

Understanding the present interest of employers commerce essay

[Business](#)



At present, the interest of the employers have increasingly become clear on the performance management and rewarding the employees based on their performance. This trend has resulted in individual Individual Performance Related Pay (IPRP) which is a method of payment where an individual employee receives increases in pay based wholly or partly on the regular and systematic assessment of job performance (Acas, 2005) . This concept was adopted mainly in western countries during 1990 s in most of respectable (white collar) employment. In traditional employee motivation, reward concerned only with wages and salary administration, however at present, rewards are considered to be more than simply pay. Employees on the other hand also expect non-pay benefits such as promotion, recognition, responsibility, pensions, benefit packages etc. Thus, rewards and motivation play an integral part of human resources management in a firm. In the early management theories labour management was viewed as management of figures and procedures (Yates, 1937; Urwick, 1937) Therefore, reward was only considered to be financial benefits such as wages . This has given little consideration for non financial rewards. Also, during nineteenth and early 20th century, it was seen that the business owners were struggling to keep control of the effort side of the employees (Hinton, 1986; Lovell, 1977) Employees also worked in the small cottages only as hard as their subsistence needs were met. The owners on the other hand found difficulty in keeping regular hours of work in order to constitute a fair day. In order to overcome this, a butty system of wages was implemented by owners where the workers were hired on the spot for work day s contract. However, skilled employees (contractors) had the control over the reward and the effort they

put in performing the tasks. The system of scientific management developed by Taylor breaks down the work into job profile and specific elements which can be timed, rated and measured. This led to the determination of speed and ability to manage the work (Taylor, 1964) This allowed managers to reassess the control over the productivity and output and hence the determination of wages. However, this measured work technique did not address the issue of convincing the employees to take their work seriously and perform at higher productive levels. Also, the different mechanisms such as time-worked , hourly rates, monthly and annual wages were tried by the employers in collective bargain until fair wages regulation was introduced in 1891. However, subject of rewarding has always been an evolving which was described as bundle of returns in exchange of the cluster of employees contribution (Bloom 1996: Milkovich, 1996)Rewarding became essential in order to motivate the employees towards achieving higher targets and to recognise the desirable behaviour towards organizational success. In psychology, motivation is defined as the driving force which causes an individual to achieve his goals. In the performance management , it is important that such driving force is influenced in order for the individuals to achieve the organizational goals. This can be done by reward and recognition. Traditional theories of motivation evolves from the incentive theory which suggests that if a reward, whether tangible or intangible, is presented to an individual after the occurrence of a particular behaviour (or action) , it drives the individual to perform the behavior again. This is achieved by linking a positive meaning to individuals behavior. It has been found that show that if the individual is presented with the reward

immediately, the effect of motivation to perform would be greater, and it decreases if the time between the action and the reward is higher.

Repetition of action-reward for a particular task can transform the action into a habit. Motivation resulted from the reward can be arise from two sources: oneself (i. e. intrinsic motivation), and other people (i. e. extrinsic motivation) respectively (Kerr, 1995) Such motivational theories are applied in organizations in order to drive the employee performance through financial and non financial rewards. Also, the Carrot and the Stick Approach postulated by Jeremy Bentham, it was mentioned that an employee will work only if the reward is great enough and the punishment is unpleasant. This approach was widely developed during industrial revolution around 1800 s. This concept is based on the view that people are self-interested and they perform in order to find pleasure and avoid being hurt and feeling pain. Even in modern industries, this theory still holds valid. Reward and punishment is still considered to be a strong motivator. At the same time, in all theories of motivation, the inducements of some kind of carrot are recognized. Often this is in the form of cash payments or bonuses. Even though , it has been argued that money is not the only firm of motivation, it has been a predominant factor in employee performance and rewarding. The disadvantage of money carrot traditional theory is that too often every employee gets a carrot, irrespective of specific individual performance through such practices. Also, automatic merits increase as the salary increases, and executive bonuses are not based on individual performance . Even though Carrot and stick approach has some advantages, it is not the best type considering the fact that it often gives rise to retaliation and

