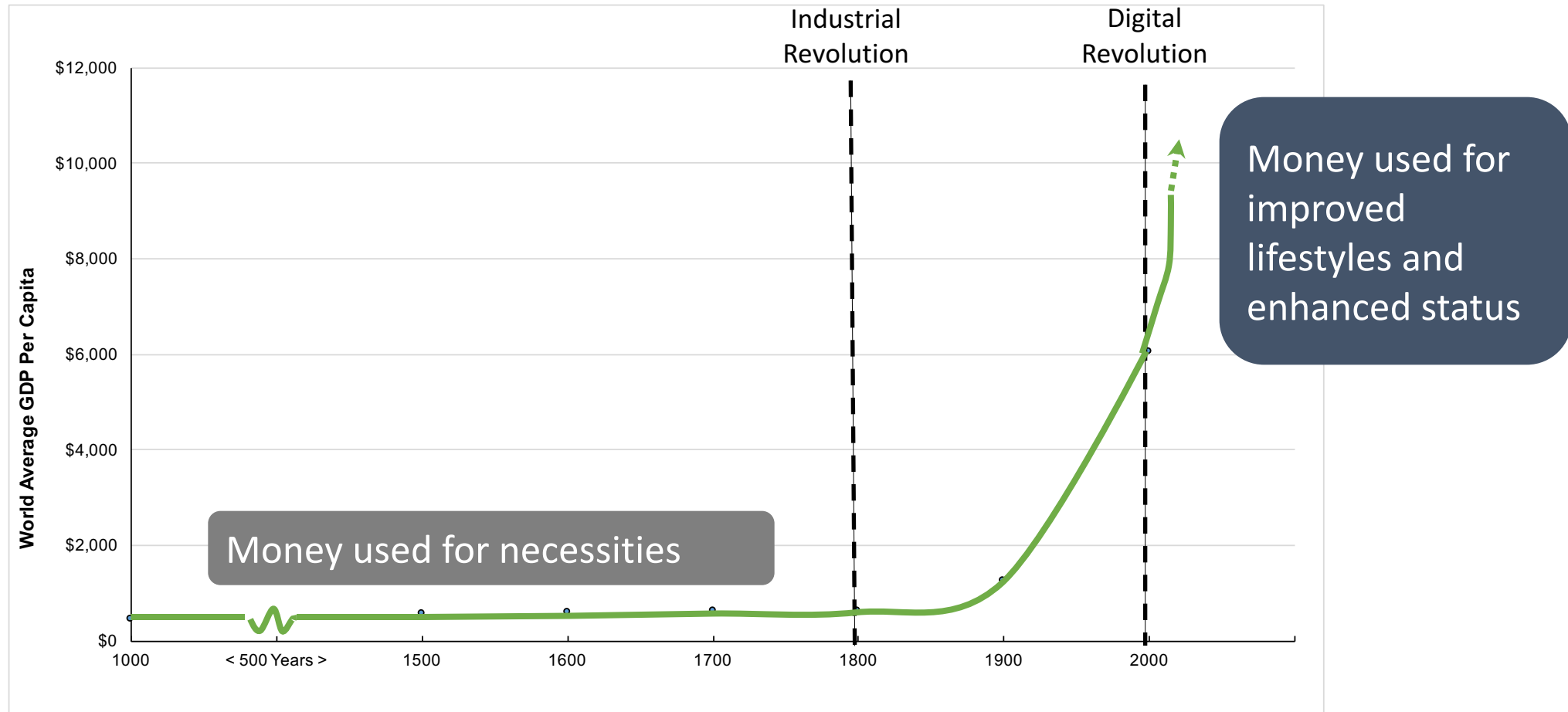


Contents

	Page
Why reward needs to change	2
A new model for thinking about reward	8
Some practical ideas for making reward work better	13

