CHAPTER 7
REWARD MANIFESTATIONS

7.1 INTRODUCTION
Rewarding an employee means giving him something more than what is usually given to employees at his level. If he is rewarded as a mark of recognition for some job done well, the employee feels motivated. This recognition may be in terms of tangible benefits or non-tangible ones such as a certificate.

An employee is generally rewarded for high performance in his job over a period of time (usually a year or two) and this should be differentiated from other forms of awards such as those for bravery, social service, best employee, sportsmanship, etc. Performance awards are given to individuals for consistent outstanding work in their jobs although group performance rewarding is also not uncommon.

7.2 REWARD PHILOSOPHY
Reward management is based on a well-articulated philosophy – a set of beliefs and guiding principles that are consistent with the values of the organization and help to enact them. The philosophy recognizes that, if human resource management (HRM) is about investing in human capital from which a reasonable return is required, then it is proper to reward people differentially according to their contribution (i.e. the return on investment they generate). The philosophy of reward management also recognizes that it must be strategic in the sense that it addresses longer-term issues relating to how people should be valued for what they do and what they achieve. Reward strategies and the processes that are required to implement them have to flow from the business strategy.

Reward management adopts a ‘total reward’ approach, which emphasizes the importance of considering all aspects of reward as a coherent whole that is linked to other HR initiatives designed to achieve the motivation, commitment, engagement and development of employees. This requires the integration of reward strategies with other HRM strategies, including talent management and human resource development. Reward management is an integral part of an HRM approach to managing people.


7.3 PHILOSOPHY BEHIND PERFORMANCE REWARDING

Several research studies in the past have indicated that the need for recognition is very important and it dictates employee behaviors. Every employee wants his efforts to be recognised and that he should be treated as an important part of the organisation. If the existence of employees is not taken note of, then after some time they may resort to draw the attention of the top management to their existence. Performance rewarding is an effective way of communicating to employees that every individual employee is considered important and his performance is given due recognition.

Another purpose served by the rewards is to reinforce desirable behaviours shown by employees so that they continue to contribute to the organisation by exhibiting such behaviours. Rewarding also helps to create healthy competition among employees by encouraging less hard working ones to compete with more hard working ones. Thus, it is one of the ways of keeping an organisation alive and dynamic.

7.4 DETERMINANTS OF REWARDS

The popular criteria by which rewards can be distributed are:

(a) Performance. Performance is the output. To reward people in the organization, therefore, requires some agreed-upon criterion for defining performance. A difficult issue with performance is differentiating between quantity and quality. For example, an individual may generate a high output but his performance standards might be quite low. Hence, where controls are not instituted to protect against such abuses, we often find quantity replacing quality.

(b) Efforts. The rewarding of effort represents the classical example of rewarding means rather than the ends. In organizations, where performance is generally of a low caliber, rewarding of effort may be the only criterion to differentiate rewards on the assumption that those who try should be encouraged. In many cases, effort can count more than actual performance. The employee, who can show his effort, without really putting one, will stand to be rewarded more than his sincere counterparts.

(c) Seniority. Seniority dominates most government organizations in the world, and while they do not play an important role in business organization” there are evidences that length of time on the job is a major factor in determining the allocation of rewards. The greatest virtue of seniority is that, relative to other criteria, it is easy to decide an employee’s seniority. So seniority represents an easily quantifiable criterion which can be substituted for performance.
(d) **Skills held.** Another practice that is not uncommon in organizations is to allocate rewards on the basis of skills of the employee. Regardless of whether the skills are used, those individuals who possess the highest skills or talents will be rewarded commensurately. Where such practices are used, it is not unusual to see individuals become 'credential crazy'. The requirement that an individual needs a university degree in order to attain a certain level within the organization is utilizing skills as a determinant of rewards. When individuals enter an organization, their skill level is usually a major determinant of the compensation that they will receive. In a competitive market, skills become a major element in the reward package.

