INCENTIVE PAY IN THE CIVIL SERVICE:
THE CASE OF THE CALIFORNIA JOB AGENT

By

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I. INTRODUCTION

The decade of the 1960s witnessed a sharp increase in the use of benefit-cost analysis to examine questions of human capital formation and the evaluation of specific manpower programs. Although these efforts were geared to "helping the decisionmaker," they have had remarkably little effect on actual decisions. Originally, these studies were used to assess the "economic worth" of human capital investment programs. In fact, early studies (circa 1964) were read with great interest to determine the viability of the basic concept. * Unfortunately, aside from establishing the concept, these and subsequent efforts have been of limited value to program managers who have to make real resource decisions. **

If benefit-cost analysis has failed the program manager, it has been irrelevant and even burdensome at the project level. While evaluators like to talk about decisionmakers, few studies attempt to understand the actual decisions and options faced by project managers. *** The failure of benefit-cost analysis to deal effectively with project decisions is apparent in the inconsistency often found between process evaluation (i.e., administrative

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**Peter Barth notes that at the aggregate program level traditional benefit cost "evaluation of a single program is of limited usefulness because it does not offer a set of feasible alternatives for making tradeoffs. An evaluation that is limited to the finding that a substantial net payoff exists for a specific program gives the planner no guide as to the other programs that might be cut back....A related issue is the magnitude or degree to which good or bad programs are expanded or reduced. This question represents an enormous problem for the policymaker, yet evaluators have neglected it almost entirely." See: Peter S. Barth, "On Interprogram Manpower Studies," in Evaluating the Impact of Manpower Programs, Michael E. Borus, ed. (Lexington, Massachusetts: D. C. Heath and Company 1972, p. 4).

***For a further discussion see: John W. Scanlon, Joe N. Nay and Joseph S. Wholey, "An Evaluation System to Support a Decentralized, Comprehensive Manpower Program," in Evaluating the Impact of Manpower Programs (1972).
monitoring) and outcome evaluation (i.e., benefit-cost analysis). Although evaluators continue to talk of the net benefit derived from program participation, project managers continue to base resource decisions on such process indicators as case load, training class size and case closures. Unfortunately, traditional process indicators are frequently meaningless in terms of the needs of the client population and indeed, often establish perverse incentives and behavior that is incompatible with program goals. If benefit-cost analysis establishes criteria against which performance is to be measured, those criteria should be reflected in the internal incentive structure of the project. It makes little sense to establish operating incentives that do not support program objects or to evaluate a program in terms of one standard, when those charged with carrying out the program march to a different drummer. Process evaluation should be consistent with output evaluation.

In 1972 an attempt was made to make process and outcome evaluation consistent. In that year, the California Department of Human Resource Development asked The Rand Corporation to develop a system to measure the job performance of a new class of employment counselors, known as job agents. The State's intent, working under specific legislative mandate, was to compensate job agents 'primarily on the job agent's achievements in obtaining successful completion of training and employment goals by eligible persons'--a system of incentive pay. The system that was developed and the problems in trying to implement that system are the subjects of this paper.


*** 1968, Assembly Bill No. 1463.
The remainder of this paper is divided into three parts. Section II describes the job agent program, gives the background against which Rand was asked to develop an incentive pay plan, and examines the incentive system and the way it was to operate. The implications of incentive system reach beyond the activities of job agents, raising important issues regarding process and outcome evaluation, the workability of incentive pay within a civil service structure and differences between central management and field workers as to the goal of manpower services. Section III addresses some of these issues by discussing the environment in which the development of the incentive plan took place; important events that occurred; roles played by various institutions and interest groups and how, once developed, the plan fared within the political arena.
II. THE JOB AGENT INCENTIVE PAY PROGRAM

THE JOB AGENT PROGRAM

In 1968, California Assembly Bill No. 1463 created the Department of Human Resources Development (HRD). The major intentions of the legislation were the development of a comprehensive manpower agency at the state level, the consolidation of federal and state manpower resources, and the redirection of these resources toward improved services for the disadvantaged. To help attain these objectives, the legislation established the Job Agent Program. Job agents were to "develop individualized placement plans leading to continued self-sufficient employment for eligible clients with the most difficult problems of unemployment." Job agents were charged to develop "innovative, new and original ways of achieving continued employment for clients."*

In concept, the job agent was supposed to be a cross between a "street hustler," a rehabilitation counselor, and a consummate bureaucrat. The legislation specifically provides that "job agents shall be selected for their ability to understand and work with persons to be served in the program." It was clear that the job agent was not intended to be a traditional employment service job counselor.

To attract the type of personnel consistent with legislative intent, the job agent pay scale was established at a level higher than that of most other state social service personnel. In addition, HRD proposed an "open competitive" examination as the means for selecting job agents, which would have allowed all job agents to be recruited from outside the civil service. After opposition by the California State Employees' Association, a compromise was made permitting half of the first 140 job agents to be selected from outside the state civil service on the basis of an oral examination. It was also decided that in selecting these persons, relevant experience would be weighted more heavily than formal education. The remaining job agents were selected on a promotional basis from within state service. As a result of this selection process, minority groups are well represented among job agents: more

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than two of every five job agents in 1971 were blacks and almost one of five was a Mexican-American; only one-third were Anglo.

Not only were job agents unique in that they were to be chosen for their ability to work with the hard-core unemployed and the disadvantaged, but it was mandated by the State legislature that they should be paid on an incentive pay basis. Accordingly, Assembly Bill No. 1463 states:

At such times as job performance standards have been developed and performance measurement is feasible, the director [of the Department of Human Resources Development] shall recommend to the State Personnel Board the establishment of a form of compensation . . . based primarily on the job agent's achievements in obtaining successful completion of training and employment goals by eligible persons.

It seems clear from the language of the Statute defining the functions of the job agent and incentive pay that the legislature intended that job agents be paid in a manner different from prevailing practices, based primarily on measured performance in achievement of employment goals.

Although the incentive pay plan had been mandated in 1968, after three years little progress had been made in implementing an incentive plan. This was not due to a lack of interest on the part of HRD management. Indeed, management was very supportive of the idea of an incentive system because it offered a possible mechanism for gaining control of the job agent program by establishing explicit performance standards; protected by a broad legislative mandate and civil service regulations, individual job agents had pretty much defined the content of their jobs as they saw fit. Furthermore, if such a system could be made to work for a unique group such as job agents, there was no reason why a similar plan could not be adopted for more traditional case responsible personnel within the state employment service.

