



REWARDS AND FEEDBACK

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HOMEWORK DISCUSSION

REWARDS AND FEEDBACK

- Strategy of rewards
- Rewards management



STRATEGY OF REWARDS



PHILOSOPHY OF REWARDS

- The organisation's beliefs about how people should be rewarded.
- It can be expressed in the form of core principles that define the organisation's approach to dealing with remuneration issues.
- Employees should be familiar with the reward philosophy so that they know and understand the basis for the reward policies and practices that affect them.
- Remuneration policies should be approved by senior management based on recommendations from internal remuneration specialists or external consultants. However, these policies will be much more acceptable if the members of the organisation are involved in defining them.
- Reality is important for employees, not rhetoric.

THE BASIC PRINCIPLES OF REMUNERATION RELATE TO MATTERS SUCH AS:

- The design and implementation of a fair, effective and transparent remuneration system in the interests of all stakeholders;
- Designing and implementing remuneration policies and practices that promote the achievement of organisation's objectives;
- Rewarding people according to their contribution;
- Recognising and rewarding the value of everyone who makes an effective contribution to the organisation, not just individuals who perform exceptionally;
- Creating an attractive value proposition for employees;
- Providing rewards that attract and retain the right people and ensure their engagement;
- Encouraging the development of a high performance culture;
- Maintaining competitive cash rewards;
- Maintaining fair cash rewards;
- Achieving a reasonable degree of flexibility in the operation of reward processes and in the selection of employee benefits by employees;
- Delegating greater responsibility for remuneration decisions to line managers.

STRATEGY OF REWARDS

- A remuneration strategy is the basis for designing and implementing a remuneration system to achieve three main objectives: performance, competitiveness and fairness. A remuneration strategy provides answers to two basic questions:
 - 1) What do we need to do to ensure that our remuneration policies and practices fulfil the purpose of remuneration?
 - 2) How do we intend to do this? The remuneration strategy sets out what the organisation intends to do in the future to ensure that it develops and applies remuneration policies and practices that support the achievement of the organisation's objectives and satisfy the needs of stakeholders.
- Reward strategies evolve, change, and sometimes have to be reactive rather than proactive, so sometimes it has to react to something rather than encourage something.
- Reward strategies often have to balance potentially conflicting objectives.

LIST OF SPECIFIC OBJECTIVES RELATING TO PARTICULAR ASPECTS OF REMUNERATION MANAGEMENT:

- Developing a 'total reward' system,
- Introducing performance-related pay,
- Replacing existing merit pay,
- Introducing a new structure of grades and cash rewards,
- Replacing the inadequate performance appraisal system,
- Introducing a system of formal recognition for work done,
- Developing a system of flexible employee benefits,
- Examining and assessing pay equity to ensure that work of equal value is also rewarded equally.

A WELL-DESIGNED REWARD STRATEGY SHOULD BE BASED ON THE ANSWERS TO THE FOLLOWING QUESTIONS

- How will the strategy add value?
- How will the strategy be implemented?
- Which supporting processes will be needed and available?
- Who will be involved in delivering the strategy?
- How will it be ensured that those who are to be involved in delivering the strategy know what they have to do, know why they are expected to do it, believe it will pay off and are capable of doing it?
- Could people react negatively to the proposed strategy, and if so, how to deal with their concerns?
- How much time will be needed; how much time is available?
- Will any additional resources be needed, and if so, will they be available?
- Are there likely to be any problems during the implementation of the strategy, and if so, how will they be addressed?

HOWEVER, A NUMBER OF PROBLEMS CAN ARISE IN THE IMPLEMENTATION PHASE OF A REWARD STRATEGY FOR THE FOLLOWING REASONS:

- Complexity
 - Reward specialists are often tempted to design overly complicated processes that are difficult to explain and justify and even more difficult to implement;
- Inconsistency
 - Alignment with the organisation's strategy and HR strategy was not achieved in the design phase of the remuneration strategy;
- Haste
 - New remuneration policies and procedures have not been properly tested to identify potential problems arising from poor design; lack of adequate supporting processes such as performance management

REMUNERATION SYSTEM

- Strategic remuneration leads to the creation of a specific remuneration system.
- The main components of the remuneration system are financial and non-financial rewards, which are combined to create a total reward system.

