

COURSE: PRINCIPLES OF HUMAN RESOURCE MANAGEMENT

LECTURE 9: REWARD AND MOTIVATION

LECTURER: DR LUCY KARIMI KIRIMA

Lecture learning outcomes:

At the end of the lecture, you will be able to:

1. Understand the concept of reward management
2. Discuss the Characteristics of reward management.
3. Examine the aims and objectives of reward management

REWARD MANAGEMENT

Reward management is concerned with the formulation and implementation of strategies and policies that aim to reward people fairly, equitably and consistently in accordance with their value to the organization (Armstrong,2010)

Reward management consists of analysing and controlling employee remuneration, compensation and all of the other benefits for the employees. Reward management aims to create and efficiently operate 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.

Reward management is concerned with the strategies, policies and processes required to ensure that the value of people and the contribution they make to achieving organizational, departmental and team goals is recognized and rewarded. It is about the design, implementation and maintenance of reward systems (interrelated reward processes, practices and procedures) that aim to satisfy the needs of both the organization and its stakeholders and to operate fairly, equitably and consistently. These systems will include arrangements for assessing the value of jobs through job evaluation and market pricing, the design and management of grade and pay structures, performance management processes, schemes for rewarding and recognizing people according to their individual performance or contribution and/or team or organizational performance, and the provision of employee benefits. It should be emphasized that reward management is not just about financial rewards, pay and employee benefit. It is equally concerned with non-financial rewards such as recognition, learning and development opportunities and increased job responsibility.

Reward constitutes an important element in human resource management. Reward management is essentially about designing, implementing and maintaining the pay systems, which render a significant contribution in bringing about improvements in organizational performance. Reward management is referred to as the process of developing and implementing strategies, approaches and systems, which would make provision of help and support to the human resources in the achievement of organizational goals by increasing

motivation, inspiration and commitment. The designing and operation of the reward management processes and practices would initiate from acquiring an understanding of the implications of the psychological contract concept and motivation theory, which have an effect upon the pay levels. When the processes of reward management are put into operation, the needs and requirements of the human resources as well as the organization need to be taken into consideration (Taylor& Francis,2008,Armstrong,2010).

Characteristics of reward management

Reward management is fundamentally about people. It is stakeholder orientated, integrated, strategic and evidence based. Reward management is concerned with people – especially the employees who are rewarded for their efforts, skills and contribution but also the directors, managers and reward specialists who plan, manage and administrate rewards. This is in accordance with the view expressed by Schneider (1987) that: organizations are the people in them- people make the place. This means that: Attraction to an organization, selection by it, and attrition from it yield particular kinds of persons in an organization. These people determine organizational behaviour- positive job attitudes for workers in an organization can be expected when the natural inclinations of the persons there are allowed to be reflected in their behaviours by the kinds of processes and structures that have evolved there.

A stakeholder approach

The purpose of human resource management (HRM) is to meet the needs of all the stakeholders in the business – employees, customers, suppliers and the public at large as well as management and shareholders. Reward management shares that purpose. In doing so, it can make a significant contribution to meeting the varied needs of stakeholders successfully. It is accordingly concerned with improving business performance, shaping the behaviour of employees and developing a climate of trust. Reward management can best do this if it is evidence based. But there is also an ethical dimension. Reward management policies in association with HR policies can help to create a working environment that provides for the just, fair and ethical treatment of employees.

Integrated reward management

Integrated reward management is an approach to reward management that provides for reward policies and practices to be treated as a coherent whole in which the parts contribute. In conjunction with one another to ensure that the contribution people make to achieving organizational, departmental and team goals is recognized and rewarded. It consists of a related set of activities that impinge and impact on all aspects of the business and the HRM practices within it. As White (2005) points out, in an integrated approach ‘each individual element of reward supports the other to reinforce organizational objectives.

Aims of reward management

According to, Ghoshal and Bartlett (1995) the overall aim of reward management should be to ‘add value to people’. It is not just about attaching value to them. Therefore, reward management aims to:

1. Support the achievement of business goals through high performance
2. Develop and support the organization's culture
3. Reward people according to the value they create
4. Reward people according to what the organization values
5. Align reward practices with employee needs
6. Help to attract and retain the high-quality people the organization needs
7. Win the engagement and commitment of people
8. Reward the right things to convey the right message about what is important in terms of behaviours and outcomes
9. Develop a performance culture
10. Help to attract and retain the high quality people the organization needs.
11. Develop a positive employment relationship and psychological contract
12. Reinforce Overall Business Strategy & ensure Organizational Success
13. Meet Legal Standards (compliant with laws and regulations)
14. Be cost-effective and affordable
15. Maintain remuneration and benefits that are competitive in the industry
16. Provide tax-effective purchase of insurance and benefits

Aligning reward practices with both business goals and employee values as Duncan Brown (2001) emphasizes that the 'alignment of reward practices with employee values and needs is very important as alignment with business goals, and critical to the realization of the latter. More so, Operating fairly makes people to feel that they are treated justly in accordance with what is due to them because of their value to the organization (the 'felt-fair' principle of Eliot Jaques (1961). In addition, applying equity where people are rewarded appropriately in relation to others within the organization, relativities between jobs are measured as objectively as possible and equal pay is provided for work of equal value and also functioning consistently where decisions on pay do not vary arbitrarily and without due cause between different people or at different times. Further, operating transparently where people understand how reward processes operate and how they are affected by them.

