

Employee Motivation, Remuneration and Benefits

Project: Employee Motivation, Remuneration and Benefits

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Abstract

This paper explores possible avenues available to assist in the retention of knowledge employees in skill intensive, highly competitive industry. Assuming that external factors are perfect¹, worker retention can be a direct result of sufficient employee engagement combined with positive motivation through incentivised reward systems. Basic review of literature is included to support this hypothesis with a particular focus to correlation between organisational support and employee engagement. I will acknowledge the vast diversity and demographic variety amongst employee pools with focus directed towards continual personal development and mutually beneficial balances between work and family responsibilities. The findings support the hypothesis that through greater perceived organisational support, employee engagement can be increased. It was found that by providing flexible working arrangements, increased worker autonomy and greater two-way communication, workers were more likely to feel an obligation to support their organisation and felt greater levels of satisfaction from their work. Incentives programs for skill development combined with performance based incentives found to be associated with higher worker performance, higher skilled work-force and a better sense of recognition. The paper concludes with recommendations concerning the current situation faced by Johnson Technology and employees identified as essential to future growth.

1 This paper makes no assumptions concerning external factors contributing to employee turnover. Instead, an analytic view is provided on controllable internal factors.

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1.0 Introduction

1.1 Background

With the advances in technology opening the global trade market, local companies are now forced to compete with large enterprise heavily supported by sophisticated technology, higher productivity and greater employment markets (de Silva, 1998). As business systems evolve and change, measurement and reward systems deserve close scrutiny (Kager, 2012). Worker remuneration can be considered the most important and contentious issue in the employee/employer relationship and represents an equal importance to employee, employer and government (de Silva, 1998). It has been said that for any given wage, an employee will minimise effort to maximise their utility (Sykes, 2012).

Traditional systems of remuneration have approached the issue on either a seniority based system or a merit based system (Kager, 2012) and have assumed that money maximization sufficiently describes the goals of agents (Burks et al., 2009). Seniority based system, while simplifying the process of remuneration, fail to encourage the development of new skills and abilities (de Silva, 1998). Merit, or performance based pay can help alleviate some of these issues but itself can be prone to favoritism and can result in rewarding those whom are most liked not best performing (Berger et al., 2011).

The retention of knowledge employees is seen as an increasingly important challenge for companies (Lumley et al., 2011) partly due to the increasing demand for quality talent brought about by technological advances (Singh, 2013). Employment opportunities for skilled employees are becoming available on a global scale and organisations are beginning to see employees as their most valuable asset (Lumley et al., 2011). Suitable remuneration, while a major factor, does not ensure the retention of employee's but instead retention is reliant on a strong sense of perceived organisational support that encompasses monetary and non monetary incentives (Rasouli et al., 2013).

Employee engagement has been described as the level of commitment and involvement an employee has to their organisation, it's culture and it's values (Anitha 2012). It has been said that employee engagement can be used to predict employee outcomes, organisational success and financial performance but is concurrently on a decline amongst employees today (Bates, 2004). An employee will engage themselves at work in varying degrees in response to their perceived resources they are given from their employer (Saks, 2006). High levels of employee engagement significantly reduce staff turnover and (Saks, 2006) and allow employees to perform better (Anitha, 2012).

Johnson Technology is currently lacking a suitable remuneration and benefits plan to ensure that key

knowledge personnel vital to successful operation remain within the company and sustain high levels of employee engagement. With these individuals identified, a plan must be developed that will be mutually beneficial, and one that takes into account the knowledge garnered from available literature. It is hoped that through this study, key factors in worker motivation, remuneration and retention can be identified that encompass the diverse needs of our employees.

1.2 Scope

This paper intends to analyse the current literature concerning attitudes and theories of incentivised worker motivation, engagement and remuneration with a diverse and skilled workforce. An investigation will be undertaken to determine the appropriate avenues available to Johnson Technology concerning the ongoing support of key personal within the company and development of a strong sense of organisational support and employee engagement. It is hoped that through this, they can maintain their industry advantage through a skilled and motivated workforce that hold a strong sense of company culture.