The primary reason for delay in implementing an incentive pay system was the inability of HRD to develop job performance standards that would serve as the basis of the system. As a first attempt, a consulting firm was commissioned by HRD to study incentive compensation for job agents. They concluded, however, that such a plan was too difficult to develop and administer within a civil service setting and, even if the details could be worked out, the plan would be opposed by various employee organizations and by the job agents themselves. This last observation, as it turned out, proved to have considerable
validity. Notwithstanding, these initial conclusions did not change the fact that the original California Assembly mandate to provide an incentive system remained on the books, and in July 1971 HRD turned to The Rand Corporation for assistance in fulfilling this legislative mandate. Rand's charge was not to evaluate whether or not an incentive pay plan should be implemented, but rather to design the best plan possible under existing conditions. Since the objective was to develop a system that could actually be implemented, a close working relationship between Rand and HRD staff and management was required throughout the project.

THE INCENTIVE PAY SYSTEM

Establishing Performance Standards

The principle upon which the incentive pay system is based is consistent with the way "benefits" are calculated in most "benefit-cost" studies. It provides that the incentive reward be made for demonstrated improvements in clients' earnings ascribed to services provided by the job agent. In effect, the job agent would be paid a bonus based on improvements in his client's earnings. A job agent may increase a client's earnings in a number of ways: (1) his efforts can result in reducing the period the client is unemployed to less than it would have been had he not seen a job agent, (2) he may be responsible for increasing the client's postplacement wage, or (3) he may be responsible for raising the client's job stability above what it would have been in the absence of the job agent's efforts. Thus, the standards against which the performance of job agents are to be judged under the incentive program are predictions of how long their clients would have been unemployed and what the clients' wages and job stability would have been had they not received the services of a job agent.

Although there is obviously no direct way of observing what would have happened to a particular client had he not seen a job agent, it is possible to infer what would have happened by observing the length of unemployment and postplacement wages and job stability of a group of people who did not receive job agent services but who are similar to job agent clients—that is, a control group.

The use of a control group is a standard procedure in the evaluation of manpower programs. In general, establishment of a control group is a costly
and complicated procedure. Furthermore, establishing a control group especially to measure the performance of job agents would have delayed implementation of an incentive system until a lengthy follow-up period was completed. As a result, it was determined that the control group for the job agent program would have to come from an existing data source. The Income Dynamics Panel (IDP), a sample survey conducted by the University of Michigan's Survey Research Center, was chosen for this purpose because it was the only source of data with all the information necessary for the development of client employability standards. The IDP survey provides longitudinal information about the economic status, behavior, and attitudes of individuals and their families in 1968, 1969, and again in 1970. The IDP sample consists of a representative cross section of the United States, as well as a supplemental sample of families known to have low incomes. Although it was not necessary for the control group to match job agent clients exactly on a one-to-one basis, they had to be roughly similar. Therefore, since job agent clients were generally unemployed and disadvantaged, the subsample drawn from the IDP consisted of individuals who were unemployed in 1968 and were classified on the basis of HRD standards as being "disadvantaged."

By observing the actual employment experiences of members of the IDP control group, the expected behavior of similar job agent clients could be inferred. This required a model of the economic behavior of the unemployed and the use of appropriate statistical techniques to estimate the model. The standard statistical tool of regression analysis was used to "explain" differences or variation among members of the control group in their observed duration of unemployment, number of days worked in the year following placement, and postplacement wage rate. The variation was traced to differences in demographic characteristics and work experience among members of the control group. The regression analysis produced algebraic equations that, in effect, permit a job agent client to be statistically matched with

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** The model and the statistical analysis are only briefly described here. For a full description, see Bernard Rostker.
a nonclient with the same demographic characteristics and the same preplacement job history; thereby allowing one to predict what a person with a given set of characteristics could expect in terms of duration of unemployment and postplacement wage rate and job stability, if he had not seen the job agent. These projections then become the standards, or minimum goals, upon which to judge the performance of job agents and the job agent's incentive reward, under the system, depending on the extent to which he exceeds these minimum goals.

It may be useful to examine the effect that some of the demographic factors considered in the analysis have on the projections of expected client behavior in the absence of job agents, and thus on the minimum performance goals for job agents. For example, regression analysis of the control group indicated that disadvantaged persons who live in a rural environment can expect to have 25 more days of unemployment, and to work 27 less days for 6¢ less per hour, during the postplacement year than persons who are similar in all ways, except that they live in an urban area. Similarly, people with physical handicaps are expected to receive a lower wage (80¢ less per hour) but work longer (11 days) during the postplacement year than otherwise similar nonhandicapped persons. The estimates also indicate that during the postplacement period the following factors are significantly associated with a longer expected period of work: being married, being a female, being white, being a veteran, not having been on welfare, and finding a job in a blue collar occupation. The following factors show significant positive relationships with a high postplacement wage rate: having some vocational training, not having been on welfare, belonging to a labor union, and having previous work experience in a blue collar occupation. Because, as these findings indicate, various factors—such as race, health, experience, and geographic location—affect the job market performance of each client, the standard proposed by Rand was different for different clients.

The standard established for each client determined minimum goals for the job agent and provided the necessary basis for calculating the client's income gain and, hence, the job agent's incentive reward. For example, consider two clients with exactly the same characteristics and thus the same minimum goals. Let us assume the goals indicate that without a job agent both clients could expect to be unemployed 40 days, to find jobs that pay
$2.00 per hour for an 8-hour day, and to be employed 200 days during the
postplacement year. That means that in the absence of a job agent both
clients could expect to earn about $3,200 during the period beginning with
their first day of unemployment and ending one year after they find jobs.
Now assume that after 40 days of unemployment and after receiving services
from a job agent, the two clients are placed and earn $2.25 and $2.50 per
hour, respectively, for 200 days of work. Clearly, the income gain for
the second client is $400 more than that for the first. Thus, the incen-
tive reward for working with the second client also would be greater.

Now consider two clients with different standards or minimum goals:
a client with a minimum earnings goal of $3,500 that the regression esti-
mates indicate is relatively hard to place, and a somewhat easier client
with an earnings goal of $4,500. Both clients receive services from job
agents and in both cases the job agents are able to reduce their actual
level of unemployment below the standard and to increase their wage rate
and days worked during the postplacement period above the standard. Assume
that as a result of the services provided, both clients' actual incomes were
$5,500. Although the earnings of both clients were improved above the goal,
the hard-to-place client had a gain of $2,000 compared with only a $1,000
gain for the easier client. As a result, the job agent who served the more
difficult client would receive a larger incentive payment.