Strategies to Achieve the Objectives

The aims of reward management are achieved by developing and implementing various kinds of strategies, policies, practices and procedures that are founded on the philosophy, operate in accordance to the principles of distributive and natural justice, function justly, equitably, consistently and transparently, are aligned to the business strategy, and are in accordance to the context and culture of the organization (Armstrong, 2007). The strategies that are necessary to achieve the objectives of reward management are, reward philosophy, distributive justice, procedural justice, fairness, equity, consistency, transparency, strategic alignment, contextual and culture fit, fit for purpose, and developing a high-performance culture. These have been stated as follows according to Armstrong (2007).

Reward Philosophy – Reward management is based on the well-articulated philosophy. It is the set of beliefs and guiding principles that are consistent with the values of the organization and help to enact them. These include beliefs in the need to achieve fairness, equity, consistency and transparency in operating the reward system. The philosophy recognizes that if HRM is about investing in human capital from which a reasonable return is required, then it is proper to reward people differentially according to their contribution (ie the return on investment they generate). The philosophy of reward management recognizes that it must be strategic in the sense that it addresses longer-term issues relating to how people should be valued for what they do and what they achieve. Reward strategies and the processes that are required to implement them have to flow from the business strategy. Reward management adopts a ‘total reward’ approach which emphasizes the importance of considering all aspects of reward as a coherent whole which is integrated with other HR initiatives designed to achieve the motivation, commitment, engagement and development of employees. This requires the integration of reward strategies with other human resource management (HRM) strategies, especially those concerning human resource development. Reward management is an integral part of an HRM approach to managing people. The philosophy will be affected by the business and HR strategies of the organization, the significance attached to reward matters by top management and the internal and external environment of the organization.

Distributive Justice – Distributive justice refers to how rewards are given to the individuals. When the workforce is rewarded for the conduct, performance, completion of targets and implementation of job duties, they form the viewpoint that their hard work and efforts have been recognized. This in turn would motivate them to perform their job duties in a well-organized manner and meet the desired expectations. They believe that rewards have been distributed in accordance to the value of their contribution. They have received what was promised to them. This is apparent that employees aspire to get rewarded for their hard work. Therefore, rewarding them would lead to the feelings of job satisfaction.

Procedural Justice – Procedural justice refers to the ways in which the managerial decisions are made and reward policies are put into operation. When the employees are to be rewarded, it is apparent that various factors need to be taken into account. These include, job duties, activities, attendance among others. On the basis of these factors, decisions are made. The factors that are taken into account in the case of procedural justice are, viewpoints of the employees are given recognition, personal bias towards employees is suppressed, criteria for decisions is applied to all the employees, employees are provided with early feedback in terms

of outcomes of decisions and employees are also provided with adequate explanations regarding why decisions have been made.

Fairness – A fair reward system is the one that operates in accordance with the principles of distributive and procedural justice. The assumptions underpinning the theory are that, there is an unrecognized standard of fair payment for any level of work, unconscious knowledge of the standard is shared among the population at work, pay need to be in accordance to the level of work and the capacity of the individual to get engaged into it and individuals should not receive less pay. The pay and reimbursements have to be in accordance to the job duties. This felt-fair principle is passed into the common language of those involved in reward management. In some cases, it is used as the final arbitrator regarding how job should be graded, possibly overriding the conclusions reached by an analytical job evaluation.

Equity – Equity is achieved when the individuals are rewarded in an appropriate manner. Equity in rewards is regarded as one of the important aspects in generation of interest and enthusiasm among individuals towards the implementation of job duties. Both men and women need to be given equal pay for the same job duties performed. Furthermore, there should not be any kind of discrimination on the basis of caste, creed, race, ethnicity, religion, and socio-economic background. Equitable reward processes ensure that relativities between jobs are measured as objectively as possible. Equal pay is given for the work of equal value.

Consistency – A consistent approach to reward management is referred to when decisions are made in terms of giving of rewards, they do not vary arbitrarily, without due cause between different people or at different times. They do not deviate irrationally from what would be regarded as fair and equitable. In giving of rewards, the organization also has to take into consideration financial resources. When they possess sufficient finances, they will be able to give rewards. Whereas, when they possess limited financial resources, they have to plan rewards accordingly. Therefore, consistency and uniformity are important factors that need to be taken into consideration in giving of rewards.

