit Association (APTA), *Transportation 2000*, also recognized the need for local, problem-solving research. TCRP, modeled after the longstanding and successful National Cooperative Highway Research Program, undertakes research and other technical activities in response to the needs of transit service providers. The scope of TCRP includes a variety of transit research fields including planning, service configuration, equipment, facilities, operations, human resources, maintenance, policy, and administrative practices.

TCRP was established under FTA sponsorship in July 1992. Proposed by the U. S. Department of Transportation, TCRP was authorized as part of the Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA). On May 13, 1992, a memorandum agreement outlining TCRP operating procedures was executed by the three cooperating organizations: FTA, the National Academy of Sciences, acting through the Transportation Research Board (TRB), and the Transit Development Corporation, Inc. (TDC), a nonprofit educational and research organization established by APTA. TDC is responsible for forming the independent governing board, designated as the TCRP Oversight and Project Selection (TOPS) Committee.

Research problem statements for TCRP are solicited periodically but may be submitted to TRB by anyone at anytime. It is the responsibility of the TOPS Committee to formulate the research program by identifying the highest priority projects. As part of the evaluation, the TOPS Committee defines funding levels and expected products.

Once selected, each project is assigned to an expert panel, appointed by the Transportation Research Board. The panels prepare project statements (requests for proposals), select contractors, and provide technical guidance and counsel throughout the life of the project. The process for developing research problem statements and selecting research agencies has been used by TRB in managing cooperative research programs since 1962. As in other TRB activities, TCRP project panels serve voluntarily without compensation.

Because research cannot have the desired impact if products fail to reach the intended audience, special emphasis is placed on disseminating TCRP results to the intended end-users of the research: transit agencies, service providers, and suppliers. TRB provides a series of research reports, syntheses of transit practice, and other supporting material developed by TCRP research. APTA will arrange for workshops, training aids, field visits, and other activities to ensure that results are implemented by urban and rural transit industry practitioners.

The TCRP provides a forum where transit agencies can cooperatively address common operational problems. TCRP results support and complement other ongoing transit research and training programs.

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The members of the technical advisory panel selected to monitor this project and to review this report were chosen for recognized scholarly competence and with due consideration for the balance of disciplines appropriate to the project. The opinions and conclusions expressed or implied are those of the research agency that performed the research, and while they have been accepted as appropriate by the technical panel, they are not necessarily those of the Transportation Research Board, the Transit Development Corporation, the National Research Council, or the Federal Transit Administration of the U. S. Department of Transportation.

Each report is reviewed and accepted for publication by the technical panel according to procedures established and monitored by the Transportation Research Board Executive Committee and the Governing Board of the National Research Council.

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PREFACE

A vast storehouse of information exists on many subjects of concern to the transit industry. This information has resulted from research and from the successful application of solutions to problems by individuals or organizations. There is a continuing need to provide a systematic means for compiling this information and making it available to the entire transit community in a usable format. The Transit Cooperative Research Program includes a synthesis series designed to search for and synthesize useful knowledge from all available sources and to prepare documented reports on current practices in subject areas of concern to the transit industry.

This synthesis series reports on various practices, making specific recommendations where appropriate but without the detailed directions usually found in handbooks or design manuals. Nonetheless, these documents can serve similar purposes, for each is a compendium of the best knowledge available on measures found to be successful in resolving specific problems. The extent to which these reports are useful will be tempered by the user's knowledge and experience in the particular problem area.

FOREWORD

This synthesis will be of interest to transit agency general managers, human resource officials, compensation managers, operations and maintenance managers, labor officials, and others interested in an overview of current practice in employee incentive programs. Information on incentive programs that provide a one-time payment or recognition for a particular job accomplishment is presented as gleaned from survey responses from a varied group of public transit agencies. The synthesis contains observations on establishing incentive programs in public transit agencies, information on the types of incentive programs in transit organizations, and describes samples of programs in use, as well as offering general perceptions from survey recipients.

Administrators, engineers, and researchers are continually faced with issues on which there is much information, either in the form of reports or in terms of undocumented experience and practice. Unfortunately, this information often is scattered and or not readily available in the literature, and, as a consequence, in seeking solutions, full information on what has been learned about a problem frequently is not assembled. Costly research findings may go unused, valuable experience may be overlooked, and full consideration may not be given to the available methods of solving or alleviating the problem. In an effort to correct this situation, the Transit Cooperative Research Program (TCRP) Synthesis Project, carried out by the Transportation Research Board as the research agency, has the objective of reporting on common transit issues and synthesizing available information. The synthesis reports from this endeavor constitute a TCRP publication series in which various forms of relevant information are assembled into single, concise documents pertaining to a specific issue or closely related problem.

In the transit industry where incentive programs remain a relatively minor part of the total human resources management scheme, their development is somewhat complex. This report of the Transportation Research Board describes the survey findings with respect to the information that a transit manager needs to know in assessing whether incentives offer the correct management tool for the organization. Additionally, issues that others have encountered in the practice of establishing, managing, and evaluating incentive programs are presented. Specific tools used to describe various incentive approaches in transit organizations are included, and major caveats related to introducing a particular strategy are noted.

To develop this synthesis in a comprehensive manner and to ensure inclusion of significant knowledge, available information was assembled from numerous sources, including a large number of public transportation agencies. A topic panel of experts in the subject area was established to guide the researchers in organizing and evaluating the collected data, and to review the final synthesis report.

This synthesis is an immediately useful document that records practices that were acceptable within the limitations of the knowledge available at the time of its preparation. As the processes of advancement continue, new knowledge can be expected to be added to that now on hand.

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INCENTIVE PROGRAMS TO IMPROVE TRANSIT EMPLOYEE PERFORMANCE

SUMMARY

The concept of linking employee compensation or recognition to specific accomplishments has long been of interest to employers, including those in transit. For purposes of this synthesis, incentive programs are considered to be those that provide a one-time payment or recognition for a particular job accomplishment.

The structure of an incentive program generally includes: definition of the accomplishment to be recognized; the population eligible for recognition; the period of time over which performance will be rewarded; provisions for measuring and evaluating accomplishments; paying any dollar costs associated with the program; and reviewing program effectiveness.

Incentive programs in the public sector and in transit face some particular challenges relative to the conventional private sector context. Public sector programs lack profits, which are often used not only to measure program success, but also to fund tangible rewards. This issue is highlighted by public agencies' accountability to the taxpayers; the public often feels that there is insufficient quality and value in public services to warrant "extra" pay. The public service tradition of not differentiating among employees is also not entirely compatible with incentive programs' insistence on singling out superior performers. Within the realm of public sector employment, transit offers some further challenges. They include data collection, selecting measures that are both objective and within employees' control, and acceptability within the collective bargaining context that is the norm in transit.

A number of changes have taken place in recent years that tend to create an environment more hospitable to incentives. The demographics and values of the workforce are much more diverse, governments have been under increasing pressure to demonstrate efficiencies, the transit mission is changing in response to changes in work and commute patterns, and advanced technologies are being brought into the industry that open new opportunities to account for the work.

The purpose of this synthesis is to identify current employee incentive practices and programs, both financial and non-financial, in the transit industry. The issues addressed include:

- Background and context of employee incentive programs in transit,
- Types of incentive programs used in the industry,

- Origins of incentive programs, including the goals and objectives,
- Assessment of results, including measures used to determine results, and
- The perceived importance of employee incentive programs as a management tool.

A survey conducted for the synthesis indicates that most responding systems intend that their program be linked to larger management strategies, and that employees should be involved in development.

Despite some variety in the ways the programs came about and have been structured, the majority are management "inventions" involving union employees--sometimes with some non-union employees as well. Most systems are pleased with program results, although few are able to quantify them definitively. Prominent among the challenges reported by the survey are issues of budgets, equity, and information quality. The majority of the survey programs reward with cash payments, generally relatively small amounts, although some programs use special benefits or privileges, or recognition as the incentive.

A number of systems have tried incentives at various times, but are no longer operating them. Their problems included lack of money, administrative difficulties, philosophical differences, and conflict with other management programs.

The synthesis also includes a summary of steps in developing an incentive system that are gleaned largely from the experiences of survey respondents:

- Incentive programs in transit tend to operate in isolation from comprehensive management studies.
- Incentive experience in the private sector or in non-public transportation government settings have provided little inspiration for transit programs.
- Survey respondents expressed equal levels of satisfaction with incentive programs that involved employees in the formulation as with programs that did not.
- Transit incentive programs most commonly deal with safety and absenteeism.
- Documented performance results of incentive programs are not widely available, although some transit systems can show that real performance improvements have occurred.
- Survey data demonstrate that the most common incentive awards are in the form of cash, gifts, and public recognition.

The synthesis suggests a number of potential research topics. These include a review of incentive experience outside of transit, the role of employee involvement, incentives in the larger context of management philosophy and strategy, and further case studies.

CHAPTER ONE

INTRODUCTION

Incentive programs to foster and reward employee performance make sense in theory and carry an intrinsic appeal. Most people agree that the programs work in varying degrees if the criteria are objective, the employees can influence the factors on which the rewards are based, the evaluation is objective beyond reproach, and there is certainty that the incentives will come as promised. Although these programs have been common elements of compensation in private enterprise for a long time, they still must be established and operated with great care. In transit, where incentive programs remain a relatively minor part of the total human resources management scheme, their development is even more complex.

The challenges to the success of employee incentive programs in the transit environment tend to come from all sides. They come from the civil service tradition and applicable provisions of civil service law and regulation, which theoretically protect employees from being treated differently. The challenges may come from unions, which must be assured that performance-based compensation does not threaten principles of equity. Transit customers, taxpayers, and the elected officials who represent them may take a dim view of incentives, feeling that they cannot be honestly defended because public service lacks the quality that warrants this kind of reward.

There are also some distinctive challenges inherent in the nature of public transit work that further complicate the question. Many of the results we want to encourage in transit service delivery, on-time performance or ridership, for example, are not sufficiently within the control of the operator to make a defensible performance measure. Similarly, a number of qualities that transit managers would like to reward--good relations between operators and passengers--are too subjective to be measured with confidence. There may be areas where performance is easier and more straightforward to assess. Maintenance activity, as well as attendance, safety, and complaint levels seem to be in this category.

There are many choices for the transit agency trying to put an incentive program in place: rewarding individual results vs. group results, financial bonuses vs. non-monetary rewards, management staff vs. other types of employees, and assessing small, targeted achievements vs. across-the-board, long-term effort.

Despite the difficulties, however, the financial strains on public transit operators may be increasing pressure to improve the return on the human resource investment through performance incentives with real impact. The value of employee incentive programs is evident in several dimensions. At face value is the simple reward to individuals or groups for having accomplished something that moves the enterprise toward its goals. At another level, however, the act of recognizing employees and making them feel that the organization really does care about how they do, as well as separating out the truly extraordinary effort and result from the run-of-the-mill, is likely to release even greater creativity and commitment in the future. The incentives are a bridge that buys the

employee into the organization's goals by connecting the goals with personal success.

Purpose of the Synthesis

This synthesis is meant to provide information about employee incentive programs and their use in transit organizations. The synthesis considers a range of possibilities, including direct payment of cash and a variety of initiatives that will tend to increase the quality of performance. In addition, issues that others have encountered in the practice of establishing, managing, and evaluating incentive plans are presented.

Specific tools used to describe various incentive approaches in transit organizations are included, and major caveats to introducing a particular strategy are noted. Overcoming barriers is another theme. Case study reviews of two different approaches being tried in transit agencies are also included.

It is important to note that this synthesis is a snapshot of the transit industry today. Most of the information included is based on the experience of transit organizations that responded to a survey sent out as part of the research effort. The results included here are an amalgamation of the experience reported by these agencies. It is by no means fully conclusive for the community of public transit operators. Many transit agencies were not surveyed and others who were contacted did not respond to repeated requests. Because there was a great deal of commonality among the responses, it seems reasonable to expect that the information garnered does reflect in general terms how incentive programs are being used by transit operating authorities.

Organization of the Synthesis

A series of common understandings of what constitutes incentives in the workplace provides an outline for this synthesis. It considers these tools in the context of the particular management and organizational environment in which transit functions, both historically and today.

This is followed by a discussion of how incentive programs operate in public transit systems, based on a survey of transit systems. The discussion examines the attitudes of the various participants in incentives, how incentive programs fit into management strategies, and why transit systems decide not to engage in incentives.

The next section comprises a practical review of how incentives are being used, the results they have achieved, costs, challenges to their use, types of incentives employed, and types of incentive programs. This section concludes with specific experience by practitioners and a series of sample techniques that are in use.

Case studies are included to describe two programs in some detail. Selected sample incentive practices from different transit agencies are also laid out. The synthesis closes with a section on summary observations for the user to consider in establishing an

incentive program, a series of conclusions based on the survey results and follow-up telephone interviews, and a number of recommendations for further research.

CHAPTER TWO

OVERVIEW OF EMPLOYEE INCENTIVE PROGRAMS IN TRANSIT

WHAT ARE INCENTIVES?

Incentives are one technique by which employers carry out their end of the employment contract--that is, compensating employees for their efforts. In its most generic form, the incentive payment is any compensation that has been designed to recognize some specific accomplishment on the employee's part. In general, it is hoped that the prospect of the incentive payment will inspire the desired performance; in fact, employers sometimes refer to the kind of behavior they are trying to "incent." While the terminology may be suspect, it usefully conveys a key concept in our examination of incentives in transit.

There is not a great deal of uniformity in incentives, or in incentive programs in general. The notion covers a multitude of practices. A number of characteristics, while not universal, are certainly typical and can be identified

- The incentive itself is usually something tangible; most frequently, money. Programs dealing exclusively in intangible rewards or recognition are a legitimate subset of incentives, and are addressed in this synthesis. For the most part, however, the incentives discussed here are paid in cash. Employers can sometimes get added value from gifts and vouchers, which are either donated or sold to the employer at a discount, or which can be used to buy discounted merchandise or services.

- Incentives can be a one-time payment or recognition. This is one of the features that distinguishes incentives from other forms of compensation--the incentive must be earned anew in each incentive cycle. Although some experts consider merit pay increases--salary increments earned on performance and added to the permanent base salary--to be incentive programs, for the purposes of this report, those practices were not included.

- Incentives are linked to specific achievements which are recognized as extraordinary. This is another key element of the difference between incentives and other elements of compensation. Where many forms of compensation are paid to employees who simply show up and do the things the job requires, incentives tend to be results-oriented. In transit, for example, incentives may be attached to the accomplishment of a certain percentage reduction in complaints over a designated time period. The incentive can be seen as a motivator of performance "above and beyond." It is not generally meant to be awarded for maintaining the status quo.

- The accomplishment to be rewarded can be that of an individual or of a workgroup. Because the incentive is triggered by the achievement of a goal, it has the flexibility to be incorporated into group efforts--a feature of particular value in transit, where individual effort is difficult to isolate.

- The accomplishment to be rewarded is meant to be important to the overall success of the organization. It follows logically that an organization cannot afford to pay incentives for the accomplishment of a goal that has little real impact on the organization

as a whole. The effort is to use the incentive to encourage behaviors that will make an important change for the better in the organization.

The foregoing suggests not only the general shape of incentives, but also some of the things that incentives are not. Specifically, incentives are not to be confused with *commissions*, which operate as a volume component of what is often a relatively low base pay; *merit, or longevity pay increment*, which are mainstays of many traditional compensation systems, and are typically additions to base pay; *cost of living adjustments*, which are straightforward adjustments to base pay to assure that buying power is maintained in the face of inflation.

