But to reap these rewards, it’s essential that the right goals are incentivized and that organisations differentiate clearly between ‘short-term’ and ‘long-term’ rewards. But on the other side of the coin, over-rewarding staff can be a massive cost. Paying only a quarter percent more than necessary, as compared to your competitors, can have an enormous impact on your total remuneration budget.

4. Using long-term rewards

The right long-term rewards can be invaluable for ensuring employees focus on the right business goals, and help increase staff retention and future planning. Hay Group can help you put in place the right programmes to reap the benefits today and reward your staff tomorrow.

The issue

Long-term incentives ensure that executives focus on what’s best for the organisation well into the future, not just the current bottom line. They create a focus on medium and/or long-term goals and also help instill a sense of ownership of those goals. As a result, they can help employers to:

- align rewards with shareholder interests
- retain key people (especially in critical periods such as pre- and post-sale or IPO)
- provide a competitive or differentiated total remuneration package
- align people costs with business results, and
- Increase employee commitment/engagement.

But finding the right incentives – and identifying the right targets for long-term rewards – can be complex, especially when you need to balance them with short-term rewards. Design and implement long-term incentive plans effectively to create a clear, competitive edge.

Use of Rewards to Increase Employee Motivation

Seeking to increase employee motivation using rewards can sometimes be a daunting task for managers. But it shouldn’t be. When armed with the right information and the proper techniques, managers can be experts at enhancing motivation using rewards in no time.
When rewards are distributed based on objective data, employees are more likely to view the process as fair and are also more likely to have a concrete understanding of what is expected of them. This will increase their motivation to achieve the desired performance results.

6. Make sure employees view the reward system as fair

When employees view the reward system as fair, they will be more engaged in trying to obtain the reward. Rewards should be distributed consistently according to pre-determined policies. Never engage in favoritism or cut corners as this will have a detrimental impact on employee performance.

7. Always link rewards to performance

In order for rewards to have the most impact on influencing employee performance, they must be directly linked to the desired behavior. Tie praise, recognition, cash rewards and non-cash rewards to specific results. When employees understand the connection between their reward and their performance, they will be motivated to perform optimally in the future.

8. Recognize small and large accomplishments

Employees should be rewarded when they meet large goals as well as smaller milestones. This will ensure that they receive recognition for their progress and that their behavior is consistent with company expectations.

9. Reward teamwork and cooperation

Team-based incentives were found to be more effective at increasing performance than individual incentives. If team-based rewards are not already included in the company strategy, they should be. Additionally, the resources devoted to team-based rewards should be substantial. This could have a significant impact on cooperation, employee cohesiveness and the company’s bottom line.

10. Never take a good performance for granted
### Components of a Comprehensive Total Rewards & Motivation System

A business needs the best talent available to succeed. To attract and keep talented individuals, management must think of compensation in a holistic way that includes several forms of compensation as well as other attractive features you can offer to make the workplace desirable. They should develop the habit of speaking about their total rewards system when interviewing prospective employees and they will attract and retain the best.

The package typically contains elements of compensation, benefits, work-life benefits, and performance recognition and career pathing opportunities. Following are general suggestions of what can be considered when putting together a total rewards package:

1. **Compensation:** In general, most employees regardless of title or role within the organization have an expectation regarding their compensation. There are a range of pay strategies that provide incentives and encourage retention. Following are ideas of pay that can be distributed in ongoing, short and long-term increments.

   - **Fixed pay** — generally, this is the base pay offered to an employee. It usually is determined by the organization’s pay philosophy and structure and should be competitive based on the economy and other organizations with similar positions.
   - **Variable pay** — this is pay that varies and changes in accordance with the level of performance or results achieved. This is one-time payment such as a bonus, which must be re-established and re-earned each performance period.

