

Employment and total rewards

[Sociology](#), [Empowerment](#)



The aim of this paper seeks to examine the concept of total rewards in the process of increasing prominence in organisations. Total Rewards is best described as a business strategy that “ includes financial and non-financial complementary elements designed to recruit, develop, retain and motivate employees”(OSP 2003). “ Employees working for a total rewards employer tend to be more motivated, productive, and happy”. (eHow 1999) As a result is “ the business thrives”(eHow 1999) and prominence. In this paper, I will following this concept to explore more detailed of effectiveness total reward in the organisation prominence.

The concept of rewards has developed over the time to represent more than just to pay cheque an employee at the end of the month. The concept of total rewards was emerged in the 1990s as a new way of thinking about the deployment of compensation and benefits, combined with other tangible and intangibles ways that company seek to attract best people. (Richard val del Walt 2010) As defined by Manus and Graham (2003), total reward ‘ includes all types of rewards-indirect as well as direct, and intrinsic as well as extrinsic’. Michael Armstrong 2006) The direct reward is what an employee receives from the employer in bank account such as base wage, bonuses, commission. Indirect rewards, often called “ benefits” refers to that part of the total reward package in addition to direct pay, such as health& life insurance cover, retirement & pension plans, health care, company car and mobile phone (Koala Consulting and Training 2008). “ There are extrinsic rewards, which cover the basic needs of income to survive (to pay bills), a feeling of stability and consistency (the job is secure), and recognition (my workplace values my skills).

On the other hand, there are intrinsic rewards, the most important of which is probably job satisfaction, a feeling of completing challenges competently, enjoyment, and even perhaps the social interactions which arise from the workplace". (Koala Consulting and Training 2008) The ability link and balance all aspects of rewards together helps organisations achieve themotivation, commitment, engagement and development of employees. The consequence is profitability, efficiency and prominence in organisation.

The most companies who use the total reward strategy simply mean to provide " benefits and a positive place to work" (Patricia K. Zingheim and Jay R. Schuster 2002), but " this makes a company attractive to the workforce in general but perhaps not to those who will make enterprise prosper. The companies need to fashion workplace to be attractive to people who are wanted to adding value to the business". (Patricia K. Zingheim and Jay R. Schuster 2002) To increase prominence and efficiency in organisations is responsible equally as an employer, as employees.

The employer responsible to creates an atmosphere in which the best people will want to work in company. " It is true that the best people will work more than pay". (Patricia K. Zingheim and Jay R. Schuster 2002). The total rewards scheme concept is simply about the creating an atmosphere by financial and non-financial benefits given to employees in trade for their service, time, abilities and their efforts to support the company. The " top talent" (Patricia K. Zingheim and Jay R. Schuster 2000) wants to work for the company provide better workforce deal that involves the four total rewards components.

The compelling future is important for the employees, because they want to “be able to draw self-esteem and satisfaction from working in the organisation. Employees want to feel that the organisation has optimistic and positive vision, direction and growth of the future and a set of values that they can support”. (Employment studies [n d]) The company that focuses on individual growth gives opportunity an employee for training, coaching and personal development. (Patricia K. Zingheim and Jay R.

Schuster 2002) Also, the employee wants to work in organisation where workplace is positive. This means bestleadership, team working and opencommunication. Roles and workingenvironment“ should be designed around employees” (Employment studies [n d]), with a focus on their future development. “ Employees need to feel that what they do is important and to understand how their role relates to the organisation’sgoals”. (Employment studies [n d]). The last component is total pay. Total pay involves basic pay, performance-related pay, benefits, and feedback or recognition.

All the elements that involve total pay are good way “ to address individual need and preference”. (Employment studies [n d]) For example, “ performance-related pay to emphasise results; benefits to provide protection from life and health hazards, in addition to holidays, recognition and feedback”. (Employment studies [n d]) Some companies can balance the four components or choose the only one, for example some companies may have very strong total pay, but the poor work environment. Other companies may have weaker total pay but develop people, provide a positive workplace.

