



U.S. Department of Justice
Federal Bureau of Prisons

PROGRAM STATEMENT

OPI: FPI/FMB
NUMBER: 8060.05
DATE: October 16, 2017

FPI Factory/Corporate Gainsharing Award

A handwritten signature in black ink, appearing to read "Mark S. Inch".

Approved: Mark S. Inch

Director, Federal Bureau of Prisons

1. PURPOSE AND SCOPE

To establish a gainsharing award plan that rewards each factory or branch based on performance against measurable standards. Federal Prison Industries (FPI) staff and inmate workers are eligible for awards under this program. The FPI Chief Executive Officer (CEO), Senior Deputy Assistant Director, General Managers, General Counsel, Branch Chiefs, and Chief Financial Officer are not eligible for gainsharing awards.

Participation in gainsharing can be achieved by meeting or exceeding specific performance objectives established annually through the Operating Plan process and certain criteria identified in this Program Statement (see also Section 509 of the Program Statement **Awards Program, Incentive Awards**).

- Actual factory performance is compared annually to specific objectives to determine which factories are eligible.
- If a factory meets all of its specific criteria, it will earn credits toward award distribution at the end of the fiscal year.
- The corporate award pool will be established on an annual basis when the Operating Plan is established for that fiscal year, generally no later than September 30.

a. **Program Objectives.** The expected results of this program are:

- Staff and inmates at factory locations and staff at Central Office will be motivated to continually improve performance.

- Cost, quality, on-time delivery, customer satisfaction, and staff and inmate productivity will improve.

b. **Summary of Changes**

Policy Rescinded

P8060.04 Factory Gainsharing Award, FPI (7/25/02)

- Procedures for determining gainsharing awards have been updated to reduce the administrative burden of this program, reflect changes to FPI's business groups, expand eligibility to support staff, and increase overall gainsharing.
- The maximum amounts allowed for staff cash incentive awards and inmate cash incentive awards have been increased, and the proportions of the award pool allotted for staff and for inmates have been adjusted.

c. **Institution Supplement.** None required. Should local facilities make any changes outside the required changes in the national policy or establish any local procedures to implement the national policy, the local Union may invoke to negotiate procedures or appropriate arrangements.

2. **DEFINITIONS**

a. **Corporate Net Earnings.** Corporate net income for the fiscal year that has been adjusted for any significant prior or future year changes to income.

b. **Operational Objectives.** Objectives a factory must meet to qualify for the gainsharing award. The operational objectives are established in the factory's most recent Operating Plan and by this Program Statement.

c. **Corporate Objectives.** Objectives a Central Office business group or support branch must meet to qualify for the gainsharing award. The objectives are established in the most recent Operating Plan and this Program Statement.

d. **Award Pool.** The total award money to be divided among all eligible entities.

e. **Share.** The amount of the award pool to be awarded to staff and inmates at eligible factories, Central Office business groups, and support branches. Each entity will be evaluated annually to determine if it met the criteria to be included in the award pool.

f. **FPI National Gainsharing Award Committee.** The Committee that meets annually to determine eligibility and award amounts to be distributed to factories and support staff.

g. **Local Distribution Committees.** Committees formed at each institution to distribute the factory gainsharing award within this Program Statement's guidelines.

3. AWARD PARTICIPATION

To participate in gainsharing, a factory must have an approved Operating Plan.

a. **Determining the Award Pool.** If FPI's corporate net earnings for a given fiscal year meet or exceed 80% of the Operating Plan's corporate net income goal, there will be gainsharing for that fiscal year. The amount of the award pool is 10 percent of all corporate net earnings for that fiscal year. The staff award pool equals 65 percent and the inmate award pool equals 35 percent of the total award pool.

Regardless of any further adjustments to earnings, the award pool calculation is considered final once the qualifying entities have been notified of the individual award amounts.

If corporate net earnings do not meet or exceed 80% of the corporate net income goal listed in the Operating Plan, there will not be an award pool and no gainsharing award will be distributed.

b. **Business Group Criteria for Factories.** Each business group has established specific operational objectives to be evaluated annually for award participation. These objectives should demonstrate performance improvement. **All operational objectives** must be met in order to obtain credit toward award distribution. The General Managers will inform their factories of the criteria at the start of each fiscal year.

