

Establishing Rewards and Pay Plans

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Reward

- a thing given in recognition of service, effort, or achievement.

Reward

- The achievement and benefit received by employees for their job performance in an organization are known as **reward**.

Types Of Rewards

- Intrinsic
- Extrinsic

Intrinsic rewards

- Intrinsic rewards are the non-physical rewards. They cannot be seen or touched but are emotionally connected with the employees. In other words, intrinsic rewards can be defined as the feeling of satisfaction one finds in the completion of any task.
- Intrinsic reward is directly related to job performance as a successful task automatically produces it. Higher the success rate, higher will be the rate of intrinsic rewards one receives.
- Different people have different perception and therefore, there are various forms of intrinsic rewards, some of which are

Intrinsic rewards

- Sense of achievement
- Words of praise from the seniors
- Recognition
- Taking pride from the job
- Work freedom or autonomy

Sense of achievement

- It takes lots of efforts, skills, and courage to perform any task and there is no better feeling than the joy one feels seeing his hard work pay off

Words of praise from the seniors

- Employees become more than happy when their seniors or supervisors speak few words of appreciation for them in front of peers or co-workers

Recognition

- Everyone wants to be renowned at the place where they work. It is rewarding for employees when they are recognized by the co-workers and other members of the company for the work they've done. If implemented properly, [employee recognition](#) can benefit both employer and employees more than any monetary rewards.

Taking pride from the job

- People try to avoid the credit when the jobs are wrongly done. But they feel proud of themselves when the work is perfectly done. Such feeling of pride plays a vital role in motivating them to give continuity to make even better outputs.

Work freedom or autonomy

- When employees continue to make better output, supervisors may bother less to manage them. The freedom that employees receive to make their own decision and work as per their schedule is also a form of intrinsic reward

Merit Pay Plans

- Merit Pay refers to a performance related pay which provides
- Bonuses
- Base pay
- Increases for employees who achieve the target or perform their jobs effectively according to the measureable criteria.

Incentive pay plans

- Incentive pay plans offer workers a chance to increase their annual pay based on the overall business performance or individual performance.
- These **plans** are typically created in order to attract Potential employees and to retain individuals already working for the business
- An **incentive pay plan** is a part of a **compensation plan** that rewards higher productivity with bigger **pay**. Based on company policy, **incentives** may either be based on individual performance or the performance of the firm as a whole.

Labor Market Adjustment

- Identifying the appropriate labor market for various types of positions.
- Surveying the market to determine the salaries that are being paid for like positions.
- Identifying market trends such as merit and pay practices.
- Establishing, adjusting, and/or recommending salary changes and/or structures for staff positions.
- Consulting with management on their workforce needs

Compensation Administration

Companies derive their Compensation Programs from Job Evaluation.

Job Evaluation defines the appropriate worth of each job.

An effective, fair compensation program

- Attract
- Motivate
- Retain

Competent employees.

The Fair Labor Standard Act

Requires

- Minimum Wage
- Overtime Pay
- Child Labor restrictions
- Record Keeping

Equal Pay Act

- Equal pay Act of 1963 requires that men and women hired for the same job be paid the same.

Civil Rights Act:

- Prohibits Discrimination on the basis of gender(male/Female)
- Used to support comparable worth concepts
- Salaries established based on Skills, responsibilities, efforts and working conditions.

Job Evaluation and Pay Structure

- Job Evaluation defines the appropriate worth of each job.
- Job evaluation Provides help to set pay Structure
- Job analysis information determine the relative value, or rank of each job in the organization.

Job Evaluation Methods

- Ordering Method.
- Classification Method.
- Point Method.

Ordering Method

- A committee Places jobs in a simple rank order from highest (Worth Highest pay) to lowest.
- In this method each job as a whole is compared with other and this comparison of jobs goes on until all the jobs have been evaluated and ranked. All jobs are ranked in the order of their importance, from the simplest to the hardest or from the highest to the lowest.