Common Elements of Incentive Programs

The basic incentive often is part of a larger incentive program, which sets the rules and defines the terms for a specific workplace. The basic elements of an incentive program can be thought of as a beginning, a middle, and an end. More specifically, they include:

1. Management support. Management literature continually stresses the importance of demonstrated senior management support for key agency initiatives. Employees need to understand that the transit organization's leadership is firmly committed to its incentive programs. (1)

2. Definition of the accomplishment to be rewarded. The accomplishment must be defined as precisely and objectively as possible. For example, saying that incentives will be paid for "clean buses" is not a clear enough goal to support an incentive program that is likely to change any behaviors. The definition must describe what constitutes a clean bus. The definition requires sufficient clarity about what success will look like and feel like and maybe even smell like, that the people who perform the work and the people who make judgments about it will agree. Likewise, if an incentive program differentiates between levels of performance that warrant varying rewards, the lines of demarcation between the levels must be clearly defined.

3. Definition of the period over which performance will be rewarded, and of the measures and methods that will be used to assess them. A clear understanding of what will be measured to determine success, how long the success must be sustained, who will measure and how are essential for fair implementation of an incentive program. For some incentive programs the measures are clear; for instance, attendance-based programs often have as their goal to reduce days off. But with other programs--the clean bus program mentioned earlier, for instance--the problem can be much more complicated. Equally important to the success of the program is an assignment of responsibility for doing the counting and accounting that is judged by all concerned to be fair.

4. Provision for a comparison between measured results and

incentive criteria. The program needs to establish at its inception who will make the comparison, how it will be made, and what level of incentive will be awarded. In some cases it is unclear who owns the data or the responsibility for its analysis. This can snag a program at a particularly critical point if it is not addressed in advance.

5. Eligibility to participate. Decisions must be made as to who can qualify for an award. The critical element is equity among the employee pool.

6. Assurance that the incentives will in fact be awarded. Public agencies are particularly vulnerable to rapid changes in circumstances, requiring care in making commitments of future payments of indeterminate size. An employee who works hard to achieve an incentive payment can be greatly demoralized when a budget cut occurs.

7. Evaluation of program costs and benefits, adjustments as appropriate, and initiation of a new cycle. As with all cyclic programs, a starting mechanism for the next round must be built in; a thorough evaluation of the last program cycle is obviously important.

Differences Between Incentives in the Public and Private Sectors

Incentives have been common in the private sector longer than in public employment. Only recently has use of this type of compensation become widespread in government enterprise. There are several reasons for this.

One of the most important reasons is that the mission of government agencies is much more complex than that of many private enterprises. In the private sector, profitability is the bottom line; in government, the bottom line is much more elusive. It usually consists of a number of service objectives, which may include some very subjective elements. For example, transit is supposed to reduce pollution, improve the quality of life--particularly in our cities--while also providing affordable transportation. While these components of the mission are easy enough to comprehend in the abstract, they are often difficult to reduce to measurable increments of success. This element of complexity in the mission makes for some difficulties in defining the kinds of performance and accomplishment that should be rewarded with incentives, and in determining how much incentive compensation would be appropriate.

Perhaps because of the nature of the government mission, public personnel systems have a long tradition of valuing equity over other criteria in determining the distribution of rewards to its employees. The assumption seems to have been that there should not or would not be significant differences in the levels of contribution of individual employees, and that the greater threat was unfairness in the distribution of the rewards of employment. So, public employment systems tend to distribute pay increments on the basis of longevity or, at best, on the basis of general performance assessments--rather than on individual contribution. This tradition has proven difficult to overcome, despite the fact that certain government enterprises--transit being prime among them--have a strong private sector lineage, and very different traditions.

Taxpayers who pay the bills for public employment are also loathe to pay incentives, which are perceived as a bonus over and above what has to be paid when there is no improved profit

margin to show for it, and when the services themselves rarely please everyone.

For these reasons, incentives have had a hard time taking root in public employment. They also account for the fact that, where the systems are in place, they tend to reward the more objective aspects of performance; in transit, safety and attendance are examples.

There is one further aspect of public transit employment incentives that bears mention; the differences between organizations that produce products and those that produce services must be considered. While private businesses produce both, government functions generally result in services. While many of the performance principles are the same, to some extent incentives tied to services require different types of performance goals and criteria as well as methods of measurement.

INCENTIVES IN TRANSIT: A HISTORICAL PERSPECTIVE

Given the difficulties that have confronted incentive programs in government in general, it is not surprising that these programs have had a slow start in transit. In fact, a number of characteristics of the transit environment make for some distinctive challenges.

Data Collection

There are many dimensions to the issue of data collection as it relates to employee incentive programs in public transit.

The first is the state of the art. It goes without saying that solid, objective, reliable, and easy-to-use measurement tools are required if employees are to receive incentive payments for the results they achieve. The greater the amount of money at stake, the more important the data become. For a long time, data collection and other management information systems operated at rudimentary levels in most transit agencies. By its very nature, transit service is hard to measure, and transit systems have long relied on the most elementary data to support important decisions. The advent of federal and other government reporting requirements inspired the development of more sophisticated information technologies and more detailed systems of collecting operational and related information. But even these efforts tended to capture only aggregate information, rather than specifics sufficient to sustain incentive payments. Obviously, the evolution of incentive programs in transit has, to some extent, had to await the evolution of data collection technology.

A second dimension of the data collection problem is deciding what information is useful and how to connect it to individual paychecks.

Referring back to the private sector example, there are some very easy data issues. For instance, in a sales environment, individuals may receive incentives based on volume of sales over a certain defined minimum. The relationship between the employee's efforts and the amounts sold is crystal clear. These kinds of relationships are difficult, if not impossible, to establish in a transit organization.

A ride on a bus or subway car is the result of the efforts of many employees, not one operator, one mechanic, or one manager. A few examples illustrate the difficulty of trying to break that ride into component parts that can be measured and attributed to just one or even one group of people.

Reliability, measured on the basis of whether buses and trains depart and arrive according to schedule, is essential to transit customers. Although this might suggest that on-time performance would be a good way to measure the extent to which employees are delivering reliable service, the problem is more complex. Many elements of service reliability depend on factors outside the realm of the transit agency, such as traffic conditions on a particular day, weather, road construction, emergency vehicles, or other obstacles in the roadway.

Even within the purview of the agency, a number of factors affect the success or failure of the effort to deliver reliable transportation. Scheduling is an important one. Obviously, if scheduling is unrealistic, then trains and buses may not show up on time. It is often hard to say what the proper measure should be for the work of the planner or scheduler. A close follow-up review of running times vs. scheduled times may reveal how well the scheduler has balanced the need to provide enough time for the vehicle to arrive on schedule without leaving inefficiency in the schedule. But, as noted, many things can impact reliability other than the schedule.

Common sense dictates that buses that have had appropriate preventive maintenance are less likely to fail in-service. But that conventional wisdom is of no use at all when the well-maintained vehicle does fail—as it inevitably will from time to time. Yet, identifying a set of maintenance data to relate directly to on-time performance is difficult if not impossible and the matter of connecting data to effect remains a thorny question in transit.

Subjectivity

The complications associated with data collection in transit readily suggest another obstacle to incentives in the industry: the subjectivity of some of the most important judgments that need to be made.

The earlier discussion of clean buses can serve to illustrate the point. The cleanliness and attractiveness of transit vehicles and facilities is high on the list of success criteria for many agencies. But, how to assess cleanliness and reward it in the context of an incentive program?

It's easy to reach the conclusion that the judgment may have to be applied to the group of cleaners who work on a single vehicle, and that the judgment should reflect an evaluation of the condition of the vehicle after it has been cleaned and before it has seen further service. But beyond this, the clarity disappears. The floors of a clean vehicle are free of stains and litter, the vehicle is free of visible grime, and the windows are free of all the dirt that is removable. But all of these desirable conditions are relatively subjective. No one really knows how to set up a rating system for the cleanliness of buses that would reliably distinguish between a floor that was clean to the number "5" level from one that was only a "4." For the most part, ratings of this kind vary depending on who is making the observation. Incentives based on this kind of measurement are unlikely to generate credibility from the outset, and are sure to generate conflict in the execution.

Courtesy is another highly regarded commodity in transit, but one that defies objective assessment in an incentive environment. Qualities such as the degree of courtesy offered by a bus operator in answering a question, the show of caring about whether an elderly passenger finds the right transfer point, the regularity and clarity of greetings and announcements are difficult to measure.

Apart from a raw count of the number of greetings, there is little that can be done in this area that is not strongly subjective in character. Some systems have worked with commendation letters as one gauge of an employee's courtesy in dealing with the public. But there is a great deal of quirkiness in the motivation of people who write a complimentary letter, and of those who do not, even where both had the same experience.

Judgments required to assess any of these important components of transit performance and quality are simply too susceptible to coloration by the values, perceptions, and experiences of the individuals making them to be useful in incentive programs. Because these subjective factors remain very important to the quality of service, and lacking a better alternative, assessments based on personal judgment continue to be made.

Controllability

Another issue in all incentive programs that poses particular problems in transit is control. Setting up payments for events the employee-recipients are powerless to influence is not an incentive program. But, in transit, finding even relatively "pure" situations in which the labors of one or a group of employees can be isolated from the contributions of others is exceedingly difficult. Transit is inherently a team effort. Results emerge from the interdependent efforts of a number of people and success depends on how well-integrated these efforts have been. The relationship of one single employee's efforts to one set of results is often cloudy.

For example, in the maintenance arena, "miles between road calls" is a fairly common performance measure. The raw information that answers the question, "How many miles does the average vehicle travel between road calls?" can be collected easily, and is not subject to great variance in interpretation. On the other hand, however, no one employee or even a group of employees can succeed in improving that number without the cooperation and participation of others. While maintenance procedures and the quality with which those procedures are carried out certainly play a role, so do weather, street conditions, the presence of other vehicles on the road, and even the behavior of customers on board.

Ridership is another outstanding example of control problems with incentive programs in transit. Increasing ridership is a highly desirable accomplishment for any transit system. The fact is, however, the number of people who choose to ride public transportation responds to many factors. The actual performance efforts of the transit agency is only one of them. Quality of service certainly is a part of an individual's travel decision, and transit workers can influence service in many ways. External forces, however, can also have significant impact. The effects of vast improvements in service convenience and amenities together with an aggressive marketing campaign can be completely negated by a severe economic downturn and high unemployment. People who have no jobs have no need to take the bus twice a day. Conversely, trains and buses can rapidly fill up without the slightest effort by transit agencies if the price of gasoline jumps or its supply dwindles, as occurred during the oil embargoes of the mid and late 1970s, when unprecedented ridership increases were recorded by transit agencies all over the country.

The same phenomenon prevails on the cost side. Unusually bad winter weather, for instance, or a bad cycle in the insurance market can play havoc with budgets, while those responsible for financial matters have no choice but to write the checks.

These are the kinds of control difficulties that have played a strong role in constraining the appeal of incentive programs in transit.

Union Issues

It is widely believed that unions are unequivocally opposed to incentive programs on the principle that what is good for one is good for all. In reality, labor's position on incentives has evidenced considerable variation. Historically, the focus of contract negotiations has been to put in place rules that assure equal protection and equal treatment. One result of this focus has been to remove the managers' power to exercise judgment and in the process, many activities that might have bred future incentive programs were consumed by regulation. Additional concerns about limited data collection capabilities, questions about data reliability, and the high impact of variables outside the employee's control result in a lack of strong credibility and appeal for the unions. There is much in the incentive environment--especially in transit--that plays into the historical doubts and reservations of unions. These concerns which, in many cases are shared by management, can be addressed in a changing environment.

ELEMENTS OF CHANGE

Over the past 10 years, the transit industry has experienced changing conditions that have affected transportation and business in general. Many obstacles that stood in the way of employee incentive programs have been removed, resulting in greater credibility, and possibly, greater use for incentives. Some of the changes that have occurred follow.

New Workplace Ethic

The environment in which transit got its start was a solidly hierarchical place in which employees did as they were told in exchange for a week's wage. Workers were survivors of the Great Depression. Although jobs were relatively plentiful in the post-World War II period, the strong message of the culture was that one should be deeply grateful to have a job at all. To expect also to enjoy it, to make judgments and have opinions about it, to extract some reciprocity from it beyond a week's pay would be inappropriate if not irrelevant.

The management style was similarly regimented. Strict chains of command were followed, and much of industry--certainly transit--was managed in a military fashion. The supervisor gave the commands and the worker carried them out. There was little decisionmaking or questioning of assignments on the part of those receiving the orders. Loyalty was perhaps the one emotional tie to employment. Workers expected to remain with the same employer--maybe in the same job--for an entire career.

All this has changed in the last 20 years, the time since the baby boom generation came of age. Today's workforce tends to bring a very different set of life experiences to the workplace, and similarly different expectations about the role that work is to play in their lives.

Employees who are now rapidly assuming senior management roles formed their adult points of view by questioning authority

during the 1960s and early 1970s. They are people who have not been accustomed to accepting simple commands without questioning why they have been made. These are also individuals who will readily set about changing things when they believe it necessary.

Today's workforce has also become more diverse. No longer can a manager assume that a single approach will be sufficient to address the needs and requirements of the whole body of employees.

Contemporary workers demand involvement in the decisions that determine the work environment in which they function, the tools they use, and the procedures they follow to do the job. They want a say in everything that affects them, including how their compensation relates to their accomplishments.

Prevailing management theories have kept pace. The rigid, militaristic views of the late 1940s and 1950s have given way to different ways of running organizations. Management strategists like Tom Peters and dozens of others stress the importance of product and service quality, and put forward forceful arguments that quality improvements must be inspired at the grassroots level. They cannot be forced into being by management fiat. The buzz words of the new management style include participative management, empowerment, and accountability. These words describe a workplace where employees increasingly have a say in determining how things work and have a stake in the outcome.

Although these trends are most evident in the private sector, they are extending into government enterprise as well. Of the full range of types of public organizations, transit systems may very well be prime candidates for new management styles because of their historic roots in and continuing similarities to the private sector.

As the public transportation workplace reflects these changes, it has become a more hospitable environment for incentive programs. By rewarding an employee for the achievement of a result that furthers the organization's goals, the employee becomes more connected to the goal. Success for the organization and success for the individual become more closely aligned. At least in theory, incentive reward systems provide an opportunity for employees to participate in decisions about how things are done, and to distinguish themselves through job achievement, ultimately sharing in the success that achievement generates.

Public Accountability

Taxpayers have the perception that they are simply not getting good value for the money invested in public undertakings. The call for government managers to "prove" that they are operating efficiently is growing increasingly strident.

This demand for increased accountability has emerged in public transportation as well, fueled by a number of circumstances. For example, before 1970, most transit systems were at least breaking even. Since that time, subsidies have grown to the point where today, fares cover only about 40 percent of operating costs. Transit costs historically have grown at a rate that exceeded the growth in inflation. While there are many reasons for this, members of the public and the press, along with a number of academics, have equated this with a growth in inefficiency.

During this same period, many high-visibility public transportation capital projects, including many in transit, have experienced severe cost overruns. Rail systems have become a favorite target

of analysts who point to their final bills compared to their original, and much lower, price tags. Ridership figures that fall short of original forecasts only make matters worse. It is hardly surprising that increased accountability for public dollars is currently a significant theme.

Well-run employee incentive programs are one response to the issue of accountability. A public employee who receives a reward for a demonstrable, agreed upon achievement is being held accountable for his or her actions to a much greater extent than the employee who is paid for showing up and going through the motions. By emphasizing the element of accountability, employee incentive programs may become more attractive to policymakers.

Stretching the Dollar

Apart from issues of accountability, there is simply a shortage of dollars available to transit agencies. This constitutes a separate trend, and one that greatly complicates pressures for accountability already discussed. The challenge is not only to provide better services and amenities at a good price, but to do it in an era of shrinking resources.