Also, there are five elements of total rewards model, WorldatWork (2011) presented the each of which helps to make the strategy to attract, motivate and retain employees. These elements are: compensation, benefits, work-life balance, performance & recognition and development and career opportunities. The compensation includes four basic components, such as “ fixed pay – Also known as “ basic pay”, fixed pay is nondiscretionary compensation that does not vary according to performance or results achieved. It usually is determined by the organization’s pay philosophy and structure.

Variable pay – Also known as “ pay at risk”, variable pay changes directly with the level of performance or results achieved. It is a one-time payment and must be re-established and re-earned each performance period. Short-term incentive pay – a form of variable pay, short-term incentive pay is designed to focus and reward performance over a period of one year or less. Long-term incentive pay – a form of variable pay, long-term incentive pay is designed to focus and reward performance over a period longer than one year. Typical forms include stock options, restricted stock, performance shares, performance units and cash”. SARA 2010) Hroot (2007) said while one of the most traditional elements of total rewards, it remains a essential for business success. Benefits area constantly challenged and expanding during the last time from just , holiday, health-care benefits to benefits programs which protect employees and their families from financial risks and can categorized such as retirement and medical and dental insurance, as well as non-traditional programs, such as identity theft and pet insurance.

Life-balance area focused to help employees do their job effectively, such as flexible scheduling, telecommuting, child-care programs, etc.

In talent management, performance involves the association of organizational and individual goals toward business success. Recognition is a way for employers to pay special attention to workers for their accomplishments, behaviours and successes. Recognition is necessary to support the value of performance improvement and promote positive communication and feedback. “ Development a set of learning experiences designed to improve employees’ practical skills and competencies. Development engages employees to perform better and engages leaders to advance their organization’s people strategies. Career pportunities area focuses on the planning for employees to go forward theircareer goals, and a more responsible position in an organization. The development and career opportunities involve the learning opportunities and coaching, such as newtechnologytraining, attendance at outside seminars, conferences, virtualeducation, leadership training and formal or informal mentoring programs”. (SARA 2010) Full understanding of total rewards concept, key components and elements give opportunity to implement the total reward strategy to attract best people, talent, keep them and have them perform well.

After all, effective reward systems help an organization not just retain key employees, but also be more competitive and reduce turnover. The ability to understand the purpose of total rewards helps recognise and identify the main powerful types of total rewards to be more competitive and avoid the staff turnover. Staff turnover is the most serious problem for the company.

The reasons to leave the organisations are: " I'm not sure there's a future here for me. ", " I just don't feel like this is the right place for me. ", " I'm not sure I want to be doing this for the rest of my life. " and " I think I can make more money elsewhere. (The Vision Link Advisory Group [n d]) With an understanding of the reasons people leave an organization, the organisations can easily to improve these areas of an organization's by using the total rewards strategy to creating and sustaining a culture that is not copy able - which is essential to maintaining a competitive advantage in the market place (The Vision Link Advisory Group [n d]), but if the company will ignore the reasons why people leave the company, there are affecting them in many ways, such as high staff turnover, conflict, stress, low productivity, bad company image and lose of the business.

The main issue to implement the total rewards strategy is turnover. There are many consequences such as lost of best employees, time and cost of selection and recruitment process, poor performance, conflict, stress and poor company image. The turnover is split on two categories voluntary turnover where employee chooses to leave. The key reasons include better career opportunities ; development, increased compensation and better work environment.

Involuntary turnover is when employer is asked to leave for reasons including poor performance or development, an inappropriate behaviour and attendance of employee. To replaces an employee the HR Management department, which is responsible for the recruitment and selection process should prepared all relevant procedures to recruit new worker. Recruitment

and selection process are very expensive and also considers the costs and consequences of employee turnover.