<table>
<thead>
<tr>
<th>Total Pay</th>
<th>- Base pay</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>- Variable pay (cash and stock)</td>
</tr>
<tr>
<td></td>
<td>- Benefits or indirect pay</td>
</tr>
<tr>
<td></td>
<td>- Recognition and celebration</td>
</tr>
</tbody>
</table>

monetary, as well as the non-monetary benefits, are designed to encourage growth in both personal and professional endeavors.

**Benefits of a Total Rewards Strategy**

Why would an employer want to utilize a total rewards strategy? Here are some of the benefits for employers:

- **Improving the ease of recruitment.** "The more items or inducements that you’re able to put on the table, the stronger the case you make for selling your organization." Csizmar explained. This can help you bring high-performing candidates on board.

- **Signaling that you’re a progressive company.** Employees like to be associated with a well-known, well-considered company. "The brand of the company is very important. A positive, well-respected brand makes it easier to draw in quality candidates."

- **Increasing employee engagement without increasing costs.** Happy, engaged, connected employees will spread the word that they like where they work. Over time, that builds and solidifies the reputation of the company as a good place to work. Offering fair and equitable HR programs goes a long way toward building an appreciation of your organization among your employees.

- **Increasing retention rates.** Positive messages of caring will help with employee retention. Anything you can do to make the decision to leave a harder one will help your organization. The better the overall work environment, the more reluctant an employee would be to leave.

- "Remember that employees don’t leave for more money. That’s just a safe excuse and the byproduct of their dissatisfaction." Csizmar noted. "They start thinking about leaving you because of the way in which they’ve been treated and the way in which they view their employment environment. Your job is to make that leaving decision more difficult."

**CHAPTER FIVE: CONTINGENT PAY**

**Introduction**
Financial rewards act as indirect motivators because they provide a tangible means of recognizing achievements, as long as people expect that what they do in the future will produce something worthwhile, as expectancy theory suggests. Rewards can be retrospective – ‘You have achieved this, therefore we will pay you that.’ But rewards can also be prospective: ‘We will pay you more now because we believe you have reached a level of competency that will produce high levels of performance in the future.’

Arguments For and Against Contingent Pay

Arguments for

The most powerful argument for contingent pay is that those who contribute more should be paid more. It is right and proper to recognize achievement with a financial and therefore tangible reward. This is preferable to paying people just for ‘being there’, as happens in a service-related system. Other typical arguments in favour of using contingent pay are set out below.

Reasons in order of importance for using contingent pay given by respondents to the e-reward 2004 survey

1. To recognize and reward better performance.
2. To attract and retain high quality people.
3. To improve organizational performance.
4. To focus attention on key results and values.
5. To deliver a message about the importance of performance.
6. To motivate people.
7. To influence behaviour.
8. To support cultural change.

Arguments against

The main arguments against individual contingent pay are that:

- The extent to which contingent pay schemes motivate is questionable – the amounts available for distribution are usually so small that they cannot act as an incentive
- The requirements for success as set out below are exacting and difficult to achieve;
and it has highlighted the practical problems which many companies have experienced with these schemes.

**Alternatives to Contingent Pay**

The arguments against contribution pay set out above convince many people that it is unsatisfactory; but what is the alternative? One answer is to *rely more on non-financial motivators*, but it is still necessary to consider what should be done about pay. The reaction in the 1990s to the adverse criticisms of Performance Related Pay was to develop the concept of competency-related pay, which fitted in well with the emphasis on competencies. This approach, as described later, in theory overcame some of the cruder features of PRP but still created a number of practical difficulties and has never really taken off. In the late 1990s the idea of contribution-related pay emerged, as advocated by Brown and Armstrong (1999). This combines the output-driven focus of PRP with the input (competency) oriented focus of competency-related pay and has proved to be much more appealing than either performance- or competence-related pay.

**Performance-related pay**

Methods of operating performance-related pay (PRP) vary considerably, but its typical features are summarized below.