Transparency – Transparency takes place when the members of the organization acquire an efficient understanding in terms of how the processes of rewards are put into operation and how they are affected by them. The reasons for pay decisions are made at the time they are made. In transparency, the employees are also provided with the rights to participate in the decision-making processes regarding development of reward policies and practices. When the

employees are provided with these rights, they develop motivation towards the performance of job duties and achievement of organizational goals.

Strategic Alignment – The strategic alignment of reward practices ensures that reward initiatives are planned with reference to the requirements of the business strategy. The formulation of measures and strategies has to be in accordance to the organizational goals. When the organizations are rewarding their employees, it is vital to take into account certain factors, these include, organizational goals, number of employees, infrastructure, materials, technologies and equipment, laws and policies, job duties of all individuals and overall working environmental conditions. These factors need to be taken into consideration, when not only formulation of reward policies but also ensuring strategic alignment of reward practices.

Contextual and Culture Fit – The design of reward processes should be governed by the framework, i.e. characteristics of the organization, business strategy, type of employees and organizational culture. When it is stated type of employees, it is referred to the employees engaged in various job positions. Whereas ,organizational culture is referred to values, norms, principles and standards. Worthwhile practices need to be taken into consideration. Best fit is considered more important as compared to the best practice. Therefore, it can be stated that cultures, norms and values of the organization need to be taken into consideration, when giving rewards and formulating reward practices.

Fit for Purpose – The formulation of reward strategy and design of the reward system have to be in accordance to the objectives of reward management. The members of the organization need to work in collaboration and integration in order to ensure reward strategy and reward systems are in accordance to the aims of reward management.

Developing a High-Performance Culture – A high-performance culture is the one in which the individuals are aware of the requirements to perform well and implement appropriate conduct in order to meet the expectations. Employees will be engaged in work and will be wholeheartedly dedicated towards the achievement of organizational goals. This kind of culture takes into consideration various interrelated processes that would enable the individuals to work in collaboration. In the high-performance culture, the individuals are well-aware in terms of job duties and organizational goals, they are working towards the development of knowledge, competencies and abilities, particularly the ones, necessary to carry out their job duties satisfactorily, and managers and supervisors act as supportive leaders, guides and mentors. They provide feedback and render a significant contribution in the achievement of

desired goals. In this culture, there is a climate of trust and teamwork, which would enable the individuals to carry out their job duties in a well-organized manner. Therefore, it can be stated that when the members put into operation these factors, they will be able to form a high-performance culture.

NON-FINANCIAL REWARDS

Non-Financial rewards can be treated as specific incentives to the employees other than extra monetary payment. Non-financial rewards can be defined as the compensation provided in a transaction that does not include cash. A non-financial reward consists of several material objects, such as automobiles, jewelry, precious metals. Companies offer non-financial reward in the form of providing several services like free car repairing and family vacations. Moreover, free pension entitlement or private medical care can also be considered as the non-financial rewards.

Non-financial rewards are those that focus on the needs people have to varying degrees for recognition, achievement, responsibility, autonomy, influence and personal growth. They incorporate the notion of relational rewards, which are the intangible rewards concerned with the work environment (quality of working life, the work itself, work–life balance), recognition, performance management, and learning and development. Non-financial rewards can be extrinsic, such as praise or recognition, or intrinsic, arising from the work itself associated with job challenge and interest and feelings that the work is worthwhile.

Non-financial reward is a method of identifying either individual employees or teams for particular praise or acknowledgement. The size, scope and formality of non-financial recognition schemes vary according to the organization. It is important to be aware that the concept of non-financial reward does not mean that the reward provided should not have financial value, It simply means that whatever is given should not be just money. The key thing is that this method of conveying appreciation is likely to be more memorable than cash award which is in the employees salary. Non-financial rewards can offer a gift, an experience or means to purchase material goods of their choice. It provides the employees with something tangible that they can remember.

The significance of non-financial rewards

Latham and Locke (1979) noted that: ‘Money is obviously the primary incentive’ but they went on to say that ‘money alone is not enough to motivate high performance.’ Money may be an important factor in attracting and retaining people (the sorting effect). It can produce satisfaction, but this may be short-lived. And if the principles of distributive and procedural justice are not followed, it can cause lasting dissatisfaction. It can be said that money will motivate some of the people all of the time and, perhaps, all of the people some of the time. But it cannot be relied on to motivate all of the people all of the time. To rely on it as the sole motivator is misguided. Money has to be reinforced by nonfinancial rewards, especially those that provide intrinsic motivation. When motivation is achieved by such means it can have a more powerful and longer-lasting effect on people, and financial and non-financial rewards can be mutually reinforcing. Reward systems should therefore be designed and managed in such a way as to provide the best mix of all kinds of motivators according to the needs of the organization and its members.

