

DIRECT LABOR PERFORMANCE CONTROLS

FOR

ALL DIRECT AND INDIRECT LABOR OPERATIONS

THE DEVELOPED PERFORMANCE PAY MEASUREMENT INGREDIENTS

OF A.....

PLANT WIDE GAINSHARING INCENTIVE PLAN

FOR A 20% SAVINGS POTENTIAL

**JD GRAY ASSOCIATES
MANUFACTURING PRODUCTIVITY CONSULTANTS**

I. JD GRAY ASSOCIATES WILL USE THE KEMPER TREGOE DECISION ANALYSIS TECHNIQUE WITH COMPANY MANAGEMENT TASK FORCE TO ASSIST IN THEIR DETERMINATION OF...

- Identification of departments, product grouping or asset groups within the plant to be measured.
- Development of project outline, milestones, completion dates and action parties. Ensure project completion in a timely manner by management task force weekly meetings.
- Development of *primary measurement* alternatives:
 - Pieces output
 - Machine uptime
 - Man hours per machine hour
 - Weight output
 - Length output
- Development of *weighted comparison* criteria.
- *Selection of primary* measurement alternative.
- *Scope of primary* measurement alternative:
 - Operator
 - Group
 - Department
 - Plant
- *Frequency of primary* measurement alternative:
 - Daily
 - Weekly
 - Monthly
 - Yearly
- Development of *secondary measurement* alternatives:
 - Rework
 - Delivery
 - Quality
 - Scrap
 - Attendance
 - Medical incidences
- *Selection of secondary* measurement alternatives.
- *Scope and frequency assignment of secondary* measurement alternatives.
- Assignment of primary and secondary *relative weight* to one another.
- Development of weighted *comparison charts summaries* for management task force.
- Identification and research of historical indices and development of *performance pay charts* (see example) based on performance to historical indices of selected primary and secondary alternatives.
- *Written* variable gain sharing incentive plan *procedure*.
- *Liaison with payroll* for paycheck incentive pay calculation (see example) and data processing personnel.
- *Implementation* of variable gain sharing incentive plan.

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II. PLANT WIDE INCENTIVE PLAN FEE SCHEDULE AND SERVICE CONTRACT

Service Activity	Fee Per Service Activity
ACT AS A CATALYST FOR COMPANY MANAGEMENT TASK FORCE IN THEIR DETERMINATION OF.....	
• ID of plant wide asset groups, product groups or departments to be measured	\$2,000
• <i>Project milestones and follow-up</i>	\$5,000
• Development of <i>primary</i> and <i>secondary measurement alternatives</i>	\$3,000
• Development of <i>weighted comparison</i> criteria	\$6,000
• <i>Selection of primary</i> and <i>secondary measurement alternatives</i>	\$3,000
• <i>Selection of primary</i> and <i>secondary measurement alternatives scope and frequency</i>	\$2,000
• <i>Assignment of primary</i> and <i>secondary alternatives relative weight</i> to one another	\$3,000
• <i>Preparation of weighted comparison charts summaries for final alternative selection</i>	\$8,000
PERFORMANCE PAY CHART'S	
• <i>Identification</i> of historical indices	\$4,000
• <i>Preparation of pay charts</i> based on historical indices	\$13,000 *
• <i>Review</i> and revise pay charts <i>with Company task force</i>	\$3,000
IMPLEMENTATION	
• <i>Written Procedure</i>	\$6,000 *
• Payroll <i>Liaison</i> and Comparison of paychecks before/after new incentive plan	\$4,000
• Incentive plan <i>transition</i>	\$2,000
Total Consulting Fee	\$64,000
* Off-site – one month	

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III. AGREEMENT:

- JD Gray Associates shall submit detailed service fee invoices to Company. Said invoices shall contain a detailed itemization of the date(s) on which services were provided and a description of tasks completed during the period with respect to which the invoice is submitted. On-site travel expenses to be billed separately.
- Each compensation payment made by Company to JD Gray Associates shall be within 10 days.
- Company Property – JD Gray Associates agrees that any confidential information furnished by Company to JD Gray Associates or acquired by JD Gray Associates during the period in which JD Gray Associates is retained by Company is and shall remain the sole and exclusive property of Company and shall be placed in the hands of Company by JD Gray Associates upon termination of this Agreement including any copies made thereof.
- Confidentiality – JD Gray Associates agrees that at no time, either during or after the period in which JD Gray Associates is retained by Company shall JD Gray Associates utilize or disclose to any third party any of the confidential information of Company.

