

Performance And Reward Management
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Lecture - 36

Understanding linkage between performance management and reward, an overview of various types of reward; financial reward, non-financial reward; contingent pay scheme; bonus scheme; team pay; rewarding for business performance; recognition scheme (Contd.)

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NPTEL ONLINE CERTIFICATION COURSES

Course Name: Performance and Reward Management
Faculty Name: Dr. Susmita Mukhopadhyay
Department : Vinod Gupta School of Management,
IIT Kharagpur

TOPIC: Understanding linkage between performance management and reward, an overview of various types of reward; financial reward, non-financial reward; contingent pay scheme; bonus scheme; team pay; rewarding for business performance; recognition scheme

INDIAN INSTITUTE OF TECHNOLOGY KHARAGPUR

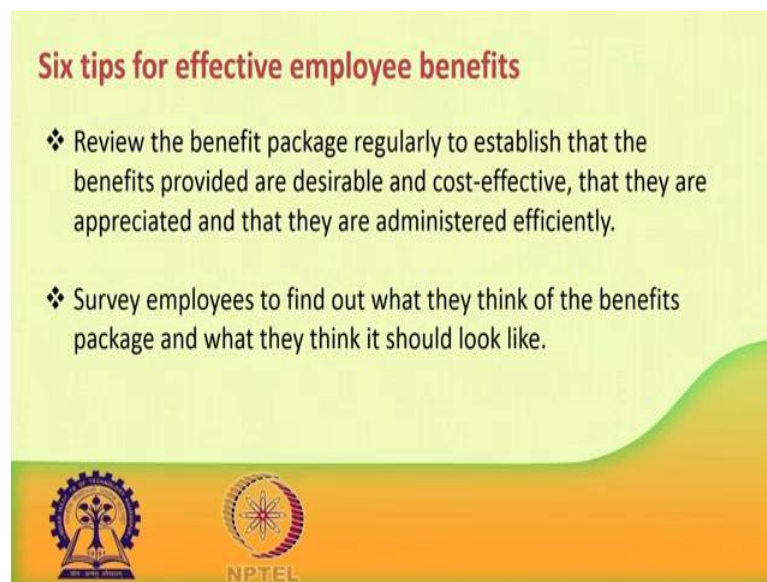
Welcome to the concluding session of the topic on Understanding linkage between performance management and reward, overview of various types of rewards; financial rewards, non-financial rewards; contingent pay scheme; bonus scheme; team pay; rewarding for business performance and recognition scheme.

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In this session, we are going to conclude on the discussions that we have held till now, and we will share with you some of the like basic tips for employee benefits and we are going to discuss with you the future trends what is going to happen for the benefits.

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The 6 steps for effective employee benefits are, review the benefit package regularly to establish that the benefits provided are desirable and cost-effective, that they are appreciated and that they are administered efficiently. So, we have to understand like why is a benefit given and we should not be complacent about it, we remain satisfied that

it is going to remain same or going to be reinforcing the people like for time; time to come ever. It needs to be like monitored time and again to it needs to have a you need to have a discussion with your employees regularly to find out like whether the benefits that are given to them are desirable for them and whether it is cost-effective.





Cost-effective in the sense whether it is really serving their any purpose or like the in order to get the benefit the people are running through more hassles in terms of like for health benefits and other kind of things or some malpractices are happening in the organization. And as a result of that also, like it is not adding like you are not getting something more in terms of more committed employees or better performance. So, these checks need to be there because we understand benefits means again a huge cost incurred on the part of the company. So, whether it has been utilized in a proper manner or not needs to be revisited time and again. We have to understand also whether these are appreciated by the employees and also whether they are like administered properly or not.

We have to take a survey of the employees to find out what they think of the benefit packages and what they think like it should be looking like, so what are their expectations and like how would they feel like it would be better for them.

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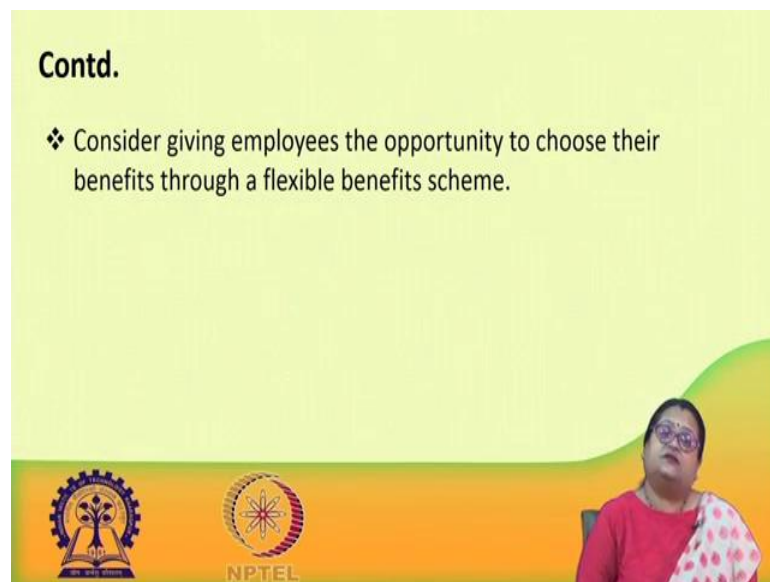
- ❖ Ensure that the benefits package reflects good practice as established by benchmarking.
- ❖ Ensure that the benefits package is competitive and enhances the reputation of the business as a good employer.
- ❖ Ensure that employees appreciate the value of the
- ❖ benefits they receive by issuing total reward statements



Also, it needs to be ensured like the benefit package reflects good practice as established by benchmarking. It has to be ensured that benefit package is competitive enough and it enhances the reputation of the organization as a good employer.

