

Finding out - Pay for Performance Incentive Awards Program

by

Angie Emberton

Pay for Performance Incentive Awards Program

Purpose of the Incentive Award Program

The “One Stop Solutions” one of the leading IT Company aims to plan and contrivance its new “Pay for Performance Incentive Program” for all its workforces. The purpose of the pay for performance incentive plan is to encourage and compensate the key personnel including the senior management of the organization (ederer et.al, 2013). The plan is formulated to achieve performance goals that are established according to the business targets of the organization. The objectives of the plan include, reduction in the employee turnover, absenteeism, raising employee morale, achieving company goals and reduction in unethical issues. The program will be implemented on all the employees, and the bonus or reward will be disbursed in monetary terms as well as non-monetary benefits.

Eligibility

All the employees that have a performance review rating which exceeds expectations of performance will be eligible for the incentive program. The employees must have a current performance evaluation on record (Eijkenaar, 2013). Employees of all levels, i.e. senior executives, executives, managers, operational staff and the support staff can avail the incentive program, based on their individual performance.

Levels of employees

The employees are divided in three different layers. First layers is the presidential layer that include the senior vice presidents and assistant vice presidents, second layer is the

managerial layer that include the senior managers and managers, third layer is executive layer that include associate executives and executives.

Procedures

In order to obtain the incentive pay, the eligible employee must complete the incentive program application program (Gittleman et.al, 2015). The form must then be approved by the head of the department, the president of the HR department and the company president. The final decision will be of the president of the company. The successful applications must demonstrate one or more of the following:

- Achievement of the goal(s)
- Report of behavior such as sexual harassment an threatening
- Measurable increase in revenues
- Measurable decrease in expense
- Positive impact on the customer satisfaction

The amount and form of the incentive reward will paid according to the program. The incentive reward, if monetary will be subjective to tax according to the federal and state regulations. The incentive reward program can be modified and terminated at any time with prior notice in general. The incentive reward program is entirely in the interest of the company and its employees.

Goals/Expectations for each layer

The presidential layer is expected to be enthusiastic and champions of the process. All the members must be supportive of the process, make sensible decisions and formulate strategies and

policies that are in the best interest of the company and its employees (Merchant et.al, 2015). They must also provide their subordinates with full support and encourage the individual and organizational growth.

The managerial layer is expected to reinforce and recognize the strong performance in the employees and identify and encourage improvement where it is needed. The managers must also view and use the performance management tool, in order to support the improvement and development of employee. They must also encourage the employees at executive and lower level to for the growth and incentive program and ensure the compliance. They must communicate and revisit performance expectations and keep a regular check on the progress on goals. They must also revise and assist the objectives when and where necessary.

The third layer i.e. the executive layer represents the employees that belong to the production and operations department. They are expected to achieve their individual goals, which eventually lead to the objectives of the organization. They must take the responsibility of their career and professional development. They must also be open to feedback and keep a record of their performance. They must also give other feedback, and strive to achieve their potential performance and increased productivity.

Reward program types

The new reward program will be consisted to two types of rewards i.e. monetary compensation and non-monetary benefits. The reward will be disbursed subject to the specific “performance objective” within the specific “performance period”. There are various different types of rewards that the company will implement (Springer et.al, 2012).

Individual Rewards

It will be the monetary compensation which will be beyond and above the basic gross salary and it is linked with the achievement of the goals and results. Individual reward will be given in terms of bonuses, merit pay and profit sharing. Employees from all the layers are eligible for this reward.

Team-based rewards

This will be a monetary compensation that will be given to individuals for team work and to team for collective results and achievement of team objectives. It will ensure the team performance as well as individual performance. The company will expect the team to make appropriate decisions and form an effective work group to accomplish the team and organization's objectives.

Competitive Programs

In this program all the employees may not be rewarded, but the employee with the highest performance may be applicable for the reward. The employee that will meet the performance standards among all other employees will ultimately receive a monetary compensation. This program is for the second and third layer of employees only.

Non-competitive programs

In this every employee that meets its performance standards will receive a reward. The company expect an increase in the employee performance and remain consistent.

Awards

The company has also designed a set of awards for the individual and team achievements. The individuals who may perform beyond the expectations will be given a creative award, i.e. a seat belt award which will represent the fast moving of the employee in the organization and in the industry. Another award will be golden statue award that will be given to the employee that will report any unethical issue or stop the event of sexual harassment in the company. The award will represent the employee's good faith and loyalty towards organization's ethics. A bonus will also be given to the employees with this award. The third award will be a gift card that will be awarded to the employees on weekly and monthly bases to recognize their weekly and monthly performance and achievements. The gift cards will allow the employee to use it to specified retailers for shopping and restaurants to avail free meal with family (Unutzer et.al, 2012).

Gain sharing

This will be a companywide reward program which will be given to the employees for performance gains as compared to their past performances. The company expects the employees to take part in their departmental operations and look for ways to enhance the working practice that may improve the individual and overall performance. Second and third layer of employees will be eligible for this reward.

Profit sharing

This is a program in which the company will share a percentage of its profits with all its employees (Young et.al, 2012). The percentage of profit however, will vary according to the layers of employees.