defensive behaviour, such as poor quality of work, trade unions, unwillingness to take risks in making decisions or perhaps dishonesty. However, on the other hand fear of penalty cannot be disregarded. As such, whether it is the team leaders, supervisors, executives or the managers the ability to manage or control is given with the power of their position is important. This is achieved by giving or withholding rewards and, where necessary imposing penalties of various kinds. This gives them ability to control the subordinates to a great extent. Secondly, Abraham Maslow's Need Hierarchy Theory is widely used in traditional reward and motivation techniques. This theory was put forward by psychologist Abraham Maslow. He has viewed main human needs in the form of a hierarchy, which is normally presented by a pyramid where it ascends from the most important needs to the lesser important needs as sets of needs, and he concluded that needs act as motivators to perform until they are satisfied. When one set of needs is satisfied, it will no longer act as a motivator. As per Need Hierarchy theory, these needs are listed as follows: Fig-1: Maslow's Hierarchy of needs (a) Physiological needs are considered to be the most important needs for sustaining the human life which include Hunger (food, water), warmth, sleep and shelter. Maslow established that until these needs are satisfied at least to a considerable degree which help the individuals to maintain life, no other motivating factor or rewarding can work in order to perform well. (b) Safety and security needs are the needs to be free of emotional or physical danger. This also includes the need to be protected against the fear of losing property, food job or any other basic need of life. Where the employers are concerned, the need of protection against any

emotional harm and loosing of job was used as a strategy to motivate the people inducing them to perform better in order to survive in the organization.(c) Social needs are the needs of people to be belonged and associated with social beings and to be accepted by them. The fact that people are trying to become friends and to belong to the others in one way or the other has been used in management to motivate the employees and develop strong team work environments.(d) Esteem needs were described by Maslow as the needs which people want to be satisfied once their need to belong is satisfied. People need to feel proud of who they are, what they are doing. This gives people, prestige, power and self-esteem. People need to satisfy the need of want to be held in esteem both by themselves and by others. Esteem need could be either internal such as need for achieving, self-respect, autonomy. Also, the external needs include attention and recognition.(f) Need for self-actualization is the highest need which an individual would look for once the other needs are satisfied. Maslow mentioned this to be the highest an individual want to achieve (self-fulfilment)In Maslow s theory, the important consideration is the fact that once the needs are satisfied, it does not become a motivator any more. And the individual will go to the next level of needs. In traditional management, based on this in addition to the salary increments, authority, promotions, bonuses were introduced based on that. Even though Maslow s need theory became very popular among the managers. However, research has not validated the theory. Nevertheless, the logic behind the theory and simplicity made the theory to be attractive in traditional motivation and reward techniques. Theory of X and Y (McGregor, 1960), states that an organization

can be managed in the following two ways. The first type called Y type deals with positive aspects and X type deals with negative aspects. The assumptions of theory X suggests that naturally employees tend to avoid work whenever possible and they do not like to work. Therefore, they have to be forced with threat, coercion or punishment in order for them to perform. Therefore, in this method, negatives were used as a motivator and the employees were avoiding the negative and start performing. This technique expected the employees to be more concerned about the job security, else risking of receiving formal warnings and possibly termination of employment. Theory Y on the other hands deals with the positive side of the employment, where it is assumed that the effort of the employees at work physically and mentally must be as natural as rest or play. It also assumes that average employee is willing to assume responsibility and if they are committed to the goals given to them, they exercise their own self initiative, direction and self-control in achieving those goals. As concluded by McGregor based on how the managers deal with the employees, the manager's moulding of behavior is based on grouping some assumptions. Also, it appreciates the employees imaginative, genuine and creative ability to solve the problems in a firm. However, the average human being's brain is partly used unless otherwise motivated. In analyzing this theory, a firm that runs on X theory lines is likely to be authoritarian in its environment. However, authoritarian in this context means authority, right of command and ability to enforce obedience. Whereas, Y type of organizations are participative where there exists an integration of the individual goals and the organizational goals. And individuals are expected to pursue and achieve personal. This in turns helps

the organization to achieve the organizational goals. However, this traditional theory of motivation has been widely criticized as it generalizes the human behavior and performance towards work irrespective of practical individual differences. Motivation-hygiene theory postulated by Frederick Herzberg's is another traditional theory which has actually tried to modify Maslow's Hierarchy of needs theory. This two-factor theory argues that there exists some dissatisfiers for the employees in the work place. Similarly there are satisfiers as well. Job satisfaction is associated with intrinsic satisfiers, dissatisfaction is associated with extrinsic factors. In his research, Fredrick tried to establish the answer for what employees expect from job?. In the survey conducted by him asking employees about the situations they described as extremely good or extremely bad. Based on the outcome, he concluded that removing the dissatisfying factors does not necessarily mean job satisfaction. Hence, the natural nature does not lead to motivation of the employees. Similarly, presence of satisfiers leads to motivation. However, absence of them does not mean demotivation. Figure -2 : Impact of Motivation-Hygiene Factors