(1) Manufacturing Factories

(a) **Customer Satisfaction.** This objective has two components: on-time delivery percentage and customer return costs. On-time delivery performance is calculated as the number of orders delivered on time divided by total orders shipped. The minimum on-time delivery percentage needed to be eligible for gainsharing will be determined by the General Manager prior to the beginning of the fiscal year. To be eligible for gainsharing, factories must also have customer return costs that are below 2% of sales revenue.

(b) **Annual Overhead.** Actual total overhead expense, expressed as a percentage of invoiced shipments, compared to the total Operating Plan budgeted overhead expense, expressed as a

percentage of budgeted invoiced shipments. The percentage needed to be eligible for gainsharing will be determined by the General Manager prior to the beginning of the fiscal year.

(c) **Annual Inventory Value.** Annual average inventory expressed as a percentage of actual sales for the year compared to planned average inventory as a percentage of planned annual sales. If a factory maintains approved safety stock not included in the Operating Plan, the value may be deducted to determine the inventory value. The percentage needed to be eligible for gainsharing will be determined by the General Manager prior to the beginning of the fiscal year.

(2) **Recycling Factories**

(a) **Annual Overhead.** Actual total overhead expense, in dollars, as a percentage of the total overhead budget established in the annual Operating Plan. The percentage needed to be eligible for gainsharing will be determined by the General Manager prior to the beginning of the fiscal year.

(b) **Sales Revenue Generated Per Inmate.** The amount needed to be eligible for gainsharing will be determined by the General Manager prior to the beginning of the fiscal year.

(3) **Services Factories.** Due to the varied nature of services factories, criteria have been developed by service or product group:

(a) **Print and Sign.** These factories have the same criteria as the manufacturing factories (Section 3.b.(1)).

(b) **Data (Patents/RTIS)**

■ **Annual Overhead.** Actual total overhead expense, expressed as a percentage of sales, compared to the total Operating Plan budgeted overhead expense, expressed as a percentage of budgeted sales. The percentage needed to be eligible for gainsharing will be determined by the General Manager prior to the beginning of the fiscal year.

■ **Quality.** Improve acceptable quality standards by 1% or have 11.5 or fewer errors per 100,000 keystrokes using quality performance tracking measures already in place. Acceptable quality standards will be reviewed annually by the General Manager.

(c) **Call Centers**

■ **Annual Overhead.** Actual total overhead expense, expressed as a percentage of sales, compared to the total Operating Plan budgeted overhead expense, expressed as a percentage

of budgeted sales. The percentage needed to be eligible for gainsharing will be determined by the General Manager prior to the beginning of the fiscal year.

- **Productivity.** Improvement to scheduled phone time versus actual time on dialer in accordance with customer requirements – percentage of improvement will be established annually by the General Manager.

(d) **Distribution**

- **Annual Overhead.** Actual total overhead expense, expressed as a percentage of sales, compared to the total Operating Plan budgeted overhead expense, expressed as a percentage of budgeted sales. The percentage needed to be eligible for gainsharing will be determined by the General Manager prior to the beginning of the fiscal year.
- **On-Time Delivery.** Percentage of on-time delivery needed to be eligible for gainsharing will be determined by the General Manager prior to the beginning of the fiscal year.

(e) **Laundries**

- **Annual Overhead.** Actual total overhead expense, expressed as a percentage of sales, compared to the total Operating Plan budgeted overhead expense, expressed as a percentage of budgeted sales. The percentage needed to be eligible for gainsharing will be determined by the General Manager prior to the beginning of the fiscal year.
- **On-Time Delivery.** Percentage of on-time delivery needed to be eligible for gainsharing will be determined by the General Manager prior to the beginning of the fiscal year.

c. **Business Group and FMB Support Staff (i.e., Operations Managers, Business Managers, and Field Accountants).** The business group and Financial Management Branch (FMB) support staff award amount is calculated based on the qualified factory as a percentage of total factories in the business group. For example, a business group has 10 factories with five factories meeting the criteria. The business group and factory support staff would receive 50% of the staff award amount.

d. **Corporate Business Group and Support Groups.** The corporate objectives are listed below. Both corporate objectives must be met in order to obtain credit toward award distribution.

(1) **Group General and Administrative Overhead.** Actual total overhead expense must not exceed budgeted Operating Plan overhead.

