

New workplace, New reward systems?

The "workplace" has evolved dramatically in recent years. From the predictions of academics like Charles Handy more than twenty years ago to the reality of today, the evidence showing that the workplace is not as it used to be is irrefutable. These days, if businesses are to continue to attract the best people, and galvanize and sustain exceptional work performance, then it is obvious that the new work place demands a shift in corporate practice towards employees.

The imperative is for human resource practices to keep pace with the changes that are occurring - changes both in the nature of work and in the perceptions of workers. The objective for businesses is to strike the right balance between the attainment of business goals and the needs of employees within the confines of the modern workplace. Doing this effectively will increase the motivation of the workforce, as well as reduce or even eliminate the debilitating thoughts and feelings that constrain individual performance.

A key element in this regard is ensuring that reward systems are in line with the evolving desires of employees. Admittedly, no one single factor holds the key to attracting and retaining talented people, and direct financial rewards is not the best or only way. Instead, a combination of approaches are necessary, at the very least to ensure that the majority of workers feel valued and equitably compensated for their efforts. Much of the current reward structures have thus far failed to incorporate the new ways of working.

Work rewards: are they important?

Few can seriously question the importance of rewards in the workplace. From the organization's perspective, rewards aid attraction and retention of employees, facilitate satisfaction and commitment, and ultimately, enhances motivation to exhibit work performance. For individuals, apart from keeping us alive and at work, rewards give us a sense of being valued - the exchange equation plays a key role in rationalizing and justifying our investment with employers. Remuneration also bestows social status, and moulds self-esteem.

Invariably, there are many dissenting voices against the high importance attributed to rewards. There is evidence to suggest that work attitudes and performance are at best, only weakly influenced by the rewards people receive. One of the cornerstones of this view is that financial rewards may not change attitudes that underlie behaviour or commitment to any task, rather they merely alter them temporarily. The reasoning is thus that although too little money can irritate and de-motivate, this does not mean that more and more money will bring about increased satisfaction, much less increased motivation and performance. Many of us can point to people that are very highly rewarded, yet appear to expend no more work effort than is necessary. So the cautionary view of rewards is not necessarily totally out of place. However, apart from a very few that work for 'love', the vast majority of people will admit that the overriding reason for working is the rewards. After all, would you go to work and put in good effort for nothing at all?

In conceptualizing rewards, the first thing that comes to mind is 'pay' or 'income' that people receive in return for work performance. However, explicit cash payments have long been known to be insufficient to satisfy the goals of pay. Organizations have sought to strengthen the positive effects of rewards on performance by providing explicit cash payments, together with financial 'perks' (such as commission, bonuses, profit-sharing and stock option plans), supplemented by non-financial rewards (including vacations, sick leave, company car, holidays, contributions to life, health insurance and pension cover).

For many years, this combination of cash plus extras has been seen as sufficient to meet the needs of the workforce. The question today is whether this combination remains viable and effective in the workplace of today and tomorrow. One good reason for posing the question is the fact that traditional benefit packages of this type have been corporate practice for several decades. So this is certainly a good time to ponder whether they do reflect current employee needs and desires.

One piece of evidence that forms an accurate response is precisely the changes that the workplace has seen in those very same decades that make it necessary to ask whether all workers still want the same rewards.

There is good reason to suggest not; to argue that workers today are very different, both from the workers in years past, and within the working population. Three pointers to the changes in the modern workforce are:

Greater ethnic/cultural diversity - ethnic minorities are increasingly coming to form sizable proportions of workforces in developed countries. Today, the majority of businesses in developed countries have employees from several ethnic groups. Moreover, the participation of ethnic minorities is no longer

- relegated to menial occupations. While there is still a long way to go towards equality in the representation of ethnic minority groups in the workplace, today and increasingly so in the future, every level in all sectors of business will reflect cultural diversity.

Changing role of women - today, the vast majority of all women of working age are employed to some extent. A recent Labour Force Survey (1999) indicates that in the last ten years the proportion of females in the various types

- of employment is comparable, and in some cases is even higher, than males. Predictions suggest that the next ten years will see half of the workforce being female.

Changes in the makeup of the family - the increasing presence of women in the workplace has seen a shift away from a nuclear family structure in which men were the wage-earners and women stayed at home, to dual-income families, in which both partners are in paid employment. This is the dominant family

- model today, and the likelihood is that this will continue in the future. These changes have served to put additional strain on family life that is commonly reflected in employees facing crises after crises as they struggle to balance their work and personal lives with issues around working hours and childcare.

An even more pertinent change in the workplace is the nature of work that people do. In the manufacturing era, it was perhaps relatively straight-forward to calculate a modicum of fair rewards, for example, based on units of production. In the knowledge or information age of today, it is a lot harder, perhaps virtually impossible to accurately and objectively put a price on the work that people do. So, while it is difficult to establish whether and how to reward writing a report for example, knowledge workers are increasingly feeling that they are inadequately compensated for the qualities they bring to the job and organization.