It is true, of course, that over the long term, getting good value for the dollar will allow more to be done with less. But it is also true that initial outlays of cash and a period of overlap between old and new approaches often delay the appearance of the savings on the bottom line.

To many transit systems facing this reality, incentive programs appear to provide at least potential solutions.

For one thing, a manager who has paid money under an incentive program should have something to show for it. In the world of transit, where the causes and effects are extremely complex, the incentive program can be an island of relative purity. The incentive money paid for an improvement of x magnitude in y variable. The incentive program can also focus the agency's immediate agenda. Management analysts frequently lament the phenomenon whereby, in their eagerness to make everything important, leaders manage to make nothing a priority. This may work passably in organizations in which resources are abundant, but it won't do when shortages come. When funds dry up, as they have for transit, choices have to be made, and some things take precedence over others. Incentive programs can help light the way to the things that take precedence.

Incentives may even do more than point out which of the priorities has greatest importance; they can also put some special motivation and ownership on the table, which will actually enhance results.

Strategic Modifications in the Transit Mission

It used to be that even small children knew what transit agencies did; they took people downtown to work. Today, people don't just go into the city in the morning and come back out at night; jobs are everywhere, and they operate around the clock, 7 days a week. The cost of providing transit services keeps climbing, but no one wants to pay higher fares. Transit ridership continues to fall, for reasons that are only partially understood. Many taxpayers and funding agencies alike have asked themselves why they are paying more to provide a service that fewer people seem to want.

When faced with choices among unappealing options such as higher fares, higher subsidies, lower ridership, and reduced services, a clearly defined mission would facilitate such decisionmaking. What is clear at this point is that transit systems have a greatly heightened need to organize and motivate employees around issues of change. Whether the issue is restructuring the bus system to accommodate new commuting patterns, orchestrating reductions in core service and facilitating private sector alternatives to public transit, or changing the mix of farebox revenue and subsidy, transit systems are changing. Many of them are taking a second look at incentive programs as a way of facilitating this change.

News in Data Technology

The state of data collection and analysis in public transportation is no longer the obstacle it once was to incentive programs. During the last 5 to 10 years, public transit agencies have generally made great strides in improving their data collection capacity.

Requirements under Section 15 of the Urban Mass Transit Act of 1964 can be credited with a fair amount of the impetus for more sophisticated data collection in transit. Agencies have struggled for some years with the detailed information requirements they must meet for Section 15 reporting. In the absence of electronic capacities, they have incurred relatively high labor costs in manually collecting and aggregating information.

As effective electronic technologies became more affordable and the agencies faced mounting pressure to be more businesslike in operation, they have begun to put equipment in place. Whether this equipment was meant primarily to collect Section 15 data, or to permit responsible accounting for farebox revenues (as with registering fareboxes), or to facilitate on-time performance (as with automatic vehicle locator systems), they also create data that can be applied to provide all manner of management information--including that required to support incentive programs.

CHAPTER THREE

THE INCENTIVE PROGRAMS SURVEY: GENERAL PERCEPTIONS**INTRODUCTION**

A survey of the use of employee incentive programs to enhance performance was mailed to 53 public transit organizations in the United States and Canada. (See Appendix A.) While not a statistically valid sample, efforts were made to balance the mailing by geographic location and size and type of system. Thirty-three organizations responded for a return rate of more than 60 percent. Appendix B is a list of respondents.

The questionnaire provided the opportunity for transit systems to discuss whether or not they had incentive programs, if not why not, and if so, how they assessed participation, attitudes, relationship to management strategies, results, costs, and challenges. A concluding section allowed for specific program detail.

Most respondents did not answer everything on the survey because some questions did not apply to their incentive related activities. Tables and other distributions of survey responses do not add up to a common total for this reason. The tabulations are provided simply to offer a sense of scale.

ATTITUDES TOWARD INCENTIVE PROGRAMS

Virtually none of the transit systems that responded to the survey believed they had definitive information about whether employees favored incentive programs. Most of the systems had based the decision to establish an incentive program on intuition and anecdotal information, usually conversations with employees, supplemented only to a minimal degree by knowledge of experience in other industries or other transit agencies.

It appears the assumption that employees would respond to incentives is supported by the survey results. Most of the employee attitudes reported on the questionnaires were favorable. Specific survey results follow.

Employee Participants

Overall, transit systems report high levels of satisfaction with incentive programs on the part of employees who participate. About 80 percent of the organizations with incentive programs reported very supportive or moderately supportive attitudes, both at the inception of the program and at present. In fact, the tendency over time was to move from moderately to strongly supportive. As noted earlier, however, no organization offered any empirical evidence, such as an employee attitude survey in which incentive participants were queried in confidence about their feelings. One smaller transit system did compare the results of two "Organizational Climate Surveys" taken in 1992 and 1993. Questions dealing with encouragement and use of subordinates' ideas and rewards for involvement all showed substantial increases.

Employees Not Eligible for the Program

The questionnaires provided little information about employees of the agency who are not participants in the agency's incentive programs. Based on the scant information, most transit systems indicated that these individuals are supportive, at least to some degree. This information may suggest either that organizations that have incentive programs also tend to have relatively high levels of employee satisfaction, or that employees feel good about being in an organization that has incentive programs even when they are not directly involved.

It should be noted that typically, nonparticipants are selected out by program definitions and not by their own choice. The surveys suggested that incentive programs now in place may exclude management or certain categories of nonunion employees, but they do not make the program optional to individual employees in the category of participants. The only way for employees to opt out of the incentive program is to fail to perform to the level of rewards.

Such evidence as exists suggests that the area of greatest friction between participants and nonparticipants is where incentives are given to eligible participants for a performance--regular attendance, for example--which is also expected of nonparticipants.

Policymakers

Policymakers, in particular board members, seem to be very supportive of incentive programs. This could be expected, as most such programs cannot start without ratification by the board.

Board members' attitudes about incentive programs as seen in the surveys generally were moderately or very supportive. No organization responding to the survey indicated negative attitudes on the part of board members. In several organizations, the board had requested the program be developed in the first place.

Despite the generally positive attitudes, board members in a number of transit systems experiencing severe budget crunches often decided that the benefits of incentive programs were not tangible enough for the programs to be continued in the face of other significant financial cuts.

Union Leadership

The attitudes of union leaders (as distinguished from rank and file union membership) varied dramatically. A number of agencies indicated a clear difference of opinion between union members and their leaders, usually with the former acting in support and the latter in opposition.

For most of the transit systems in which union support was present, there was also a history of cooperative relationships.

Management and union leaders had spent a number of years working together to achieve a more harmonious workplace. Several survey respondents suggested that this resulted in union awareness of the organization's goals and engendered enough trust and general confidence to allow the programs to proceed.

Several transit systems indicated that the union actually requested an incentive program, usually within the context of the labor agreement.

There were cases of union opposition, which came about when labor felt that support of incentive programs brought them too close to management. Union leaders were not included in this survey.

Public Constituencies

Survey responses indicated there is little awareness of incentive programs outside the immediate transit environment. While elected officials were judged to be mildly in support, transit riders, taxpayers, and the media were consistently described as having no opinion or no knowledge of the programs.

Although there is a tradition of taxpayer resistance to bonuses in the public sector, that tradition does not seem to be a major problem in transit today. Interview comments indicate that public anxiety is most likely to arise when significant bonuses are paid to a handful of senior managers. The payment of modest incentives to a larger group of employees has not caused a similar reaction.

The survey notes effective use of the media by several transit systems to stimulate further community support for their incentive programs. One respondent reported good experience with inviting the local press to award ceremonies and other occasions where incentives were distributed to focus attention on extraordinary performances.

Incentives as a Part of Management Strategy

The majority of survey respondents were strongly or moderately in agreement that incentive programs succeed only if they are related to a strategic plan or other statement of the organization's mission, goals, and objectives. Incentives are viewed by management as important tools available to managers to achieve organizational objectives. Similarly, about 80 percent of the respondents believed that employee involvement in developing incentive programs was important to successful implementation. Incentive programs are a logical outgrowth of management philosophies that value employee participation, involvement, accountability, team building, and recognition.

Notwithstanding the strong philosophical commitment to linking incentives to larger management agendas, the programs in practice have tended to be developed to meet a specific need at a specific time. Many programs were established to combat absenteeism or to bolster a shrinking ridership.

Transit Systems Without Incentive Programs

Of the 33 transit organizations that responded to the survey, just under one-third (10) reported having no incentive program in

place at the time. The insights of these transit systems were useful in more fully understanding how incentives can be used. Reasons given for the lack of an active program cover a range of issues, with one notable exception. Regulatory prohibitions against incentive payments, historically considered an obstacle to public sector incentive programs, were not cited by any of the systems in the survey as a problem. Some of the issues that do present problems are listed below.

- *Lack of money.* Several transit systems noted their current fiscal ills and the costs associated with establishing and supporting a new program as an important reason for not having an incentive program. This argument suggests a lack of confidence that dollars saved will exceed costs, at least at the outset. In part, this concern illustrates the depth of fiscal strain in transit systems. These are systems in which even the minimal risk associated with the cost-benefit tradeoffs of an incentive program is too great.

- *Administrative difficulties.* Several respondents suggested that the difficulties of equitable administration and poor data collection meant incentive programs were out of the question at this point. Of 10 transit systems reporting that they had no program, three gave this reason.

- *Competition with other programs.* It is apparently the case in a number of agencies that too many new programs are underway. In other agencies, temporary institutional turmoil precludes adopting new ideas. The Suburban Mobility Authority for Regional Transportation in suburban Detroit, for example, is currently going through a merger with the municipal system, and is simply too preoccupied with other issues to accommodate a new program of this kind.

- *Philosophical differences.* Several survey respondents reported a belief among senior managers that incentives are not particularly motivating because they simply pay people a bonus to do what they are expected to do. This was especially true for several transit organizations that had recently eliminated or rejected attendance incentive programs.

- *Conflicting organizational development activities.* A number of transit systems reported that they are implementing organizational development programs aimed at strengthening teamwork and participative decisionmaking. These systems tend to see their efforts as either a necessary precursor or a substitute for the payment of incentives. One organization is part way through a huge effort to change the organizational culture by establishing a series of quality improvement teams. The authority appears, however, to be disinclined to use incentives as a tool in this effort. A representative observed that past incentive programs have generated a feeling among employees that management only thinks of them once a year--at incentive time. Moreover, he cited a concern that, while the top 20 percent of employees tend to get most of the recognition from incentive programs, the goal of the agency's current activity is to reach the other 80 percent.

The survey finding that two-thirds of respondents had incentive programs compares with a report compiled more than 10 years ago that found three-fourths of transit agencies to have programs. (2)

Given the lack of statistical validity for this synthesis, it is not appropriate to make any conclusions about trends.

CHAPTER FOUR

INCENTIVE PROGRAMS IN TRANSIT ORGANIZATIONS**IMPETUS AND START-UP FOR INCENTIVE PROGRAMS**

Almost 60 percent of the individual incentive programs identified in the survey were instituted solely by management as a tool to accomplish the organization's goals. Another 30 percent were negotiated formally through the labor agreement, and a smaller number resulted from less formal labor/management cooperative efforts. Two transit agencies reported that their incentive programs were mandated by boards of directors.

Once the decision was made to establish a program, the details were developed in-house by all systems in the survey except one, which brought in a consultant. The vehicles used to work out program details varied widely and included labor negotiations, employee committees, management teams, the human resources unit, and individual managers. Three systems' incentive programs were borrowed and adapted from other transit systems or other government agencies.

Participants

The survey revealed incentive program participant populations ranging from a small work group to the entire workforce. About 60 percent of the programs include both union and nonunion employees. Most of the remainder involve union employees only. Only one program included nonbargaining-unit personnel exclusively. Programs are in place for vehicle operators, maintainers, police, information agents, first-line supervisors, middle managers, and senior managers.

Incentive programs are designed to reward individual or group achievements. The majority of programs described in the survey offered individual bonuses. Fewer than five programs rewarded groups, two of which were designed to pay a bonus to all employees when organization-wide goals were reached.

Results Achieved

Nearly every transit system with one or more incentive programs reported that results met or exceeded expectations in at least one or two performance areas (e.g., cleanliness, on-time performance) and some reported progress in many areas. Hard data supporting those results were difficult to obtain.

Responses indicating satisfactory results tended to fall into four groups:

1. Statistics that showed improvements in a particular performance area; a few organizations were able to supply this information.
2. Results described as documented, however, no data were provided.

3. Information had never been collected or the program was too new to yield any useful information.

4. An intuitive judgment that results had been achieved and no data collection effort was underway or planned.

Figure 1 describes how survey respondents assessed the success of incentive programs. It is interesting to note how many organizations expressed satisfaction that their employee incentive programs were successful but had no supportive empirical evidence.

Where data were supplied, several transit organizations cited improvements specifically attributed to incentive programs. Examples are provided below.

Golden Gate Transit, running a bus and ferry network in the San Francisco area reported **reducing absenteeism from a high of 17 percent to 8 percent** in the last year measured. Managers calculate this allows them to operate with 5 to 10 fewer bus operators, saving an added annual personnel cost of about \$300,000.

The Massachusetts Bay Transportation Authority calculates its Safe Driver Awards Program **saves \$840,000 annually**, the cost of the number of accidents that have been avoided, assuming a \$700/claim liability.

Capital Area Transportation Authority in Lansing, Michigan notes **36 of 100 eligible employees having a perfect attendance year** since the start of its Attendance Incentive Program compared with only about 10 employees achieving similar records in previous years.

During the operation of its Bonus Program, the **Metropolitan Transit Commission** serving the Minneapolis-St. Paul area achieved a **1.42 percent ridership increase while also experiencing about \$800,000 in operating cost savings**.

A number of other organizations could not offer specific numbers but reported a "gut" sense that incentives had resulted in greater awareness among operators of accident prevention because of an incentive program. In fact, the awareness factor--employee attention to a particular aspect of operations--was cited frequently as the most important result of incentives. No one was able to affix a specific value to that heightened consciousness.

One respondent observed that its incentive program dealing with attendance was also accompanied by penalties. While the incentive rewarded extraordinary performance, there were sanctions for poor performance. Although attendance improvements were occurring, managers felt that the penalties were the stronger of the two forces as motivators.

Finally, where results were lacking or falling short of expectations, the absence of accurate data collection and measurement systems were most frequently cited as the cause. In fact, this

Incentive Programs

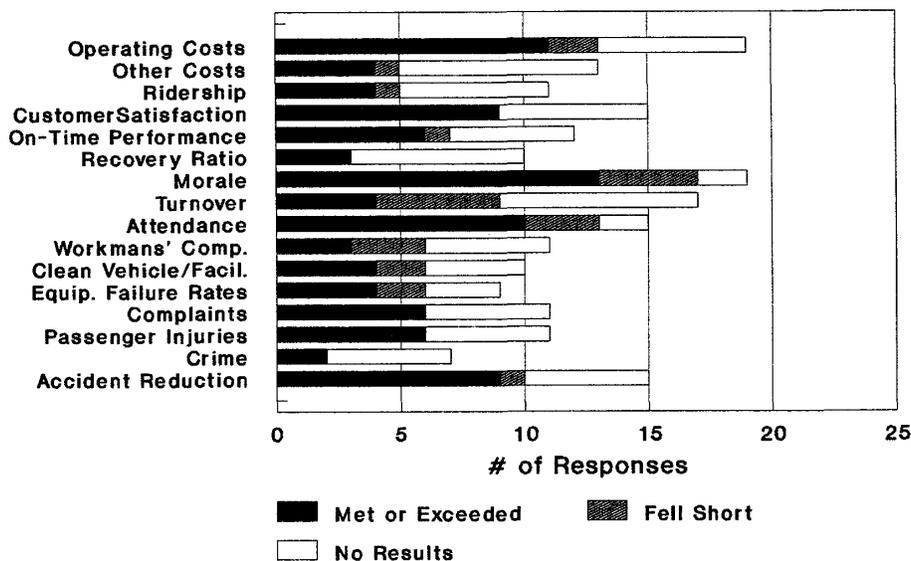


FIGURE 1 Assessments of incentive programs relative to respondent expectations

really means that the agency was unclear as to whether it was obtaining results because the data collection component was problematic. Two transit agencies suggested that results were disappointing because the incentives were not large enough to be true motivating factors. Increasing the incentive to a presumably effective level became too large a sales job to the public policymakers. No respondent wanted to take on the risk of selling the notion of a large incentive payment that might not be successful after all.