**Translating Client Income Gains into Incentive Rewards**

Under the proposed incentive system, the job agent who exceeds the
standards or goals established for a particular client is eligible for an
interim incentive payment at the time the client is placed and for a second
and final incentive payment one year after placement. The interim payment
is based on the extent to which the job agent has reduced the client's length
of unemployment below the standard or secured an initial postplacement wage
rate above the standard. The final incentive payment depends on these factors
plus the client's actual earnings in the year following placement relative to
the standard. For the purpose of computing incentive rewards, the interim and
final evaluation of the value of job agent services to their clients are trans-
lated into "payment points." Incentive rewards for job agents are on the basis
of the total number of payment points accumulated for all clients over a calendar quarter. Each job agent who earns a sufficient number of pay points receives a check at the end of this period.

Ideally, job agents should be able to compete on the basis of their performance, without a maximum salary limitation. However, to conform to existing civil service procedures, and in consultation with the State Personnel Board, it was necessary to base the incentive system on fixed pay classes. To install this system, a new monthly pay schedule for job agents was designed. An advantage of the fixed pay schedule is that it limits the personnel budget for job agents and within reasonable bounds makes the budget predictable. A "model" of this schedule appears in Table 1.

Table 1
PROPOSED NEW MONTHLY SALARY RATES FOR JOB AGENTS

<table>
<thead>
<tr>
<th>Incentive Pay Class</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Incentive Rank</td>
<td>fifth</td>
<td>fifth</td>
<td>fifth</td>
<td>fifth</td>
<td>fifth</td>
</tr>
<tr>
<td>Annual Salary Bonus as a Percent of Base Pay</td>
<td>0</td>
<td>5</td>
<td>10</td>
<td>15</td>
<td>20</td>
</tr>
</tbody>
</table>

1
X*  X + 5%  X + 10%  X + 15%  X + 20%

2
X + 5%  X + 10%  X + 15%  X + 20%  X + 25%

3
X + 10%  X + 15%  X + 20%  X + 25%  X + 30%

*X = minimum base monthly salary.

Job agents compete under the incentive pay system in the following manner. Agents who fail to obtain a single positive point are placed into pay class A according to their annual salary step and receive only their base salary. The remaining job agents are ranked according to the number of pay points they accumulate and accordingly placed into one of five equal size classes. The bottom fifth (placed into pay class A) do not receive an incentive bonus. The top fifth of job agents who receive positive points qualify for pay class E and receive an incentive pay bonus equal to 20
percent of their base salary. Other job agents are placed into pay classes 
B, C, or D and receive incentive payments equal to 5, 10, and 15 percent of 
their base salary, respectively.

Under the system, a job agent's incentive pay is based on the total 
income gain of all his clients. This allows job agents to determine for 
themselves the appropriate tradeoff between quantity and quality. Other 
things equal, a job agent with a relatively larger case load is able to 
obtain a larger incentive payment. However, if the case load becomes so 
large that the quality of services to individual clients substantially 
suffers, incentive payments decrease. Thus, the system is designed to 
encourage both quality and quantity.

Operation of the Incentive Pay System

A more complete understanding of the incentive pay system is obtained 
by tracing a job agent and client through the system. In order to calculate 
a job agent's reward under the incentive system, client information has to 
be collected at three points in time: when an individual first becomes a 
job agent client, when he is first placed in a job, and one year after ini-
tial placement. A copy of the initial intake form is shown in Exhibit 1.

The first intake form consists of information about the client, in-
cluding his personal characteristics and prior employment experiences. 
This form is to be completed when the client officially becomes part of the 
job agent's caseload. Whenever feasible this form is to be completed by 
someone other than the job agent himself, such as an intake clerk, in order 
to minimize the possibility of fraudulent information being submitted. How-
ever, the job agent must complete the remaining two forms, since only he 
possesses the necessary follow-up information. The second form is completed 
at the time of placement and pertains to the date of placement, the job's 
starting wage rate, and the time during which the client was in a training 
program or in a short-run, temporary job. The third form is completed one 
year after the client was first placed and pertains to the client's earnings 
over the preceding year. Although this requires the job agent to keep track 
of his client well after the client is initially placed, it is consistent with 
the 19-month follow-up required by law.
State of California
Department of Human Resources Development

JOB AGENT INCENTIVE PAY INITIAL INTAKE REPORT

1. Client Name __________________________ Init. Last
4. Field Office No. ______

2. Client SSA No. __________________________ 5. Job Agent/CRP. No. ______

3. Date Assigned to job agent
   Mo. Day Yr.
6. Today's date ______ Mo. Day Yr.

Client Characteristics

7. Male
18. Spanish surname
8. Married
19. White
9. Veteran
20. ___ Age
10. Vocational training
21. ___ Family Size
11. Physically handicapped
22. ___ Number of cars in family
12. Welfare
23. ___ Days unemployed last year
13. High school dropout
24. ___ Days worked last year
14. Labor Union
25. $ ___ Hourly wage last job
15. Blue collar last job
26. ___ Total income last year
16. Rural area
17. Recent long-term unemployment

Job Agent's Name ______ Init. __________ Last

EXHIBIT 1
Although initial intake information must be collected on all clients, follow-up information need not be. The reason for this is essentially pragmatic: An incentive system that utilizes input data collected on all clients provides the comprehensive data necessary for a full evaluation of individual job agents and HRD Centers, but the goal of complete information on every client is one that probably cannot be met without a considerable expenditure of funds. This conclusion is based on an evaluation of HRD's existing information system and discussions with numerous job agents. The job agents must provide the follow-up information, but would have little desire to do so if as a result their incentive rewards are reduced.

As a practical alternative, it was decided that job agents be allowed to select clients on whom to turn in the necessary follow-up information. Presumably, those selected under such a system are clients on whom the job agents are likely to have earned a positive incentive reward. Incentive payments are based only on clients for whom the measured effects of job agent services are positive; negative situations are simply disregarded. However, job agents are not to be rewarded for services to a client unless all necessary input information on the client is completed. Besides being realistic, this approach has the advantage of minimizing paper work and auditing. In addition, by making incentive rewards contingent upon the completion of essential input information, it imposes considerable discipline upon the information system necessary to support the incentive pay plan.