(e) **Job difficulty.** The complexity of the job can be a criterion by which rewards can be distributed. For example, those jobs that are highly repetitive and can be learnt more quickly, may be viewed as less deserving in reward than those that are more complex and sophisticated. Jobs that are difficult to perform, or are undesirable due to stress or due to unpleasant working conditions, may have to carry with them rewards that are higher in order to attract workers to these activities.

(f) **Discretionary time.** The greater is the discretion called for on a job, the greater is the impact of mistakes and a need for good judgment. In a job that has been completely programmed, that is, here each step has been procedurised and there is no room for decision making by the incumbent, there is a little discretionary time. Such jobs require less judgment and lower rewards can be offered. As discretionary increases greater judgmental abilities are needed and rewards must commensurately be expanded.

The above classifications suggest that there are number of determinants to which rewards can be allocated. Most organizations consider merit as the major criterion that will determine rewards. However, what constitutes merit is a value judgment. Performance, too, is a variable that is frequently cited as the basis on which rewards are allocated.

7.5 **REWARD MECHANISMS**

Organizations undertaking change initiatives must engage employees. Paying the person instead of the job and using variables pay, annual performance awards, promotions, appreciation letters etc. supports performance and change.
1. **Salary Increase**

The general pattern of salary administration in most organisations is by associating salary grades with different positions. Annually, the salary of every employee increases by a fixed amount associated with that grade. In many companies this is a routine matter and there are salary increases as soon as the employee completes a year of service.

In some companies, however, the salary increases are not given until the performance appraisal report of that employee is received from his supervisor. In these companies, employees, whose performances are rated higher than most others, are given additional increments in salary as a mark of recognition of their contribution. Since such additional increments cannot be given to all the employees, the company generally adopts certain criteria such as rewarding the top 10 per cent or so every year. These criteria may also involve certain restrictions on the employees receiving these rewards. For example, no employee can receive the reward consecutively for two years.

A few other companies have very liberal policies and even reward employees by giving more than one additional increment. Some of these companies also have the practice of stopping even the normal increments of an employee whose performance is not satisfactory. This is generally avoided and even in those companies, stopping of increments is a rare phenomenon and is resorted to only in extremely poor performance cases as a measure of warning for improvement.

2. **Annual Performance Awards**

In this system a select percentage of employees are given annual awards which are not linked with their salaries. Thus an organisation may decide to give an annual performance award of a certain amount of money. Or the employee may be presented with some prizes, or extra privileges and benefits may be given to him. These are again based on their appraisal reports.

3. **Outstanding Performance Awards**

These are performance awards given to a selected few employees for outstanding performance. Normally, these carry a lump sum amount of money, a certificate and a memento. Companies can have this in addition to annual Salary increments and other forms of rewards.
4. **Change of Responsibilities and Status**
Some organisations reward their employees by assigning them higher level responsibilities. The head of a department may delegate more powers and authority to a high-performing employee. A salesman may get a larger area of coverage or more prestigious areas for his operations or new products that are generally given to a competent salesman. There are many such mechanisms by which the contributions of an employee can be recognised. Such forms of rewarding generally have high motivational value.

5. **Sponsorship to Conferences, Tours and Visits to other Countries**
This is another frequently used mechanism by some companies. Outstanding performers are given priorities for attending training, conferences, etc. in other countries. Or they may be specially sponsored to visit industry or other similar organisations in other countries to learn from their experiences. This may be considered as a development reward as it provides an opportunity for such employees to develop themselves.

6. **Advanced Training and Development Opportunities**
High performing employees are sponsored to attend training programmes as a preparation for their promotion or higher responsibilities. In some cases, the management does not reveal this to the employee and he may get the feeling that there is something lacking in him and this is why he is being sponsored. Thus, it may have an opposite effect unless clearly explained.

7. **Transfers**
In organisations having a wide geographic coverage, transfer of employee from one place to another becomes very necessary. Employees normally have their own geographical preferences. For example, most employees prefer jobs in well-developed cities and towns or their own home town if they want to be nearer to their families. Such preferences of employees are met when their performance is good. There are some organisations that give priority to the transfer requests of high performing employees.