Costs

The costs of employee incentive programs vary tremendously from one organization to another. Many organizations indicated they had not calculated the costs, and some that did were unable to provide the information.

For the organizations that were able to supply cost information, incentive programs generally ran up to \$100,000 annually, varying of course, with the size of the agency and the program.

Many respondents asserted that their incentive programs were yielding benefits well in excess of program costs, whether they knew those costs or not. Some suggested that incentive programs simply don't lend themselves to a traditional cost-benefit analysis.

Labor Agreements

As indicated above, a number of transit systems have collectively bargained the details of their incentive programs and included them in the labor agreement.

One midwestern transit agency typifies the experience of others where management presented the plan to the union during contract negotiations as a way of improving absenteeism rates.

Generally, the resulting agreement is a relatively straightforward recitation of the program rules.

Challenges

Figure 2 describes the challenges experienced by some transit organizations in establishing employee incentive programs and the extent of the difficulties they caused. Several constraints were identified repeatedly as posing problems in establishing or expanding incentive programs.

Budgets In some places, justification of the budgets necessary to support incentives was difficult. Several systems noted that because of a lack of data or quantified results, boards of directors chose to eliminate incentive programs, especially when fiscal resources tightened. Connecticut Transit was ultimately forced to eliminate a popular awards banquet because its benefits could not

CHALLENGE

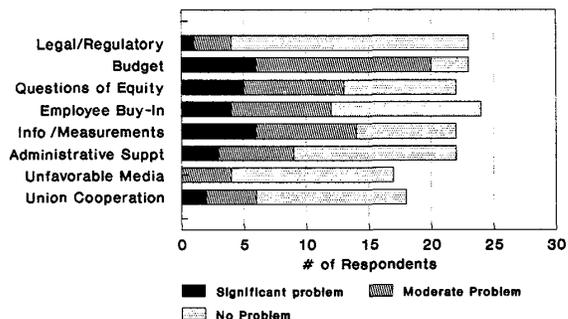


FIGURE 2 Challenges experienced by survey respondents

be related to specific offsetting cost savings or operational improvements.

Equity. A number of organizations reported difficulty in convincing employees that incentive programs were, in fact, equitable. Employees questioned the validity of criteria governing bonuses as well as the individuals cited. One cure seemed to be experience. As incentive programs continued over longer periods of time, early skepticism and mistrust ultimately did transition into greater comfort levels. Transit systems with higher levels of employee involvement in the development of incentive programs and in establishing the criteria seemed to experience higher initial trust levels.

Information Quality. Several respondents reported that poor performance information created difficulties in their incentive programs. Surveys frequently cited inferior tracking systems and time lags in getting information as factors influencing expansion of incentives or even continuing them. At least one organization noted that it had become so decentralized that a substantial void in obtaining systemwide data severely hampered the measurement of success to determine bonuses.

Management Changes. A small number of transit systems noted that changes in management had eliminated or curtailed incentive programs. Clearly, not all managers believe in incentives. With a change at the helm, incentive programs were phased out, leaving some employees confused and demoralized about how exemplary performance was to be recognized. At least one organization reported a disconsolate feeling among employees when the message went out that performance that previously generated an incentive was now to be expected as the rule and would not be rewarded. Although no surveys reported reverse situations, it can be safely assumed that there are agencies in which new managers have instituted incentive programs where none existed before.

TYPES OF INCENTIVES

Transit organizations employ a range of incentives in their bonus plans. Figure 3 describes the types of incentives associated with the programs of the survey respondents.

Cash

Cash payments are one of the two most commonly used types of incentives. In general, performance that meets established criteria is rewarded with a sum of money or a savings bond. Most of the programs reported in the surveys described awards of small amounts, usually no more than \$200 on an annual basis. Larger bonuses are bestowed, however, in connection with several suggestion programs. Successful suggestions in some places are recognized with a sum of money equal to a fraction of the cost of the savings attributed to the suggestion. In at least one agency there are no caps, resulting in one-time awards of as much as \$20,000. Examples of cash incentives include the following:

San Diego Metropolitan Development Board. A pool of funds is established each year by the board for distribution in equal shares if one or more agency performance goals are met.

Chatham Area Transit Authority, Savannah. A \$50 savings bond is offered for 1 year's accident-free driving.

TYPE OF INCENTIVE

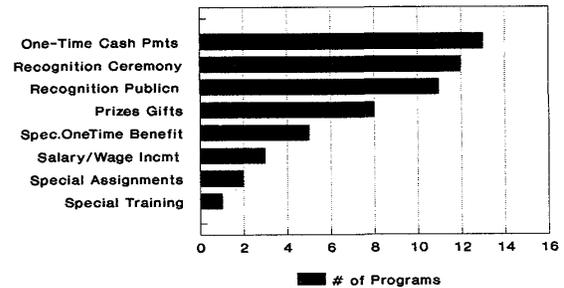


FIGURE 3 Types of incentives used by respondent programs.

Metra, Chicago. Based on an accumulation of points for employee safety, an individual can earn up to a \$500 bond.

Bloomington Public Transportation Corporation, Indiana. Based on an accumulation of points for good attendance and discipline-free performance, an operator can earn up to \$300 per year.

Ann Arbor Transportation Authority. A variety of programs offer up to \$500 cash after 3 years for meeting attendance, safety, and other performance criteria. Other programs offer a bonus of from 10 to 50 cents per hour worked during a quarter for meeting certain group and individual criteria for various job classifications.

Capital Area Transportation Authority, Lansing, Michigan. Employees can earn up to \$125 per month or as much as \$2,000 per year for perfect attendance.

Metropolitan Transit Commission, Minneapolis-St. Paul. A program to boost ridership and reduce operating costs offered a cash payment of 3.5 percent of salary during the year when the goal was met. Submitters of suggestions are awarded cash payments equal to a fraction of the savings achieved by the idea. This program was scaled back when the awards were perceived to have become too large. A Human Resources Recognition and Incentives program offers a \$50 payment for meeting individual goals.

Kansas City Area Transportation Authority. Employees of the month are offered a \$50 savings bond or \$100 in cash. Monthly clerical attendance awards give out \$15 bonuses.

Niagara Frontier Transit Metro, Buffalo. Operators with low levels of absenteeism qualify for awards ranging from \$125 to \$500.

Transportation Department, Chapel Hill, North Carolina. Cash bonuses of \$50 or more are offered for safe driving.

Capital District Transportation Authority, Albany, New York. The Go-for-Gold program, rewarding attendance, safe driving, and customer service offers savings bonds valued from \$75 to \$250, as well as 8 hours pay. A suggestion program awards savings bonds commensurate with the value of the idea.

Montgomery County Division of Transit Services, Maryland. Employee Performance Awards allowed 2 to 4 percent of salary as a cash bonus.

Salary or Hourly Wage Increments

Although the survey for this synthesis did inquire about salary or hourly wage increments, a search of the literature suggested that these programs are not considered incentives. Incentives tend to be characterized by one-time payments instead of a salary step, which then becomes part of the employees ongoing wage base.

Several transit organizations reported on programs whereby salary increments are based on achieving performance goals. These pay-for-performance plans have been excluded from the data collected for this synthesis.

Special Benefits

Most commonly, incentive programs offer special benefits that involve additional paid leave. Some survey respondents pointed out a certain irony in attendance programs designed to make people come to work by offering awards that allow people not to come to work. Nevertheless, they exist. Examples of the use of special benefits include:

Golden Gate Transit, San Francisco. Bus operators with perfect attendance can receive two extra holidays with pay.

Metropolitan Transit Commission, Minneapolis-St. Paul. Excellent attendance is rewarded with days off with pay.

Kansas City Area Transportation Authority. Winners of the Employee of the Month program receive a parking space for that month. At least one survey respondent, however, questioned the wisdom of transit authorities offer parking spaces as rewards. Distinguished Driver winners receive 1 paid day off.

Capital District Transit Authority, Albany NY. Winners of the Go-for-Gold program are awarded 8 hours pay or 8 paid hours off.

Montgomery County Division of Transit Services, Maryland. Employee mini-awards for extraordinary performance or heroic effort generate awards of up to 3 days annual leave. Employees who do not use any "unscheduled" absences during a calendar year receive a 1-day annual leave award. Employees who achieve the best attendance record within each operating division receive a reserved and designated parking space.

Washington Metropolitan Area Transit Authority. Employees earn one-half bonus day for each calendar year of perfect attendance. These bonus days may be accumulated from year to year without limitation, used as sick leave, or up to 1 day a year paid off as a cash allowance.

Recognition

As expected, recognition activities offer relatively low-cost, high-impact means to reward employees. There is a great similarity among the types of recognition offered. Many transit authorities hold annual dinners, luncheons, and banquets at which high-performing employees are celebrated. Connecticut Transit reported that its dinner became a major social function with spouses of bus operators frequently encouraging their mates to meet attendance and safety criteria in order to win admissions. Some organizations, especially in smaller communities, are able

to involve local media to cover the events and focus on the individuals as well as generate a good deal of positive publicity for transit.

Other commonly used techniques include the distribution of tie tacks, shirt patches, certificates, and gold nameplates. Qualifying employees are usually featured in house newsletters, on car cards posted in buses and railcars, and in some places are the subject of press releases. A number of survey respondents commented on the value of this type of recognition. They have concluded that these rewards are among the most highly valued by employees, even when weighed against cash. Three additional recognition programs of note are:

York County Transportation Authority, York, Pennsylvania.

When bus operators achieve an accident-free month, pizza and submarine sandwich lunches are served in the lounge to all.

Kansas City Area Transportation Authority. A bus operator who receives five Distinguished Driver awards is awarded the title of Master Driver.

Montgomery County Division of Transit Services, Maryland. Participation in and completion of three or more quality improvement projects results in the award of an Excellence Mug. "Best of the Best" operators and transit coordinators are honored at an annual appreciation breakfast held during National Transportation Week.

Prizes

Some transit systems award gifts as incentives. The prizes may be purchased by the transit agency or the gifts may be donated, winning some good will for the donor as well as for the recipient.

Massachusetts Bay Transportation Authority. Safe driver winners receive free restaurant meals, watches, and American Express gift certificates.

Kansas City Area Transportation Authority. Employees of the Month receive a free lunch for four. Attendance incentive winners are awarded turkeys and hams. Distinguished Drivers are given \$50 gift certificates.

Special Opportunities

Available literature suggested that incentives in organizations outside of transit and even outside of government often used special opportunities as incentives. These might include the chance to experience special training or receive favored assignments. Flexible working conditions and mentorships are important incentives offered by some small firms. (3) No evidence of this was found among the transit organizations responding to the survey. Among union employees, it is likely that work rules and contract language generally forbid special treatment, regardless of the circumstances.

Types of Programs

Most incentives are concerned with a specific aspect of a transit organization's responsibilities. Attendance and safety programs

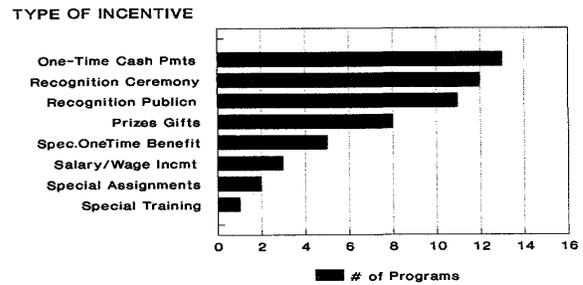
are the most common. They rest on easily available and relatively straightforward data. Awards are easy to calculate and administration costs are relatively small. This is consistent with other transit incentive work that has been compiled, notably Barnum's 1987 study. (4)

Programs that tie employee performance to overall system performance are few in number. The comprehensive approach used by the Capital Metro Transit Authority in Austin (see Case Study), which rewards employees for saving budget dollars, operating on-time, and keeping customers happy, is not typical. Figure 4 shows the type of programs identified by the questionnaire results.

Summary of Respondents' Comments

Respondents to the survey offered comments to those systems looking to establish incentive programs. Comments are summarized below, in the order of the frequency with which the observation was made. The first item, for example, was noted in some form by the largest number of survey respondents, in this case five.

- Involve employees in the design of the programs. Some transit agencies stressed the importance of employee buy-in and the most often repeated way of obtaining buy-in was by letting employees participate in developing incentive programs from the onset. Survey respondents recommended that employees be surveyed as to what goals should be and what incentives would be valued the most.
- Don't overplan--do it! Many survey comments cautioned against lengthy planning and research periods before putting incentive programs into place. The point of these remarks is that programs can be revised as they move forward. Implicit in these comments was that there was not a great deal of magic in making incentive programs work.
- Extend to as many employees as possible. This comment reflected a concern that programs that relate to a narrow slice of employees can leave others feeling alienated and mistrustful. Transit systems argued for the inclusion of as many people as possible, even if it required different kinds of programs for different classifications of employees. In the case of multiple programs, surveyed agencies advised that different incentive plans be comparable.
- Do your homework. This may seem to contradict the second comment, but the intent is to do a thorough job of putting programs together. Base programs on successful models or on



1 incl veh oper., road & emp safety
 2. Organiz counted only once/category;
 may have several progs in a category

FIGURE 4 Types of incentives used by survey respondents.

what is likely to work in the organization's particular culture. While programs may be revised, they need to carry credibility from the start.

- Get union support and endorsement. This comment was generally made by organizations whose participants were made up exclusively or largely of union members. It was suggested that union representation be involved at all levels of program development.
- Criteria should be easily understandable, attainable, and applied consistently. Again, credibility is one key to success. Employees need to fully comprehend the program's goal, and equally important, the goal must be attainable with effort. Probably most important is the need to administer criteria in an absolutely evenhanded way.
- Ensure that programs are linked to key business goals and objectives. Rewarding achievements that further the agency's mission sends powerful messages about what behavior is valued.
- Publicize positive results. Focusing attention on what has been accomplished through incentives builds support for the program and strengthens its believability.
- Be prepared to weather the storm during the first 2 to 3 years before the program is institutionalized. Like most management initiatives, there is a long gestation period involved.
- Budget enough to meet expectations. While programs do not need to be lavish, they do need to offer a meaningful incentive that is worth the effort.
- Include dollars in the operating budget as a visible line item. This helps employees to believe the program is real.

CHAPTER FIVE

CASE STUDIES

This chapter presents case studies for the Capital Metro Transit Authority in Austin, Texas and the Toronto Transit Commission. These two organizations were chosen for their different approaches to incentives. Capital Metro has put in place a comprehensive program that attempts to relate incentive benefits for all employees to the authority's overall cost savings results and performance on the street. Toronto Transit takes a more traditional approach with an extremely well-run suggestion program.

CAPITAL METRO TRANSIT AUTHORITY (CMTA)--THE GAINSHARING PROGRAM

Organization: Capital Metro Transit Authority, Austin, Texas

Program Title: The Gainsharing Program

Participation: All employees are eligible (except general manager, temporary employees, and interns)

Duration: Operating since 1991

Cost: \$355,900 (1992, actual payout, does not include administration costs)

Reward Criteria: Budget savings; on-time performance; customer service; accident rate.