2.0 Employee Retention

Employee retention should focus on maintaining a welcome environment, member morale and organisational process (Singh, 2013). Although external factors like varying labour markets may influence a workers intention to change employers there is significant evidence that company culture and HRM practices can influence workers attitude (Applebaum et al. 2003). Mobley's turnover model (1977) shows that the process of turnover begins with an evaluation of an employees satisfaction in their current position. It has been found that the strongest indirect effects on the intention to stay were organisational support and trust in managers (Rasouli et al. 2013). Spector (1977) found that worker retention strategies can be classified into monetary and non-monetary strategies. Performance linked incentives and bonuses are commonly employed techniques of monetary strategies. Non-monetary strategies include appreciation and recognition (Spector, 1977) and strategies such as job Enrichment, participatory management and job rotation (Singh, 2013).

There have been numerous studies undertaken to determine the exact cause of employee satisfaction and motivation. Spector (1977) identified pay, promotion, supervision, benefits, contingent rewards, operating conditions, co-workers, nature of work and communication. Indeed it has been suggested that employees whom are satisfied with these factors feel more emotionally attached to and involved with their employers (Lumley et al., 2011), several factors have shown to be more affective than others.

It has been shown that employers wishing to increase employee engagement need to focus on the

perceptions of support the employees receive. When employees have the perception that their employer has concern for their well-being, they are more likely to fulfill their obligations and become more engaged in the organisation (Saks, 2006). Organisational support can be increased amongst key personnel by allowing a certain amount of autonomy with regards to management. Offering employees significant room to maneuver on organizing private and professional lives, implementing flexible working conditions and facilitating worker initiative through two-way communication (Rasouli et al., 2013) have shown to increase perception of organisational support as has employee training and development programs (Saks, 2006). The latter allows the employee to gain skills that might be beneficial in further gainful company advancement. Satisfactory working environments that foster constructive team and co-worker relationships have also shown to significantly improve employee engagement (Anitha, 2012).

3.0 Remuneration

The advent of flexible working conditions and work from home employees has influenced companies to readdress current pay schemes (de Silva, 1998). Performance appraisal and review can be made difficult as employees work a varying amount of hours or duties are performed out of common view of superiors. Piece -rate pay systems² fail to account satisfactorily for individual performance or ability and critics of performance pay argue that it can be the source of dysfunctional workplace behaviour (Prendergast, 2013) allowing negative feeling to develop. Empirical evidence also supports the view that diversity matters for incentives (Ferreira, 2001), and no one system will provide a suitable remedy for all workers situations.

Piece rates are generally based on predetermined agreements that initially take into account individual's performance while performance based incentives often combine team incentives with individual performance incentives (Pull and Stadler, 2013) and all that is required to implement such a system is identifiable team revenue and relative performance indicators for each team member contributing. The study went on to conclude that if the high costs associated with the measurements involved in piece-rate pay, performance systems might be more cost efficient options. A separate study found that even when it is possible to measure individual performance, the inherent teamwork of a workplace can cause social dilemma's with an individual performance metric and it does not adequately account for workers that are motivated by social or moral reasons. (Burks et al., 2009). Group based performance pay systems cause a workers pay to be determined by group performance. While it has been said that due to the Nth³ problem, high performers are likely to decrease performance after seeing earnings reduced by poor performers (Honeywell et al., 1997) the same study on small group

2 Piece Rate systems pay employees a fixed sum amount for a predetermined amount of time or production, eg. Hourly pay, yearly salary or pay per item production.

3 The 1/Nth problem describes a situation where the larger the group size, the lower the potential for individual reward.

incentives found that both individual and group incentives resulted in similar performance levels, both of which were significantly higher than piece rate pay structures. The same study went on to show that even though high performers can make more money with an individual incentive scheme, they did not perform better and both schemes were found to be equally rewarding to the employee. It was noted that these effects are subject to diminishing returns as the group increases in size, with the optimal group size of ten (10) and under.

Kruse (2012) found that the combination of group incentive policies empowered employees, created a positive workplace culture, lowers employees intentions to leave and raises return on equity. The study also found that group incentives prompt employees to participate in the decision process more and trust their superiors more, which stated earlier was a key element to employee engagement.

Performance pay alone though can fail to adequately take into account environmental factors that may influence employees performance (de Silva, 1998) and due to a variety of factors beyond the control of employees, it is often not possible to accurately link performance to pay (Burks, 2009). It has also be found that when performance is not perfectly observable, reward decisions of often based on subjective criteria (Berger et al. 2011).