FINANCIAL REWARDS

- Financial rewards (wages or salaries) include both work-based monetary rewards, which relate to the value of the work, and people-based monetary rewards, which relate to the contribution of people. They also include employee benefits and pensions, as well as monetary recognition schemes for work done and achievements
- Determining financial rewards
 - Deciding the level of monetary rewards for certain jobs or for certain people using market pricing and job evaluation.
- Managing base financial rewards
 - Creating and applying a particular structure of financial rewards that groups certain work into grades, bands or levels in accordance with internal and external relationships (in line with the relative values of the work and market rates) and usually provides some scope for increasing financial rewards.
- Provision of additional financial rewards
 - The planning and management of financial rewards in addition to basic financial remuneration based on performance, ability, contribution, skill or length of service.

NON-FINANCIAL REWARDS

- Non-financial rewards allow people's different needs for recognition, success, personal growth or work environment to be taken into account and met.
- Non-financial rewards include non-monetary recognition for work and achievements, creating motivating jobs, providing opportunities for skills and career development, or creating a work environment that improves the quality of working life and enables the necessary work-life balance.)
- Non-financial rewards can be extrinsic, such as praise or recognition, or intrinsic, related to the challenges of the job and the feeling that the work is worthwhile.

TOTAL REWARD

- Total Reward is a combination of financial and non-financial rewards.
- The aim is to combine financial and non-financial rewards into a coherent whole.
- The total reward approach recognises the importance of financial rewards and employee benefits, but also highlights the opportunity to provide people with a different reward experience that comes from their work environment (the work they do or the way they are managed) and the opportunity to develop their skills and career. A total reward approach helps to create an attractive value proposition for employees that provides talented people with a clear and compelling reason to work for the organisation.

TOTAL REWARD MODEL

		Transactional (tangible)			
Individual		<ul style="list-style-type: none"> basic cash bonuses merit awards cash bonuses long-term incentives profit sharing shares 	<ul style="list-style-type: none"> pensions holidays health care other benefits flexibility 	Common	
		<ul style="list-style-type: none"> Training on-the-job training work performance management career development succession planning 	<ul style="list-style-type: none"> culture of the organisation leadership style communication engagement work-life balance non-cash recognition 		
		Relational (intangible)			



REWARDS MANAGEMENT



DEFINITION OF THE REWARD MANAGEMENT

Reward management deals with the strategies, policies and practices of reward that enable the value of people and their contribution to the achievement of the goals of an organisation, department or team to be recognised and rewarded. It means designing, implementing and administering a reward system that meets the needs of the organisation and its stakeholders and operates in an equitable, fair and consistent manner.

THE OBJECTIVES OF REMUNERATION MANAGEMENT ARE AS FOLLOWS:

- To reward people according to the value they create, which means to differentiate and value,
- The extent to which people meet or exceed certain expectations.
- To support the achievement of the organisation's objectives, which means helping the organisation to have the talented and committed people it needs.
- Support high performance, which means ensuring that the reward system recognises, rewards and incentivises such performance.
- Support and develop the culture of the organisation, which means linking rewards to behaviours that are aligned with the organisation's core values.
- Define the right behaviours and outcomes, which means setting appropriate expectations using the performance management process and merit pay system



DETERMINATION OF FINANCIAL REWARDS



OUTWARDLY COMPETITIVE CASH REWARDS

- Financial reward is not the only factor, but it is a significant factor
- Acceptability of market valuation
 - Depends on the availability of good data on market rates as well as the quality of job-to-job comparisons, or comparisons of similar work.

THE MARKET RATE ANALYSIS INVOLVES THE FOLLOWING STEPS:

- Identify and define the jobs for which market rates of cash compensation data are to be obtained.
 - These are sample jobs that represent different levels or different occupations and can be compared with similar jobs elsewhere.
 - In conducting the survey, the aim is to achieve the best possible match between these sample jobs and similar jobs elsewhere.
- Identify sources of information on market rates
 - Published surveys carried out by consultancies or research institutions,
 - Special surveys carried out by the organisation, either in-house or using a contractor,
 - So-called 'club surveys' where certain employers agree to exchange information on cash pay, or it may be advertisements.
 - Published surveys may be the most appropriate source of quality information. Special and club surveys can be a source of useful information but are time consuming.
 - If possible, more than one source should be used.
- Collect, analyse and interpret market rate data.
 - Data on market rates of cash remuneration for certain work can be presented in the form of a range of market rates from lowest to highest, a median (the middle value in the distribution of market rates) or an upper quartile (the value above which the highest quarter of market rates are found) and a lower quartile (the value below which the lowest quarter of market rates are found).
 - Interpreting data on market rates of cash remuneration may mean determining a derived market rate from a variety of sources.
- Use the information obtained on market rates of cash remuneration for certain work in accordance with the organisation's policy decision on the position on the issue of cash remuneration - cash remuneration levels should be competitive and achievable.