Program Description: Capital Metro's Gainsharing program is a comprehensive incentives program in which all employees can receive cash benefits if performance and budget criteria are met.

The Concept

Gainsharing came about as a response to a number of issues at Capital Metro, including the need to put a renewed focus on operating performance and to strengthen teamwork within the organization. The program originally was suggested by a board member, and replaced an earlier program that rewarded only the general manager. This narrowly focused program had created considerable ill will. Conversations with employees suggested that they were eager to see positive feedback on performance come with a financial reinforcement.

The goals established at the outset of the program were as follows:

- To increase the level of employee involvement and participation,
- To open lines of communication within the organization horizontally and vertically,
- To improve the level of trust between labor and management,
- To improve productivity, and
- To equitably share any improvements in productivity through a financial incentive.

In reviewing program options, the authority engaged a local

consultant who had already assisted a number of organizations set up and document the results of gainsharing. He had not, however, had previous experience with a transit system. The challenge was to adapt the gainsharing concept--historically a private sector phenomenon--to the public transportation environment. During the early discussion, Capital Metro staff and its board debated the merits of a program based on budget savings as opposed to one based on performance criteria. Ultimately, the program encompassed both concepts.

The Gainsharing program was initially set up and guided by a series of principles:

1. The plan must fit the specific culture, technology, and environment of CMTA.
2. Incentive payments should be paid as a percentage of earnings during the specified period of time.
3. Gainsharing should not be part of the union contract; but union participation in the design and operations of the program was a must. Gainsharing discussions, however, excluded wage, benefit, and work rule issues covered in the labor agreement.
4. Gainsharing should be viewed as experimental and evaluated against its objectives.
5. The Gainsharing formula should be monitored regularly and carefully to ensure equity to the company and to the employees.
6. All suggestions and minutes of the program meetings are to be open, public, and distributed so that maximum employee recognition is achieved.
7. Incentive earnings should be separated from normal earnings and paid on a separate check.
8. Because teamwork is the key to success, Gainsharing is not a reward for one group of workers at the expense of other workers.

Involvement Process

Operationally, the Gainsharing program actually combines several familiar management tools, such as a traditional suggestion box, to generate ideas for improvements and quality circles as the vehicle for turning good ideas into practice.

Suggestions are continually solicited from all employees on how to do things more productively or more effectively. Suggestions that produce a concrete dollar savings are especially desirable. Suggestions can come from anyone and be aimed at any aspect of the organization's work.

Suggestions go to one of four Improvement Teams that focus on fixed route operations, special transit services, maintenance, and administrative matters respectively. The teams are interdisciplinary groups made up of people from all over the organization and from all levels. Team members are generally volunteers who participate with the approval of their supervisors. Teams elect a leader and rotate membership periodically. The teams' roles are to assist employees in submitting and refining suggestions; to

review and recommend suggestions for activation; and to implement suggestions costing less than \$250.

The umbrella over the Improvement Teams is the Participation Committee. It has overall responsibility for the Gainsharing program. The Participation Committee reviews and recommends action for suggestions estimated to cost more than \$250.

The Formula Committee comprises employees from senior staff levels to operations. Its primary task is to set common organizational goals across the entire organization. A formula for incentives is also developed by the committee. From time to time, it meets to review whether the established goals and formula are meeting Capital Metro's overall objectives.

All of this activity is only indirectly involved in the incentive component of the program, which is paid purely on the basis of either budget savings or operating performance improvements. But the agency tries to capitalize on the generalized cause-and-effect relationship between the activities of the committees and eventual bottom line improvements. A recent program modification reinforces the importance of suggestions by rewarding the originator of all adopted suggestions with a gift worth about \$25.

Incentives Payout

The budget savings element of Gainsharing is calculated as the difference between the adopted operating budget for the year and actual expenditures. When actual expenditures are lower than budget, 25 percent of the savings is distributed through the incentive program.

Operating performance improvements are based on a comparison between performance and goals established in each of three areas. These emphasis areas are: accidents per 100,000 miles, customer satisfaction, and on-time performance. In 1992 and 1993, a pool of \$200,000 was assigned to the performance improvement element of the program. This translated into \$16,666 available for each performance measure in each quarter. Performance goals are reconsidered each year. For 1991, five goals were established. This number was reduced to four in 1992, and further reduced to three in 1993. Cost-per-mile, ridership, and lost-time measures were all tried and replaced during this period for lack of satisfactory criteria and measurement tools as well as the ability to control results.

As to the size of the Gainsharing pool, it has been set not so much with reference to dollars directly saved but, rather, at the level that seemed to be enough without being too much. It is the amount the system feels it can afford.

Payouts are now made quarterly. Initially, Capital Metro's management sought an annual payment, mostly because they felt individual checks for larger amounts would have a greater motivational value. Employees, on the other hand, expressed an interest in having a steadier stream of financial benefits. This led to the current four-checks-per-year scheme.

The distribution of incentive payments among employees is made on what is termed an "equity" basis, i.e. proportional to each individual's salary. The equity share operates on the theory that people are paid according to the value of their contributions to the organization, and it therefore follows that their share of incentive payments would maintain this same proportional distribution.

During the 1993 cycle of Gainsharing, a qualifier was added. Because attendance and lost-time were problem areas, no employee can now receive an incentive share if he or she was absent

more than four days during the quarter (apart from scheduled leave).

In 1991, quarterly payouts for performance improvements ranged from \$23,750 to \$35,000, while budget savings produced quarterly payouts of \$32,305 and \$2,796. On a per-employee basis, this meant that each received quarterly payments that ranged from a high of \$82 to a low of about \$30. In 1992, individual checks to Capital Metro staff ranged from \$1.30 to \$415 and in 1993 ranged from \$4.75 to \$610.

Given that one of the notions on which the Capital Metro Gainsharing Program is based is all-employee eligibility, the organization faced the challenge of keeping everyone involved in a structure on which everyone could have an impact. The particular blend of performance measures and budget savings facilitates this. Clearly, those in operating functions--bus operators, mechanics, supervisors, route and schedule planners, special transit services clerks, and street supervisors--can have a greater impact on performance with their actions and their suggestions. Those in administrative functions--human resources and finance, for example--can more directly influence expenses against budget milestones.

All employees can participate on the Improvement Teams and as members of the Participation Committee regardless of whether or not they are union members. To date, the involvement of the leadership has been relatively passive. The union has neither promoted nor opposed the program. As indicated above, Gainsharing is not provided for in the contract and Gainsharing activities carefully avoid issues related to the contract such as benefits and wages. Of course, there are times when the line is thin between contractual and noncontractual issues, and Gainsharing related discussions approach traditional collective bargaining matters. As a rule, however, it seems to be a non-issue.

Benefits Accrued

The most obvious benefit of the Gainsharing program is that for about two-thirds of the quarters during which it has been in place, Capital Metro accomplished its budget and performance improvement goals. In addition, even during periods when goals were not reached, Capital Metro managers report an increased sense of mission and awareness of what has to be accomplished. While there is no hard evidence to support this perception, based on anecdotal indicators, there is great confidence that employees are preoccupied with issues such as saving money and on-time performance. For example, the extraordinary level of street construction underway around Austin is reported to have generated frequent discussions in the employees' lounge and cafeteria of how the on-time performance measure could still be met. One individual observed that Capital Metro employees were now using a "new language" of operating performance concern.

There was consensus among the employees interviewed that the organization has pulled together in a way that was previously unknown. Interdisciplinary teams of people from all over the organization have created working relationships across departmental lines. The focus on budget and performance goals has made people feel closer to Capital Metro's mission, and has given workers a stronger sense of personal responsibility for the agency's fortunes. One of the small details of the program that has had great symbolic significance is that the program, until recently, was administered by a bus operator who was put on part-time loan to the

Human Resources Department. This arrangement seems to have resonated within the agency as one piece of evidence that some of the organizational walls were being scaled.

Issues

Austin's Gainsharing program raises a number of issues that resonate through the incentives literature. The survey responses indicate that other transit systems are also struggling with these same things, so it is probably reasonable to draw a few generalities from the Austin experience.

Problems in keeping alive the difference between an incentive and an entitlement It appears that employees, in particular, are prone to lose sight of the fact that an incentive payment is not an entitlement. This is true despite the fact that the incentive program theorists are all but unanimous in their insistence that incentives should be paid only for extraordinary performance. This dissonance between theory and perception has cropped up in Austin, where two quarters have passed without a payout. This has happened, of course, because Capital Metro met neither its performance goals nor budget goals. Nonetheless, some of the employees are disenchanted with the program. They almost feel that something they were entitled to has been taken away. If this feeling gains momentum, the possibility exists that the program may end up doing more harm than good.

Sustaining the interest and vitality of the program during periods of substandard performance Likewise, the reaction to nonpayment of incentives may be simply a loss of enthusiasm. From the organization's standpoint, this ends up being a net loss, for while it is true that there is no cost of payouts when the organization fails to meet its goals, there may also be little motivational effect. Ideally, an organization would consistently be able to define goals that were achievable, but only with a stretch. When this equation breaks down, interest is likely to erode sharply.

Trading off the benefits of individual vs. group awards. Capital Metro's program differs from almost every other program the survey uncovered in that it rewards everyone. The strength of this feature is the strong connection it establishes between employees and the achievements of the organization as a whole. Moreover, no one feels left out. The group benefit also highlights the interconnected and mutually dependent nature of transit work.

At the same time, the benefit awarded to all presents some drawbacks. Even where the majority of workers are doing an outstanding job, there are always a few who are skating on the others' success. Capital Metro employees recognize, and to some extent resent, that under their incentive program, employees who perform below standard enjoy the same benefits as those who surpass performance expectations. The attendance qualifier that was recently added to Gainsharing helps to bring some balance back into this situation. In fact, by eliminating people with poor records, it provides more money to be distributed among the remaining eligible employees. The timing of this new feature of the program has been unfortunate because there has been no payout to anyone in one recent quarter.

The impact of peer pressure. The role of peer pressure in incentive programs generally is the subject of considerable debate. Capital Metro is no exception. Some employees, particularly those in transit operations and maintenance, feel peer pressure has been

a positive factor that has pushed some to achieve. Some managers, on the other hand, indicate that the hoped-for elevating influence of peer expectations has not emerged. One of the theoretical arguments for group awards has been that this will harness the power of peer pressure for the accomplishment of management goals. At least in Capital Metro's experience, however, this particular aspect of incentive program theory is playing to mixed reviews.

Should there be different programs for different groups of employees? In the development of Gainsharing, Capital Metro seriously considered separate incentive programs for operating and administrative employees, and flirted with even deeper fragmentation. These alternatives have been rejected in response to concerns that the groups were likely to feel that their accomplishments were not receiving equitable acknowledgment. Additionally, Capital Metro has placed extremely high priority on the goal of creating teamwork and cohesion within the workforce as a whole.

Measuring the payout dollar amounts vs. percentage of salary. As indicated above, the Gainsharing program payouts are paid on what has been termed an "equity" basis, meaning that payments are proportional to each individual's salary. The tradeoffs between this and flat dollar amounts are fairly easy to see. Obviously a \$500 award is much "bigger" to an entry level administrative or operations employee than to an executive level manager. Some would argue, moreover, that this may be appropriate inasmuch as many performance goals are most directly within the control of rank and file employees. The counter argument is that the art of managing--of facilitating and clearing away the obstacles to good performance--is a harder job to do, and should receive more rewards. As with most other features of incentive programs, there are no absolute answers. Capital Metro is reasonably satisfied with its "equity" formula.

Compensating for uncontrollable factors. Capital Metro's incentive program has bumped up against one of the transit environment's facts of life: transit operations and administration alike are frequently subject to unanticipated and uncontrollable events. Unexpected budget demands (frequently arising from conditions in the nontransit sectors of the financial environment) or changes in the operating environment can play havoc with carefully laid-out, well-reasoned, conservative projections of performance. While the agency has tried hard to work with achievable goals, the unexpected happens. If the random things that happen repeatedly defeat budget and performance goals, incentive programs related to those goals can quickly sour.

Distinguishing prudent cautionary advice from naysaying in evaluating suggestions. Conversations at Capital Metro suggested that there have been instances when suggestions approved by the interdisciplinary Improvement Teams have been stopped by one or more managers who would have to have been responsible for implementing the idea. The result has certainly had a chilling effect on those who have contributed or would like to contribute suggestions, as well as on the enthusiasm of the individuals on the approval and evaluation committees. This is a theme echoed elsewhere in discussions of suggestion programs from other survey respondents. It is unlikely that there is any formula for eliminating this problem; it will remain one of the continuing challenges in administering this kind of program.

Keeping the goals achievable. The act of setting goals for an incentive program is difficult. A goal should be achievable, but not without a stretch. Capital Metro is struggling through a period when it has been unable to achieve its goals. The options are to change the goals or try new initiatives to achieve the original ones. Neither approach is without certain perils. Goals that are frequently changed (especially when they are made easier to achieve) can send the message that an organization is not serious about performance. The incentive program can fail to motivate because it has degenerated into a question of who will blink first--management or the employees. But it is equally obvious that goals that are never changed, especially if they are routinely missed, can send the message that the incentive program is just a sham because the rewards have been strategically placed just out of reach. Somewhere between this rock and hard place is the elusive balancing point.

Next Steps for Gainsharing

It is fair to say that Capital Metro continues to be supportive of its Gainsharing program, but is considering how it might be reshaped to strengthen its effectiveness. In the course of the series of discussions, various people suggested possible ways to make Gainsharing work better.

- Larger bonuses. Some question whether payments of less than \$100 can really be meaningful enough to an employee to influence behavior. Some are thinking about restructuring the program to make larger annual bonuses--as much as \$1,000--available.
- Fewer recipients of incentive payments. Another option may be to establish more performance qualifiers to give greater assurance that the personal contributions of individuals who receive payments are strong.
- Increased union involvement. Some consideration is being given to negotiating the program into the labor contract. To date, as noted, the union has been neither an opponent nor an advocate for the program. Some in management reason that if the union agreed to Gainsharing through formal collective bargaining, it would do a better job of beating the drum to stimulate greater employee interest.
- Better performance goal definition. There are concerns that employees don't fully understand the performance goals. While on-time performance is clear, the ratios used to describe accidents and customer satisfaction are difficult to comprehend and may be harder to buy into for that reason.
- More effective dealing with the operating budget. Given that Capital Metro has been unable to achieve budget savings for a period of time--often for reasons that are perfectly understandable and beyond reasonable influence--there is interest in finding a new way to fold budget considerations into the incentive program. One proposal considers an assessment of actual expenditures as measured against a range of budget targets rather than a single target number to shoot against. No one yet appears to have the right answer, but there is a widespread sense among management that the operating budget incentive needs to be rethought.

Capital Metro's Gainsharing program provides an outstanding case study on the use of employee incentives to increase public transportation's performance. There are lessons in what is going right for Gainsharing as well as in the issues with which the program is wrestling.

TORONTO TRANSIT COMMISSION (TTC)—EMPLOYEE SUGGESTION PROGRAM (ESP)

Organization: Toronto Transit Commission, Toronto, Ontario, Canada

Program Title: Employee Suggestion Program (ESP)

Participation: All active employees except officials are eligible to participate in the Employee Suggestion Program.

Duration: Operating for 2 years.

Cost: \$37,400 (1992); \$25,000 (1993 projected)

Reward Criteria: Problem solving that results in financial savings or increased revenues, and/or improvements in employee or customer convenience, service, safety, operations, efficiency, or productivity.

