Reward Management Issues and Trends

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Abstract:

Reward Management refers to all forms of financial benefits received by the employees from the employers arising from the employment. In an organization, human resource are the assets on which the overall success depends. The main objective of Reward Management is to reward fairly, equitably in order to motivate the employer towards achieving the organizational goals. It deals with development of reward strategies, design, formulate and implementation of reward system. Rewards built the confidence among the employees and motivate them to give better performance which results job satisfaction and helps to reduce turnover. This paper seeks to explore the factor which determines how much you have to pay? The paper draws a study of rewards, which are given by the management. It focuses on the role of motivation as an integral factor. Organizations may improve reward system to survive and make more effective and efficient. Performance appraisal is the method in which the employee's job performance is evaluated & rewarded. The reward strategies will not only improve the performance but also act as a role of decision making process and also helps to solve the reward related problems. In this study the performance of employees determines the rewards. This paper seeks the current trends in reward management. Different organizations are using different techniques and criteria for the determination of rewards. The quality of effective reward system motivates employees, make positive towards the organization's ineffective system and reduce the performance which hampers the productivity of the organization. The study focuses on some issues and key reward
management trends. It will have lots of contribution towards the business world. In order to survive in the today's environment, organizations take helps from the study by making improvements and changes in the reward system.

**Keywords:**
Reward Management, Rewards Financial and Non financial, Performance appraisal, Reward system, Motivation, Current Trends, Key Issues.

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**REWARD MANAGEMENT:**

In an organisation, reward management is concerned with the formulation and implementation of strategies and policies in order to reward people fairly, equitably and consistently in accordance with their value to the organization. Reward management aims to create and operate efficiently a reward structure for an organisation. Reward structure usually consists of pay policy and practices, salary and payroll administration, total reward, minimum wage, executive pay and team reward.

The achievement and benefit received by employees for their job performance in an organization are known as reward. Matching the reward system with the level of performance for each job assigned in organization is known as reward management. Human beings are the assets of an organisation so that reward system plays vital role to retain them in the organisation to achieve the predetermined goals.

To make effective reward management, an organization has to prepare an appropriate reward system. Attractive and transparent reward system must have quality to motivate and empower the dedicated and reliable employees. Reward management will also assist in planning the long term financial management. This will motivate employees to make efforts and job satisfaction.

**Types of Rewards**

Reward management has two main components: Direct financial payments (in the forms of wages, salaries, incentives, commissions and bonuses) and indirect payments (in the forms of financial benefits like’ employer paid insurance and vacations)

Rewards can be anything in the form of pay, benefits, facility or status given by organization to employees that motivates employees
for the best performance. There are number of ways to classify reward.

Three of the more typical dichotomies are:
A) Intrinsic reward as well as extrinsic reward
B) Financial reward as well as non-financial reward
C) Performance based reward as well as membership based reward

These are discussed as below:

A) Intrinsic reward as well as extrinsic reward:

1. Intrinsic reward: An outcome that gives an individual personal satisfaction that derived from a job well done. It linked with the internal satisfaction of an employee for their best performance perceived from their side. It helps to built confidence in employees and his ability to be successful in the work place. Intrinsic reward includes personal achievement, professional growth, sense of pleasure and accomplishment.

Examples:
1. Encouraging employees to set goal and reach them provides intrinsic reward and motivations.
2. The feeling that an employee is doing meaningful work every day create an intrinsic reward.

3. The recognition of employee’s performance by verbal appreciation like “pat on the back” to boost employee’s self-esteem and happiness.
4. Creating a positive environment and encouraging employees to communicate positively with one another.
5. Job rotation, job enrichment and job autonomy are the job responsibility which realises intrinsic reward to the employees.

It concludes that intrinsic rewards make the employee feel better in the organisation. It allows an employee to take on task outside of their normal work duties. This would allow the employee to feel like that they are helping the company. When employees take a new task they show management, they are capable of taking a new responsibility.