Date: _____

COMPANY OFFICIAL _____

Purchase Order Number: _____

Quotation Number:

Contract Terms:

Payment Schedule

1. 20% upon approval, Purchase Order and Irrevocable Letter of Credit	\$12,800
2. 20% end of 1 st month	\$12,800
3. 20% end of 2 nd month	\$12,800
4. 20% end of 3 rd month	\$12,800
5. 20% upon implementation	\$12,800

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IV. SAMPLE CHART

WEIGHTED PERFORMANCE CHART INCENTIVE WEIGHTED PERFORMANCE CHART ROLLING MILL - MACHINE OPERATOR

MACHINE UPTIME VERSUS SCHEDULED TIME PERFORMANCE PAY WEIGHT - 40%			
OVER	UNDER	% PAY	WEIGHTED PERFORMANCE
		0.000%	0.000%
48.00%	48.00%	21.050%	8.420%
48.00%	50.00%	21.400%	8.560%
50.00%	51.00%	21.750%	8.700%
51.00%	52.00%	22.100%	8.840%
52.00%	53.00%	22.450%	8.980%
53.00%	54.00%	22.800%	9.120%
54.00%	55.00%	23.150%	9.260%
55.00%	56.00%	23.500%	9.400%
56.00%	57.00%	23.850%	9.540%
57.00%	58.00%	24.200%	9.680%
58.00%	59.00%	24.550%	9.820%
59.00%	60.00%	24.900%	9.960%
60.00%	61.00%	25.250%	10.100%
61.00%	62.00%	25.600%	10.240%
62.00%	63.00%	25.950%	10.380%
63.00%	64.00%	26.300%	10.520%
64.00%	65.00%	26.650%	10.660%
65.00%	66.00%	27.000%	10.800%
66.00%	67.00%	27.350%	10.940%
67.00%	68.00%	27.700%	11.080%
68.00%	69.00%	28.050%	11.220%
69.00%	70.00%	28.400%	11.360%
70.00%	71.00%	28.750%	11.500%
71.00%	72.00%	29.100%	11.640%
72.00%	73.00%	29.450%	11.780%
73.00%	74.00%	29.800%	11.920%
74.00%	75.00%	30.150%	12.060%
75.00%	76.00%	30.500%	12.200%
76.00%	77.00%	30.850%	12.340%
77.00%	78.00%	31.200%	12.480%
78.00%	79.00%	31.550%	12.620%
79.00%	80.00%	31.900%	12.760%
80.00%	81.00%	32.250%	12.900%
81.00%	82.00%	32.600%	13.040%
82.00%	83.00%	32.950%	13.180%
83.00%	84.00%	33.300%	13.320%
84.00%	85.00%	33.650%	13.460%
85.00%	86.00%	34.000%	13.600%
86.00%	87.00%	34.350%	13.740%
87.00%		34.700%	13.880%

QUALITY PERFORMANCE PAY WEIGHT - 30%			
OVER	UNDER	% PAY	WEIGHTED PERFORMANCE
		0.000%	0.000%
0.2550		23.850%	7.155%
0.2500	0.2550	24.200%	7.260%
0.2450	0.2500	24.550%	7.365%
0.2400	0.2450	24.900%	7.470%
0.2350	0.2400	25.250%	7.575%
0.2300	0.2350	25.600%	7.680%
0.2250	0.2300	25.950%	7.785%
0.2200	0.2250	26.300%	7.890%
0.2150	0.2200	26.650%	7.995%
0.2100	0.2150	27.000%	8.100%
0.2050	0.2100	27.350%	8.205%
0.2000	0.2050	27.700%	8.310%
0.1950	0.1950	28.050%	8.415%
0.1850	0.1900	28.400%	8.520%
0.1800	0.1850	28.750%	8.625%
0.1750	0.1800	29.100%	8.730%
0.1700	0.1750	29.450%	8.835%
0.1650	0.1700	29.800%	8.940%
0.1600	0.1650	30.150%	9.045%
0.1550	0.1600	30.500%	9.150%
0.1500	0.1550	30.850%	9.255%
0.1450	0.1500	31.200%	9.360%
0.1400	0.1450	31.550%	9.465%
	0.1400	31.900%	9.570%

DELIVERY PERFORMANCE PAY WEIGHT - 20%			
OVER	UNDER	% PAY	WEIGHTED PERFORMANCE
		0.000%	0.000%
52.00%	54.00%	23.850%	4.770%
54.00%	56.00%	24.200%	4.840%
56.00%	58.00%	24.550%	4.910%
58.00%	60.00%	24.900%	4.980%
60.00%	62.00%	25.250%	5.050%
62.00%	64.00%	25.600%	5.120%
64.00%	66.00%	25.950%	5.190%
66.00%	68.00%	26.300%	5.260%
68.00%	70.00%	26.650%	5.330%
70.00%	72.00%	27.000%	5.400%
72.00%	74.00%	27.350%	5.470%
74.00%	76.00%	27.700%	5.540%
76.00%	78.00%	28.050%	5.610%
78.00%	80.00%	28.400%	5.680%
80.00%	82.00%	28.750%	5.750%
82.00%	84.00%	29.100%	5.820%
84.00%	86.00%	29.450%	5.890%
86.00%	88.00%	29.800%	5.960%
88.00%	90.00%	30.150%	6.030%
90.00%	92.00%	30.500%	6.100%
92.00%	94.00%	30.850%	6.170%
94.00%	96.00%	31.200%	6.240%
96.00%	98.00%	31.550%	6.310%
98.00%		31.900%	6.380%

