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Gainsharing

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ABSTRACT: This document contains resources on gainsharing. It includes definitions of gainsharing and examples of gainsharing in both the public and the private sector. In the final section, theoretical literature on gainsharing is provided.

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Definitions:

“Gainsharing is a corporate incentive plan designed to involve employees with management to increase productivity by directly linking compensation to specific productivity increases or cost reductions.”

<http://en.wikipedia.org/wiki/Gainsharing>

“Gainsharing is a system or approach of managing that promotes higher level of performance through the involvement and participation of employees. As performance improves, employees share in the financial gain. Improved performance yields greater compensation, in turn promoting continuous improvement through a reinforcing cycle.”

<http://www.masternak.com/gainsharing-what-is.asp>

Public Sector Examples

Ugandan National Water and Sewage Commission (UNWSC)

The UNWSC used a form of gainsharing as one technique to improve operations. Below are some links to websites and documents with further information on the introduction of gainsharing at the UNWSC.

Mugisha, Silver, Sanford V. Berg, William T. Muhairwe. 2007. “Using Internal Incentive Contracts to Improve Water Utility Performance: The Case of Uganda’s NWSC” *Water Policy* 9 (3) pp 271–284

<http://www.iwaponline.com/wp/00903/0271/009030271.pdf>

(accessed September 4, 2007)

Abstract: This paper is a case study of the Ugandan National Water and Sanitation Commission’s experiment with internal incentive contracts (gainsharing). The authors detail the changes in the finances of the UNWSC and lessons learned in contract design and implementation.

Berg, Sanford V. and William T. Muhairwe. 2006. “Healing an Organization: High Performance Lessons from Africa.”

Abstract: This document is another case study of the Ugandan National Water and Sewage Commission (UNWSC). It offers a breakdown of the challenges faced by the commission, and the approaches used to overcome them.

“Turning Around the NWSC in Uganda: Improving Efficiency, Creating Access, and Creating Financial Sustainability.” In *Service Delivery and Local Empowerment: Turnaround of Public Utilities*; *Forth World Water Forum*; Mexico. pg 7-14.

<http://siteresources.worldbank.org/INTWSS/Resources/publicutilities.pdf>

Abstract: This presentation, in addition to detailing the turnaround of the Ugandan National Water and Sanitation Commission (UNWSC), includes information on water utilities in other countries. Cases profiled include Honduras, Zambia, and Mexico.

Gainsharing in the U.S. Public Sector

“Human Capital: Using Incentives to Motivate And Reward High Performance.” 2000. General Accountability Office.

<http://www.gao.gov/archive/2000/gg00118t.pdf>

Abstract: This GAO report broadly outlines the use of employee incentive programs, including gainsharing, across the U.S. federal government.

Ammons, David N. and William C. Rivenbark. 2006. “Gainsharing in Local Government.” *Popular Government*.

<http://ncinfo.iog.unc.edu/pubs/electronicversions/pg/pgspsm06/article4.pdf>

Abstract: This article provides an overview of gainsharing in the public sector and several examples of how such programs have worked in North Carolinian local governments. The authors draw the conclusion that “gainsharing has been shown to produce favorable results in local governments that are willing to establish a substantial gainsharing pool and are prepared to monitor the pool’s distribution rigorously.”

Patton, Kevin R. and Dennis M. Daley. 1998. “Gainsharing in Zebulon: What Do Workers Want?” *Public Personnel Management* 27; 117-131.

Abstract: Patton and Daley examine workers’ attitudes and perceptions towards a local government’s gainsharing program.

Osborne, David and Peter Huchinson. 2004. “The Price of Government: Getting the results we need in an age of permanent fiscal crisis.” Basic Books; New York, New York.

Abstract: This book encompasses many aspects of public sector fiscal management. Chapter 6, entitled “The Right Work the Right Way”, describes Charlotte, NC’s experience with gainsharing.

Private Sector

Charles, Richard. 2005. "Understanding and Implementing Gain-Sharing Agreements." *The Electricity Journal* 18 (4); 72-74.

Collins, Denis. 1996. "Case Study: 15 Lessons Learned From the Death of a Gainsharing Plan." *Compensation and Benefits Review* 28; 31-40.

Masternak, Robert. 1997. "How to Make Gainsharing Successful: The Collective Experience of 17 Facilities." *Compensation and Benefits Review* 29; 43-52.