There are two types of non-financial rewards namely tangible non-financial rewards and intangible non-financial rewards. Intangible non-financial rewards are referred as the relational rewards. Work life balance, quality of work life fall in the intangible non-financial rewards category. On the other hand the tangible non-financial rewards are referred as the non cash rewards. These non cash rewards support several recognition programs. Low valued matters or objects like flowers and chocolates are considered as the tangible non-financial rewards.

Types of non-financial rewards

- Non-financial rewards can be classified as follows:
- The manager saying ‘thank you’
- The manager writing formally to record ‘thanks’
- Public appreciation of the effort in a team meeting or organization newsletter or special dinner
- Declaring the individual ‘employee of the month or year’
- Retail or travel vouchers
- Meals for the individual and partner
- Theater or cinema tickets
- Reserved parking space
- Use of recreational facilities
- individual extrinsic rewards: non-financial recognition, praise, feedback
- individual intrinsic rewards: fulfilling work, opportunity to grow
- collective extrinsic rewards: work–life balance policies, employee well-being services, concierge services, voluntary benefits, learning and development and talent management programmes
- collective intrinsic rewards: work environment enhancement, work system design.

Recognition can become more formal and public commensurate with the perceived value of the action. There is no standard way of rewarding, it varies with size and sector of the employer and organizational objectives.

Individual extrinsic rewards

Non-financial recognition

Recognition is one of the most powerful methods of rewarding people. They need to know not only how well they have achieved their objectives or carried out their work but also that their achievements are appreciated. Recognition needs are linked to the esteem needs in Maslow’s (1954) hierarchy of needs. They are defined by Maslow as the need to have a stable, firmly based, high evaluation of oneself (self-esteem) and to have the respect of others (prestige). These needs are classified into two subsidiary sets: first, ‘the desire for achievement, for adequacy, for confidence in the face of the world, and for independence and freedom’, and second, ‘the desire for reputation or status defined as respect or esteem from other people, and manifested by recognition, attention, importance or appreciation’. Belief in the motivational value of recognition is supported by Herzberg’s (1957, 1968) research, which identified recognition as an important ‘satisfier’.

Recognition is a form of feedback that lets people know that they have done well and therefore provides positive reinforcement. Research by Brand et al (1982) found that a feedback

programme in a US government agency that involved public recognition brought about an increase in productivity of 26 to 149 per cent in different sections. A meta-analysis by DeNisi and Kluger (2000) of 131 empirical studies that had tested how well feedback interventions worked indicated a modest but positive effect of feedback on performance overall. Recognition can be provided by positive and immediate feedback from managers and colleagues that acknowledges individual contributions, and by managers who listen to and act upon the suggestions of their team members. Other actions that provide recognition include allocation to a high-profile project and enrichment of the job to provide scope for more interesting and rewarding work. There are other forms of recognition such as public 'applause', status symbols of one kind or another, sabbaticals, treats, trips abroad and long-service awards, all of which can function as rewards. But they must be used with care. One person's recognition implies an element of non-recognition to others and the consequences of having winners and losers need to be carefully managed.

According to Brun and Dugas (2008), there are three important dimensions of employee recognition such as formal or informal, non-monetary or monetary and collective or individual (Brun and Dugas, 2008, pp.316-330). In non monetary recognition, the non financial employee recognition receives limited attention compared to several other reward areas. Reward behaviors are generally linked to the organizational goals. Recognition schemes try to increase the commitment, motivation and engagement of the employees within an organization. This scheme helps an organization to increase performance outcomes. It can be seen that several global organizations implemented this specific recognition schemes in order to increase their business efficiency. Generally larger organizations use this recognition schemes as it is both time and cost effective. These recognitions can come in both non tangible and tangible forms. According to Perkins and White (2010), an effective employee recognition programme should be prevalent, visible, spontaneous, personal and memorable (Perkins and White, 2011, p.72). The organizations implement these recognition schemes in order to achieve several organizational objectives. It motivates the employees to provide effective work performance. It creates a positive organizational work environment. The organization can maintain their ethics and morale through these recognition schemes. Moreover, these recognition schemes encourage the employee loyalty and support several cultural changes. According to Lewis (2006), involvement policies, thank you prizes, communication strategies, imaginative job designs and effective performance appraisal are majorly considered as the non-financial reward (Lewis, 2006, p.107).

Praise-Praise is, of course, a form of recognition. It can be given privately during the course of work or in a performance review meeting. Public praise can be even more rewarding. But the praise must be genuine and saved for real achievements. It should not be fulsome.

Feedback -Feedback is another form of recognition. If done properly it can increase self-belief and provide the basis for self-directed learning.