Agreed outcomes > Performance measures > Performance > Rating > Formula > Performance pay

**Basis of scheme**

Pay increases are related to the achievement of agreed results defined as targets or outcomes. Scope is provided for consolidated pay progression within pay brackets attached to grades or levels in a graded or career family structure, or zones in a broad-banded structure. Such increases are permanent – they are seldom if ever withdrawn. Alternatively or additionally, high levels of performance or special achievements may be rewarded by cash bonuses that are not consolidated and have to be re-earned. Individuals may be eligible for such bonuses when they have reached the top of the pay bracket for their grade, or when they are assessed as being fully competent,
Gainsharing is a formula-based company- or factory-wide bonus plan that provides for employees to share in the financial gains resulting from increases in added value or another measure of productivity. The link between their efforts and the payout can usefully be made explicit by involving them in analyzing results and identifying areas for improvement.

**Profit sharing**

Profit sharing is the payment to eligible employees of sums in the form of cash or shares related to the profits of the business. The amount shared may be determined by a published or unpublished formula, or entirely at the discretion of management. Profit sharing differs from gainsharing in that the former is based on more than improved productivity. A number of factors outside the individual employee’s control contribute to profit, while gainsharing aims to relate its payouts much more specifically to productivity and performance improvements within the control of employees. It is not possible to use profit sharing schemes as direct incentives as for most employees the link between individual effort and the reward is too remote. But they can increase identification with the company and many organizations operate profit sharing schemes because the management believes that it should share the company’s success with its employees.

**Choice of approach to contingent pay**

The first choice is whether or not to have contingent pay related to performance, competence, contribution or skill. Public or voluntary sector organizations with fixed incremental systems (pay spines), where progression is solely based on service, may want to retain them because they do not depend on possibly biased judgements by managers and they are perceived as being fair – everyone gets the same – and easily managed. However, the fairness of such systems can be questioned. Is it fair for a poor performer to be paid more than a good performer simply for being there? The alternative to fixed increments is either spot rates or some form of contingent pay. Spot rate systems in their purest form are generally only used for senior managers, shop floor or retail workers and in smaller organizations and new businesses where the need for formal practices has not yet been recognized.

If it is decided that a more formal type of contingent pay for individuals should be adopted, the choice is between the various types of performance, competency-related or contribution-related
attempt should be made to define a job and thereby fix salaries for it. This is possible only through job evaluation.

3. Helps in selection of employees - The job evaluation information can be helpful at the time of selection of candidates. The factors that are determined for job evaluation can be taken into account while selecting the employees.

4. Harmonious relationship between employees and manager - Through job evaluation, harmonious and congenial relations can be maintained between employees and management, so that all kinds of salaries controversies can be minimized.

5. Standardization - The process of determining the salary differentials for different jobs become standardized through job evaluation. This helps in bringing uniformity into salary structure.

6. Relevance of new jobs - Through job evaluation, one can understand the relative value of new jobs in a concern.

Job evaluation provides basis for developing job hierarchy and fixing a pay structure. It must be remembered that job evaluation is about relationships and not absolutes. That is why job evaluation cannot be the sole determining factor for deciding pay structures.

External factors like labour market conditions, collective bargaining and individual differences do also affect the levels of wages it, organisations. Nonetheless, job evaluation can certainly provide an objective standard from which modifications can be made in fixing wage structure.

The starting point to job evaluation is job analysis. No job can be evaluated unless and until it is analyzed. How job evaluation is different from job analysis, job description and job specification is given in the following table.