Program Description: The Employee Suggestion Program is one of a number of incentives offered by the Toronto Transit Commission to link employee performance and participation to the overall mission and objectives of the agency. Administered by the personnel department, it provides a way for employees to formally submit ideas for improvements and cost savings for fair and careful consideration.

The Setting

Currently, the Toronto Transit Commission (TTC) is undergoing a corporate restructuring and reorganization that is intended to change both the hierarchical structure of the agency and the way in which its units report to central management entities. This is being undertaken partly in response to necessary downsizing and partly because it was recognized that although most of the individual branch operations have mission statements, business plans, and action strategies, there was no single guiding plan for the agency as a whole.

As part of the restructuring and reorganization, all reward and recognition plans are being reviewed. Management is looking at the intent of the incentives, obtaining measurements of results, and assessing implementation costs. The target is to tie the incentives into a basic overall plan, integrated with the new business plan and have this objective accomplished by spring 1994.

The TTC has always set high priority on recognizing good performance and acknowledging outstanding contributions by its employees. Along with the typical attendance, safety, and longevity awards, TTC's customer service and employee suggestion programs have been designed to offer motivation for employees to carry out the strategies and performance objectives set forth in TTC mission statements. Customer service is of special importance. Whenever employees are cited for extraordinary courtesy, skill, or other activities beyond the normal range of duty, their supervisor appears on the bus during regular work hours to give a commendation. This informal and spontaneous recognition lets both the public and the employee know the high value of good customer relations. It is also fun--both supervisors and employees enjoy the event--and an excellent way to maintain good morale among the employees.

The Employee Suggestion Program (ESP) is also considered by the Commission to be highly successful.

The Operation

The ESP is centrally administered through the personnel department. All active employees--hourly, supervisory, clerical, and

management and professional (with the exception of officials)--are eligible to participate by submitting forms to the personnel department. Once submitted, suggestions become the property of the TTC and cannot be resubmitted for 3 years. Joint suggestions are welcomed, with the understanding that awards will be shared. A brochure describing the ESP gives guidance on what suggestions are and are not:

A suggestion is an idea that:

- Solves a problem,
- Results in money savings or increased revenues,
- Improves customer service or safety,
- Improves TTC operation,
- Increases efficiency or productivity, and
- Results in increased convenience for passengers or employees.

Under the Occupational Health and Safety Act, employees must report safety-related suggestions to their supervisor immediately. The brochure notes that because employment safety and occupational health related suggestions are encouraged on a routine basis, these must follow the normal process through the Health and Safety Committee structure and will not be eligible for cash awards. However, suggestions regarding passenger safety are eligible for cash awards.

There is also a precisely worded definition of what suggestions are not:

- A complaint that does not offer a solution,
- Ideas resulting from employee participation in the development of company projects,
- Ideas involving routine maintenance and/or general housekeeping,
- Ideas which restore a situation to its proper order,
- A duplicate idea submitted by others within the past 3 years,
- Ideas not submitted on the ESP form, and
- Ideas submitted on the ESP form but not signed by the suggester(s).

In filling out the form, the employee is requested to describe the current situation, and then state the solution, explaining in detail how the change should be made and the anticipated benefits that will result. The employee is encouraged to provide sketches, drawings, samples or other aids that provide enough information to implement the suggestion on a trial basis. The form requests information on what kind of benefits are expected to occur, listing categories of cost savings, convenience, communications, working environment, waste management, safety/security (with the caveat noted above), customer service, procedures/methods/productivity and other.

Processing the Suggestion

The personnel department receives and records the suggestion, and an acknowledgement is sent out within 5 working days. The suggestion is then forwarded to the appropriate areas for investigation, evaluation and testing. Within 50 days, the employee receives word on whether the suggestion has been approved.

Awards

Each suggestion is based on its own merit and is valid for 3 years, after which it may be resubmitted. In the past, checks were given to the winners; however, because the agency has changed its payment procedures to direct deposit, the awards will be presented as certificates along with notification of the appropriate tax deduction. Awards are based on three types of benefits--tangible, intangible, and merit.

Suggestions with tangible benefits are those that result in quantifiable savings to the TTC. The amount of the award is 10 percent of the first year's net savings, minus implementation costs amortized over the first 2 years. For example, assume that total savings in the first year are \$100,000, and implementation costs are \$20,000 amortized over 2 years, or \$10,000. The first year's net savings would be \$90,000. Ten percent would amount to \$9,000, the amount of the award. In practice, awards are usually under \$500. The highest single award was \$20,000.

The benefits of a suggestion are intangible when an accepted suggestion results in improvements that cannot be judged in dollar terms. Examples include improvements related to customer satisfaction, more productive use of materials, or more effective communications. A rating guide is used by administration and managerial staff to determine the amount of the award; these awards can range from \$50 to \$25,000.

Finally, merit awards are given when suggestions have stimulated action that in some way has benefitted the TTC. These could include suggested improvements which, although they cannot be implemented, serve to raise employee awareness about important issues of safety, service, or convenience. Awards of \$50 are given.

Benefits Accrued

Data are available for 1992 and the first 9 months of 1993. During 1992, 132 awards were given, totalling \$37,400. Of these, 23 suggestions resulted in tangible improvements, 63 were intangible and 46 were merit suggestions. The one tangible suggestion, which saved more than \$200,000 in its first year, provided a more efficient means of calculating the costs of unmanned vs. manned operation. The divisional clerk who made the suggestion received \$20,000. More than half (73) of the awards were below \$100, and 54 recipients received between \$100 and \$500.

During the first 9 months of 1993, only 72 awards were made, totalling about \$21,800. Twelve awards were for tangible improvements, with highest awards at \$4,400 and \$8,000. Intangible awards totalled 31 and merit awards, 29. Again the bulk (53 out of 72 awards) were for \$100 or less. One of the tangible suggestions in 1993 resulted in an improved method for scheduling token collectors that saved personnel costs.

TTC managers report that several types of benefits have accrued from the program, the most obvious of which are the real savings generated by the good ideas of employees familiar with operations mechanisms and procedures. A second type of benefit relates to the team spirit and individual empowerment caused by management's recognition of workers for their contributions to the overall good of the agency. Continuing and visible support by TTC senior managers of the ESP reinforces this pride in the agency. The most subtle benefit of the program, however results from the employees' increased awareness of the importance of

agency objectives such as customer service, cost savings, safety, and productivity. The carrot of reward keeps the employees looking for ways to benefit both themselves and the TTC and results in continuing employees' contributions to TTC's quality.

Issues and Next Steps

In its 2 years of operation, commission representatives rate the ESP as generally successful in motivating employees to care about improving performance and job environment, and the program has resulted in real administrative and operational improvements for the agency. ESP's management has been well accepted by the employees as being even handed and equitable. Questions regarding the program's future relate to possible changes in amounts of the awards and the way that ESP will be integrated into the agencywide network of incentives.

With respect to award amounts, the agency is questioning the purpose of the tangible program. Senior policymakers ask whether

it is to save dollars for the agency or to recognize employees. The current program rewards employees for saving money-the more money saved, the higher the award. Some are concerned that this could cause employees, in their quest for maximum remuneration, to overlook less dramatic and possibly longer term, more worthwhile improvements. At a lower cost to the agency, some postulate that most employees would be satisfied with a lower maximum (say \$500 or \$1,000) and the same level of recognition. These issues are being debated at TTC. At the same time, management is reviewing the experience of other transit agency gainsharing and suggestion programs.

Of more significance to the future of the ESP will be its place in the restructured Toronto Transit Commission. Discussion is underway as to how ESP will be used, along with the other employee incentives, to further a newly integrated organization with single vision and mission statements, business plans and service strategies. The agency is confronting the challenges of moving in a new direction while retaining the excellent programs and policies that have sustained it in the past.

CHAPTER SIX

SAMPLE OF INCENTIVE TECHNIQUES IN USE

This section offers a sample of incentive programs that are used by various transit systems, based on responses to the synthesis survey. Undoubtedly, there are many other excellent programs that are not reported because the transit system did not respond to the survey or were not included as a recipient. As an example, the efforts of the transit system serving Flint, Michigan have been repeatedly cited and documented as being on the cutting edge of incentive and other employee motivation and development activities. Unfortunately, Flint was unable to participate in this research. Barnum's work provides one overview of programs in Flint. (4) The techniques below continue the synthesis theme of providing a snapshot of transit authority incentives programs in 1993.

SAFE DRIVER AWARDS

Niagara Frontier Transit Metro System, Inc. Buffalo, New York

Program Description

Safe driver awards are given to bus operators who have experienced accident-free driving (no chargeable accident) during the previous calendar year. For the first 10 years, recipients are awarded pins denoting the length of accident-free service. After 10 years, the operator receives, in addition to the pin, a watch; at 20 years service, a \$200 bond; and at 25 years (and above), an extra week's vacation. After 30 years of safe driving, the operator receives a mantle clock, a \$50 restaurant certificate, and his or her name is entered on a permanent "Hall of Fame." An annual luncheon is held for recipients of the 10-, 20-, 25-, and 30-year safe driving awards.

Length of Time Program has Operated

Twenty years.

Summary of Results

There has been no attempt to tie accident reduction or lower costs for the system as a whole to driver records. The tracking system is outdated, and currently is being reviewed and restructured to provide meaningful information on trends and experience. When the system has been updated, it may be easier to identify program costs and benefits as well as intangible gains. Types of information that could be collected include the value of decreased accident claims and lower operating costs as a result of increased accident-free miles in relation to the costs of operating the program (about \$9,500 annually).

However, measurement of cost reduction as a result of safe

driving would be clouded by external factors such as a recent drop in ridership and other events.

The program is well-accepted by the employees as the measurements are clearly spelled out and objective. Questions of equity seldom arise regarding definitions of safe driving.

Approximately 25 drivers per year (out of a total of 600) are honored for their safe driving performance.

Challenges and Issues

The program is probably more important for its individual recognition and morale boosting than for system cost reductions.

EMPLOYEE OF THE MONTH

Kansas City Area Transportation Authority Kansas City, Missouri

Program Description

Employees are nominated by their peers for consistent and outstanding work performance. An evaluation form covering criteria such as attendance, quantity and quality of work, and ability to work with others is filled out by an immediate supervisor and reviewed by a department director. Selected employees receive a free lunch for four people, a day off with pay, parking space for a month, a plaque, and a \$100 bond or \$50 in cash.

Length of Time Program has Operated

More than 5 years.

Summary of Results

The program was developed by the Employee Recognition Committee to recognize outstanding employees and to improve morale. About five names are submitted each month, denoting continued and widespread participation, as well as employee awareness of the importance of efficiency and productivity.

Challenges and Issues

Criteria for the program are not specific and therefore are subject to different interpretations by different immediate supervisors. This has led to some complaints of unfairness and favoritism in selecting the Employee of the Month. Written criteria are in preparation which should alleviate this problem.

SICK LEAVE/ACCIDENT-FREE/MASTER MECHANICS INCENTIVES

**Chatham Area Transit Authority
Savannah, Georgia**

Program Description

There are three components: sick leave incentive, accident free incentive (for drivers) and master mechanic incentive (maintenance shop personnel). Benefits from the sick leave and accident-free incentives are recognition, including a banquet for the employee and spouse and a \$50 bond as well as a personal leave day for a year of perfect attendance or accident-free driving. Master mechanics receive recognition and a salary increment. Service awards start after 3 years of employment and are about the same until an employee has served for 25 years, when there is special recognition. Awards are made on the basis of individual performance.

Length of Time Program has Operated

Over 5 years.

Summary of Results

Results are difficult to attribute to specific actions. For instance, there is some question whether a drop in absenteeism is due to the incentive's raising morale or to stricter enforcement of existing rules. The accident-free program costs approximately \$30,000/year (banquet, \$50 bond, etc.) excluding cost of extra day off for the winners. Some of these costs are offset by lowered accident and workman's compensation claims, although the relationship is not exactly determined.

Challenges/Issues

There is always pressure on the budget, usually from the outside, to remove items, such as incentives, that do not appear to impact the public directly. Management explains that it takes constant alertness and explaining to assure the public that incentives pay for themselves.

Employees sometimes feel that incorrect criteria have been used in selecting recipients, thus lowering rather than raising morale. For example, the requirement that an employee be employed 3 years to be eligible for an award rankles some of those who have 2 years of perfect attendance or safe driving. In balance, however, senior officials believe the program requirements are fair and more desirable because of the length-of-term requirements.

BEST OF THE BEST Montgomery County Division of Transportation Services Rockville, Maryland

Program Description

Each operating module of the agency identifies a representative, based on that individual's performance evaluation and extraordinary service to the agency's mission. The selected bus operators and transit coordinator are recognized at the annual Transportation Week Appreciation Breakfast.

Summary of Results

Major benefits are employee involvement in agency objectives, resulting from a management philosophy committed to employee participation and recognition. Managers believe that in order for its incentives program to be successful, there must be multiple opportunities for employees to perform in an outstanding manner and to be recognized for doing so. Actual results are only partially documented.

Challenges/Issues

The organization reports that equity is always a challenge; it is difficult providing an objective evaluation of one employee's performance over another's. Efforts are made to make the criteria for awards easily understood and attainable. Flexibility and responsiveness are also stressed.

SPECIAL SERVICES MOTOR COACH OPERATOR AND CALL TAKER INCENTIVE PROGRAM

**Ann Arbor Transportation Authority
Ann Arbor, Michigan**

Program Description

Bonus payments are provided to all motor coach operators and call takers for each hour worked in either job classification based upon increases in certain categories of ridership in comparison to ridership for the same quarter of the previous year. Bonuses are related to percentage increases: at a 10 percent increase, the employees receive a \$.25/hr bonus, rising to a \$.50/hr bonus for a 45 percent increase.

Length of Time Program has Operated

More than 5 years.

Summary of Results

Results are measured both in terms of ridership and costs of quarterly bonuses. Although data were not available, the programs are considered by senior managers to be highly successful.

Challenges/Issues

Employee "buy-in" to the incentive program is considered to be one of the key ingredients of success.

SERVICE CREW INCENTIVE PROGRAM Ann Arbor Transportation Authority Ann Arbor, Michigan

Program Description

Quarterly bonus payments are provided to employees performing work in the service crew job classification related to four group

performance criteria: proper fueling, cleanliness, farebox probing, and correctly entering data into the fleetwatch system. For proper fueling, employees receive a bonus of \$.10/hr; for average cleanliness rating scores exceeding 8.00 to 9.50, employees receive a bonus of \$.15 to \$.25/hr; for proper farebox probing over 98.5 percent of the time, \$.05/hr, and for correct entering of data for the fleetwatch system at a completion rate exceeding 98.5 percent, employees receive a \$.10/hr bonus.

Length of Time Program has Operated

Over 5 years.

Summary of Results

Results are measured both in terms of the performance criteria and costs of quarterly bonuses; however these data are not available

PERFORMANCE INCENTIVE PROGRAM San Diego Metropolitan Transit Development Board (MTDB) San Diego, California

Program Description

Cash bonuses are awarded to all full-time eligible employees based on meeting the MTDB's adopted annual performance bonus goals and award percentages. Employee eligibility is determined by length of service and satisfactory performance evaluations. The amount actually distributed depends on whether the MTDB meets the goals and percentages: if all goals are met, then 100 percent of the pool is distributed; if none are met, no money is distributed, and if some of the goals are achieved, the pool monies are based on the award percentages for those goals. The bonus pool is set annually by the board of directors at some percentage of actual

year-end personnel costs (a maximum of about \$1,000 per employee). For the last 2 years, because of a budget shortfall, the program has operated, but it has not been funded.

Length of Time Program has Operated

More than 5 years.