Stock Options

In this program the company will provide the eligible employees an option to purchase the stocks of the company at a specified price. The company will provide the shares on the price below the market price without any obligation to sell or retain any right. First layer of employees are eligible for this without any restriction. As this is a performance reward the second and third layers will be eligible to this option according to their performance.

Non-monetary rewards

The company has planned to compensate its employees through non-monetary benefits as well. The employees will be provided to avail the flexible working schedules depending on their individual performance. This will be different shifts during morning, afternoon, evening and nights. The employees of all layers will be given paid leaves; general and sick leaves. The employees will be entitled to avail the paid leaves if their performance remains consistent and increasing constantly. Second and third layer will be entitled to this reward according to their performance while first layer can avail this at any time.

The company has planned to facilitate its first layer of employees with non-monetary benefits in terms of yearly foreign trips with spouse and children. Additionally, they will also be provided with company maintained vehicle with fuel allowance. The cell phone with call allowance will also be given to the first and second layer of the employees. However, the allowance may vary according to the job status. The presidential layer employees will also be given membership of health and other social clubs.

Steps HR will take to maintain equity and fairness

The HR department of the organization will ensure to maintain equity and fairness in the organization. In this regard, the department will create a sense that promotions are handled fairly. If any of the employee will complain against other for unfair promotion or achievement of reward, the HR will evaluate the situation. The performance appraisal will be checked and the feedback from the direct manager will also be taken to conclude that the decision was made fair or not (Zhang et.al, 2015).

The HR will also add transparency and a commitment to equity to the paycheck. The HR will develop a total compensation program for each employee respectively. The document will contain the employee's total compensation and benefit for the year, including the items such as basic salary, bonus, profit share, gain share, paid leaves, and other factors.

The HR department will also set up a fair appeal process. The employees will be provided an opportunity to discuss their grievances regarding the rewards program, issue with the coworker, unfair recognition of other employees and non-supportive attitude of management in context of performance incentive plan.

Manner in which HR will work with employees who feel the program is unfair or otherwise unsuitable for their professional and personal needs.

The HR will work closely with the employees in order to develop a relationship with them. The department will ensure that all the employees understand and do not feel the program is unfair or unsuitable in any means. The HR will evaluate the values and meaning of the workers and will provide them sufficient assistance to set their goals according to the reward system that will suit them the most. The reward program is consisted of various different

programs and the HR will make the employees choose the one that will be in the best interest of them and the organization.

The one stop solution has improvised its compensation and benefits plan which will be effective and implemented on all its employee layers. The company aims to achieve growth and high performance at individual, departmental and organizational level.

References

Ederer, F., & Manso, G. (2013). Is Pay for Performance Detrimental to Innovation? *Management Science*, 59(7), 1496-1513. Data retrieved from:
<http://pubsonline.informs.org/doi/abs/10.1287/mnsc.1120.1683>

Eijkenaar, F. (2013). Key issues in the design of pay for performance programs. *The European Journal of Health Economics*, 14(1), 117-131. Data retrieved from:
<http://link.springer.com/article/10.1007/s10198-011-0347-6#page-1>

Gittleman, M., & Pierce, B. (2015). Pay for Performance and Compensation Inequality: Evidence from the ECEC. *ILR Review*, 68(1), 28-52. Data retrieved from:
<http://ilr.sagepub.com/content/68/1/28.short>

Merchant, K. A., Stringer, C. P., & Shantapriyan, P. (2015). The Anatomy of a Complex Performance-Dependent Incentive System. *Available at SSRN 2545149*. Data retrieved from: papers.ssrn.com/sol3/papers.cfm?abstract_id=2545149

Springer, M. G., Pane, J. F., Le, V. N., McCaffrey, D. F., Burns, S. F., Hamilton, L. S., & Stecher, B. (2012). Team Pay for Performance Experimental Evidence From the Round Rock Pilot Project on Team Incentives. *Educational Evaluation and Policy Analysis*, 34(4), 367-390. Data retrieved from:
<http://epa.sagepub.com/content/34/4/367.short>

Unützer, J., Chan, Y. F., Hafer, E., Knaster, J., Shields, A., Powers, D., & Veith, R. C. (2012). Quality improvement with pay-for-performance incentives in integrated behavioral health care. *American Journal of Public Health*, 102(6), e41-e45. Data retrieved from:
ajph.aphapublications.org/doi/abs/10.2105/AJPH.2011.300555

Young, G. J., Beckman, H., & Baker, E. (2012). Financial incentives, professional values and performance: A study of pay-for-performance in a professional organization. *Journal of Organizational Behavior*, 33(7), 964-983. Data retrieved from:
<http://onlinelibrary.wiley.com/doi/10.1002/job.1770/abstract?deniedAccessCustomisedMessage=&userIsAuthenticated=false>

Zhang, Y., Long, L., Wu, T. Y., & Huang, X. (2015). When is pay for performance related to employee creativity in the Chinese context? The role of guanxi HRM practice, trust in management, and intrinsic motivation. *Journal of Organizational Behavior*. Data retrieved from:
<http://onlinelibrary.wiley.com/doi/10.1002/job.2012/abstract?deniedAccessCustomisedMessage=&userIsAuthenticated=false>