There are financial, community and workforce impact. “ Every time an employee leaves and has to be replaced, an operation incurs a number of direct financial costs, including administration costs associated with processing resignations and dismissal, time taken up in conducting exit interviews, productivity losses associated with impending departure. Lost productivity and additional costs such as overtime or contractor payments to cover for vacancies created by this departures.

Recruitment costs such as advertising, employment of job search agencies, time and resources spent in processing applications, staff time involved in selection interviews. Also the training and start-up costs, because the time of trainers and staff and of new employees taken up in inductions and on the job training, loss of productivity until the new employee reaches full production potential”. (David Brereton, Mining David, Ruth Beach. 2003) “ In fact, last year it was estimated that filling each staff vacancy in a business costs the employer between ? 4333 and ? 7750. ”(J. A.

J Aaronson 2010) In addition to financial costs, high turnover is very negatively affects operational efficiency, such as a close teamwork, because instability in the workforce, consequences can include increased stress and tension amongst those remaining employees who have to fill the gaps left by departing employees, declining employee morale, and decreased productivity. (Pinkovitz, Moskal et al 1997)The companies which have staff turnover can't to invest in training and career development for staff, which is

so important for the employees, because have big losses in recruitment and selection process.

The ability to implement and develop the total rewards system will give many benefits to achieve organisational goals, make company efficient and prominent. The benefits of total rewards approach are: “ greater impact- the combined effect of the different types of rewards will make a deeper and long lasting impact on the motivation and commitment of people”. (Michael Armstrong 2006) The total rewards and “ Maslow’s need hierarchy theory (1954) is very considered.

Maslow proposed the motivation is a function of five basic needs- physiological, safety, love, esteem and self-actualization and explained that a person’s physiological needs must be firstly met followed by safety needs, and so on up the need hierarchy. When designing total reward strategy, employees’ multifarious needs must be well considered, Maslow’s points will help the organization reach its expectation”. (Zhou Jiang 2009)” Employee will give their maximum when they motivated and have a feeling or trust that their efforts will be rewarded by the management.

There are many factors that affect employee performance like working conditions, worker and employer relationship, training and development opportunities, job security, and companies overall policies and procedures for rewarding employees. Among all those factors which affect employee performance, motivation that comes with rewards is of utmost importance”. (Nadia Sajjad Hafiza, Syed Sohaib Shah, Humera Jamsheed, Khalid Zaman 2011) A satisfied and motivated employee and work force by tangible and intangible rewards can definitely help sustain productivity.

Job satisfaction plays an important role in employee commitment and in reducing employee absenteeism and boredom at work. Smith (1992) believed that job satisfaction could lead to cost reduction by reducing absences, errors and turnovers which leads to greater productivity and economic and industrial growth which is a major drive of most organisations. The result of total reward strategy is happy motivated employees and their “ appreciation, meeting the new challenges, positive and caring attitude from employer, and job rotation after attaining the goal”. (Nadia Sajjad Hafiza, Syed Sohaib Shah, Humera Jamsheed, Khalid Zaman 2011) The second benefit of total rewards is increased flexibility in the total rewards approach “ allows awards to be mixed to fit the various needs of the employee. Flexibility has become an important factor in work-life balance. Organizations are recognizing the constraints many workers are facing and providing them with alternatives to ensure the motivational and emotional needs of the employees are met.

Some flexibility rewards that have been implemented in many organizations are instilling various scheduling options and providing telecommuting options. More companies are instituting new work schedules which include longer days but shorter weeks, i. e. 4 days @ 10 hours as well as allowing employees to work from home. With technology becoming more advanced, employers can meet with employees via the web and documents can be faxed or emailed. Increased flexibility is both beneficial to the employer and the employee”. (Cyberessays, Divaqueen. 011) The other benefit of total rewards Michael Armstrong (2006) said is talent management- relational rewards (learning, development and work environment) help to deliver a

positive psychological contract and this can serve as a differentiator in the recruitment market that is much more difficult to replicate than individual pay practices. The organisation can become an ‘ employer of choice’ and ‘ a great place to work’; the result is attracting and retaining the talent people it needs. There are many advantages from managing talent, such as makes company more competitive in competition.