Skill based pay sends the strong message that incentives are tied to the development of knowledge and skills. (Kager, 2012). Companies that are seeking to grow in knowledge capital need to adopt pay systems that not only recognize skill differentials but also provide an incentive to acquire skills and education (de Silva, 1998). By rewarding employees for completing skill and training objectives a culture of development amongst the employees and will allow them to retain and expand skills required for further advancement through the company. Skill based pay systems benefit most in high skill or high technology environments and create both horizontal and vertical loading opportunities for employers and employees.

4.0 A note on Employee Motivation

As shown in numerous studies (Kovach, 1987; Harpaz, 1990; Lindner 1998) and in the review above, adequate remuneration is not the sole deciding factor in determining worker motivation, rather Interesting work and satisfactory engagement linked with pay structure allow a worker to feel motivated to perform at their best. Offering employees flexible work arrangements such as flexible work hours, travel opportunities and remote or work from home options have been shown to minimise work-family conflict, promote work-family enrichment and improve employee function and performance at work and at home (Carlson et al. 2010) this was shown especially true for female employees. Conversely employees that are forced or expected to work unpaid or unscheduled overtime hours at irregular or unpredictable occurrences have shown increasing dissatisfaction with

their employer (Walsh 2007) which can lead to lower retention rates and higher HR costs.

5.0 Report Findings

5.1 Increasing Employee Engagement

It has been said that job satisfaction influences peoples attitudes towards their jobs (Lumley et al. 2011) and can be directly correlated to employee engagement (Saks, 2006). Earlier it was shown that a key factor in increasing employee engagement is increasing the perceived support an employee receives from their employer. This support should take into account the diverse needs and motivational requirements of the workers.

By allowing staff flexible working hours or work from home options and identifying possibilities for travel amongst locations, employees can adequately balance their home and work goals. As shown above, developing a system of group based performance incentives can reenforce company culture, encourage social interaction and promote group cooperation and skill sharing. As shown by Kruse et al. (2012) group incentive plans are more successful when employees feel a sense of participation and two-way communication, both of which have also found to be large contributing factors to employee engagement.

Offering the possibility of expanded roles within the scope of the company supported by ongoing training and skill development can allow the employees to explore new career avenues without the risk of seeking alternate employment. Management courses, specialist industry training or further tertiary education can offer staff personal development opportunities and while little research has been conducted into the cost of training versus return of investment it has been found that the number of existing skilled employees has a positive effect on training and development costs as mentoring systems and skill sharing becomes available (Blatter et al. 2012). Employees should be allowed sufficient time away from work for study to ensure optimal performance both with their job and development. Skill development should be backed by an appropriate remuneration system that rewards the development and application of skills.

5.2 Employee Remuneration

Studies show that when using performance based pay, meaningful pay distinctions must be made across employees (Kepes et al. 2009). It is important to ensure that our current key employees and indeed all employees are given the opportunity to further increase their pay position through the obtainment of new skills on knowledge. It was shown that skill based pay systems allow companies to reward the person performing the job and not the job being done (Kager, 2012) which in turn provides

greater recognition for performance and skill set.

It is not appropriate to apply individual performance criteria where the objectives include better overall performance through teamwork and the sharing of knowledge and skills (de Silva, 1998). With the concern of some key employees lacking teamwork skills, with one being described as a “loner”, this would support the previously stated evidence that group performance incentives should promote the team culture that is currently lacking or not present amongst the company's most gifted employees. Skill based pay structures have also shown to be most effective in those companies that require teamwork.

By combining group performance incentives combined with a skill based base pay structure it is hoped that Johnson Technology can foster an environment of personal growth, communication and teamwork and one which aims to reward those that both contribute the most and apply the most skill and knowledge.

5.2 Employee Retention

Singh (2013) Identified some of the main causes of intention to leave as no growth opportunities, lack of appreciation, lack of trust and support and stress induced by an imbalance of work and home life. Chew (2004) found that group relationship, corporate culture, organisational commitment and remuneration policy also influence a knowledge worker retention. By allowing staff to continually develop their skills and offering job enrichment opportunities of horizontal and vertical job enrichment, it is hoped that a culture of support is created. These opportunities can add greater job satisfaction and increase the sense of company support the employees feel.

Offering staff better two-way communication and providing opportunities for greater self management and creative process can help instill the perception of organisational commitment and support. Flexible working hours should be made available to employees that need to balance home and work life and if possible, the option of allowing suitable employees to work from home or remote locations. Some staff have expressed the desire to travel, whether nationally or internationally. With offices in several locations around the country as well as in Singapore the option to travel and work from variable locations should also be considered. Combined with ongoing training, job rotation and job enrichment, this should provide a variety of opportunities that will not only increase an employees self development but also allow them to increase their worth to the company.

