

Title:	<b>Performance Incentives</b>	
Purpose:	To establish a policy to provide incentives which promote and achieve superior performance of employees, and provide guidelines in developing and establishing incentive programs.	
Issued by:	Classification and Pay	Date: February 15, 2005
References:	Hawaii Revised Statutes (HRS) §76-1, SLH 2000; Civil Service Rule §6-11	

## I. **POLICY**

To encourage continuous improvement and superior performance of employees, programs that establish and maintain an appropriate relationship between performance and pay may be implemented by departments, subject to approval by the Director of Human Resources (Director). All programs must be consistent with the merit principles as described in HRS Chapter 76-1, organizational and operational goals and objectives of the City and County of Honolulu (City) and department/agency. Once authorized, programs are subject to annual review, and may be terminated at any time.

## II. **DEFINITIONS**

“Department” means any department, board, commission or agency of the City.

“Superior performance” means the performance of work at a level recognized above and beyond the expected standard established for the position in terms of quality and/or quantity; results in demonstrated benefits to the department or work unit’s purpose and objectives; and/or achieves significant benefits to the public.

## III. **GENERAL PROVISIONS**

A. Performance incentives are intended to reward measurable outcomes which result in or directly relate to the accomplishment of the City’s and/or department’s mission and strategic objectives.

NOTE: While the City/department may not have stated missions or strategic objectives, they may be implied or understood. The outcomes must relate to the City’s or department’s business.

B. Performance incentives may be group or individual based, financial or non-financial.

C. The superior performance of employees must be demonstrated through exceeding pre-established goals and objectives that are uniformly applied. Employees receiving performance incentives under an approved plan must be directly responsible or in control of outcomes; no one should be a passive recipient of other’s efforts.

D. Performance incentives are provided as differentials and shall not be added to the base salary or any other benefits of an employee. They are not considered a permanent benefit to the employee.

- E. Performance incentive programs shall be funded within existing budgets, and are based on availability of funds. In future budgets, funds from other programs will need to be reprioritized and shifted to fund the increased costs resulting from this incentive program.
- F. Performance incentive programs are subject to annual or periodic review, and may be adjusted or terminated at any time.
- G. Performance incentive programs are not authorized for the sole purpose of giving employees a pay raise, to match private sector or federal government rates of pay, or to equalize pay rates with that of other employees.

#### **IV. RESPONSIBILITIES**

##### **A. Departments and Agencies**

- 1. Determine how the establishment of a performance incentive program for the department or work unit will result in a significant benefit to the City.
- 2. Ensure that sufficient funds are available and can be utilized for the proposed purpose.
- 3. Submit a draft proposal to the Department of Human Resources (DHR) and the Department of Budget and Fiscal Services (BFS) for review and approval. Revisions to existing programs shall also be subject to review and approval.
- 4. Ensure that program plans include at minimum:
  - a) Eligibility criteria.
  - b) Program goals and objectives and how they relate to the mission of the department or work unit and resulting benefit to the City.
  - c) Target objectives.
  - d) Description of incentive (e.g. team/individual, amount, frequency).
  - e) Duration of program.
  - f) Evaluation standards, measures, methods and procedures.
  - g) Program controls and/or limitations, and provisions for employees who separate from service.
  - h) Source of funding and estimated current and annual cost.
- 5. Consult or negotiate, as applicable, with the affected union(s) or designated representative(s) prior to implementation.
- 6. Provide supervisors with clear guidelines and training on how to establish goals, conduct evaluations and recommend incentives under the program. Ensure supervisors objectively and uniformly evaluate employees.

7. Communicate with affected employees the target objectives, program parameters and requirements prior to the start of the evaluation period. Objectively review employee's performance against established target objectives to identify employees whose efforts merit recognition and reward. Initiate recommendations for appropriate performance incentive.
8. Maintain accurate records and documentation of all performance incentive programs and awards.
9. At the end of each evaluation period, submit to the DHR a cost-benefit analysis for the program. The evaluation may include feedback from employees.
10. Monitor the effectiveness of the program, ensure that it is implemented fairly and equitably, and recommend changes or termination, as appropriate.

**B. Department of Human Resources (DHR)**

1. Review and approve departmental performance incentive programs to assure propriety and consistency within the City.
2. Provide technical advice to departments in the development of departmental programs.
3. Assist in the consultation and/or negotiation of departmental programs with the affected union(s) or designated representative(s) prior to implementation, as necessary.
4. Audit departments for compliance with established policy and guidelines.
5. Evaluate effectiveness of performance incentive programs.

**C. Budget and Fiscal Services (BFS)**

1. Review and approve departmental performance incentive programs to ensure availability of funding in the current and future fiscal years.
2. Provide budgetary and fiscal advice to departments regarding the impact of the performance incentive programs on their budgets.
3. Evaluate long-term departmental and city-wide impact and cost effectiveness of performance incentive programs.