

REWARD Pocketbook

A pocketful of tips,
tools and techniques on
how to reward employees
and build loyalty, motivation
and productivity

Kathy Daniels



Copyright Notice – Please Read

The contents of this electronic book (text and graphics) are protected by international copyright law. All rights reserved.

The copying, reproduction, duplication, storage in a retrieval system, distribution (including by email, fax or other electronic means), publication, modification or transmission of the book are **STRICTLY PROHIBITED** unless otherwise agreed in writing between the purchaser/licensee and Management Pocketbooks.

Parts of this electronic book may be printed out by the purchaser/licensee, for their personal use only. Multiple printing/photocopying is **STRICTLY PROHIBITED** unless otherwise agreed in writing between the purchaser and Management Pocketbooks.

If you are in any doubt about the permitted use of this electronic book, or believe that it has come into your possession by means that contravene this copyright notice, please contact us.



MANAGEMENT POCKETBOOKS LTD

LAUREL HOUSE, STATION APPROACH,
ALRESFORD, HAMPSHIRE SO24 9JH UK

Telephone: +44 (0)1962 735573
Fax: +44 (0)1962 733637
Email: sales@pocketbook.co.uk
Web: www.pocketbook.co.uk

THE REWARD POCKETBOOK

By Kathy Daniels

Drawings by Phil Hailstone

“Readable, clear and concise – shows in no uncertain terms how sensible reward management can foster the successful growth and development of organisations and their employees.”

Tina Stephens, Principal Consultant, SandS

(specialists in management development and employee reward)

“A concise yet very informative and accessible guide to the sometimes complex topic of reward management. The clarity with which the issues are dealt with will be of great value to practitioners and managers. It also provides an excellent basis for students’ notes.”

Carole Parkes, Course Director MSc HRM & Business, Aston Business School, Aston University



Published by:

Management Pocketbooks Ltd

Laurel House, Station Approach, Alresford, Hants SO24 9JH, U.K.

Tel: +44 (0)1962 735573 Fax: +44 (0)1962 733637

E-mail: sales@pocketbook.co.uk

Website: www.pocketbook.co.uk

All rights reserved. No part of this publication may be reproduced, stored in a retrieval system or transmitted in any form, or by any means, electronic, mechanical, photocopying, recording or otherwise, without the prior permission of the publishers.

This edition published 2007. Revised 2014.

© Kathy Daniels 2007.

British Library Cataloguing-in-Publication Data – A catalogue record for this book is available from the British Library.

ISBN 978 1 903776 45 2

Design, typesetting and graphics by **efex ltd**. Printed in U.K.

CONTENTS



INTRODUCTION

5

How to avoid wasting assets, how hierarchy of needs relates to reward, case study of what can go wrong



REWARDS FOR TEAMS

77

Why pay the team?, bonuses for all, case studies



CONTINGENT PAY

19

Performance related pay, skill based pay and competency related pay – the difficulties and conditions for success



OTHER ELEMENTS OF REWARD

89

Which benefits to offer, flexible schemes, no substitute for pay



FAIRNESS: INTERNAL FACTORS

37

Perceptions, comparisons, transparency, job evaluation



KEY MESSAGES

105

Fairness, market rates, comparisons, transparency, return on investment



FAIRNESS: EXTERNAL FACTORS

59

Skill shortages, local competition, location, surveys, pay clubs, adverts, the law





INTRODUCTION

INTRODUCTION

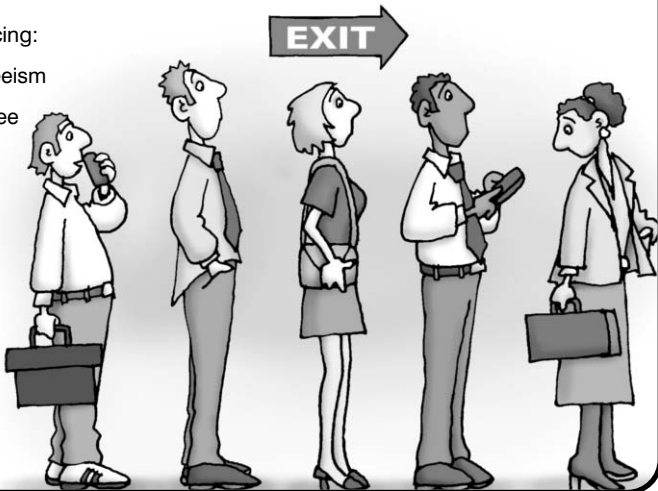
THE PROBLEM

Picture the scenario.....

Your company is experiencing:

- High levels of absenteeism
- High levels of employee turnover
- Low productivity

The consequences are a fall in profits and your talented people leaving. What would you do if this was your company?



INTRODUCTION

PEOPLE – YOUR MOST VALUABLE RESOURCE



If your employees are underperforming, demotivated and, worse still, leaving, you are wasting your most valuable resource, your people. All this has long-term effects on your business, not only the profits but your reputation too. How does this situation impact on the supply chain you are a part of? What do your suppliers or customers think when they call your team to find yet another contact has left?

Are you starting to wonder what you are paying wages for?

How can you incentivise your workers without it costing you more money?

Welcome to the topic of Reward Management!

This book explores how to reward employees in a way that will give you the results that you want. We will consider the pros and cons of the various approaches to reward; the mistakes that some organisations have made, and alternative approaches.

INTRODUCTION

REWARD MANAGEMENT



Managing reward effectively is a key part of ensuring satisfactory attainment of the strategic goals of the organisation. An organisation is a group of people – and those people need to be working productively if the organisation is going to be successful.

Reward management is an essential part of encouraging employees to work as **you** want, so that those goals are met.

INTRODUCTION

REWARD MANAGEMENT



Of course, employees have always received some sort of recompense for their work. It has to be asked, however, whether this is 'compensation' for turning up to work or if it is 'reward' for doing a really good job.

A basic rate of pay with no additional benefits (financial or non-financial) will certainly pay employees, but it might not do enough to reward them.

However, a basic rate of pay with a flexible benefits package (allowing the employees to choose, within certain parameters, the benefits that best meet their needs and therefore also motivate them as individuals) is likely to go beyond compensation and enter the realms of reward.