Summary of Results

Annual goals are quantified and easily measurable (i.e. increase fixed-route farebox recovery ratio by 1 percent to 49.5 percent. The bonus award is tailored to the annual farebox recovery data). In general, the results are excellent, with goals being at least partially realized and high morale among employee teams.

Challenges and Issues

The purposes of the performance incentive program are:

- To stimulate and maintain high quality performance for all individuals in the organization,
- To reinforce teamwork across all departments,
- To avoid the administrative burden of judgmental evaluation of individual performance among employees,
- To set measurable goals that represent positive achievements for the agency, and
- To reinforce employee attitudes to be transit advocates and interested in improving the overall system.

The program is well regarded by employees and does accomplish at least partially the purposes for which it is intended. The budget shortfall that has precluded payment for the past 2 years is, however, a serious obstacle which must be overcome if the program as currently conceived can be expected to continue after 1994.

CHAPTER SEVEN

OBSERVATIONS ON ESTABLISHING INCENTIVE PROGRAMS**ELEMENTS OF PROGRAM DESIGN**

This chapter looks at the experiences and actions reported on the survey as a series of steps that transit agencies consider in deciding whether incentive programs are the right tool to help meet organizational goals and in planning and establishing incentive programs.

The survey responses suggest that the development of a transit incentive program is a relatively simple concept complicated by a wide array of variables. A well-designed incentive program rewards measurable changes in behavior that contribute to clearly defined goals. The challenge in developing such a program lies in determining what rewards are effective agents of change, what behaviors can be changed, and the costs and benefits of eliciting change.

Employee Involvement

While it is important to be reminded that transit organizations responding to the survey did not consistently involve employees in incentive program design, there are several arguments for bringing staff into the process early. If employees don't think a program is attractive, then it really is not attractive. The value here is truly in the eyes of the beholder, and the value is likely to be greater if it is to some extent the beholder's own creation.

So, the employer can improve the chances that the particular design of the program will be appealing (and therefore motivating) to employees by asking up front what they like. The best cues to choosing the particular forms and formulae by which incentives are distributed may come from the employees themselves, who, in addition to being experts on what kinds of incentives they would find motivating, are also experts on the work itself.

Goal Setting

Setting the goals sounds easy enough, but it requires a balance between desired behavioral changes and measurable performance improvements. A useful starting point for this balancing act is to note that, although the goal-setting process is important, it need not be elaborate. The caution is particularly relevant to an organization that wants to integrate the incentive program with a larger strategic planning process. It is important not to let the planning get so intricate that there's no time or energy left for execution.

The goal-setting process could be something as simple as one productive meeting among a few key players to identify desired results of the program. Preferably someone would frame the issues beforehand, keep the discussion focused and tethered to the organizations's climate. The objectives of the incentive program should also mesh with the objectives of other management priorities and programs, or at least not work in opposition to them. The

minimum requirement is to define the goal of the program so that it will be possible later on to tell if it is delivering according to expectations

The minimalist approach to setting incentive program goals is but one among the available options. An organization involved in setting some long-term strategies to bring about significant changes in the operation might want to include the incentive program in that larger effort. The incentive program can be seen--and sold--as part of the implementation phase of the strategic plan. This should enhance acceptance and understanding of the incentive program, which in turn works to enhance participation and commitment and the chances of success.

The goal-setting phase can be a useful time to think expansively about the incentive program. Managers know intuitively that in the course of ironing out the details of the program they are very likely to have to scale it back. But if the thinking starts out too limited, there's no place for compromise that doesn't cut the heart out of the program.

In the final analysis, appropriate goals are attainable, are worth paying for, and can be measured at reasonable cost and effort

Development of Measures

Measurement problems surpass all others in importance. First and foremost, the measurements must be valid and reliable. Whatever is measured must be easily and inexpensively measured. In transit--and particularly in bus operations, where all the key actors are both mobile and geographically dispersed--this is really a challenge. These problems can be addressed with technology, but it has a high price tag. It is certainly not possible to install electronic measuring devices in most systems just to support an incentive program. So the measurements for the program have got to be practical.

The measures also must be credible, meaning above all that they can't be tampered with by either management or program participants. At least in part because incentive programs are not a traditional part of transit culture, but also because human nature seems to run to a certain degree of suspicion, everyone who has a stake in incentive programs will want assurances that there's no way to work the system. If employees doubt the measurements, they will not be motivated by the promise of the incentive; if the public or the funding bodies suspect that the money can be paid out without the product being delivered, they will end the program; if managers question the results, they will end up double-checking to the point that the program becomes more trouble than it is worth. There is no option but for the measurement system to be tested before it begins.

These problems are gradually being addressed through increased sophistication in all the systems that support transit operations. Data collection technology that cannot be justified merely to support incentive systems is being developed and installed in

some organizations for the purpose of directly monitoring and improving the quality of service. When this kind of equipment is implemented, incentive programs that once had to be rejected because they defied cost-effective measurement can be put into place. For instance, several bus operations across the country are putting sophisticated automatic vehicle locator systems in place. Although their purpose is not to supply data for incentive programs, they certainly do open a world of possibilities for incentives based on on-time performance that have been impossible to date.

In addition to these major performance measurement issues, there are also measurement considerations that bear simply on the intellectual soundness of the incentive program. It's very important to keep cause and effect straight in deciding what measurements to use. It is equally essential that the behavior being measured is within the program participant's sphere of influence.

One final note in the area of setting up incentive program measurements is to beware of potential reverse effects. If, for example, a good incentive is offered based on the operations of each separate maintenance facility for increasing miles between roadcalls, garages might make excuses not to pick up a disabled bus from another garage because they don't want to be saddled with the bad statistic. Of course, one option for solving this kind of problem is to regulate it away. But the more intractable problem may be the creation of a rivalry where the goal was to develop teamwork. It pays to test probable incentive scenarios before the program is put into place so that reverse effects can be anticipated and eliminated.

Establishing the Incentive

One issue is whether to give money or something else to employees who satisfy incentive criteria. While cash is certainly the easy answer, the assumption that this is what employees want most may not be warranted. The payment of incentives paid in time off may add more to the motivating effect of the program than would cash. Another circumstance where non-cash awards might be a good fit is where the actual amounts of the awards are small, under \$100 for example. In this situation, selecting a "prize" in the form of a coffeemaker or a clock radio, for instance, may offer a higher element of satisfaction than taking home a few extra dollars. Deciding what form the awards should take is a perfect issue to put in the hands of participants in the design phase of the program.

The cost of the awards is an issue for which the managers must assume responsibility. The incentive program must demonstrably cost less than the value it turns back to the operation.

It is also imperative that the money will be available to pay out before the program goes into operation. Even if the amounts of money that would go to any one individual are small, the fact remains that an incentive program is a "deal" between management and the employees—the employees make an extra effort in return for an extra reward. Management cannot fail to deliver under any circumstances. It is important to know where at least the current year's incentive money will come from—no matter what else happens.

The relationship between the incentive payments and base compensation can become a complicated one. Traditional incentive theory is that incentives are paid over and above a competitive base wage, which is usually the product of collective bargaining. An organization that is prepared to pay out substantial amounts in incentive payments would like to offset some of that cost by holding

the line on base pay. This is particularly true in times when money is extremely tight.

There are actually several ways to look at the tradeoffs. Probably the most useful advice is to choose a premise for the incentive program, and follow a strategy that is consistent with it. Some programs are based on the premise that a portion of the "profit" from improved performance will be returned to the people who produced it in the form of incentive payments. This kind of program can be kept fairly separate from collective bargaining and base pay questions. By contrast, some agencies may want to use incentive payments to rearrange the distribution of compensation; to see that the people who make the most money are the best performers, not the most senior, for instance. This is a very different approach, and much more difficult to implement, because it almost inevitably enters the collective bargaining arena. In either event, it is clear that strategies for putting the program into place will depend on the philosophy pursued.

Connecting Performance to Payout

Beyond the basic outline of the incentive program, it is necessary to fine tune the operation. These decisions will often require compromise between an ideal situation and what is practical. For example, a program to reward groups of employees to foster teamwork may falter when changes in the composition of the workgroups require instead recognition of individual results based on work orders, for instance, in the maintenance area. The important thing is to understand the ideal and be realistic about what is possible. Likewise, the timing of awards must be considered. Frequent awards keep attention focused on the program and have the virtue of timely gratification. On the other hand, annual awards may be more impressive in size, and may also be useful for emphasizing the organization's budgeting and planning cycles.

When the program details are in place, it is vital to follow through. There should be no changes in the rules once the program has been initiated. The rules should be sufficiently clear at the outset that there are no surprises about program operation when it comes time to evaluate and pay. Evaluation of results against goals should be done on time, and pay outs should likewise follow—or not—in accordance with the rules. Obviously the payments should be made if they were earned; but it is equally important that no payments should be made that are not earned, even at the risk of diffusing a high level of expectation and enthusiasm. Ceremonies, publicity, receptions, even an awards dinner, can all boost the impact of the incentive program by giving it some intangible values along with the material ones.

Integrating the Incentive Program with other Performance Assessment and Management Systems

Operational issues must be considered when fitting an incentive program into a larger body of planning and evaluation, budgeting and accounting, teambuilding and other cycles that govern the organization. For example, it should generally be the case that the people who are drawing good incentive payments are the same people who get good overall performance evaluations. If otherwise marginal employees are the stars of the incentive program, there's likely to be design flaw somewhere that's sending mixed signals.

It is also helpful to coordinate the time period for the incentive program to coincide with related activities. For instance, if ridership figures are tabulated on a monthly basis by the tenth of the month for the previous month, then it makes sense to build a ridership-based incentive program around this timetable. Similarly, it pays to define program measures in the same terms as measurements already taken for other reasons.

Evaluation

A basic component of the program design should be the evaluation piece that ideally comes at the close of each major cycle. The purpose of the evaluation is to determine the value of the program, if it is cost effective, and, perhaps most importantly, if it

is still preferable to other things that might be accomplished with a similar resource investment.

At the most basic level, consider whether the organizational achievements hoped for have been inspired by the incentive program. It is important to know the relationship between the program and the goal.

Program goals should be expected to change over time. Not only does the accomplishment of some goals call for new challenges, but organizations' priorities and circumstances also change, and the incentive program should continue to respond to current directions.

Finally, it is important to recognize that an incentive program will never really be completed—there will always be room for improvement, and it will frequently be time for a change.

CHAPTER EIGHT

CONCLUSIONS AND TOPICS FOR FURTHER RESEARCH

While many conclusions can be drawn from the literature related to incentive programs, this chapter more narrowly responds to the survey results. The synthesis was designed primarily to take a snapshot of public transit operators and their reliance on incentive programs to improve performance. The conclusions emerge from the survey results and the follow-up work with respondents. The conclusions must be taken, at best, as generalizations. For each conclusion, there are notable exceptions. Some transit organizations are running incentive programs that are clearly designed as part of an overall management philosophy and are structured to reward performance most closely related to its key goals. Other transit systems have established innovative incentive programs that have been documented elsewhere, but chose not to respond to this survey. Beyond these types of programs, the following conclusions do reflect the data that were reviewed.

Incentive programs tend to operate in isolation from comprehensive management strategies. Most respondents to the survey expressed the belief that incentive programs should be part of overall management strategies. In practice, however, individual incentive programs were generally stand-alone initiatives that were designed to reward results or behavior in specific performance areas. The majority of programs did not relate in any substantial way to larger organizational development or management efforts. In some cases, incentive programs exist simply as one response to a particular problem like lost time or high accident rates.

Incentive experience in the private sector or in non-public transportation government settings have provided little inspiration for transit programs. Most of the incentive plans described by survey respondents were developed internally or were adapted from other transit organizations. Little evidence was presented that transit managers have looked at incentive efforts outside of public transportation where the literature suggests incentive programs are more common and have existed for a longer time.

Survey respondents expressed equal levels of satisfaction with incentive programs that involved employees in the formulation as with programs that did not. Survey results and follow-up efforts suggested that most managers believed that incentive programs—as in other management initiatives—required the participation of employees at the development stage in order to be truly successful. Moreover, much of the management incentive literature stresses the element of employee involvement. However, there are many programs with which transit managers are satisfied that were developed by senior managers and consultants without employee discussion.

Transit incentive programs most commonly deal with safety and absenteeism. Employee incentives awarded for safe driving and for attendance have been in place at many of the responding transit agencies for many years. These kinds of programs continue

to be the most common and they generally operate in a similar manner with individual awards granted for particular stretches of absence-free or accident-free time. Suggestion programs, which seem to be a little more differentiated, are the next most common type of incentive program found in transit. It has already been noted that safety and attendance programs are probably plentiful because they are based on information that is easy to collect and measure. More comprehensive incentive programs that deal with performance issues of service quality and efficiency were the exceptions among the transit agencies that provided data.

Documented performance results of incentive programs are not widely available, although some transit systems can show real performance improvements have occurred. Few of the survey respondents were able to offer hard evidence of performance improvement resulting from the use of incentives. Most surprising was the number of agencies that indicated high levels of satisfaction with incentive programs, results of which were documented, but were never able to supply any supporting, concrete information. Other systems reported that data were not collected and intuitive knowledge that improvements had been made was sufficient. Together with information supplied regarding the challenges that transit systems face in establishing incentive programs, several related conclusions are apparent.

Performance goal definition is difficult. Goals related to quality and efficiency of service are difficult to translate into specific, measurable criteria. Improvements simply cannot be assessed if what constitutes the improvement is not clearly and objectively defined at the outset.

Performance is not routinely measured. Data are not routinely reported and evaluated in a number of areas that are important to the missions of many transit organizations. Measures of performance aspects, such as customer satisfaction and on-time performance (for buses especially), appear to be somewhat irregular. The problem appears to worsen when performance is probed below the system-wide level and especially as it relates to the efforts of particular employees.

Some organizations were able to supply data that showed actual savings in certain operating cost areas or performance improvements, such as improved attendance, which could be expected to lead to savings.

Survey data demonstrate that the most common incentive awards are in the form of cash, gifts, public recognition. Cash, gifts, banquets, patches, and certificates seem to make up the bulk of incentives granted by most of the respondents to the survey. Incentives in the form of special opportunities to take advantage of training or particularly desirable or critical work assignments did not appear in the synthesis data.

TOPICS FOR FURTHER RESEARCH

Survey data together with follow-up discussions suggest that research related to the use of incentives in public transportation can contribute to increased productivity in transit.

Applicability of incentive program concepts and practices from the private sector and non-transit government agencies to public transportation. With so many of the existing incentive programs in transit developed internally or adapted from other transit organizations, transit managers may find it useful to look outside of their backyards. A review of private sector approaches, especially in service industries, may be beneficial given transit's private sector beginning and the resemblance it continues to have to business.

A series of case studies of incentive programs in transit as well as outside. A report devoted solely to substantive case studies of different types of incentive programs in different environments may be warranted.

The role of employee involvement in improving transit performance. The involvement of employees in designing incentive

programs was a tangential topic within this synthesis and received relatively little attention from survey respondents. Much of the emphasis was on the results of incentive programs. How employees actually effected performance was not central to the topic. However, much of the organizational development and management science documentation produced during the last 10 years places employee involvement among the most basic of principles. Research devoted to the ways in which transit employees have an impact on overall performance is proposed.

Incentives in the larger context of management philosophy and strategy. The charge for this synthesis was to look narrowly at the current use of incentives in transit agencies. Many of the programs identified functioned in a particular area of the organization and carried little connection to other management initiatives. But, incentives can also function as one element of a comprehensive strategy aimed at rallying all of the people in an organization together around a mission. Organizational culture and how it is changed further feeds into the mix. Research aimed at looking at the role incentives play and how they compliment or work at odds with particular management principles may be explored.