8. **Appreciation Letters and Certificates**
This is another mechanism used particularly for employees at lower levels. Such certificates signed by the chief executive or a top level officer may mean a lot. These are distributed at annual functions. When there is a large group of people receiving such certificates, they are handed over to heads of departments for distribution. Some employees value the certificates highly and feel proud to receive them.
9. **Announcement in Newsletters, Journals, etc.**

This is another way of recognising and rewarding good performers. It is not an uncommon sight in some hotels to see pictures of ‘Employees of the Month’ being displayed at lobbies. This form of recognition also has a motivating effect on employees. Whatever be the mechanism used, to make rewards achieve their purposes, the following points should be kept in mind:

- The employee should know the aspects of his performance that have been judged or assessed as deserving of reward.
- The employee should know clearly the nature of reward being given to him.
- The employee as well as his co-employees in the organisation should perceive the rewards as a form of recognition and should attach some value to them.
- When these conditions are met, the rewards are likely to be effective.
- Reward management, while extremely desirable, is not easy. The following are some of the common problems encountered by the management.
  a. Quantification of performance.
  b. Comparison of performance with jobs.
  c. Differentiating between the contributions of abilities and efforts to high performance, and giving weightages to the same.
  d. Demoralisation among employees who are not rewarded but who consider themselves as high-performing.
  e. Isolating individual employees’ contributions from group contributions.
  f. Subjectivity in performance assessment.

7.6 **REWARDING TEAMS**

Cross-functional teams are becoming a dominant feature of every organization. Teams are today setting new standards in productivity, problem solving and innovation. They are taking organizations to newer heights. It has, therefore, become important to logically link the rewards of the team members to the performance of their teams.

Corporate India is learning that the answer lies in designing a comprehensive appraisal and reward system that splits employees’ compensation between company standards, individual merit and team performance. To throw more light on these new and upcoming strategies, the practices followed by today’s successful team players—some case studies are presented here.
Some of the guidelines, which could be followed, are given below:

(a) Set quantifiable targets while evaluating team performance for rewards.
(b) Ensure that top performance in each team earns the highest level of rewards.
(c) Link team performance closely to the company's profits and overall financial health.
(d) Avoid subjectivity while assessing both the teams and the individual performance.
(e) Offer uniform non-team based increments to employees within each grade.

Creating motivation among employees is not enough to have continued high productivity. It is equally very important to sustain the motivation among people at work through innovative reward schemes which can reinforce them in enhancing job commitment

7.7 PERFORMANCE APPRECIATION – PROMOTION

"Promotion" is a term which covers a change and calls for greater responsibilities, and usually involves higher pay and better terms and conditions of service and, therefore, a higher status or rank.

A promotion may be defined as an upward advancement of an employee in an organisation to another job, which commands better pay/wages, better status/prestige, and higher opportunities/challenges, responsibility, and authority, better working environment hours of work and facilities, and a higher rank.

7.7.1 Purpose of Promotions

Promotions are usually given:

(i) To put the worker in a position where he will be of greater value to the company and where he may derive increased personal satisfaction and income from his work;
(ii) To remove a worker from his job as an alternative to avoid the embarrassment of firing or demoting him;
(vii) To recognize an individual's performance and reward him for his work so that he may have an incentive to forge ahead. Employees will have little motivation if better jobs are reserved for outsiders;
(iv) To increase an employee's organisational effectiveness;
(v) To build up morale, loyalty, and a sense of belonging on the part of the employees when it is brought home to them that they would be promoted if they deserve it;
To promote job satisfaction among the employees and give them an opportunity for unbroken, continuous service;

To provide a process of "selective socialization." Employees whose personalities and skills enable them to fit into an organisation’s human relations programme tend to stay on; while those whose personalities with those of the organisation clash tend to leave;

To attract suitable and competent workers for the organisation;

To create among employees feelings of contentment with their present conditions and encourage them to succeed in the company.

Organizations use promotions, rather than just monetary bonuses, to motivate employees even though this may conflict with efficient assignment of employees to jobs. When performance is unverifiable, use of promotion reduces the incentive for managers to be affected by influence activities that would blunt the effectiveness of monetary bonuses.