In an organization, motivational factors include taking responsibility, employment advancement, growth and promotions, presence of achievable challenges, achievement of goals and recognition. Also, on the other hand hygiene factors include status in the organization, job security, personal life and well being relationship with subordinates and the supervisors and administration policies of the organization. Vroom's Valence x Expectancy theory is another traditional theory which argues that strength of motivation depends on the expectations that the performance will be followed by a given outcome which is simple and attractive to the

employees. Hence, employees can be motivated for better performance if they are made to believe that better performance results in recognition and the performance appraisal will bring about realisation of personal goals which may be in the form of a reward. Therefore, the following equation can be derived : $Motivation = Expectancy \times Valence$. Porter and Lawler Model was developed by Lyman W. Porter and Edward E. is a more complete version of motivation based on previous expectancy theory. Fig-3: Porter and Lawler Model of Motivation. This theory assumes that actual performance is determined mainly by the person's actual ability and the effort made. Also, the individual's ability and perception to take risks is also a determining factor. Therefore, performance is leading to intrinsic and extrinsic rewards. Further, satisfaction is based on the equity of rewards. Therefore, satisfaction depends on the fairness of the rewards received. Traditional pay structures usually involve evaluating the value of each job leading to a pay structure consisting of a number of grades from a minimum and a maximum. Individual performance related pay (IPRP) has transformed the traditional motivational culture into a new performance culture which is related to the value addition of the employees, where employees find it more appealing, and easy to implement. However, it has been found that that having IPRP not sufficient for changing the culture above two assumptions must be met for change. IPRP concept assumes that the employees are motivated by money payments whereas the traditional motivational theories suggest that money is not the only motivator or not even an effective motivator (Beardwell & Claydon, 2010) And the size of the pay package is determined by the individual's performance achievement. It is important to know that in this

method, what is important is the outcome of the performance to achieve results and not how it was achieved. Also, as suggested by studies, the IPRP in some organizations have met with criticism where it has associated with favouritism and perceived unfairness. Also, the appraisals leading to IPRP must be carried out in a highly trusted environment to drive the motivation successfully. It is also argued that linking assessments of the performance to the pay creates a tunnel vision where the employees become only concerned with the part of the job that results in the increase of the pay and paying less attention to the rest of the job role. (Kessler & Purcell, 1992) Also, in recent trends, IPRP has undergone structural changes that are encouraging team work. However, evidence shows that team based pay has not gained the same growth, with only around 10% of UK organizations using such team based pay schemes. However, the team based pay tends to facilitate a team-oriented structure and enhance cultural values in favour of team work. IPRP has also lined up with the profit-related bonus schemes which has the underlining concept that the employee share ownership schemes leading to the profitability of the organization. Such schemes are implemented as (a) Savings-related share option schemes or, (b) share Incentive Plans (SIPs). Among the reason for such implementation includes offering property rights to employees, helping unite employer and employee interests which results in higher satisfaction and productivity. Such performance related pay reflects the company performance instead of cost of living of the individual employees. Conclusion The interest of the employers in individual s performance related pay (IPRP) is more concerned with career development through new competencies which results in competitive advantage of the

organization. Further, Performance related pay is a method of paying people for their ability to perform (Armstrong, 2002: 289) , Also, competence-related pay is highly contextual depending on the competencies needed for the particular job. In spite of the benefits , IPRP is subject to feelings of favouritism and unfairness from employees a due to the fact that managers are able to apply this in an arbitrary way. Therefore, the performance appraisals must be done fairly without any discrimination and biasness. Such endeavour will be successful only with the commitment of the senior management , adequate resources and sufficient and accurate information from the employees in an organization. However, non-financial motivational factors are also important where employees needs for recognition, achievement, pride in work, influence, responsibility (Semler, 1993) and personal growth plays a major role in employee motivation to perform in addition to the pay and financial incentives.