(2) **Development and execution of cost savings initiative** that will result in overall cost savings to the corporation and that are not already captured in the Operating Plan. The percentage of savings needed to be eligible for gainsharing will be determined by the Assistant Director/Chief Executive Officer of FPI prior to the start of the fiscal year.

e. **Determining Factory Award Total.** The value per share is determined by the sum of qualifying factory staff and corporate staff and inmates, as determined by FMB in conjunction with the approved Operating Plan. FMB will take the following steps to compute each total award:

- Compute the award pools for staff and inmates for each eligible factory and corporate group.
- Compute share value of support staff with proportional shares (hub staff).
- If applicable, compute award pools for staff members outside FPI who have clearly and significantly contributed to the success of the factory (e.g., Rear Gate Officer or correctional services staff working in FPI).

Example: There are two factories at a location. Factory A is eligible for gainsharing and has 15 staff and 168 inmates who work in the factory. This factory absorbs 70 percent of support expenses at the location per the annual Distribution of Manufacturing General Expense. There are nine staff and 28 inmate support positions. The total shares for Factory A would be:

Factory Staff	15	
Support Staff (9 x 70%)	<u>6.3</u>	
		21.3 staff shares
Factory Inmates	168	
Support Inmates (28 x 70%)	<u>19.6</u>	
		187.6 inmate shares

4. **FPI NATIONAL GAINSHARING AWARD COMMITTEE**

The Assistant Director, FPI, is to annually appoint a committee consisting of representatives from:

- Business Group General Managers (2).
- Chief Financial Officer.
- BOP Human Resource Management Division.
- The Union, as selected by the President of the Council of Prison Locals.

The Committee must review all factories' performance and make award recommendations to the Assistant Director, FPI, based upon the operating objectives outlined in this Program Statement.

Each business group will provide FMB a report of the qualifying factories within 30 days of audit closure. Within 30 days of receipt of the business group recommendations, FMB will provide the Committee with a list of recommendations of qualifying factories. FMB will calculate corporate business group and support group performance and allow for General Managers, Branch Chiefs, and the CEO to review.

The Committee will consider waiver requests from factories that did not qualify in any specific operating objective, provided that the appropriate General Manager has previously reviewed and approved the request. The General Manager must receive all waiver requests within 30 days of the period in question.

When the review process is completed, the Committee must submit its recommendations to the Assistant Director, FPI, for approval.

5. LOCAL DISTRIBUTION COMMITTEE

After the Assistant Director, FPI, notifies the factory of the award, the Warden must appoint a Local Distribution Committee to develop a plan to distribute the award.

The Committee is to consist of:

- Operations Manager.
- Factory Manager.
- FPI Business Manager.
- Union Representative (as designated by the local Union president).
- Local Human Resource Manager or designee.

The distribution plan is to be developed using the following parameters:

- Cash awards must be distributed equitably among all FPI staff in that operation, including support staff.
- Award amounts for staff who support multiple factory locations are based upon the factory's annual Distribution of Manufacturing General Expense memorandum.
- Staff members outside FPI who have clearly and significantly contributed to the success of the factory (e.g., Rear Gate Officer or correctional services staff working in FPI), depending

upon the Committee's recommendation, may share in the award distribution under this plan. The Committee may instead recommend via memorandum that this individual be recognized through the normal award process.

- Staff cash incentives awards may not exceed **\$2,500 per employee**.
- Cash incentives may not be distributed based upon grade level, position, or seniority.
- Awards must be prorated for staff who have transferred in and out, retired, or resigned (not related to misconduct in FPI or poor job performance) during the year.
- Inmate cash awards under this program may not exceed **\$200 per inmate**.

6. APPROVAL AND DISTRIBUTION OF AWARD

Upon completing the distribution plan, the Local Distribution Committee submits the plan to the Warden for approval. The Warden forwards the plan to the Regional Director.

Upon approval by the Regional Director, the plan is submitted to the Assistant Director, FPI, for final approval.

Once the Assistant Director, FPI, makes the final approval, the approved list of individuals and award amounts will be forwarded to the local human resource office for processing.

FPI, Central Office, will bear all costs associated with the Gainsharing Award Plan.

REFERENCES

Program Statements

- P3451.05 Awards Program, Incentive Awards (10/28/16)
- P8120.03 Work Programs for Inmates - FPI (2/23/17)
- P8270.02 Customer Service Center Manual - UNICOR (2/18/98)

ACA Standards

None.

Records Retention Requirements

Requirements and retention guidance for records and information applicable to this program are available in the Records and Information Disposition Schedule (RIDS) on Sallyport.