Feedback in the Incentive System
As a management tool the incentive pay forms and subsequent reports provide feedback, consistent with program objectives to job agents and their supervisors. Under existing procedures, job agents and their supervisors received practically no useful feedback information. Under the incentive system the job agent and his supervisor receive a feedback report for each form submitted on a client. The sequencing of the three forms and the corresponding feedback reports is indicated in Table 2. The information appearing in each feedback report is calculated by computer on the basis of information collected on the preceding form, and the report itself is in the form of a computer printout.
Table 2
INFORMATION FLOW FOR EACH JOB AGENT CLIENT

<table>
<thead>
<tr>
<th>Event</th>
<th>Job Agent or Intake Clerk Submits</th>
<th>Job Agent and Supervisor Receive as Feedback</th>
</tr>
</thead>
<tbody>
<tr>
<td>Client assigned to job agent</td>
<td>Intake form</td>
<td>Initial goals report</td>
</tr>
<tr>
<td>Placement</td>
<td>Initial goals report with placement information added</td>
<td>Interim report</td>
</tr>
<tr>
<td>One year after placement</td>
<td>Interim report with year's earnings added, together with current employer and client address</td>
<td>Final report</td>
</tr>
</tbody>
</table>

Copies of the feedback reports, complete with illustrative calculations, appear in Exhibits 2, 3, and 4. The first report (Exhibit 2) indicates the standards or goals the job agent must exceed if he is to receive an incentive reward. These goals differ somewhat if the client is placed in a blue collar occupation than if he is not. As emphasized earlier, a job agent's success in improving his clients' earnings and, hence, the incentive reward he would ultimately receive depends on how well he does in terms of each of the goals listed under the first three Roman numerals in Exhibit 2. (Earnings during the year after placement is not an independent goal but is simply the product of the wage rate and days worked.) There is, however, a "tradeoff" between these goals. For example, if the job agent takes longer to place a client than specified, he could still be eligible for an incentive payment for his services if the client's starting wage or days worked are sufficiently high.

The second report (Exhibit 3) provides comparisons of the actual wage rate at placement and the length of time until placement with the goals in these areas originally established for the client. Based on the results of these comparisons, an interim or tentative prediction of client benefits from job agent services is also reported.

At the end of the follow-up period, one additional comparison is made: the clients' earnings during the year after placement are compared with the
INITIAL GOALS REPORT

1. Client J. Doe
2. SSA No. 123-45-6789
3. Date assigned to Job Agent 10-17-72
4. Field Office No. 1234
5. Job Agent No. 56
6. Report Date 10-25-72

CLIENT CHARACTERISTICS

7. 1 Male
8. 1 Married
9. 0 Veteran
10. 0 Vocational Training
11. 0 Physically Handicapped
12. 1 Welfare
13. 1 High School Dropout
14. 0 Labor Union
15. 1 Blue Collar last job
16. 0 Rural Area
17. 0 Recent Long-Term Unemployment
18. 0 Spanish Surname
19. 0 White
20. 26 Age
21. 7 Family Size
22. 1 Number of cars in family
23. 35 Days unemployed last year
24. 200 Days worked last year
25. 1.95 Hourly wage last job
26. 3120 Total income last year

MINIMUM GOALS

<table>
<thead>
<tr>
<th></th>
<th>Blue Collar Placement</th>
<th>Non-Blue Collar Placement</th>
</tr>
</thead>
<tbody>
<tr>
<td>I. Days unemployed before placement</td>
<td>29</td>
<td>38</td>
</tr>
<tr>
<td>II. Hourly wage at placement</td>
<td>1.76</td>
<td>1.78</td>
</tr>
<tr>
<td>III. Days worked during year after placement</td>
<td>206</td>
<td>124</td>
</tr>
<tr>
<td>IV. Earnings during year after placement</td>
<td>2900</td>
<td>1765</td>
</tr>
</tbody>
</table>

*IV = 8 X II X III*

JOB AGENT INCENTIVE PAY - INITIAL GOALS REPORT

EXHIBIT 2
original earnings goal for the client. On the basis of this additional information, it is possible to estimate the value of the job agent's services over the entire evaluation period. These calculations appear in the final feedback report (Exhibit 4) for the job agent and his supervisor.

As shown in Exhibits 3 and 4, payment points under the incentive system are calculated at the time of placement and one year after placement. Since full knowledge of the total value of the job agent's services over the entire evaluation period is not available until one year after placement, interim payment points are calculated by reducing the interim calculation of benefits from job agent services by two-thirds. This means that the job agent, in effect, receives a partial "installment" payment at placement based on both his performance up to that point and a prediction of how valuable his services are likely to be to his client over the next year. The reason for paying the job agent on an installment basis is that the prediction of the value of his services during the year after placement may be in error. This occurs if the job agent fails to meet the days worked or job stability goal established for the client. The installment system provides the job agent with both an immediate reward for his initial efforts to place a client and a strong incentive to do what he can to keep the client as continuously employed as possible throughout the year.

One year after placement, the job agent receives his final installment of pay points. As Exhibit 4 indicates, these pay points are equal to the final calculation of benefits from job agent services less the interim payment points. Thus, if during the year after placement the client does exactly as well as predicted, the job agent receives credit for the remainder of the benefits of his services—in effect, the payment points that were held back at the time of the interim calculation. The job agent can, in fact, add to his number of payment points if he is able to bring about increases in the client's wage rate during the year or help the client to exceed the job stability goal. Similarly, if the client's wages fall or he works fewer days than predicted, the job agent, in effect, loses payment points. However, for reasons indicated earlier, negative situations are disregarded under the system. Thus, payment points are never allowed to fall below zero.
INTERIM REPORT

<p>| | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Client</td>
<td>J. Doe</td>
<td>4. Field Office No.</td>
<td>1234</td>
</tr>
<tr>
<td>2. SSA No.</td>
<td>123-45-6789</td>
<td>5. Job Agent No.</td>
<td>56</td>
</tr>
<tr>
<td>3. Date Assigned to Job Agent</td>
<td>10-17-72</td>
<td>6. Report Date</td>
<td>11-21-72</td>
</tr>
</tbody>
</table>

I. Length of Period until Placement
*Excluding Training and/or Temporary Jobs*

A. Actual -------------- 19
B. Initial Goal ----------- 29

II. Hourly Wage at Placement

A. Actual -------------- 2.05
B. Initial Goal ----------- 1.76

III. Days Worked During Year after Placement

A. Interim Estimate ------ 217
B. Initial Goal ----------- 206

IV. Earnings During Year After Placement

A. Interim Estimate ------ 3558
*8 X IIA X IIIA*
B. Initial Goal ----------- 2900

V. Calculation of Interim Payment Points

A. Interim Calculation of Benefits from J.A. Services --- 822
*IB = IA = D, IVA = IVB = E, 8 X D X IIA = F, F + F = Result. If negative, make zero*

Times

B. Interim Point Factor ------ 1/3
C. Interim Payment Points --- 274

JOB AGENT INCENTIVE PAY - INTERIM REPORT

EXHIBIT 3
FINAL REPORT

1. Client J. Doe
2. SSA No. 123-45-6789
3. Date Assigned to Job Agent 10-17-72
4. Field Office No. 1234
5. Job Agent No. 56
6. Report Date 12-18-73