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APPENDIX A

SURVEY

<p>QUESTIONNAIRE EMPLOYEE INCENTIVE PROGRAMS TO IMPROVE TRANSIT PERFORMANCE TRANSIT COOPERATIVE RESEARCH PROGRAM TOPIC SF-2</p>
--

Organization: _____

Individual Filling Out Questionnaire:

Name: _____

Title: _____

Address: _____

Telephone: _____

EMPLOYEE INCENTIVE PROGRAMS: Programs of one-time awards or bonuses given to individual employees or employee groups for the successful achievement of established goals or standards. Award or bonuses can be monetary or non-monetary. Examples of incentives are cash, merchandise, certificates, and public recognition.

EXISTING EMPLOYEE INCENTIVE PROGRAMS

1. Do you have one or more employee incentive programs in place?

YES/Go to Question # 3. NO/Go to Question # 2.

2. If you checked NO to Question # 1, why not?

Legislation or regulation prohibits entirely.

Prior unsuccessful experience.

In progress of establishing program.

Too difficult to establish and manage properly.

Further explanation: _____

IF YOU CHECKED NO TO QUESTION # 1, YOU NEED GO NO FURTHER IN THIS SURVEY.

PARTICIPATION IN AND ATTITUDES TOWARD INCENTIVE PROGRAMS

3. If you checked YES to Question # 1, does the program(s) cover:

Non-union employees only/Go to Question # 3a.

Union employees only/Go to Question # 4.

Both non-union and union employees/Go to Question # 4.

3a. If your incentive program or programs cover non-union employees only, is it because:

Incentive programs are ruled out in the labor agreement.

Incentive program(s) has not yet been negotiated in contract but is in process or will be.

Reasons are unrelated to the labor agreement.

Other: _____

4. In establishing your employee incentive program(s), please assess the attitudes toward it expressed by various groups, both at the time the program was introduced and now. Please use the following scale:

- 5 -- Very supportive
- 4 -- Moderately supportive
- 3 -- Neutral, disinterested, or unaware
- 2 -- Moderately opposed
- 1 -- Strongly opposed

Please skip any group for which you have no way of telling. If you have more than one program, please answer in general for all or for what you consider your largest or primary program.

<u>Group</u>	<u>At Introduction</u> Date:	<u>Now</u>
Employees in the Program	—	—
Employees Not in the Program	—	—
Board Members	—	—
Union Leadership	—	—
Elected Officials	—	—

<u>Group</u>	<u>At Introduction</u>	<u>Now</u>
Customers	—	—
Taxpayers	—	—
Media	—	—

Further explanation: _____

RELATIONSHIP TO MANAGEMENT STRATEGY

5. This question is designed to explore how employee incentive programs fit into an organization's management strategy. For each statement, please indicate whether you agree or disagree using the following code:

- 5 -- Strongly agree
- 4 -- Moderately agree
- 3 -- Neutral/no feeling one way or the other
- 2 -- Moderately disagree
- 1 -- Strongly disagree

- 5a. Employee incentive programs can only succeed if they are related to a strategic plan or equivalent management device which sets out the organizational mission, goals, and objectives; they cannot operate in isolation. _____
- 5b. Employee incentive programs are among the most important management tools in achieving our objectives as an organization. _____
- 5c. Employees must have genuine involvement in determining what they must achieve and how they must achieve it, for the program to be successful. _____
- 5d. Incentive programs are most effective when the rewards are financial. _____
- 5e. Incentive program responsibility should be delegated to each organizational unit to create a system that meets its particular needs, with minimal central oversight. _____

Further explanation: _____

EMPLOYEE INCENTIVE PROGRAM RESULTS

6. The following set of questions probes the results you have achieved with employee incentive programs. Because this is a complex subject -- especially for a survey which largely relies on boxes to check off - we are also going to ask you to provide some follow-up explanation, in a manner convenient to you. As you answer these questions, it is important to keep in mind the assumption that employee incentive programs begin with a goal -- however specific or general -- which sets out the expectation of what is to be achieved. Therefore, the questions will explore results in terms of those expectations and what actually occurred.

6a. Have employee incentive programs achieved the goals -- general or specific -- set out for them?

YES -- Totally or in part/Go to Question # 6b.

NO -- Not at all/Go to Question # 7.

- 6b. Place a check in the appropriate space to indicate if and to what extent employee incentive program results have been achieved in the areas listed and if those results are documented in some way (such as in an evaluation of the incentives program or a performance report). Leave blank any areas to which your programs are not directed.

	<u>Results Met or Exceeded Expectations</u>	<u>Results Fell Short of Expectations</u>	<u>No Results</u>	<u>Results Are Documented</u>
<u>Overall Agency Performance</u>				
Operating Costs	—	—	—	—
Other Costs	—	—	—	—
Ridership	—	—	—	—
Customer Satisfaction	—	—	—	—
On-Time Performance	—	—	—	—
Recovery Ratio	—	—	—	—
<u>Employee Issues</u>				
Morale	—	—	—	—
Turnover	—	—	—	—
Attendance	—	—	—	—
Workman's Comp	—	—	—	—

<u>Documented Operations</u>	<u>Results Met or Exceeded Expectations</u>	<u>Results Fell Short of Expectations</u>	<u>No Results</u>	<u>Results Are</u>
Vehicle/Facility Cleanliness	—	—	—	—
Equipment Failure Rates	—	—	—	—
Complaints	—	—	—	—
Passenger Injuries	—	—	—	—
Crime	—	—	—	—
Accident Reduction	—	—	—	—
Other:				
_____	—	—	—	—
_____	—	—	—	—
_____	—	—	—	—

6c. In general, would you say that the results you have achieved, to date, are:

- Tangible and documented.
- Tangible but not yet documented.
- Intangible and cannot be adequately documented.
- Combination of the above.

6d. In order for us to better understand what you have achieved with employee incentive programs, please indicate one or more of the following options which is convenient for you.

Documentation and/or evaluation of the results of employee incentive programs has been developed and is available, please check here and attach it.

You would like us to call you or your designee to conduct a brief telephone interview about your results, please check here. If the individual to be called is other than the person whose name is at the top of the questionnaire, please give us the name and telephone number:

You would like to write a brief description of the results you have achieved. Please do so here and attach any additional sheets necessary: _____

IF YOU COMPLETED ALL OF QUESTION 6, PLEASE GO ON TO QUESTION 8.

7. If you checked NO to Question # 6a, indicate below one or more of the factors which may help to explain why your employee incentives program has not shown the results you had expected, to date:

- Too early to tell.
- Goals were too hard to measure.
- Employees did not support program.
- Policymakers (elected officials, board members, etc.) did not support program.
- Incentives were not significant enough.

Further explanation: _____

PROGRAM COSTS

8. Have you calculated the costs of your incentive program(s)? Costs may include the actual cost of monetary rewards, the indirect costs of benefits awarded, and administration.

YES. NO.

8a. If you calculated the costs, in your view, are they worth the results achieved by the program?

YES. NO.

8b. If you calculated the costs and have the numbers readily available, please describe them or attach already prepared material:

CHALLENGES IN ESTABLISHING EMPLOYEE INCENTIVE PROGRAMS

9. Below is a list of challenges that a number of transit systems have encountered in establishing employee incentive programs. For each item, please place a check along the line to indicate the extent to which it was a problem.

<u>Challenge</u>	<u>Significant Problem</u>	<u>Moderate Problem</u>	<u>No Problem</u>
Legal or Regulatory	_____		
Budget	_____		
Questions of Equity	_____		
Employee Buy-In	_____		
Lack of Good Information to Measure Results	_____		
Administrative Support	_____		
Unfavorable Media Attention	_____		
Union Cooperation	_____		
Other:	_____		

10. If you were advising another organization embarking upon the creation of employee incentive programs, what advice would you give them?

SPECIFIC PROGRAM INFORMATION -- How Your Incentive Programs Work

Please give us the following information about how your incentive programs work. You may treat each program separately or treat them together. If you have a report on hand which provides this information, please attach it if it is more convenient.

A. Name of Program: _____

B. Brief Program Description (feel free to attach already prepared material if you have it on hand): 40

C. Who Is in the Program(s):

<u>Type of Employee</u>	<u>Number of Employees</u>
Senior Management (CEO and approximately top two levels)	—
Middle Management—Operations	—
Middle Management--Non-Operations	—
First-Line Supervision—Operations	—
First-Line Supervision--Non-Operations	—
Operators, Maintainers, Police, Information Agents, Other Similar in Union	—
Operators, Maintainers, Police, Information Agents, Other Similar Not in Union	—
Other: _____	—
_____	—
_____	—

D. Origin of the Program (check all those that apply):

- Mandated by Board of Directors.
- Instituted by management as a management tool.
- Negotiated in labor agreement.
- Other: _____

E. Development of the Program (check all those that apply):

- Developed internally.
- Developed with consultant assistance.
- Encompassed in program of larger government unit.
- Adapted program from another transit system.
- Adapted program from another public agency.
- Adapted program from another industry.

___ Other: _____

F. Duration of Program (how long in existence):

- ___ Less than one year.
- ___ More than one year to three years.
- ___ More than three years to five years.
- ___ More than five years.

G. Rewards Offered (check all those that apply):

- ___ One-time cash payments.
 - ___ Salary or hourly wage increments.
 - ___ Special one-time benefits (e.g., parking space for one month, meals).
 - ___ Recognition ceremonies.
 - ___ Recognition noted in car cards, newsletters, press releases, and posters.
 - ___ Prizes (gifts, movie tickets, appliances, etc.).
 - ___ Special training opportunities.
 - ___ Special assignment opportunities.
 - ___ Other: _____
-

H. How Incentives are Awarded:

- ___ Incentives are awarded to individual based on individual performance.
- ___ Incentives are awarded to groups based on group performance.
- ___ Combination of the above.
- ___ Other: _____

I. Overall Rating:

- ___ Very successful.
- ___ Mixed bag.

Not successful

Too early to tell.

SYSTEM CHARACTERISTICS

Please give us some basic information about your transit organization. (If you have some already prepared material with this information, such as an annual report, please attach it if it is more convenient.)

Number of Employees _____

Number of Vehicles _____

FY 1993 Operating Budget _____

Annual Revenue Miles of Service _____

Daily ridership _____

Please mail the tear slip and the completed questionnaire to:

**TRB-SF2, Box 261
Columbia, Maryland 21045**

Once again, thank you very much for your help.

Ronald J. Hartman and Elaine M. Kurtz

APPENDIX B**SURVEY RESPONDENTS****California**

AC Transit
1600 Franklin Street
Oakland, CA 94612

Chula Vista Transit
707 F Street
Chula Vista, CA 91910

Golden Gate Bridge, Highway & Transportation District
P.O. Box 9000
Presidio Station
San Francisco, CA 94129-0601

Sacramento Regional Transit District
P.O. Box 2110
Sacramento, CA 95812-2110

San Diego Metropolitan Transit Development Board
1255 Imperial Avenue
Suite 1000
San Diego, CA 92101-7490

Connecticut

Connecticut Department of Transportation
24 Wolcott Hill Road, Post Office Drawer A
Wethersfield CT 06109

District of Columbia

Washington Metropolitan Area Transit Authority
600 Fifth Street, N.W.
Washington, D.C. 20001

Florida

Broward County Division of Mass Transit
3201 West Copans Road
Pompano Beach, FL 33069-5199

Georgia

Chatham Area Transit Authority
P.O. Box 9118
Savannah, GA 31412-9118

Illinois

Metra
547 West Jackson Boulevard
Chicago, IL 60661

Indiana

Bloomington Public Transportation Corporation
800 East Miller Drive
Bloomington, IN 47401-6712

Kansas

Topeka Metropolitan Transit Authority
201 North Kansas Avenue
Topeka, KS 66603

Maryland

Montgomery County Ride-On
110 North Washington Street
Suite 200
Rockville, MD 20850

Massachusetts

Massachusetts Bay Transportation Authority
10 Park Plaza
Boston, MA 02116

Michigan

Ann Arbor Transportation Authority
2700 South Industrial Highway
Ann Arbor, MI 48104

Capital Area Transportation Authority
4615 Tranter Avenue
Lansing, MI 48910

Grand Rapids Area Transit Authority
333 Wealthy S.W.
Grand Rapids, MI 49503

Suburban Mobility Authority for Regional Transportation
First National Building
660 Woodward Avenue
13th Floor
Detroit, MI 48226

Minnesota

Metropolitan Transit Commission
560 Sixth Avenue North
Minneapolis, MN 55411-4398

Missouri

Kansas City Area Transportation Authority
1200 East 18th Street
Kansas City, MO 64108

New York

Capital District Transportation Authority
110 Watervliet Avenue
Albany, NY 12206

Niagara Frontier Transit Metro System, Inc.
181 Ellicott Street
P.O. Box 5010
Buffalo, NY 14205

North Carolina

Chapel Hill Transit
306 North Columbia Street
Chapel Hill, N.C. 27514-3699

Ohio

Greater Cleveland Regional Transit Authority
615 Superior Avenue, N.W.
Cleveland, OH 44113

Southwest Ohio Regional Transit Authority
120 West Fifth Street
Suite 1102
Cincinnati, OH 45202-2710

Pennsylvania

Beaver County Transit Authority
200 West Washington Street
Rochester, PA 15074-2235

Community Transit
1230 Roosevelt Avenue
York, PA 17404

Texas

Capital Metropolitan Transportation Authority
2910 East Fifth Street
Austin, TX 78702

Washington

Municipality of Metropolitan Seattle
821 Second Avenue
Exchange Building
Seattle, WA 98104

Wisconsin

Madison Metro Transit System
1101 East Washington Avenue
Madison, WI 53703

Canada

BC Transit
1200 West 73rd Avenue
Vancouver, British Columbia
Canada V6P 6M2

Ottawa-Carleton Regional Transit Commission
1500 Saint Laurent Boulevard
Ottawa, Ontario
Canada K1G 0Z8

Toronto Transit Commission
1900 Yonge Street
Toronto, Ontario
Canada M4S 1Z2

THE TRANSPORTATION RESEARCH BOARD is a unit of the National Research Council, which serves the National Academy of Sciences and the National Academy of Engineering. It evolved in 1974 from the Highway Research Board, which was established in 1920. The TRB incorporates all former HRB activities and also performs additional functions under a broader scope involving all modes of transportation and the interactions of transportation with society. The Board's purpose is to stimulate research concerning the nature and performance of transportation systems, to disseminate information that the research produces, and to encourage the application of appropriate research findings. The Board's program is carried out by more than 270 committees, task forces, and panels composed of more than 3,300 administrators, engineers, social scientists, attorneys, educators, and others concerned with transportation; they serve without compensation. The program is supported by state transportation and highway departments, the modal administrations of the U.S. Department of Transportation, the Association of American Railroads, the National Highway Traffic Safety Administration, and other organizations and individuals interested in the development of transportation.

The National Academy of Sciences is a private, nonprofit, self-perpetuating society of distinguished scholars engaged in scientific and engineering research, dedicated to the furtherance of science and technology and to their use for the general welfare. Upon the authority of the charter granted to it by the Congress in 1863, the Academy has a mandate that requires it to advise the federal government on scientific and technical matters. Dr. Bruce Alberts is president of the National Academy of Sciences.

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The National Research Council was organized by the National Academy of Sciences in 1916 to associate the broad community of science and technology with the Academy's purposes of furthering knowledge and advising the federal government. Functioning in accordance with general policies determined by the Academy, the Council has become the principal operating agency of both the National Academy of Sciences and the National Academy of Engineering in providing services to the government, the public, and the scientific and engineering communities. The Council is administered jointly by both Academies and the Institute of Medicine. Dr. Bruce Alberts and Dr. Robert M. White are chairman and vice chairman, respectively, of the National Research Council.