Vouchers-Vouchers give employees a certain element of choice, A voucher can be a double reward because employee receives the voucher and then also spends it.

Nomination-based schemes-Organizations that do not wish to offer something that has a monetary value can offer a memento, trophy or certificate to denote the employees contribution. This may be based on nomination by colleagues that are mostly called staff

achievement awards' where employees are allowed to nominate one of their colleagues in a number of award categories.

Individual intrinsic rewards

Fulfilling work -Work can be fulfilling and therefore motivating when individuals feel that what they do is worthwhile and adds value. This implies that they should ideally work on a complete process or product, or a significant part of it that can be seen as a whole. Work is also fulfilling when it requires people to use abilities they value to perform it effectively and scope is provided for achievement, responsibility, autonomy and influence.

Use of abilities -Fulfilling work enables people to use and develop their abilities. This is particularly the case when people are stretched, but not too hard, to achieve more than they expected they could achieve.

Achievement -The need to achieve applies in varying degrees to all people in all jobs, although the level at which it operates will depend on the orientation of the individual and the scope provided by the work to fulfil a need for achievement. People feel rewarded and motivated if they have the scope to achieve as well as being recognized for the achievement.

Responsibility -Individuals can be motivated by being given more responsibility for their work. People are in positions of responsibility when they are held to account for what they do. They are in charge of their work and the resources required to do it. Being given more responsibility can satisfy needs for achievement and increase self-esteem. It is also a form of recognition.

Autonomy -Autonomy exists when an individual has freedom to make decisions and act independently without reference to higher authority. It enhances self-belief, gives people more opportunity to achieve and provides an opportunity to develop skills

Influence -Jobs are more fulfilling if people can influence what they do or exert wider influence on policy and operational decisions.

Opportunity to grow -Alderfer (1972) emphasized the importance of providing people with opportunities for personal growth as a means of rewarding and therefore motivating them. He believed that satisfaction of growth needs takes place when individuals have the opportunity to be what they are most fully and to become what they can. Most learning and development opportunities take place in the course of everyday work, and the organization can encourage this through coaching, mentoring and support in the implementation of personal development plans created as part of the performance management process.

Collective extrinsic rewards

Collective extrinsic rewards are provided by the organization in the shape of policies, procedures, services and programs such as the following:

- Work–life balance policies reward people by recognizing their needs outside work by, for example, adopting family-friendly policies, including the provision of more flexible working arrangements.

- Employee well-being services can be provided for individuals to help them deal with their problems. This may involve counselling or personal casework where the aim is as far as possible to get individuals to help themselves.
- Concierge services provide employees with help by undertaking mundane personal tasks such as getting their car serviced, home repairs or waiting at home for deliveries.
- Voluntary benefit schemes provide opportunities for employees to buy goods or services at discounted prices. The employer negotiates deals with the suppliers.
- Learning and development programs give employees the chance to develop their skills and careers

Collective intrinsic rewards

Collective intrinsic rewards are provided mainly through the work environment. They relate to the quality of working life provided and the organization's core values.

Quality of working life -The quality of working life refers to the feelings of satisfaction and well-being arising from the work itself and the way people are treated. On the basis of their longitudinal research in 12 companies Purcell et al (2003) concluded that: What seems to be happening is that successful firms are able to meet peoples' needs both for a good job and to work 'in a great place'. They create good work and a conducive working environment. In this way they become an 'employer of choice'. People will want to work there because their individual needs are met – for a good job with prospects linked to training, appraisal and working with a good boss who listens and gives some autonomy but helps with coaching and guidance. Specifically, the quality of working life depends on having a system of work that enables jobs to be designed that provide for intrinsic motivation, on good working conditions and on the leadership qualities of line managers and team leaders,

Core values -The significance of the core values of an organization as a basis for creating a rewarding work environment was identified by the research conducted by John Purcell and his colleagues referred to above. The most successful companies had what the researchers called 'the big idea'. They had a clear vision and a set of integrated values that were embedded, enduring, collective, measured and managed. They were concerned with sustaining performance and flexibility. Clear connections existed between positive attitudes towards HR policies and practices, levels of satisfaction, motivation and commitment, and operational performance.

Benefits of non-financial rewards

Organizational Benefits

- Acknowledge performance above and beyond the norm
- Enhance customer service
- Recognizes achievements
- Support line managers

Other benefits

- Encouraging strategic behaviors and desired actions. The thinking is that by recognizing outstanding achievement and certain behaviours, other employees will aim to imitate such ways of performing.
- Cost efficiency-these rewards do not need to be expensive.
- Immediate of impact-they have immediacy of their application. The traditional performance appraisal and reward is done on annual basis and takes procedures while non-financial rewards have specific action that merit a reward.
- Employer branding-it enhances employer branding and employer marketing. The non-financial recognition. Non-financial recognition links with the concept of total reward because organizations use both financial and non-financial rewards .
- Retention-it helps to retain key talents, building affective relationship between employer and employee binds the two more closely together. Non-financial recognition scheme can help reinforce affective relationships.
- High street credibility-Non-financial recognition schemes can offer a more in-depth and longer lasting impact on motivation than motivation than more transient financial rewards.