What do these changes mean for reward structures?

The modern workplace is no longer the domain for the stereotypical Caucasian middle-class male. This group, although still a significant proportion of the workforce, can no longer be the basis of formulating strategies in the modern workplace. There is an intuitive logic in recognizing that the different categories of the workforce have distinctive needs and expectations. Added to this, there are several theories of motivation that emphasize that providing employees with rewards that they want and desire is associated with greater motivation to expend work effort. If rewards are to continue to bring the positive impact on work attitudes and performance, it appears that businesses will be wise to ensure that employees receive rewards that they want.

To highlight the point, it is no longer enough to provide every worker with share ownership schemes simply because not everyone wants company shares. Many will have much more pressing needs. For example, many working mothers are likely to value fewer working hours or assistance with childcare as opposed to shares. Similarly, a couple that are both working will not necessarily want two company cars, two private health plans, etc. People from different ethnic groups do not perceive rewards in the same way, and so, will not necessarily view blanket provisions as worthwhile. On a more common level, age, it is not uncommon for younger workers (e.g. people just entering employment) to be more interested in such things as holidays and a company-purchased car than in a pension scheme.

Taken together, these changes support the notion that employers will have to use novel approaches, to even begin addressing the needs of each group of employees. The task for businesses is to explore how reward packages can be aligned to the needs of the workforce. Only if this is achieved can we genuinely expect people to feel valued and fairly rewarded to continue to put in the high performance efforts that are called for in the ever-more competitive global workplace.

A suggestion: flexible benefit plans

An approach that is increasingly coming to the fore in the configuration of reward packages is flexible benefit or cafeteria plans. Flexible benefit plans gained their roots in the USA around thirty years ago. Recent years have seen its adoption spread across the western business world, most notably to companies in the UK. Their adoption is based on

a belief that flexible plans enable organizations to better utilize benefit packages to enhance employee performance levels by better enabling employee benefits needs to be met.

Flexible benefit plans are essentially facilities that enable individuals to make choices about the reward and benefits they receive. A flexible benefits package may offer the individual a degree of choice within guidelines, in setting the levels of the main components that make up their remuneration package, rather than being given a standard rewards package. These are typically around base pay and benefits - rewards other than direct/explicit cash payments. Within these, individuals are given one of four options:

Salary reduction only - choice in using pre-tax pay to acquire additional services like pensions cover.

Modular - choice of various different combinations of benefits. These are usually the same types of benefits but with different levels of cover in each one.

Core plus optional - basic coverage in certain areas (e.g. pensions, health, life and/or disability insurance) as well as flexible spending accounts with which to purchase additional coverage in core areas or in supplemental areas such as childcare, vacation days, or trade in for cash.

Mix and match - facility to purchase any type and level of coverage among the entire range of benefits offered.

Flexible benefit plans are worthy of consideration because they provide a way for organizations to attain the right characteristics and attitudes in employees by providing rewards they need, value and appreciate. They are a strategy that means that individuals can put together tailor-made benefit packages that compliment their current stage of life, particular life-style, situation and needs.

Equally important from the organizational perspective are flexible benefit plans, that have been associated with lower costs of benefits. This is because flexible benefit plans provide benefits to those that want them rather than providing all benefits across the entire workforce (very often to those that do not want or use them). Consequently, spending on benefits are reduced or at the very least contained to the options that are put in place.

The positive view is supported by a growing body of research that indicates that employees do believe that flexible benefits plans meet their needs better than more traditional benefits programs. This is reinforced by findings that flexible benefits are associated with increased levels of job satisfaction, motivation and commitment, and ultimately, enhanced work performance. So, in the process, organizations and individuals gain.

Conclusion

Flexible plans are being increasingly taken up globally, in place of traditional remuneration schemes. A 1997 survey of over five hundred organizations suggests that up to a quarter of U.K. organizations have adopted flex to some degree at least. The indications are that even the most established and conservative of companies are now looking at 'flexing' their benefits package, and if this trend continues, it will become the norm rather than the exception.

If reward packages are to bring the desired advantages to employees in terms of enabling them to meet their social, security and esteem needs, it is imperative that organizations put together packages that comprise the particular benefits that each organization's workforce value and want. Benefits packages that fail to provide valued benefits may represent a waste of time and money.

The task for businesses, practitioners and academics is to direct attention and efforts to exploring the elements to include in flexible benefit plans, the effects of flexible benefit plans on employees, and the conditions in which the positive effects are attained. Understanding in these areas will ensure that reward packages become a useful tool in galvanizing and maintaining the high levels of performance that businesses require to survive, and even prosper in today's highly competitive global marketplace.

It is the endeavor of the careersindia research team to bring to you the contemporary developments in the field of Human Resources. These articles are published papers obtained by scanning the web extensively. We hope this will help you enhance your role as an HR Professional.