In the advent that a member of staff wishes to leave, Exit interviews can provide greater knowledge into the possible reasons for leaving the company and allow policies to reflect changes in employee and market culture.

6.0 Case Studies

6.1 Case A – Ian

6.1.1 Background

Ian is an engineer for the company and has been employed for two (2) years. Ian has proven valuable to the company for his ability to innovate on new developments and brings with him an in depth product and industry knowledge. It has been assessed that Ian finds it difficult to work in team environments and lacks empathy and understanding for his fellow co-workers. He has expressed that he like to travel to remote locations.

6.1.2 Recommendations

Ian has been a great advantage to the company since his employment and brings vast industry knowledge so it is crucial to continue his tenure. Due to his lack of formal management training, Ian provides a great example where further training can benefit all parties. Tertiary education courses such as a Master of Business (MBA)⁴ offer skills in management, leadership and group motivation and can be completed in 18 months part time. This education would be sponsored by the company, as would relevant texts and non consumable materials. The cost of this would be partial offset by the ability to utilise materials again for additional employees and the accumulation of company knowledge.

The proposal to Ian could offer the ability to travel between locations as product manager, as well as greater expansion of benefits to reflect the new skills upon completion of the course. Flexible working arrangements would allow sufficient time away from work for exam's and other study commitments. As Ian has been described as having difficulty working in team environments, and if possible group based performance pay would support the development of group social skills and leadership. In the case of Ian working in several occasions, the possibility of implementing this system might prove difficult. In the advent that this proves correct, an individual performance system based on locational sales figures might provide some aspect of team goal development.

6.2 Case B – Josh

6.2.1 Background

Josh has recently joined the company and was recruited directly from university. He has been employed to continue research on new mining developments and equipment and is seen as crucial to

4 Similar to Griffith University (<http://www.griffith.edu.au/business-government/master-business-administrationg?clid=CMXEyd6unbwCFUdvvAodBzQA2A>)

maintaining the lead in industry innovation. It has been assessed that Josh has some difficulty with time management and group communication and becomes bored if not continually challenged. He has expressed interest in traveling overseas.

6.2.2 Recommendations

Josh has shown great intellectual and creative potential but it has been assessed that he lacks time management, communication and group interaction skills and loses focus on tasks that do not hold his interest. It has also been assessed that in order to prevent Josh from leaving the company, a generous benefits plan needs to be developed. The evidence shown above supports that knowledge employees need to maintain a sense of employer support. Further development of skills, ability to self manage and an adequate sense of reward that reflects ability have been shown to be effective in this situation.

Josh should be offered that chance to continue tertiary education, sponsored by the company, and provided all the benefits and exemptions that were stated previously for Ian, including skill-based pay incentives. To maintain task focus and group skills Josh could lead a small, skilled work team that maintains autonomy and is given creative flexibility. In order to assist in time management and communication skills, Josh could be mentored by a team member skilled in those aspects.

The team should be subject to generous team-based performance incentives and Josh should receive a generous individual performance bonus upon successful group performance to provide incentives for tasks normally considered mundane. Due to the skilled nature of his training, a skill-based base pay system will allow for recognition for existing skills and further development. It should be considered also that Josh be given the option of co-locating between multinational offices and if they arise, given the opportunity to further travel if new offices open.

7.0 Final Thoughts and Recommendations

Organisations worldwide are currently trying to create an employment brand and culture that will be attractive to both existing employees and new talent potential (Lumley et al. 2011). It is essential that Johnson Technology continue its stronghold on the industry through leading edge business practice and adapt and evolve employee incentive policies.

A suitable remuneration policy should be developed around the following criteria;

- Create a suitable environment that is equitable to employer and employee
- Obtain and retain skilled employees
- Reward the obtainment and development of skills and responsibilities
- Reward teamwork and goal sharing by incentivised group performance.

- Motivate and stimulate employees through a supportive combination of benefits and incentives
- Provide a competitive and fair balance that satisfies both employer and employee
- Maintain shareholder confidence and further the value of their investment
- Provide a system that is simple to understand and transparent to all employees

Through the introduction of flexible working hours, group-based performance incentives and individual performance incentives where appropriate, company sponsored training and further education and employee mentor programs the above criteria should be met. Consideration should also be given to employees wishing to travel beyond their current location and to the options available for work from home opportunities.

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