**7.7.2 Promotion Programme and Procedure**

A promotion programme consists of the following basic elements:

The management must provide realistic opportunities which will encourage promising employees to take the risks involved in moving upward. It must not discourage valuable employees from seeking advancement by making service in an unpopular job a prerequisite for promotion. It must provide for employees who do outstanding work but who are unwilling to take on new and additional responsibilities. It must provide alternatives for professionals who are reluctant to assume supervisory responsibilities.

Organisations that have failed to reward excellence in service, or that have relied too heavily on personal relationships or length of service, suffer in terms of both efficiency and morale.

Each organisation needs to strike a balance between the internal sources of personnel promotion and external source (through recruitment) on the one hand and between merit and ability as against length of service on the other. "The organisation that fails to develop a satisfactory procedure is bound to pay a severe penalty in terms of administrative costs, misallocation of personnel, low morale, and ineffectual performance, among both no managerial employees and their supervisors."
Since promotions mean advancement for some, the promitional process itself must ensure that successful candidates are sufficiently acceptable to their subordinates and others so that leadership in, and effective administrative of organizational progress is unhindered and unhampered. A management should frame the policy on the basis of which promotions may be made.

7.7.3 A sound promotion policy:
A sound promotion policy must satisfy the following criteria:

(a) *It should enjoy consistency*, it will be applied irrespective of the persons concerned. Consistency demands that the policy should be so correlated to career planning that there should not be a sudden spurt of promotion in the organisation conferring premature benefits on a number of persons, followed by a long period of absence of promotion.

(b) *It should be fair and impartial*, i.e., the management should be able to remove all suspicion of arbitrariness, improvisation to suit particular individuals, nepotism, etc.

(c) *Promotion should be a planned activity*, the management should make a correct assessment of the requirements or opportunities of promotion within the organisation so that there is no phenomenon of 'bunching' or no period of 'promotional drought', i.e. no over-estimation or under-estimation.

7.7.4 Essential elements of Promotion Policy
1. *Promotion Policy Statement*, which should consider whether vacancies are primarily to be filled up from within an organisation or by recruitment from outside. Is any preferential treatment to be given to direct recruits? Would it be sound to deny promotion to otherwise qualified personnel? Whether an increase in pay is to be given? if so, when and how much? Usually, internal promotions are preferred over external recruitment and increase is given at the time of promotion, otherwise promotion is meaningless.

2. *Establish as Plan of Jobs*, i.e., decide on what basis promotions are to be given. Whether on performance appraisal, or on the basis of confidential records, or job and post-bid system. Which positions are to be filled up? Usually promotions are decided on the basis of performance appraisals. "Job-post and bid system", i.e., positing of job
vacancies indicating job titles, duties, pay and qualifications on company notice boards, is also utilized.

3. **Trace Transfer Routes, i.e.,** having some type of formal and systematic promotion channels. Ladders giving paths of advancement, *promotional charts, opportunity charts or fortune sheets* clearly distinguish each job and by lines and arrows, connect various jobs; and show the lines/routes of advancement up to and away from them. *Stepping jobs* should be clearly identified and recorded on paper. *Dead-end jobs* should be labeled and the path upward well marked.

4. **Prepare Employees for Advancement, through the Provision of some Training,** either on the job in professional technical institutions, or through job rotation, multiple management, under-study and conferences.

5. **Communicate the Policy,** the organisation should communicate its promotion policy either in the form of a manual or in the agreement signed with the union or in the form of a set of Standing Orders. To have a policy and not to communicate it to the employees will only create suspicions and misgivings. However, for higher level personnel a precise formulation of such a policy may not be effective.

6. **Detailed Personnel and Service Records are Kept Ready** on the basis of which promotions may be made.