I. Length of Period Until Placement
   *Excluding Training and/or Temporary Jobs*
   A. Actual ------------------ 19
   B. Initial Goal ----------- 29

II. Hourly Wage at Placement
   A. Actual ------------------ 2.05
   B. Initial Goal ----------- 1.76

III. Earnings During Year after Placement
   A. Actual ------------------ 3360
   B. Initial Goal ----------- 2900

IV. Calculation of Final Payment Points
   A. Final Calculation of Benefits from J.A. Services -- 624
      *IB = IA = D, IIIA - IIIB = E, 8 X D X IIIA = F,
      E + F = Result. If Negative, make zero*
      Less
   B. Interim Payment Points -- 274
      Equals
   C. Final Payment Points --- 350
      *If Negative, make zero*

JOB AGENT INCENTIVE PAY - FINAL REPORT

EXHIBIT 4
The Evaluation Period

In describing the incentive system, a number of temporally related terms have been used; for example, "follow-up period," "evaluation period," "time of placement," and "length of the period until placement." A more explicit discussion of these terms is now in order. As already indicated, the follow-up period refers to the year after placement, and the evaluation period—that is, the time span over which the services of the job agent was measured—begins when the client is added to the job agent's caseload and ends one year after he is placed. Of course, job agent services may continue to help clients long after they initially enter the system, possibly until the clients retire from the labor force. Therefore, a technical case can be made for evaluating the services a job agent provides over an extended period of time, possibly several decades. It is not pragmatically feasible, however, to keep track of clients for so long a period. Moreover, a year-long follow-up period comes closest to being simultaneously consistent with both the Income Dynamics Panel data from which the incentive system standards were developed and the 18-month follow-up period required by legislation. Furthermore, the longer the follow-up period, the longer job agents would have to wait to receive their incentive rewards. To evoke appropriate responses from participants, the incentive system was designed so that the reward follows the delivery of job agent services as closely as possible.

Since under the incentive pay system unemployment does not end and earnings are not counted until the client is placed, the definition of "placement" is critical. Although the job agent's initial reward partly depends on finding a client a job quickly, it is desirable that rewards for placing clients in casual, short-term jobs be minimized. (The procedure described above is also designed with this intent.) Accordingly, before a client is considered "placed" for the purposes of the system, he must be continuously employed for at least three weeks. If the qualifying period were much longer, the job agent would not receive his incentive pay until long after the client's first day on the job. This might reduce the system's incentive effects. Furthermore, a longer period is inconsistent with the data on which the standards are based and might distort the incentive system.

In measuring the length of the period until placement, the count is suspended while a client is in a bona fide institutional training program or in
jobs that last for less than three weeks. Thus, the incentive system was designed to be neutral toward time spent in these activities. Otherwise, the incentive program would tend to discourage job agents from placing clients into training slots or into situations where they can earn income necessary for their support while the job agent is searching for a more permanent position. However, the incentive system does reward a job agent if a training program actually succeeds in improving a client's employment opportunities over what they would have been in the absence of the program.

Once a client is officially placed, a count begins of his earnings during the year-long follow-up period. The client may, of course, work on several different jobs or have one or more periods of unemployment during the year. Nevertheless, if the incentive system is to operate properly, once the follow-up period officially begins the earnings count must not be suspended. In fact, an important objective of the incentive system is to penalize job agents for excessive job instability sustained by their clients during the postplacement period.
III. TRYING TO IMPLEMENT THE INCENTIVE PAY SYSTEM

As the culmination of a long and detailed series of interactions between Rand and HRD, Rand's proposal for an operational incentive pay system was presented to the Director of HRD in May 1972. (A chronology of these events is presented in the Appendix. As this chronology indicates, Rand forced HRD's participation at all stages as the incentive system was developed.) The agency director endorsed Rand's recommended system and presented it to the Governor's Cabinet as the Department's "own." The proposal was then approved for presentation to the independent State Personnel Board. It was at this point that the strength of those opposed to the incentive pay plan became evident. The opposition centered on two issues. First, by establishing explicit performance standards the plan brought the lack of agreement between management and field workers on the basic objectives of the job agent program into the open. Second, the notion of paying white collar civil servants on an incentive basis, which was embodied in the legislation creating the job agent program, turned out to be an idea whose time had not come. Ultimately, under pressure from the civil service union and job agent association—and in opposition to HRD management—the proposal was effectively shelved and the legislation requiring an incentive pay system amended.

Program Objectives

Any evaluation system must be based on an articulated set of goals that can be objectively related to acceptable output measures. While most programs, including the job agent program, operate under specific legislative mandate, the difficult problem of determining operational goals is often not faced until outside evaluators force the issue. This is unfortunate, since the establishment of goals is a primary source of management control. If process and outcome evaluation can be made consistent, the translation of explicit goals into incentives and standards should greatly enhance program operation.

The Director of HRD clearly understood that performance standards and measures would not only facilitate the legislative mandate, but would extend
management control. Without measurable standards there was no way to
determine performance except by the subjective judgment of supervisors;
but by stipulating such standards, management at all levels would have a
consistent means for evaluating the performance of individual job agents.
Furthermore, measurable standards could be used by management to make in-
ferences as to what attributes successful job agents possess, which agents
work best with which clients, and which social services are most useful in
bringing about employment improvements. Similarly, measurable standards would
provide the job agents themselves with a yardstick they could use to deter-
mine what management expects of them and to determine how well they were
responding to these expectations. For exactly the same reason that manage-
ment supported the establishment of goals and measurable standards, the job
agents resisted them. Management and the State legislature appeared to view
the goals of the job agent program as quite specific: to place and to keep
disadvantaged clients in meaningful employment. Many job agents interpreted
the goals of the program much more broadly: to provide any service—not only
those directly related to employment—agents felt would be beneficial to the
disadvantaged community. They therefore resisted the development of specific
job related standards, preferring to operate in a system where they had sub-
stantial freedom to define the job as they, not management, saw it.