Problems and potentials pitfalls of non -financial rewards

Value of the scheme-The way the non-financial recognition scheme is set up has a significant effect on its future success. This means that all employees in whatever their role would have the opportunity to be nominated for an award. This reward should be fair because it appeals to the emotional, affective side of people.

Credible assessment process-Another aspect of fairness is procedural. It is important to ensure that whichever method of recognition is used, the process by which receivers of vouchers, certificates or awards are chosen should be credible, transparent and robust.

Cultural fit-It is better for employees to use non-financial recognition approaches to align with the culture of the organization than to challenge Incentive schemes can counter cultural fit if not well administered.

Tax and small print-This reward can be damaged by not thinking through the implications .

Fraudulent nominations-Some employees may conspire to fraudulently win awards. It is important to have a due process for nominations.

Maintaining momentum-There is need for organizations to review the non-financial recognition schemes regularly and update them where appropriate to ensure that they are still effective.

Economic situation-External economic environment can impact on the effectiveness of non-financial rewards especially when organizations are effected by the economic changes

Key Notes

- Develop the use of non-financial rewards as part of a total rewards policy.
- Introduce employment practices designed to ensure the fair and ethical treatment of employees.

- Involve employees as stakeholders in drawing up a set of core values associated with the employment relationship and in planning and implementing the steps required to ensure that everyone concerned 'lives the values'.
- Review the features of the work environment and introduce changes that will improve the quality of working life and deal with any issues that may affect it.
- Examine ways in which the design of the work system and jobs can be improved to make them more rewarding. Ensure that all those involved in work or job design (which means line managers) know what they can do and why and how they should do it.
- Develop and implement specific policies and practices in such areas as recognition, work-life balance, well-being programmes, concierge services, voluntary benefits, performance management, learning and development and talent management.

FINANCIAL REWARDS

Compensation or reward management is concerned with the formulation and implementation of strategies and policies which are to reward people fairly, equitably and consistently in accordance with their value to the organizations and to help the organization to achieve its strategic goals. It deals with the design, implementation and maintenance of reward systems which aim to meet the needs of both the organization and its shareholders.

Direct Compensation:

Direct compensation refers to the monetary benefits offered and provided to employees in return of the services they provide to the organization. The monetary benefits include basic salary, house rent allowance, conveyance, leave travel allowance, medical reimbursements, special allowances, bonus, provident fund/gratuity, etc. They are given at a regular interval at a definite time.

Medical Reimbursement

Organizations also look after the health conditions of their employees. The employees are provided with medi-claims for them and their family members. These medi-claims include Health-insurances and treatment bills reimbursements.

Special Allowance

Special Allowance such as overtime, mobile allowance, meals, commissions, travel expenses, reduced interest loans, insurance, club membership, etc., are provided to employees to provide them social security and motivate them which helps in improving the organizational productivity.

Bonus

Bonus is paid to the employees during festive seasons to motivate them and provide them social security. The bonus amount usually amounts to one month's salary of the employee.

Leave Travel Allowance

These allowances are provided to retain the best talent in the organization. The employees are given allowances to visit any place they wish with their families. The allowances are scaled as per the position of employee in the organization.

Conveyance

Organizations provide cab facilities to their employees. Few organizations also provide vehicles and petrol allowances to their employees to motivate them.

House Rent Allowance

Organizations either provide accommodations to its employees who are from different state or country or they provide house rent allowance to its employees. This is done to provide them social security and motivate them to work.

Basic Salary Salary is the amount received by the employee in lieu of the work done by him/her for a certain period say a day, a week, a month, etc. It is the money an employee receives from his/her employer by rendering his/her service.

Indirect Compensation:

Indirect compensation refers to non-monetary benefits offered and provided to employees in lieu of the services provided by them to the organization. They include Leave Policy, Overtime Policy, Hospitalization, Insurance, Leave Travel Assistance Limits, Retirement Benefits, Holiday Homes and flexible timings.

Overtime Policy Employees should be provided with the adequate allowances and facilities during their overtime, if they happened to do so, such as transport facilities, overtime pay etc.

Hospitalization

The employees should be provided with the adequate allowances to get their regular check-ups, say at an interval of one year. Even their dependents should be eligible for the medi-claims that provide them emotional and social security.

Insurance

Organizations also provide accidental insurance and life insurance for employees. This gives them the emotional security and they feel themselves valued in the organization.

Leave Travel

The employees are provided with the leaves and travel allowances to go for holiday with their families. Some organizations arrange a tour for the employees of the organization. This is usually done to make employees stress free.

