



## **The Performance Bonus Pay Program**

**Dallas County, Texas Motor Vehicle Division**

### **Introduction**

*Governing* magazine's July 2003 cover story was entitled "Who's Afraid of the DMV: For Most People, Motor Vehicle Offices are the Face of Government. It's Not a Pretty Face." Most motor vehicle departments project an image of bureaucratic lethargy. By improving their performance and efficiency, they could better serve customers and improve the government's public image.

Through its pay-for-performance program, the Dallas County (Texas) Motor Vehicle Division (MVD) has set an example for how similar agencies across the country could be reformed. MVD registers 1.9 million vehicles per year and has 140 employees at 10 sites. In March 1998, the Vehicle Registration and Title Department launched its performance pay program. The program utilizes performance measures to identify and reward quality work.

The program was designed to achieve four goals:

- Measure employee performance
- Reward quality performance
- Attract motivated employees
- Use incentives to improve the public's perception of government

To achieve these goals, the Dallas County MVD management team developed a one-page monthly performance report with several important characteristics:

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**We are appreciative of the Roe Foundation's generous support for this initiative.** Their sustained funding has enabled Pioneer to vet these ideas with policy makers and experts as well as legislators and executive officials.

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## *The Performance Bonus Pay Program*

- Accurate identification of work functions
- Fair and accurate standards for what would be considered “B” to “B+” performance
- Levels of additional pay for exceeding standard levels of performance

The monthly reports are the cornerstone of an innovative approach that has paid dividends for managers, employees, taxpayers and MVD customers.

### **The Problem**

The challenges for the MVD included:

- Development of a formula to correlate time at work with actual work produced
- Establishment of performance pay amounts
- Identification of a revenue source to fund performance bonuses.

For the program to be effective, it was essential that “standard” productivity be accurately measured, and that performance targets and bonus amounts were set at realistic levels.

### **The Solution**

The MVD developed an innovative concept that addressed each of these challenges. A “point per minute” formula correlates time spent on a task with actual productivity. If a particular function should take five minutes to complete, employees earn five points each time they perform the function, regardless of the actual time spent. The “point per minute” concept allows for an easy monthly accounting of minutes worked and employee output.

Employee performance for the previous three months was measured using the newly developed formula. Performance points earned during that quarter were calculated. Managers settled on five cents per point, the equivalent to \$3 for a full hour of “bonus” work. This meant that most “A” level employees would earn an additional \$20-\$80 per month, with a few earning an extra \$100 per month. Subsequently, managers decided that 60 performance points should equal each individual employee’s hourly rate, rather

than matching an average hourly rate.

To secure a funding source, MVD negotiated with county commissioners to fund performance pay by leaving one already-allocated MVD position vacant. Budgeted funds for the position became the basis of the performance pay fund. Once the program proved successful, performance pay funding was allocated from a second vacant position.

Program implementation began on March 1, 1998. Eight years later, the program had accomplished all of its original goals. The DMV is processing 28 percent more registrations annually than it did 15 years ago, without additional staff. Twelve percent of total work is being performed in “bonus” performance time. Had the staff performed at “expected standard,” the department would have needed to add 16 positions over the past eight years at an average annual cost of \$24,300 each. As of 2004, increased productivity had averted additional costs of \$388,800.

In the quarter prior to program implementation, 11 employees exceeded standard performance targets. In the first quarter of implementation, 22 employees earned an average of \$105.25 in performance pay by exceeding targets. The work produced in that “bonus time” was equivalent to what would be produced by 4.8 employees working at standard performance levels. The program has continued to inspire performance improvement. In one recent month, 51 employees earned an average of \$163.60 in performance bonuses. This bonus money is well-spent, as these employees produced bonus work equivalent to 16.6 “standard” employees. Put another way, funds made available from two vacant positions effectively added more than 16 new employees to the staff. With 140 employees covered by the program, bonus work represents 12 percent of expected overall output. The staff now produces more titles and registrations per person than any other urban DMV in Texas.

The Performance Bonus Pay Program has also produced a number of unexpected benefits. The implementation of accurate, detailed performance reports not only made it easier to reward good performance, but also to identify poor performance, allowing for

targeted training and remediation efforts.

As employees realized performance would be documented, employee allegations of mistreatment declined. Objective measures also created a more professional environment, rather than one in which employees assumed decisions were based on cronyism. For example, thirteen employees recently applied for a coveted position. Just five years ago, the only applicant for the same position was perceived as the manager's "pet." Rewards based on objective measures resulted in employees who are excited about their careers and motivated to advance.

Anecdotal evidence suggests that MVD is now considered to be an attractive employer. Current workers urge acquaintances to apply and an increasing number of employees of other government departments are applying for jobs at MVD. Motivated employees who feel appreciated also project their job satisfaction to customers. MVD now averages 20 written citizen appreciations per month.

## Relevance to Massachusetts

Adopting a program similar to the MVD Performance Bonus Pay Program in Massachusetts would require major cultural change. More than 90 percent of employees in the executive branch of Massachusetts state government, for example, are unionized, and virtually every collective bargaining agreement prohibits performance pay. But as budgetary pressures continue to increase, the success of pay for performance programs in other states increases the likelihood that similar programs will gain a foothold in Massachusetts.

## Conclusion

Performance pay has dramatically improved both employee and customer satisfaction and significantly improved performance at the Dallas County MVD. The core concepts of the Performance Bonus Pay Program could be used by other agencies in Massachusetts and beyond to increase productivity and control costs.