Incentive Pay for White Collar Workers

To both the job agent association and the civil service union, the concept
of incentive for white collar employees was a radical attack on their profes-
sionalism. This, despite the fact that wage incentive systems of one kind or
another have a long history. Contemporary modes of incentive pay are associated
with the development of scientific management and work measurement techniques
around the turn of the century. Since that period, and particularly since the
end of World War II, incentive pay has come into widespread use throughout the
private sector of the economy. In fact, the group of workers within the private
sector whose jobs are most analogous to that of HRD counselors—job counselors
at private employment agencies—have long been paid on a commission basis.*

*There is, however, a critical distinction between the objectives of private
employment agencies and those of the job agent program, a distinction that we
tried to take into account in the incentive system described in the previous
However, within the civil service formal incentive pay systems are rarely found, particularly for professional employees. One reason for this might be the difficulty of defining and measuring the output of government workers, especially those in professional jobs. Nevertheless, the use of work measurement methods—tools specifically designed to establish standards of output for labor—is prevalent in branches of civil service with well-defined, repetitive jobs. In the California state government, for example, work measurement programs are used by management to monitor the performance of employees of the Department of Motor Vehicles, the Division of Highways, and the Franchise Tax Board.

In the private sector, the establishment of work measurement programs has frequently been followed by the implementation of wage incentive pay plans. One possible reason this has not occurred where work measurement programs are operating within the civil service system is that the civil service wage structure has traditionally required that persons within a given job classification, who have the same number of years of experience, be paid the same salary. Conversely, wage incentive plans require that persons within the same job classification with different performances be paid different salaries. In any event, one of the more difficult potential obstacles to an incentive system within the government sector—one that had to be dealt with in designing an incentive plan for job agents—is its potential incompatibility with civil service regulations. Assuming that an incentive system can be made consistent with the civil service salary structure, there is no technical reason why incentive pay within the government sector is not feasible.

section of the paper. It little matters who the private agency counselor puts into a particular job, as long as he is acceptable to the employer. Job agents, however, are required by law to work with the disadvantaged. Thus, the private agency counselor's reward depends only on how good the jobs are he finds for his clients, whereas incentive rewards for job agents must depend not only on the quality of the job into which they place these clients but on how difficult their clients are to place and on how well their clients succeed once they are placed. If the stress were only on good placement, the effect of incentive pay would be to encourage job agents to concentrate their efforts on their least disadvantaged, easiest to place clients to the neglect of clients who are harder to place, a situation counter to the intent of the original HRD legislative intent.
The Political Arena

As already mentioned, original impetus for an incentive pay system for job agents came from the California State Legislature. The primary reason for their willingness to depart from existing civil service norms was that they felt that the civil service structure, particularly in the then Department of Employment, was not serving the needs of the dis-advantaged, and that the system could be reformed by providing "private sector type" incentives for dealing with the poor. * HRD management completely committed to private sector approaches. Although there were three heads of HRD during the project period, all were supportive of incentive pay for job agents. All saw that this technique would help management gain control over the job agent program and, more importantly, that a workable incentive system might be extended to other case responsible personnel within HRD.

The first sign of opposition to the basic concept of an incentive pay system began to surface when job agents learned that management was serious about meeting the legislature's mandate and that Rand was well along in developing the system. In January 1972 an extensive "decision memorandum" was written to facilitate and formalize HRD management's active participation in the fundamental policy decisions involving the design and implementation of the incentive pay system. The memorandum was also widely circulated among job agents, their supervisors and other employees of HRD. A sample of their comments is provided below:

"As a taxpayer, I am against my money being used to give bonuses to civil servants. As a civil servant, I resent the idea of reduction in present salaries to pay certain classification bonuses. As a citizen and civil servant, I feel that employees are entitled to general salary increases and that to divert this money for incentive pay tends to destroy one of the fundamentals of civil service employment. Supervisors should do their job properly and

*This was also a time when Democrats and Republicans, in both branches of government, were interested in experimenting with private sector modes of implementing public sector programs. For example, see P. Carpenter-Huffman, G. R. Hall, and G. C. Summer, Change in Education: Insights From Performance Contracting (Ballinger Publishing Company, Cambridge, Mass., 1974).
reject during probation those who are not coming up to standard, or who are unable to do their job efficiently. People who do their job to the best of their ability are entitled to increases."

"HRD should go to the legislature and have the section on incentive pay deleted."

"We do not need incentive pay to evaluate job agents. We can determine effectiveness from caseloads management, number of placements, and successful closures."

"It is our belief that incentive pay will not result in improved service to clients. However, based on our own analysis, we conclude that it is possible to compute and process the incentive payments suggested by the Rand report."

Although resistance to the incentive plan by job agents was clear, HRD management was undeterred from its commitment to such a plan. A meeting in February 1972 between Rand and the HRD staff tentatively resolved some of the management decision issues. A second memorandum, sent to HRD, summarized the tentative agreements and presented a series of recommendations to HRD in an attempt to finalize management decisions on unresolved issues.

Rand's recommendations, with virtually no changes, were formally accepted by HRD in March and, with one exception, were incorporated into Rand's final report on the job agent incentive system. The exception resulted when it was learned that financing the incentive plan through a separate pool of funds was inconsistent with civil service regulations. Instead, a new pay schedule for job agents (see Table 1) was worked out by Rand, HRD, and staff members of the State Personnel Board.

After accepting Rand's final report on the incentive system in May, HRD briefed the governor and received endorsement of the plan from the governor's cabinet. In June, the plan was presented to the State Personnel Board, an independently appointed body with authority to accept or reject proposed changes to the California civil service system.

Hearings held by the Board on the proposed incentive pay program, which were scheduled to last for a few hours, were quite tempestuous at points and were extended over two days. HRD management attempted to present as forceful a case for the proposed system as possible, but had most individual job agents as well as several formidable pressure groups aligned against them.
These groups included the Job Agents' Association (JAA), the National Association for the Advancement of Colored People (NAACP), and the State Employees' Association (SEA). The JAA position reflected the concern with the general distrust of the incentive plan shared by most job agents. The NAACP suspected racial bias in that the single class of civil servants (job agents) being subjected to the incentive system was primarily composed of minority group members and mostly served minority group clients. The SEA objected to the incentive system on the grounds that it was a major and unwarranted perturbation to the normal civil service environment.

The decision of the Personnel Board was to run the program on a "simulated" basis for a one-year trial period. This meant that the data necessary for the incentive system were to be collected and processed as if the system had been fully implemented, but that no actual incentive payments would be made during the trial period. Operationally, however, this test of the system proved unfeasible. Without the compelling force of having their salary depend on their active participation in the program, job agents failed to submit the necessary information on their clients; during the first three months of the trial period, for example, forms were filled out on only 20 of approximately 700 clients. Finally, in the 1973-74 legislative session the original legislation was amended to remove the provision requiring the installation of an incentive pay system for job agents. Thus, the incentive pay plan was effectively emasculated by the Personnel Board's decision and still awaits a fair trial.