2. Extrinsic reward: Extrinsic reward is usually financial and tangible reward given to employees by managers. It directly linked with job performance can be motivating to employees because pay, time off, advancement and recognition are important to most workers. Just imagine how de-motivating, it would be to underpaid, overworked and unappreciated then we can quickly see
how important extrinsic rewards are. Extrinsicly motivated person will work on a task because of an anticipated satisfaction that will come from some extrinsic reward. This type of reward affects many employees so special attention should be provided while making the provisions for the extrinsic reward. It must be fair transparent and performance based For example- raise in salary, a bonus for reaching some quota or paid time-off.

B) Financial reward as well as non-financial reward:

1. Financial rewards: Financial rewards are those employees’ benefits that enhance an employee financial well-being. These are monitory incentives that an employee earns as a result of good performance. These rewards are aligned with organisational goals. It fulfilled the basic requirement of the employees by paying increases and bonus. It is most important and effective tool for motivation.

   For example-salary and wages, bonus, grade, pension, commission, gratuity, accommodation, profit sharing, transportation and paid leave etc.

2. Non-financial rewards: Non-financial reward are those employees’ benefits that don’t enhance an employee’s financial well-being. Such rewards provide more job satisfaction.

   For example-flexibility in work hours, training opportunity, recognition by management and co-workers, additional holiday, team events etc.

C) Performance based reward as well as membership based reward:

1. Performance based Reward: performance based rewards are such benefits which are provided on the job performance. The employees performing better provide maximum reward and employees giving low performance are rewarded accordingly. Employees who produce above the predetermined minimum level of output will be paid additionally. This will motivate other employees also to produce higher level of output.

   For example- use of commission, piece work pay plan, incentive system, group bonus and other form of merit based plan.
2. Membership based reward: Membership based reward are those rewards that are paid on the basis of being a member of an organisation. The reward goes to all employees irrespective of their performance. This reward is based on the policy, rules and procedure of the organization.

For example- Equal salary and allowance, Equal growth rate in salary and allowance, Equal distribution of bonus and profit, opportunity of promotion, Grade provision based on seniority.

**Reward system:**

A reward system is a planned and structured approach to reward one or more persons who act in a desirable way. Reward system comprises the rules, procedures and standards associated with allocation of benefits and compensation to employees. It helps in increasing the performance and creating happier employees. All reward systems are based on the assumptions of attracting, retaining and motivation peoples. Organizations may improve reward system to survive and make more effective and efficient.

**Role of Reward in Employee Motivation:**

A reward system will motivate employees by reaching targets and organisational goals in exchange of rewards. They will also be motivated to prove themselves to the organisation. An employee who has been rewarded fairly is often more motivated to remain with the organisation. Reward is the good motivator in the hands of employees. To get maximum performance from staff, offer reward packages. Effective rewards programs can improve productivity, raise employee retention and cause a rise in job satisfaction, compensation, time off, recognition.

**Impact of Reward on Employee’s Performance and Job Satisfaction:**

Effective employee reward system can significantly increase work performance. They can motivate employees to increase their work quality and quantity and to align their performance with organisational goals. Rewards built the confidence among the employees and motivate them to give better performance which results job satisfaction and helps to reduce turnover.
Factors which determine how much you pay?

Four basic factors which determine what people are paid-

1. **Legal consideration**: In order to protect the employees from exploitation, the government enact various laws and regulations which affect reward management. They emphasizes on minimum wage rate, working hours, overtime rate, payment of bonus and equal pay for equal work etc.

2. **Job evaluation**: All of the jobs are not equally important and challenging. Some job required highly qualified, experienced and skilled employees while other doesn’t. Thus, all employees are not required to be paid at the same level. Employees who does challenging job will be dissatisfied if all of the employees receive same level of compensation. Even at the same level of job, risks, challenges and relevancy of job may differ. So, compensation has to be determined on the basis of job evaluation.