The company that try developing and producing super-talented people is “ always best to compare products or services to competitors. This important process of the company increased sales effectively and efficiently. With the position more competitive than the competition, a company can automatically effective market penetration and gain greater market share. Gain market share means more sales of the company increases significantly”. (Business 2011) The ability correctly implements the total rewards strategy give organisations opportunity to become efficient and competitive over competitors.

Mary Mosqueda, (2008) said developing the correct mix for the total rewards strategy is the key to employing and keeping the best talent. The first step is identifying the culture, employee climate, and employee demographics. This can be determined through an employee appraisal system, focus groups or key employee interviews. After identifying what drives employee motivation, commitment, and loyalty for organization, also the importance to determine how much organisation are willing to spend. The second step involves creating a road map or a total rewards philosophy/strategy.

The importance of discussion on relevant question related to the total rewards strategy. The question such as: “ What transactional and relational
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rewards company already offer? ", " What compensation, benefits and work/life programs should the company offer to remain competitive in industry? ", " What is overall commitment to company's financials and employees? ", " Who is the company's competitors and peers rewards programs? " These entire questions give opportunity to think of development general total rewards strategy.

Mary Mosqueda, (2008) said the third step is development of policies and procedures regarding the use of new benefits, learning environment, development and compensation systems. These policies establish the flow of the process and secure the integrity of both the company and employee. Management can easily include these policies into an employee manual or handbook. It is very important that senior management is on board with any changes or new policies with regard to employee total rewards programs, then, the fourth step in this process involves including top management from the beginning.

Educating management on how to successfully implement these strategies with their employees is critical. Managers and employees need to understand the process and learn how total rewards can help them in achieving objectives and further company's financial goals. This can be achieved through different methods of communication. Communication is next step of the implementation, which is vital to the successful result of total rewards strategy. If this is not communicated properly, it is all for naught.

The communication of rewards strategy can be by emails, meetings, newsletters, representatives; etc, " Communication should support
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development strategy and achieve a win-win situation for both the organisation and employees. As employees contribute to the organisation in achieving its goals, those same employees need to share in its success. To encourage this win-win situation, senior management needs to ensure that employees have a clear direction and that they feel valued by receiving appropriate rewards. ” (Michael Silverman, Peter Reilly. N d]) Also, the total rewards strategy has a poor result, if development and implementation process is incorrect, because” applying too much motivation or offering too many rewards can also have a negative effect. Employees can become over-confident. They may feel that they are the bosses' favourite workers, even if they start to slack off on their work and responsibilities or test the limits of their working relationship with their supervisors”. (Amelia Jenkins, Demand Media [n d]) Anyway using total rewards strategy the organisation motivate, build a good atmosphere and relationship with employee that fosters a sense of trust.

In a good relationship, employees may feel respected and comfortable in their working environment. Providing rewards, both tangible and intangible make employees happier. Happier employees often perform better at work and proud of their company. Conclusion This essay examined the concept of total rewards and the reasons for its increasing prominence in organisation. The components, elements and benefits of total rewards make the clear understanding how it is important for the organisation on the whole.

The total rewards have a positive influence on the employee base and the company, because the ability to give the right rewards to the right employee makes the win-win result. Employees who know they will be rewarded for

their efforts, talent and development will continue to perform well and maintains employee satisfaction. When, employees talk about organisation with good reward system and their development, opportunities, good payments and environment, its make organisation more attractive. Over the time a reputation and company image go up.

In addition, an organization's reputation makes an impression on current and future clients, which can significantly improve the company's worth and profitability. There are more consequences of reward strategy such as happy and satisfy employees, good atmosphere, reduce the staff turnover, good reputation and profitability. It is make the organisation very prominent. References Michael Armstrong (2006).