Political Lessons Learned

For a policy analyst, working on the job agent project was stimulating, but ultimately frustrating. The charter, as given by HRD at the beginning of the project, was a technical one: to develop a feasible plan that was consistent with HRD and the legislature's goal of rewarding job agents on the basis of how successfully they placed and kept disadvantaged HRD clients in meaningful employment. Although this technical objective was met, the project ultimately failed on nontechnical grounds: the incentive system was not implemented. It was not until after the system had been formulated that
the political power the job agents and their allies could wield was fully evident. Although the concept of paying white collar civil servants under an incentive system is admittedly radical, there were only about 125 job agents, and all of them were hired with the understanding that they eventually would be paid on an incentive basis. Nevertheless, they proved to be powerful enough to frustrate the intent of HRD management, the Governor, and the legislature.
APPENDIX

Chronology of Events

1968: California Assembly Bill No. 1463 created the Department of Human Resources (HRD), established the civil service job agent program, and mandated the development of an incentive pay system for job agents.

1968-70: Even though an incentive system for job agents became a personal goal for the director of HRD, no real progress toward achieving that goal was achieved during this period. A management consultant firm hired by HRD concluded in mid-1970 that an incentive plan would be too difficult to administer and also predicted internal opposition to such a plan.

July 1971: HRD contracted with The Rand Corporation to give the incentive system a second look. On July 13, 1971, a meeting was held at the state capitol between members of the Rand research team and management representatives of HRD. The purpose of the meeting was to examine the policy issues involved and to arrive at a mutual understanding of the scope and objectives of the effort. A summarization of issues discussed and conclusions reached is provided below:

1. **Issue**: How much flexibility would Rand have in examining incentive pay alternatives? Would they be restricted to a bonus system only or could broader issues such as civil service classification changes be addressed?

   **Conclusion**: Major emphasis should be placed on a bonus system because this most directly meets legislative intent and HRD objectives. However, Rand would be free to explore other promising options, keeping in mind that a major purpose was to arrive at a plan for submission to the State Personnel Board (that is, California's civil service commission) which would have a high likelihood of acceptance.
2. **Issue:** Upon what financial constraints can an acceptable plan be based?

**Conclusion:** It will be most difficult to get additional state funds for incentive pay. Most likely incentive awards will be implemented over time as an alternative to general salary increases.

3. **Issue:** What statutory changes, if any, could result from the study?

**Conclusion:** (a) Present statutory criteria for incentive pay might have to be modified. (b) It might be possible to eliminate certain burdensome and unnecessary job agent reporting requirements.

4. **Issue:** For what achievements should job agents be rewarded?

**Conclusion:** *A job agent's primary job is to find employment* for the disadvantaged. They are not merely a new class of social case workers. Incentive pay should induce placement of the disadvantaged into meaningful and stable jobs, increase the earnings of the disadvantaged, and reduce state welfare expenditures.

5. **Issue:** What additional benefits could result from designing an incentive pay plan?

**Conclusion:** (a) An assessment of HRD's new Employability Rating System (ERS) which was an internal HRD attempt to identify barriers to placement and costs for surmounting those barriers. (b) Insight could be gained into how HRD could best evaluate the performance of job agents and other HRD personnel who perform similar functions. (c) Insight could be gained into the application of incentive pay to HRD personnel who are not job agents.

*Fall, 1971:* Rand began its initial data effort. It quickly became apparent that the in-house HRD data system was insufficient for either management information system or incentive pay system purposes. It was
decided to design new data collection forms for the incentive pay system which could, at HRD's option, replace much of the then existing myriad of forms and paperwork. The lack of a qualitatively substantive HRD data base led to adoption of the Income Dynamics Panel data. Effort began on specifying and constructing the econometric model which would serve as the basis of the incentive plan.

January 1972: On January 14, 1972, Rand sent a twenty-page memorandum to the State Program Coordinator for HRD. Section One (seven pages) of the memorandum presented a summary of the job agent incentive system effort. Section Two (thirteen pages), entitled "Questions for Management Decisions," began with the following introduction:

The preceding section presented the scheme to evaluate the performance of job agents. To implement the system there are still many difficult issues which must be resolved. The present section lists the major issues, in the form of questions. Then each issue-question is examined in detail and alternative positions are presented. Where appropriate, recommendations are made. However, it is felt that the final decisions in this area should be properly made by HRD management. The questions under consideration are:

How should incentive payments be calculated?

Where will the funds to support the incentive system come from?

Should follow-up data be collected on every client?

Should the incentive pay system be introduced on a statewide basis, or gradually, at a few centers at a time?

To whom should the incentive payments be made?

What form should incentive payments take?

How long must a client work before he is considered placed?

What happens when a job agent terminates?

Should incentive rewards be based only on persons who become job agent clients after the introduction of the program?

What steps are HRD management taking to implement the incentive pay system?"
The memorandum then discussed, question by question, the import of each item and possible alternative recommendations. Thus, the Rand position that HRD management must actively participate in fundamental policy decision involving the design and implementation of an incentive pay system was formalized. HRD management responded by subjecting the Rand memorandum to review and comment throughout HRD.

The memorandum evoked considerable reaction by job agents, their supervisors, and other employees of HRD. A sample of their comments appears in the text. Others are provided below:

"The statement [in the Rand memorandum] that job agents receive no useful feedback information is probably true."

"While money will always be limited, the incentive plan should not be based on arbitrary attempts at distributing monies between job agents."

"Suggest Rand go back to the drawing board on this one to develop additional alternatives."

"The only observation I have relative to the Rand paper deals with the logistics of paying the job agents a different wage each month. Once a plan is adopted, payment can be worked out."

"After reviewing the Rand report ... we feel that there may well be more negative than positive aspects to an incentive pay system."

"Can information being fed in on job agent clients be verified as accurate? Tendency would be to make a person more dis-advantaged -- more barriers, hence more points."

"At first glance, the Incentive Pay System for Job Agents appears to manifest considerable merit. However, an in-depth perusal (sic) of the package reveals that it is constructed on the basis of many untested variables that, in my mind, erode away its initial acceptance and validity... There is the possibility that some presently unknown, uncontrollable, or unpredictable variables that don't readily lend themselves to quantification could come into play; therefore, the system couldn't be sufficiently measured to give a true evaluation of a Job Agent's actual performance."
Although the responses were primarily negative and expressed a variety of reactions ranging from valid concern to a lack of understanding of the design and intent of the proposed system, HRD management was not deterred from its commitment to the incentive plan.

February 1972: A meeting on February 15, 1972, between Rand project members and the HRD staff tentatively resolved some of the management decision issues. On February 28, 1972, Rand sent HRD a memorandum that summarized the tentative agreements and presented a series of recommendations to HRD in an attempt to finalize management decisions on unresolved issues. The substantive portions of the memorandum are provided below:

This memo lists decisions tentatively agreed upon at our February 15th meeting. In addition, Rand's recommendation on unresolved issues is listed.