<table>
<thead>
<tr>
<th>Job Evaluation</th>
<th>Job Analysis</th>
<th>Job Description</th>
<th>Job Specification</th>
</tr>
</thead>
<tbody>
<tr>
<td>A technique used to establish the relative worth of jobs in a job hierarchy.</td>
<td>A process of examining the various components of a job and the circumstances in which it is performed.</td>
<td>It is a description of the duties, scope and responsibilities associated with the job.</td>
<td>The minimum acceptable qualifications that a job incumbent must possess to perform the job successfully.</td>
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</tbody>
</table>

Objectives of job evaluation:
in the workplace. This document must be brought to the attention of each employee and must include the following information:

- The definition of sexual harassment;
- A statement explaining:
  1. Every employee’s right to a sexual-harassment-free workplace, with an assurance that the employer will take all necessary steps to make certain that no employee is subjected to sexual harassment in the work facility;
  2. In the event that an employee is subject to sexual harassment, the employer will take disciplinary action as deemed appropriate;
  3. How to bring issues of sexual harassment in the workplace to the attention of the employer;
  4. That the employer will keep all names included in reports of possible sexual harassment confidential, unless disclose is necessary for the purpose of investigating a complaint or taking disciplinary measures.

**Prohibition against Forced Labour**

The law states that it is illegal to use or assist any person in the recruitment, purchase and sale or use of forced labour. This includes the recruitment or compulsory employment of children.

**Wages and Salary**

Under the law, every worker is entitled to receive full payment for work done. Full pay includes wages, which are payments made on an hourly, daily, weekly or piece-meal basis. Full pay may also be in the form of a salary, which is a fixed payment made on a monthly basis for professional or office work.

The amount of full pay cannot be less than the standard minimum rate which is set forth in the Employment Act. On the date of payment, the employer must give each worker a pay slip stating all earnings due and any deduction made for that pay period. However, a worker can request in writing that the employer pay wages either by cheque or by crediting the wages to the worker’s bank account. When a worker is absent, the employer with permission from the worker may pay the wages to another person appointed by the worker. Generally, payment of wages is on a
working day and during working hours. Wages must be paid at or near the place of employment, or at a place agreed between both parties. This place of payment cannot be in a place where intoxicating liquor is sold or available for supply, except for parties employed to work in such an establishment. However, exceptions may apply in the following situations:

- Piecework is paid at the end of the month in proportion to work completed.
- A casual worker is generally paid at the end of each day, unless the worker requests otherwise.
- If employed for a period exceeding a month, payment is due at the end of each month.
- Workers employed for an indefinite length of time, payment is due at the end of the agreed contract, or at the end of the month.
- In case of summary dismissal, wages are paid up to the date of dismissal. In addition to wages, every permanent worker is entitled to a housing accommodation or housing allowance. The rates for housing allowance are found in the current Year’s Wage Orders, which are available at the Government Printer.

CHAPTER TEN: DEDUCTIONS FROM WAGES

Other than the statutory deductions, an employer is generally not allowed to make any deductions from an employee’s wage. However, there are several exceptions.

- If the worker is absent from work without leave, the employer can deduct wages equal to the amount of time when the worker did not work
- An employer may deduct any contributions by a worker to his or her retirement or provident fund.
- If a worker damages/loses goods or money at the workplace, the employer may deduct the value of the lost goods or money from the worker’s wages.
- Salary advances or loans can be deducted from a worker’s wages.
- NOTE: An employer MAY NOT make deductions from wages as a form of punishment. Moreover, the total amount of deductions in a wage period shall not exceed two thirds of the worker’s total wages.

Working Hours
Gratuity

A gratuity is a terminal benefit like a provident fund or pension scheme that is intended to help a worker after termination. A worker is entitled to a gratuity when it is expressly stated in the employment contract. A worker must have served for at least five years at the time of termination before being eligible to gratuity.

Note:- Gratuity and pension schemes are not one and the same. In the case of pension schemes, both the employer and the worker make contributions; the scheme operates as a savings kitty for the worker upon retirement. The funds within the pension scheme are only accessible to the worker upon attainment of retirement age. The Employment Act requires employers to provide for pension schemes for their workers within their contracts of service.

On the other hand, gratuity is an ex gratia payment by the employer to the worker for dedicated service provided for a period of more than five years prior to termination. It is not mandatory in the law for the employer to pay the worker gratuity.