Retirement Benefits

Organizations provide pension plans and other benefits for their employees which benefits them after they retire from the organization at the prescribed age.

Holiday Homes

Organizations provide holiday homes and guest house for their employees at different locations. These holiday homes are usually located at the hill station and other most wanted holiday spots. The organizations make sure that the employees do not face any kind of difficulties during their stay in the guest house.

Flexible Timings

Organizations provide flexible timings to the employees who cannot come to work during normal shifts due to their personal problems and valid reasons.

Leave policy

It is the right of the employee to get adequate number of leave while working with the organization. The organizations provides paid leaves like casual leaves, medical leaves (sick leaves) and maternity leaves, statutory pay etc.

Broadly, the compensation includes wages, salaries, financial and non-financial benefits. Wage and salary are the main components of compensation and all the workers and employees are getting wages or salaries.

MOTIVATION

Motivating other people is about getting them to move in the direction you want them to go in order to achieve a result. Motivating yourself is about setting the direction independently and then taking a course of action that will ensure that you get there. Motivation can be described as goal-directed behaviour. People are motivated when they expect that a course of action is likely to lead to the attainment of a goal and a valued reward – one that satisfies their needs and wants.

The term motivation is of Latin origin, it means move, moving. The question of motivation was investigated by researchers from different fields and the results vary accordingly.

Motivation can be defined from a psychological standpoint as **an internal state of consciousness compelling a certain, defined behaviour.**

The term 'motivation' is derived from the word 'motive'. 'Motivation' is the process of inspiring people in order to intensify their desire and willingness for executing their duties effectively and for co-operating to achieve the common objectives of an enterprise. In other words, it means to induce, instigate, incite or prompt someone to a particular course of action forgetting the results expected from him.

According to E.F.L. Brech-“ Motivation is a general inspiration process which gets the members of the team pull their weight effectively to give their loyalty to the group, to carry out properly the tasks they have accepted and generally to play an effective part in the job that the group has undertaken.”

Characteristics of Motivation

Human Aspect-Motivation is concerned exclusively with the human side of an enterprise. It means a process of stimulating human beings to make action forgetting desired results. It creates will to work in the individuals. If a manager can enthuse, initiate and build up loyalty of the employees towards the achievement of the enterprise objectives with their willing co-operation, the sum total of all these will amount to motivation. Thus, motivation is a behavioural concept that directs human behaviour towards certain goals.

Psychological Concept-Motivation is psychological concept which generates feelings of certain needs within an individual. Human needs are nothing but feelings in the mind of a person that lacks certain things. Such internal feelings affect the behaviour of the person. The workers, even with extraordinary abilities, will not be able to perform as desired unless they are effectively motivated. Effective performance on the part of the workers can be said to be the end result of their abilities backed by proper motivation. Thus,

Performance=Motivation x Abilities

Need-Satisfying Activity -Motivation is related to satisfying human needs. It can be effective only upon an accurate analysis of the workers' needs for the satisfaction of which they can be induced to work in the desired manner. A worker will perform the desired activity only so long as he sees his action as a means of continued fulfillment of his cherished needs. All motivated behaviour on the part of human beings is directed towards satisfaction or fulfillment of needs.

Motivation is Total not Part-A worker cannot be motivated in parts. Each individual in the organization is a self-contained and inseparable unit and all his needs are inter-related. These affect his behaviour in different ways. To be successful, motivation must take a worker as an indivisible unit and seek to appeal to all his urges and aspirations.

Financial and Non-Financial-Motivation may assume several forms depending upon the needs, emotions, and sentiments of the workers. Broadly speaking, it can be classified as financial and non-financial. Financial motivation may be created by way of increasing wages, allowances, bonus, prizes, and other perquisites; while non-financial motivation may take the form of praise, recognition, providing greater responsibility or increased participation in decision-making, etc.

Constant Process- Human needs are infinite. As very aptly put by Abraham H. Maslow, “Man is a wanting animal—as soon as one of his needs is satisfied, another appears in its place. This process is unending...” This means motivation cannot be a time-bound process. It is continuous.

Role or Importance of Motivation

Motivation is one of the most important factors determining organisational efficiency and effectiveness. All organizational facilities will go waste in the lack of motivated people to utilize these facilities effectively. Every superior in the organization must motivate his subordinates to create in them the will to work.

Removal of Apathy-It is the considered view that the workers as a rule do not exert adequate energy for the accomplishment of a task assigned to them. This is because they are somehow dissatisfied with work, work situation or with the management authority. Motivation removes this apathy of the workers for peak performance.

Combining ‘Will to work’ with ‘Capacity for work’-The will to work differs from the capacity for work. A man may have the capacity for doing a work having physical strength, technical skill, sufficient intelligence and mental alertness; but he may not have the mentality to apply them in full to his work. Motivation removes this psychological barrier and combines the will to work with the capacity for work of the workers.