The following indices are available for judging whether candidates are suitable for promotion:

a) The *margin of performance* on his present job, i.e., does he run it with ease and with margin to spare or is he barely able to manage his job?

b) *Flexibility or versatility,* i.e., has been successful on different types of jobs requiring different skills and different abilities, or does he seem to be only interested in a restricted field?

c) *Intelligence,* i.e., how does he think? How has he learnt on work he has carried out?

d) *Equipment,* i.e., how compatible are his education, literacy, expression and personality with the critical needs of the job?
e) Motivation, i.e., what are his wants? What is important for him? What are his goals, his objectives in work and life?

7.7.5 Determinants of Promotions:

The usual policy is to take merit into consideration. Sometimes length of service, education, training courses completed, previous work history, etc., are factors which are given weight while deciding on a promotion. Although promotions are made on the basis of ability, hard work, co-operation, merit, honesty, many informal influences are powerful determinants of a promotional policy.

For higher posts, persons are picked by the top executives:

(i) Who think and feel just as he does;

(ii) Who value loyalty to him and to the organisation; and

(iii) Who have social, political, economic and religious interests similar to his own.

Top executives lend to choose those who are carbon copies of themselves.

Seniority versus Merit: "Seniority" refers to length of service in the company or in its various plants, or in its departments, or in a particular position. Under straight plan wise seniority in all jobs, promotions go to the oldest employees, provided that he is fit for the job. Occupational seniority may be within a department, within a division or in the entire plant.

Seniority offers certain rights and benefits. These are:

(a) Some rights are based on competitive seniority among employees. Rights to promotion, transfer, lay-off and recall are such examples.

(b) Other benefits have nothing to do with one man relative to another, e.g., a man may be entitled to have 15 days’ casual leave in a year, a pension after 30 years and a certain amount of sick leave after 6 months’ service.

There is a great controversy on the question of whether promotions should be given on the basis of seniority or ability. Trade unions are of the view the promotions should be given on the basis of seniority, while managements favour promotions on the basis of
merit and ability. If a promotion is given to a qualified man in recognition of his performance or with a view to creating an incentive for him, then it should be based on his ability.

The most widely used basis for promotion combines both ability and seniority. The best policy would be to ensure that whenever there are two employees of equal seniority, ability or merit should be the deciding factor in a promotion. Where, however, there are two employees of almost equal competence, seniority should be the decisive factor. Such a policy would satisfy the management which prefers ability, and trade unions which prefer seniority.

7.7.6 Practices in India pertaining to promotion policy

In India, in some companies, promotions are made on the basis of merit, potential and seniority. Internal Promotions are also granted, from the existing lower cadre on the basis of seniority and merit.

In public sector organisations, elaborate rules exist for regulating the seniority of employees in different service cadres. Promotions are made from this list. But often, due to political pressures, the rules are violated and a person standing much lower in the list is given priority over the senior-most men.

In the private sector enterprises, the promotions are generally not based upon any clear-cut rule. Efficiency is the main consideration, unless it is a family enterprise where relationship with the proprietors or patronage might play a part. But even there only a limited number of posts would be filled upon the basis of relationship or by way of patronage. Even in such firms where employees are concerned there is generally well-defined promotion policy and nepotism is avoided, as far as possible, where the employees are well organized. The rule followed is: "Promote the best man available,"

While making promotions, the management must ensure that:

(a) Proper talents are first made available by a correct programme of recruitment;

(b) Employees are enabled to satisfy their own aspirations within the framework of the company's own objectives and projects’ and

(c) A programme of career planning, coupled with periodic assessment is followed in accordance with rules.
It is worth noting that in a developing economy like India, with rapid technological advances and need for training and education it is not always possible to promote the older workers who can neither be adequately trained nor are willing to be exposed to new concepts, ideas and methods of work. As for the higher level promotions, only in large organisation can a policy of promotions from within be practicable; but even there such promotions cannot be confined entirely to the existing personnel of the organisation, unless management development and career planning are an essential part of the company's promotion policy.

7.8 CONCLUDING REMARKS:
This chapter covers the concept of reward management, reward philosophy in brief. It also covers determinants of reward, and reward mechanism. This chapter throws light on the concept of promotion which is one of the core themes of present study. It covers different dimensions of promotion such as types of promotion, promotion programme and procedure, promotion policy, promotion practices in India etc.