Pouliakas, Konstantinos and Ioannis Theodossiou. 2004. "Confronting Objections to Performance Pay: A Study of the Impact of Individual and Gain-sharing Incentives on the Job Satisfaction of British Employees." Centre for European Labour Market Research, University of Aberdeen Business School.
http://mpra.ub.uni-muenchen.de/1629/01/MPRA_paper_1629.pdf

Abstract: This article evaluates the effect of gainsharing and other incentive pay schemes on both job satisfaction and overall job utility. The authors use data from the UK, collected from 1998-2003.

Sprinkle, Geoffrey B. and Michael G. Williamson. 2004. "The Evolution from Taylorism to Employee Gainsharing: A Case Study Examining John Deere's Continuous Improvement Pay Plan." *Issues in Accounting Education* 19.

Abstract: The authors examine a case study of John Deere's introduction of a gainsharing plan, and evaluate the successes and failures of the plan.

Helper, Susan and Morris M. Kleiner. 2007. "International Differences in Lean Production, Productivity and Employee Attitudes." National Bureau of Economic Research Working Paper 13051; National Bureau of Economic Research.
<http://www.nber.org/papers/w13015>

Abstract: This paper uses data from a study of the impact of a Value Added Gainsharing Plan in four U.S. plants. The authors compare productivity and worker attitudes in the four plants with that of a U.K. plant owned by the same producer, and find that the gainsharing plan improved both profitability and productivity.

Kaufman, Roger T. and Raymond Russell. 1995. "Government Support for Profit sharing, Gainsharing, ESOPs, and TQM." *Contemporary Economic Policy* 13 (2); 38.

Abstract: The authors argue that the case for government intervention to support programs such as profit sharing, gainsharing, employee ownership, worker participation, and TQM has not yet been made. The article outlines the record of U.S. government support for these programs, and lessons learned from this support.

Misciagna, Vincent J. 1992. "Gainsharing as a Competitive Tool." MA Thesis; Sloan School of Management, Massachusetts Institute of Technology.
<http://dspace.mit.edu/handle/1721.1/12816>

Abstract: This thesis analyzes case studies of both successful and unsuccessful gainsharing programs. The author attempts to identify some key success factors in these programs, and tests hypotheses of success based on features of the program and the implementing organization.

Theoretical Literature

Welbourne, Theresa M., David B Balkin and Luis R. Gomez-Mejia. 1993. "Gainsharing and Mutual Monitoring: A Combined Agency-Procedural Justice Interpretation." Center for Advanced Human Resource Studies (CAHRS) CAHRS Working Paper Series. Industrial and Labor Relations, Cornell University.
<http://digitalcommons.ilr.cornell.edu/cahrswp/267>

Abstract: The authors test a hypothesis on the behavioural consequences of gainsharing. The results are based on the case studies of two separate firms, which supported the authors' hypothesis.

Cahill, Noel. 2000. "Profit Sharing, Employee Share Ownership and Gainsharing: What can they Achieve?" National Economic and Social Council Research Series no 4.
<http://www.capitalownership.org/lib/CahillEMPLOYEEShareOwnershipWhatCanTAchieve.pdf>

Abstract: Section 6 of this paper is devoted to gainsharing, and contains definitions and examples.

Welbourne, Theresa M. and Luis R. Gomez Mejia. 1995. "Gainsharing: A Critical Review and a Future Research Agenda." Center for Advanced Human Resource Studies (CAHRS). CAHRS Working Paper Series. Cornell University.
<http://digitalcommons.ilr.cornell.edu/cgi/viewcontent.cgi?article=1199&context=cahrswp>

Abstract: This paper offers a literature review of the research on gainsharing, and the major factors behind the growth in gainsharing programs. It concludes with suggestions for future research.

Roy, Matthew H. and Sanjiv S. Dugal. 2005. "Using employee gainsharing plans to improve organizational effectiveness." *Benchmarking: An International Journal* 12 (3); 250-259.

Abstract: The authors present a model intended to assist in the implementation of a successful gainsharing plan. They analyze the current research on gainsharing to extract success factors that are broadly applicable to different organizations.

Mangel, Robert and Michael Useem. 2000. "The Strategic Role of Gainsharing". *Journal of Labor Research* 21 (2).

Abstract: This article examines which organizations adapt gainsharing plans, and the role these plans play within different organizations. The authors analyze 802 organizations from a human resources control framework perspective to reach their conclusions.

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