I. Agreed Upon

1. Incentive pay will be financed from a pool of funds diverted from salary and merit increases.

2. The incentive pay system will be implemented on a two-year trial basis and re-evaluated after that time.

3. The system will be "positive." That is, incentive pay points will only be awarded to a Job Agent for exceeding the performance standards for a particular client. (See Rand Recommendation B).

4. The incentive pay system will be initiated on a state-wide basis.

5. Incentive rewards will be made to each individual Job Agent and will be in the form of a check paid at the end of each incentive pay system accounting period. (See Rand Recommendation C).
II. Rand's Recommendations

A. During the two-year trial period the incentive pay "pool" will be distributed among Job Agents on the following basis:

<table>
<thead>
<tr>
<th>Rank of Job Agents With Incentive Points (Top Percent)</th>
<th>Percent of Pool Received by Job Agents Within each Category</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-50</td>
<td>0</td>
</tr>
<tr>
<td>51-60</td>
<td>12</td>
</tr>
<tr>
<td>61-70</td>
<td>15</td>
</tr>
<tr>
<td>71-80</td>
<td>19</td>
</tr>
<tr>
<td>81-90</td>
<td>24</td>
</tr>
<tr>
<td>91-100</td>
<td>30</td>
</tr>
</tbody>
</table>

Agree ____________
Disagree ____________

B. Job Agents will be allowed to select the clients on whom to turn in the necessary follow-up information. Incentive pay points will not be rewarded for services to a client unless all necessary input information on the client is completed.

Agree ____________
Disagree ____________

C. During the first year of the program Job Agents will be ranked every six months on the basis of incentive pay points accumulated during the six-month period. During the second year of the program Job Agents will be ranked every quarter on the basis of incentive pay points accumulated during the quarter.

Agree ____________
Disagree ____________

D. Incentive pay points will be based on the employment experiences of new clients and of unemployed clients in the Job Agent's caseloads at the time the program is initiated.

Agree ____________
Disagree ____________
E. Before a client is considered "placed" for the purposes of the system, he must be continuously employed for at least three weeks.

Agree ____________
Disagree ____________

F. A Job Agent will receive no credit for incentive points which are based on follow-up information turned in after he terminates. The Job Agent who inherits the case will receive credit based on a pro rata formula. For example, if the new Job Agent was responsible for a client during the last 9 months of the year after the client was placed, he receives 75 percent of any final payment points which are accumulated.

Agree ____________
Disagree ____________

G. Interim payment points at time of placement should be calculated by discounting the interim calculation of benefits from Job Agent services by 2/3. Final payment points will equal the final calculation of benefits from Job Agent services less the interim payment points.

Agree ____________
Disagree ____________

H. The final calculation of benefits from Job Agent services will be based on the client's experiences from the time he is added to the Job Agent's caseload until one year after he is placed.

Agree ____________
Disagree ____________

March 1972: HRD management decisions were finalized in the March 7, 1972, memorandum to Rand reproduced below:

From: DEPARTMENT OF HUMAN RESOURCES DEVELOPMENT
Subject: Implementation of Job Agent Incentive Pay System

As per our telephone conversation of March 6, 1972, listed are decisions agreed upon by management to finalize the Incentive Pay System.
Management Decisions:

1. Incentive pay will be financed from a pool of funds diverted from salary and merit increases. The pool of funds should be approximately $97,000.

2. The Incentive Pay System will be implemented July 1, 1972, on a two-year trial basis and will be evaluated after the first year.

3. The system will be "positive." Incentive pay points will only be awarded to a Job Agent for exceeding the performance standards for a particular client.

4. The Incentive Pay System will be initiated on a state-wide basis.

5. Incentive rewards will be made to each individual Job Agent and will be in the form of a check paid at the end of each Incentive Pay System accounting period.

6. The incentive pay will not exceed the maximum salary range of the Job Agent pay scale. Rand will have to design a system that will assign a dollar amount to the points awarded to the Job Agent who qualifies for the Incentive Pay System. The salary plus bonus amount must not fall below the minimum pay step or exceed the maximum pay step of the Job Agent pay scale.

7. Job Agents will be allowed to select the clients on whom to turn in the necessary follow-up information. Incentive pay points will not be rewarded for services to a client unless all necessary input information on the client is completed.

8. During the first year of the program Job Agents will be ranked every six months on the basis of incentive pay points accumulated during the six-month period. During the second year of the program Job Agents will be ranked every quarter on the basis of incentive pay points accumulated during the quarter.

9. Incentive pay points will be based on the employment experiences of new clients and of unemployed clients in the Job Agent's case-loads at the time the program is initiated.

10. Before a client is considered "placed" for the purposes of the system, he must be continuously employed for at least three weeks.

11. A Job Agent will receive no credit for incentive points which are based on follow-up information turned in after he terminates. The Job Agent who inherits the case will receive credit based on a pro rata formula. For example, if the new Job Agent was responsible for a client during the last 9 months of the year after the client was placed, he receives 75% of any final payment points which are accumulated.
12. Interim payment points at time of placement should be calculated by discounting the interim calculation of benefits from Job Agent services by 2/3. Final payment points will equal the final calculation of benefits from Job Agent services less the interim payment points.

13. The final calculation of benefits from Job Agent services will be based on the client's experiences from the time he is added to the Job Agent's caseload until one year after he is placed.

At the end of the first year, a minimum performance standard for Job Agents will be developed. Job Agents will be required to meet this minimum performance standard before being eligible to participate in the Incentive Pay System.

**April 1972:** Rand, HRD, and staff members of State Personnel Board worked out a new pay schedule, after it was learned that basing the system on an explicit pool of $97,000 was inconsistent with civil service regulations. This schedule is described in the text.

**May 1972:** Rand's final report on the job agent incentive pay system was accepted by HRD management. HRD briefed the Governor and received endorsement of the incentive pay system from the Governor's Cabinet.

**June 1972:** HRD presented the incentive pay system to the independent State Personnel Board. During the hearings, HRD management fully supported the proposed system as their own. Resistance to the proposed system was voiced by the Job Agent's Association, the National Association for the Advancement of Colored People, and the State Employees' Association.

**July 1972:** The State Personnel Board decided to try the incentive pay system on a one-year trial basis, only as a data collection instrument. The system was effectively shelved, since without a financial incentive job agents did not submit the required forms.

**1973-74 Legislative Session:** The legislature amended the law and eliminated the incentive pay provision.