YIELD PERFORMANCE PAY WEIGHT - 5%			
OVER	UNDER	% PAY	WEIGHTED PERFORMANCE
		0.000%	0.000%
0.9840%	0.9855%	23.850%	1.192%
0.9855%	0.9870%	24.200%	1.210%
0.9870%	0.9885%	24.550%	1.228%
0.9885%	0.9700%	24.900%	1.245%
0.9700%	0.9715%	25.250%	1.263%
0.9715%	0.9730%	25.600%	1.280%
0.9730%	0.9745%	25.950%	1.298%
0.9745%	0.9760%	26.300%	1.315%
0.9760%	0.9775%	26.650%	1.333%
0.9775%	0.9790%	27.000%	1.350%
0.9790%	0.9805%	27.350%	1.368%
0.9805%	0.9820%	27.700%	1.385%
0.9820%	0.9835%	28.050%	1.403%
0.9835%	0.9850%	28.400%	1.420%
0.9850%	0.9865%	28.750%	1.438%
0.9865%	0.9880%	29.100%	1.455%
0.9880%	0.9895%	29.450%	1.473%
0.9895%	0.9910%	29.800%	1.490%
0.9910%	0.9925%	30.150%	1.508%
0.9925%	0.9940%	30.500%	1.525%
0.9940%	0.9955%	30.850%	1.543%
0.9955%	0.9970%	31.200%	1.560%
0.9970%	0.9985%	31.550%	1.578%
0.9985%		31.900%	1.595%

SCRAP PERFORMANCE PAY WEIGHT - 5%			
OVER	UNDER	% PAY	WEIGHTED PERFORMANCE
		0.000%	0.000%
0.8400%	0.8467%	23.850%	1.192%
0.8467%	0.8533%	24.200%	1.210%
0.8533%	0.8600%	24.550%	1.228%
0.8600%	0.8667%	24.900%	1.245%
0.8667%	0.8733%	25.250%	1.263%
0.8733%	0.8800%	25.600%	1.280%
0.8800%	0.8867%	25.950%	1.298%
0.8867%	0.8933%	26.300%	1.315%
0.8933%	0.9000%	26.650%	1.333%
0.9000%	0.9067%	27.000%	1.350%
0.9067%	0.9134%	27.350%	1.368%
0.9134%	0.9200%	27.700%	1.385%
0.9200%	0.9267%	28.050%	1.403%
0.9267%	0.9333%	28.400%	1.420%
0.9333%	0.9400%	28.750%	1.438%
0.9400%	0.9467%	29.100%	1.455%
0.9467%	0.9533%	29.450%	1.473%
0.9533%	0.9600%	29.800%	1.490%
0.9600%	0.9667%	30.150%	1.508%
0.9667%	0.9733%	30.500%	1.525%
0.9733%	0.9800%	30.850%	1.543%
0.9800%	0.9867%	31.200%	1.560%
0.9867%	0.9933%	31.550%	1.578%
0.9933%		31.900%	1.595%

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V. PERFORMANCE PAY EARNINGS CALCULATION – ROLLING MILL MACHINE OPERATOR EXAMPLE

PRIMARY AND SECONDARY PAY PERFORMANCE MEASURED ITEMS	ITEM RESULTS FOR WEEK	PAY %	WEIGHT	CALCULATION	PAY CONTRIBUTION
MACHINE UPTIME VERSUS SCHEDULED TIME (ASSET GROUP – WEEKLY)	260.1 MACHINE UPTIME HOURS / 386.5 SCHEDULED HOURS = 67.3% UPTIME RATE	27.7%	40%	.40 X 27.7%	11.080%
QUALITY (PLANT WIDE – WEEKLY)	.1098 SCRAP STOCK INDEX X 4.75 = .5215 + .6191 AO & RW INDEX = 1.1406 INDEX TOTAL / 5.75 = .1983 QUALITY INDEX	27.7%	30%	.30 X 27.7%	8.310%
DELIVERY (PLANT WIDE – WEEKLY)	28 ORDERS SHIPPED / 37 ORDERS SCHEDULED = 75.6%	27.7%	20%	.20 X 27.7%	5.540%
YIELD (ASSET GROUP – WEEKLY)	OFF TON 727 / ON TON 741 = 98.11% YIELD	27.7%	5%	.05 X 27.7%	1.385%
SCRAP (PLANT WIDE – MONTHLY)	SCRAP FOR MELTING 579,701 [CREDIT] / ALL SCRAP 630,600 [GENERATION] = 91.92%	27.7%	5%	.05 X 27.7%	1.385%
TOTAL			100%		27.700%

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VI. LINKS

1. [An analysis of changes to a team-based *incentive plan* and its ...](#)
2. [New York *Incentive Rewards & Recognition Expo* | #9301 - Motivating ...](#)
3. [Increasing Competitiveness with Productivity Improvements At](#)