It has to be ensured that employees appreciate the value of the benefits they receive by issuing total reward statements. So, otherwise it will become like a sort of like entitlement. So, we have to understand like this is a part of a reward that is given to the employees and it has a connection with the expected performance and commitment and like effective, like contribution from the part of the employee towards the organization.

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- ❖ Consider giving employees the opportunity to choose their benefits through a flexible benefits scheme.

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We have to consider to give the employees the opportunity to choose their benefits through a flexible benefit schemes.

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Example of Reward Statement

Total reward statement		
Pay	Basic annual salary	£30,000
	Bonus	£3,000
	Total	£33,000
Employee benefits	Retirement, life insurance and ill-health	£5,000
	Holidays	£1,000
	Other fringe benefits (subsidized meals, employee assistance programme, concierge service, voluntary benefits, staff discount, free car parking)	£2,000
	Total	£8,000
Total remuneration		£41,000
Other rewards/benefits	Learning and development programmes	
	Further education assistance	
	Flexible hours	
	Additional maternity/paternity leave	

Source: Armstrong, M., 2010. *Armstrong's handbook of reward management practice: Improving performance through reward*. Kogan Pp. 387



Now, these are the examples of a reward statement as you see like when we talk of pay these are the basic annual salary, and the bonus, and the total of that employee benefits have like retirement, life insurance, and ill-health benefits, holidays and other fringe benefits like subsidized meals, employee assistance programme, a concierge service, voluntary benefits, staff discount, free car parking, and that will lead to total remuneration. Other rewards are benefits which are there like learning and development programs, further education assistance, flexible hours, additional maternity and paternity leave.




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Difference between Incentive, fringe benefit & perquisites

Incentives are the additional payment to employees besides the payment of wages & salaries. Often these are linked with productivity either in terms of higher production or cost saving.

Fringe benefits includes such benefits which are normally provided to employees either to facilitate their job performance or to retain them in the org. E.g. club membership, medical benefits, accident relief, health & life insurance.

Perquisites are provided to the managerial personnel either to facilitate their job performance or to retain them in the org. E.g. club membership, medical benefits, accident relief, company car saving.

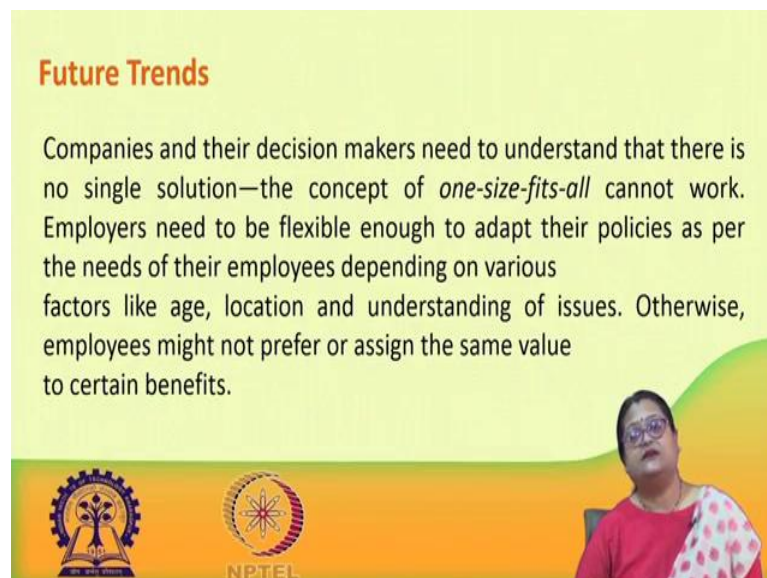


Now, like we have discussed in the previous slides time and again about the terms like incentives fringe benefits and perquisites. Here we feel like we need to like have a clear distinction of these terms, so that it may not appear confusing like which is what. So, here in the slide we have tried to differentiate these 3 terms. Like incentives are the additional payment to the employees besides the payment of wages and salaries. Often these are linked with productivity either in terms of higher production or cost saving.

So, when we talk of the various plans like the Scanlon plan, Halsey plan, Rowan plan, so group incentive plans. So, these are clubbed under these incentives, so which are given to additionally given to the employees in besides the payment of wages and is linked with the productivity in terms of higher production or saving.

When we talk of fringe benefits, these includes benefits which are provided to the employees either having a long term impact like provident fund, gratuity or occurrence of certain events like medical benefits, accident relief, health and life insurance. When we talk of perks or perquisites, it is a normally provided to managerial personnel either to facilitate their job performance or to retain them in the organization like, club membership, company car, et cetera which are more of a status symbol to the employee.