Securing Full Support and Energy of the Workers-The vital mark of a successful manager is his capacity to ensure full support and co-operation of the workers with their energy, ability and enthusiasm. “You can buy a man’s time, you can buy a man’s physical presence at a given place, but you cannot buy his enthusiasm, initiative or loyalty and his capacity, will and energy without motivation. “The vital mark of a successful manager is, thus, associated with motivation.

Understanding the Employees’ Needs-Motivation makes the managers understand and realise the needs of the employees and gives satisfaction to them accordingly. If there is this understanding, and motivation works behind it, the managers are sure to receive needed co-operation of the employees for the profitability of the enterprise.

Maximum Utilization of the eResources- Motivation inspires the workers to make the best possible use of different factors of production. They work whole-heartedly to apply their abilities in minimizing waste and cost. This will enable the enterprise to utilize its human, physical and financial resources to the maximum.

Increase in Efficiency and Output-Motivation is an effective instrument in the hands of the managers to maximise efficiency of operations and output of the enterprise. Motivated employees put higher performance as compared to other employees.

A happy and contented work force ensures improved efficiency and higher output. Increase in labour productivity results in higher wages for the workers and increased profits for the enterprise. The high performance is a must for an organization being successful and this performance comes through motivation.

Low employee turnover and absenteeism-Motivated employees stay in the organization and their absenteeism is quite low. High labour turnover and absenteeism create many problems in the organisation. Existence of attractive financial and non-financial incentives helps to retain the employees . They are not easily tempted away by offers from the competitors. With reduced labour turnover it becomes possible for the enterprise to plan its activities on along -term basis.

Acceptance of Organisational Changes-Organisations are integral parts of the society. The changes taking place in the society, i.e. changes in technology, knowledge, value system, etc., require an organization to incorporate those changes to cope up with the requirement of the time.

When these changes are introduced in the organization, there is a tendency to resist changes by the employees .However ,if they are properly motivated, they will accept, introduce and implement these changes and keep the organization on the right track of progress

Better Industrial Relations- Existence of attractive motivational schemes promotes closer identification between the enterprise and its workers. They merge their individual interests with the organizational objectives. There arises a sense of belonging and mutual cooperation at all levels. Motivation will foster team spirit among the workers. This reduces labour unrest and create better relations between the managers and workers.

Facilitating other Functions of Management-The successful accomplishment of different functions such as planning, organising, directing, coordinating and controlling- all are inter-linked with motivation. Motivation is the right force that can make planning successful, organization sound, direction forceful, co-ordination tight and control effective.

Types of motivation

Psychologists insist on differentiating between **motivation** and **motivating**. The subject of the **motivation process** is the individual. The person feels an internal compulsion or motivation to maintain or control a certain behaviour. Internal motives can differ from person to person. The **motivator** is the person who exerts influence and supports the given individual to achieve his or her goals. Thus motivation is connected with incentive as a means of helping a person in realizing his objectives and desires. Motivation and incentive are devices triggering unsatisfied

and new needs impacting the individual's internal motives. Thus motivation is internal compulsion, motivating is external incentive. Motivation is not only interpreted in an everyday context influencing human behaviour and action, but motivation at the work place can be defined clearly as well.

The two types of motivation are intrinsic motivation and extrinsic motivation. **Intrinsic motivation** : Intrinsic motivation can arise from the self-generated factors that influence people's behaviour. It is not created by external incentives. It can take the form of motivation by the work itself when individuals feel that their work is important, interesting and challenging and provides them with a reasonable degree of autonomy (freedom to act), opportunities to achieve and advance, and scope to use and develop their skills and abilities. Deci and Ryan (1985) suggested that intrinsic motivation is based on the needs to be competent and self-determining (that is, to have a choice). Intrinsic motivation can be enhanced by job or role design. According to an early writer on the significance of the motivational impact of job design (Katz, 1964): 'The job itself must provide sufficient variety, sufficient complexity, sufficient challenge and sufficient skill to engage the abilities of the worker.' In their job characteristics model, Hackman and Oldham (1974) emphasized the importance of the core job dimensions as motivators, namely skill variety, task identity, task significance, autonomy and feedback.

Extrinsic motivation: Extrinsic motivation occurs when things are done to or for people to motivate them. These include rewards, such as incentives, increased pay, praise, or promotion; and punishments, such as disciplinary action, withholding pay, or criticism. Extrinsic motivators can have an immediate and powerful effect but will not necessarily last long. The intrinsic motivators, which are concerned with the 'quality of working life' (a phrase and movement that emerged from this concept), are likely to have a deeper and longer-term effect because they are inherent in individuals and their work and not imposed from outside in such forms as incentive pay.

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