EVALUATION OF WORK

- Job evaluation is the systematic and formal process of defining the relative value of work in an organization in order to establish internal relationships.

ANALYTICAL EVALUATION OF WORK

- Analytical job evaluation is based on decomposing entire jobs into a series of defined factors and then comparing these factors with factors in some scale or factors in some grade or role profile.
- The advantages of analytical job evaluation are that
 - (1) the rater must consider each job characteristic separately before determining its relative value and
 - (2) the rater has defined measures or guides that help increase the objectivity and consistency of the job evaluation.

NON-ANALYTICAL EVALUATION OF WORK

- The jobs are not analysed in terms of their factors.
- Such an evaluation may work on the principle of comparing "work with work", where a job is compared with another job to decide whether its value is greater, lesser or equal (ranking method or 'internal benchmarking' method).
- Non-analytical job evaluation methods are easy to implement and apply, but do not provide any defined standards for assessment. They do not measure differences between jobs and do not provide a defence on equal pay issues.

MANAGEMENT OF BASIC CASH REWARDS

- Cash reward structures
 - The cash reward structure consists of the ranges, bands or scales of cash rewards associated with each tier, band or level in the tier structure.
 - Under narrow or broad tier structures, cash compensation may increase based on merit or length of service.
 - Some organizations, especially smaller ones, do not have formal step structures and rely solely on certain "individual rates" for specific work or for a specific individual.

PRINCIPLES FOR THE APPLICATION OF STEP STRUCTURES AND CASH BONUSES

- Match the culture, characteristics and needs of the organisation and its employees;
- Facilitate the management of cash reward relationships and achieve fairness, equity, consistency and transparency in reward management;
- Ensure that work is appropriately classified at the appropriate levels and avoid unjustified moves to higher levels;
- Be flexible enough to adapt to pressures arising from changes in market rates and shortages of skilled labour;
- Facilitate operational flexibility and continuous development;
- Create room for increasing cash rewards;
- Suggest opportunities related to remuneration, development and careers;
- Be designed clearly and logically so that their substance can be explained quickly and easily to employees;
- Enable the organisation to monitor the implementation of remuneration policies and compliance with budgets.

INCREASING CASH REWARDS

- Increases in cash compensation occur when individuals' base cash compensation increases within defined ranges or groups of cash compensation in the established step and cash compensation structure, when individuals are promoted to higher positions, or when individuals are placed in higher steps in a particular cash compensation structure.
- Another option is a system based on individual rates of monetary rewards for specific jobs or for specific individuals.
- This system does not create any scope for increasing cash rewards within any ranges or groups, so the only option is to increase the individual rates set.
- Another option is a system based on individual supplemental cash compensation, where individuals' cash compensation can increase based on merit or length of service. A bonus system is also an option, where the monetary reward to diners can be increased based on their performance as well as the performance of the team or organization.

CRITERIA FOR THE SUCCESSFUL APPLICATION OF MERIT AWARDS

- People see a clear link between what they do and what they get in return.
- Rewards are worth it.
- There are fair and consistent tools for measuring or evaluating performance, ability, contribution, or skill.
- People are able to influence their performance by changing their behaviour and developing their knowledge, skills and abilities.
- Rewards follow as soon as possible after the achievement for which they are given.
- The system fits into the culture of the organisation.
- The system is manageable and cost-effective.
- The system is supported by well-established methods of measuring performance, capability, contribution or skills.

THE OBJECTIVES OF REWARD EVALUATION ARE AS FOLLOWS:

- To determine how well-established reward policies and practices are functioning and to identify any issues;
- To determine whether reward innovations are functioning as planned and whether they are delivering the expected results;
- To ensure that different parts of the reward system deliver value for money;
- To provide the necessary data to identify what needs to be done to improve the effectiveness of rewards.

GENERAL REVISIONS AND ADJUSTMENTS TO MONETARY REWARDS

The steps necessary to carry out general revisions and adjustments to monetary rewards are as follows:

1. Decide on the budget.
2. Analyze data on adjustments to monetary rewards in comparable organizations and data on the rate of inflation.
3. Conduct collective bargaining with unions as needed.
4. Calculate the costs.
5. Adjust monetary rewards – either increase the range limits of monetary rewards for each grade by a percentage of the general increase, or increase the reference points of monetary rewards by a percentage of the general increase and apply various increases towards the upper or lower limits of the monetary rewards range, thereby adjusting the structure of monetary rewards.
6. Inform employees.



WHAT HAVE YOU LEARNED TODAY?

HOMEWORK

- Describe rewards system in your organisation. Are there any possible improvements?

THANK YOU FOR YOUR ATTENTION

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