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Future Trends

Companies and their decision makers need to understand that there is no single solution—the concept of *one-size-fits-all* cannot work. Employers need to be flexible enough to adapt their policies as per the needs of their employees depending on various factors like age, location and understanding of issues. Otherwise, employees might not prefer or assign the same value to certain benefits.

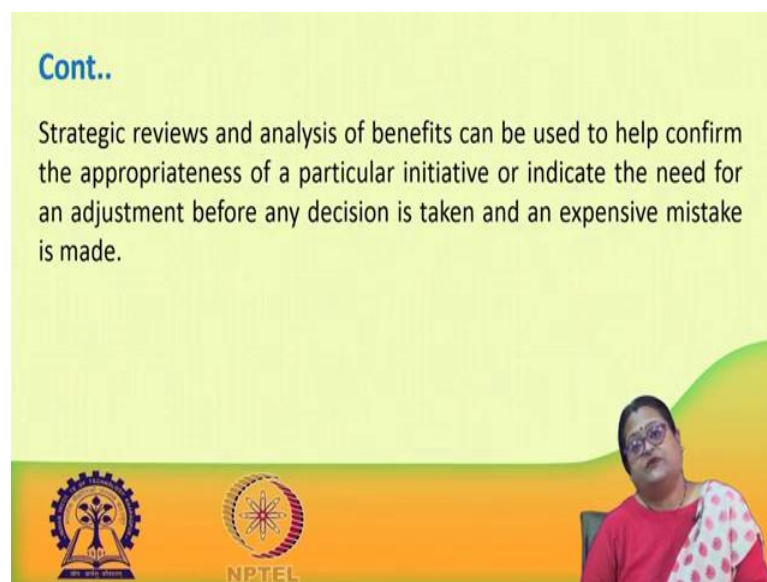
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Now, while discussing about the future trends of benefits, we have to understand like the companies and their decision makers need to understand that there is no single solution; the concept of one size fits all cannot work. So, employers need to be flexible enough to

adapt their policies as per the needs of the employees and depending on various factors like the age, location and the understanding of issues. So, otherwise the employees may not prefer to assign the same value to certain benefits.

So, we understand, it people have different needs, crisis in their life and if the benefits are not matched to the predominant needs that the employee is having at that point of time, so that may not appear to be that much helpful to the employees, to the which are going to help them as a hand holding support from the organization. So, it has to be mapped with the age, location and the issues which are there in the person's life. So, otherwise the employees may not see it these benefits to be at all beneficial to them.

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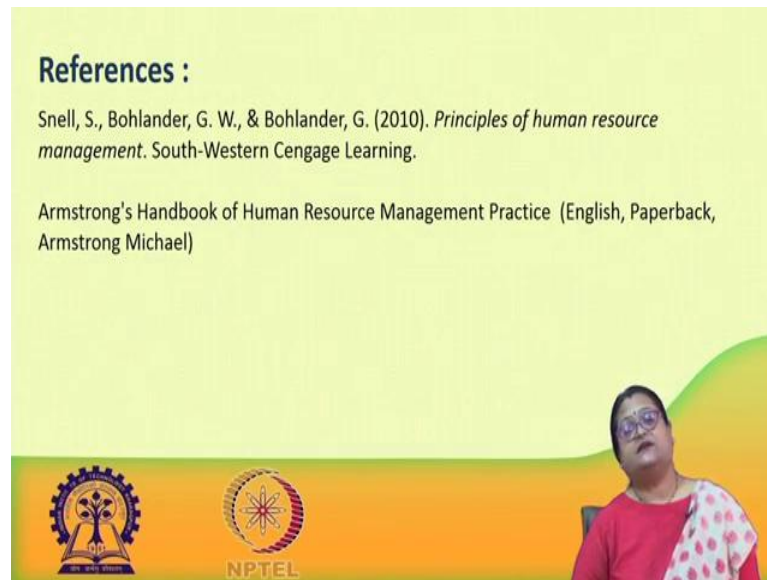
Strategic reviews and analysis of benefits can be used to help confirm the appropriateness of a particular initiative or indicate the need for an adjustment before any decision is taken and an expensive mistake is made.

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Strategic reviews and analysis of benefits can be used to help confirm the appropriateness of a particular initiative or indicate the need for an adjustment before a decision is taken and an expensive mistake is made. So, this we have to understand in reward management whether in reward management or in performance management, we are always like repeating on the one of the thumb rule that is of the alignment. Alignment of the benefits with the needs of the individuals and like we have to also see like what extra more, we are going to either provide or to the employees by taking a new initiative or what is the differential gain that we expect from these the new initiative and like this needs to be reviewed.

Time and again before we do something, we may test something as a pilot method over a small number of people, see how it is working, learn from the mistakes over there and then maybe check, recheck and then use it throughout the organization, otherwise there could be a chance that we are heading towards an expensive mistake.

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These are the references again from this discussion which is like we have developed this discussion. So, if possible you can go through these things, and any questions we will be happy to answer to it.

Thank you.