3. **Financial position of organisation**: Generally, organization with sound financial position determines higher level of reward while the firm with weak or poor financial position determines lower level of reward. Possible growth in the future is also considered while determining the financial position. Once the reward level is set, it is hard to reduce the level.

4. **Labour union**: Labour unions are pressure groups that work in the interest of the workers. Such unions insist the management for the formulation of fair reward plans. These organized unions can ensure better wages for employees.

5. **Cost of living**: Cost of living refers to the minimum expenses required to fulfil employee’s basic needs like foods, shelter, clothing, health, education etc. Thus, the cost of living has to be considered while determining the compensation provision.

6. **Productivity of workers**: Another factor of reward management is the productivity of workers. If the workers are highly productive they get high reward as compare to less productive workers.

7. **Equity consideration**: Under this, reward system should be fair and equitable. It is important because any imbalance between what the employees contribute and what they obtain as return would lead to job dissatisfaction, employees turnover and absenteeism.
8. Organisational provisions: The reward system largely depends upon organisational policies and procedures. Policies serve as a guideline for formulating and implementing reward plans.

Issues and Current Trends in Reward Management:
In the current context, different organisation is using different methods and techniques in the determination of reward. Globalization, diversity, increased level of awareness and creation of unlimited opportunities has forced organization to determine appropriate reward. New trends are also emerging in reward management. Some of the important trends in reward are as under:

1. Skill based payment:
Skill based pay focuses employees intention on raising skill level. The determination of reward is based on skill rather than job performance is increasing in these days. It is a most fair and justified reward. Employees are motivated to acquire and increase their skill because they are rewarded as per their skills. An employee is paid for the range, depth and types of skill and knowledge he or she is capable of using rather than for the job currently held. Employees pay on the basis of skill level to encourage the person to become more multi-skill. The employer expects employees to be able to rotate among jobs. Doing so requires having more skills.

2. Broadbanding:
In this method, employees are categorized into different group based upon the nature of skill, qualification and responsibility while determine the reward. Minimum to maximum reward is ascertained to each group and accordingly employees are rewarded. Generally, all employees are broadly categorized into three groups professional, management and leadership. After categorizing, minimum and maximum level of reward will be assigned.

3. Comparable worth:
Under this method, jobs are evaluated and the relative worth of jobs is compared to determine the compensation. Less contributing jobs receive lower reward and high contribution jobs receive higher level of reward.

4. Variable pay plans:
The use of variable pay system is increasing. It is based on improving production and sharing of prosperity. Different employees even being on the same level get different level of reward on the basis of their performance or productivity. This means greater the profitability, greater
Will be the reward to the employees.

5. **Pay transparency:**
Employees who are working in the organisation want transparency in pay system. It influences employees in increasing employee engagement, fostering trust in management, reducing turnover and creating competitive advantage.

6. **Employees stock ownership plan:**
It is an employee benefit plan. It provides employees the ownership of stock in the company. Employees have the benefit to use the ESOPs as a tool to fetch loans from financial institutions. This plan provides tax benefit. Company makes annual contribution in special trust setup for ESOPs.

7. **Other plans and schemes:** The organisations provide different plans and schemes for the employees. These are Personal accident in insurance scheme, insurance scheme, educational benefit for higher studies, personal health care (regular medical checkups), loans maternity leave, wedding days/birthday gifts, regular cultural programs, corporate credit cards, company leased accommodation, provide cell phone/ laptop, ATM facility etc.

**Conclusion:**

In today competitive business environment employees are one source to achieve important advantage. Thus companies have started to invest in the human resource to achieve better result. This has given rise to the development of reward management as a tool to achieve desired job outcome. The human resource management has many tools that can be applied to manage employee behaviours. One of the tools is reward management. It can improve business results and helps to motivate the employees to work harder. Thus management started to use reward management to attract new employees, increase job satisfaction, retain its existing employees and motivate employees to work harder and commitment to achieve desired organisational objective. The effective reward system helps in increasing performance, to give higher satisfaction and reduce employee turnover. It concluded that there is a positive relation between reward system, motivation and job performance.

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