

BUILDING PERFORMANCE PAY INTO A UNION CONTRACT

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One of the biggest criticisms of unions is the concept that they reward the poorest performer while failing to adequately compensate the best performers. Union contracts typically have a one-size fits all pay scale that applies to everyone in particular classification (ex. every mechanic gets paid the same wage). Some union contracts focus on seniority; stating that if you are there for X number of years you get paid a certain amount more than less senior employees. Both of these approaches ignore actual performance or skills and fail to reward the employees who work harder, better and smarter.

Good managers detest these approaches. An effective manager understands both the value of incentives and rewards as well as the need for an economic “stick” for underperformers. Two recent labor contracts I negotiated show signs that unions are finally getting the message that incentive based pay is a necessary component in an effective compensation program.

In negotiations with the Electrical Workers Union at two different employers, the union agreed to systems involving performance based pay. At one location, the union agreed that 50% of the compensation would be based upon performance while at the other location, the union agreed that 100% would be based upon performance. While there was initial resistance to the concept at both locations, working closely with the union representatives and the employees to explain the process helped to bring about a fundamental change in how they viewed these programs.

There are several necessary components to incorporating this type of plan into a union compensation system. The first frankly is that the employees need to have a basic level of trust in their supervisors and managers. It doesn't have to be perfect, but employees need to feel that overall they will be treated fairly. Secondly, the job positions subject to the plan need to be well defined with performance standards that are measurable and relevant to the position. A good job description and an effective performance review tool are the key to make the system work.

In each case we brought the employees into the process of designing the performance evaluation tool. By getting their buy-in that the evaluation form that was going to be used was both fair and an effective way to measure their performance, many of their concerns were reduced. Subjective factors on the evaluation were reduced but not eliminated. We stressed that it was fair and important for a manager to subjectively assess his/her employees to some extent. Overall scoring was kept simple with ranges that were understandable. Top scores were designed to be achievable but difficult to achieve.

While the evaluation forms were negotiated as part of implementing the plan, the results of the evaluations were exempted from the grievance process. Whatever evaluation score an

employee receives will determine the employee's compensation. The employee's score (and what they receive for an increase) cannot be grieved however.

It will be interesting to watch the change in culture for organizations which have traditionally had the one-size fits all approach to compensation. The long term success of the compensation programs will depend on how effectively it reflects the actual performance of the employees.