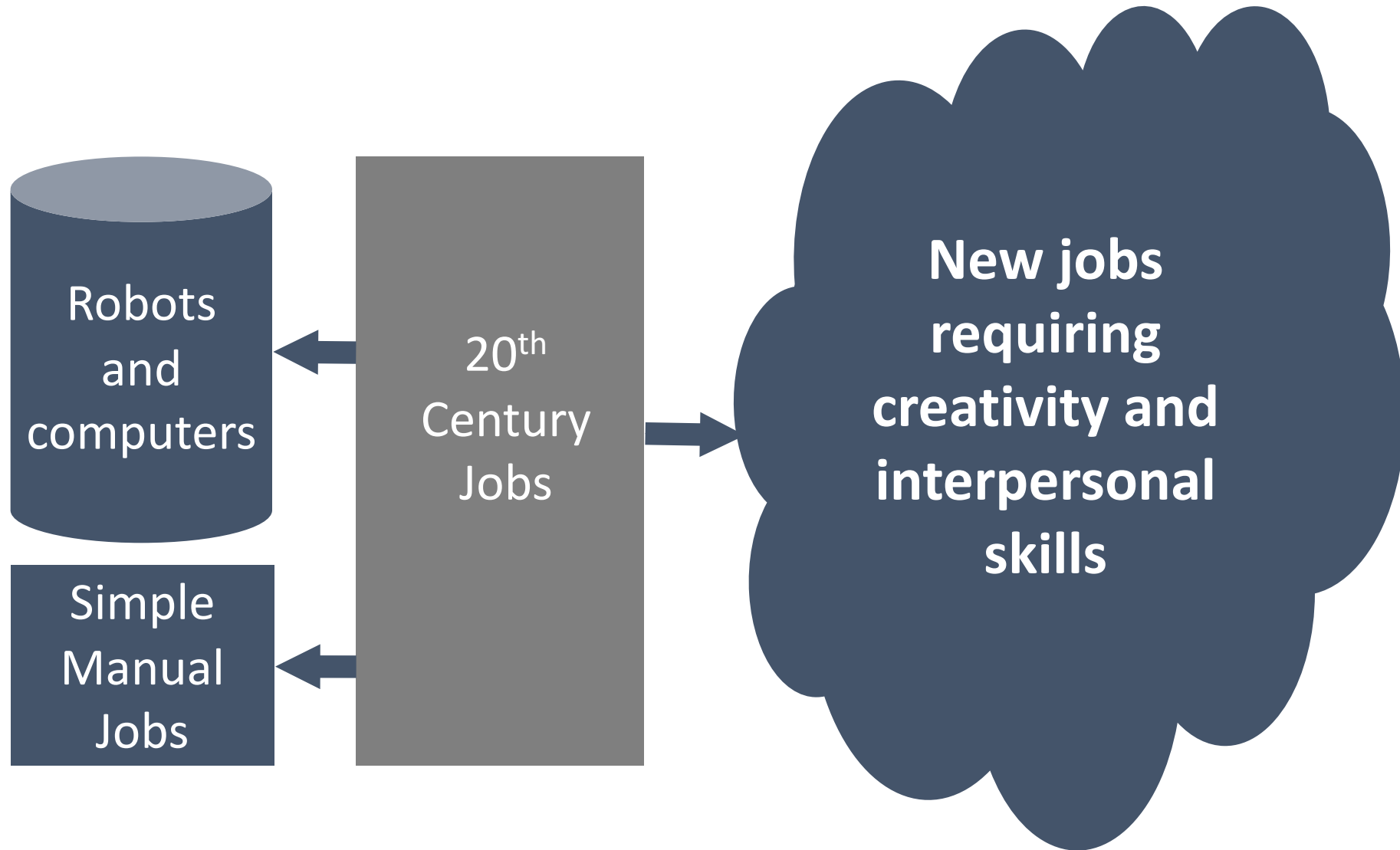
Why reward needs to change

Money is changing

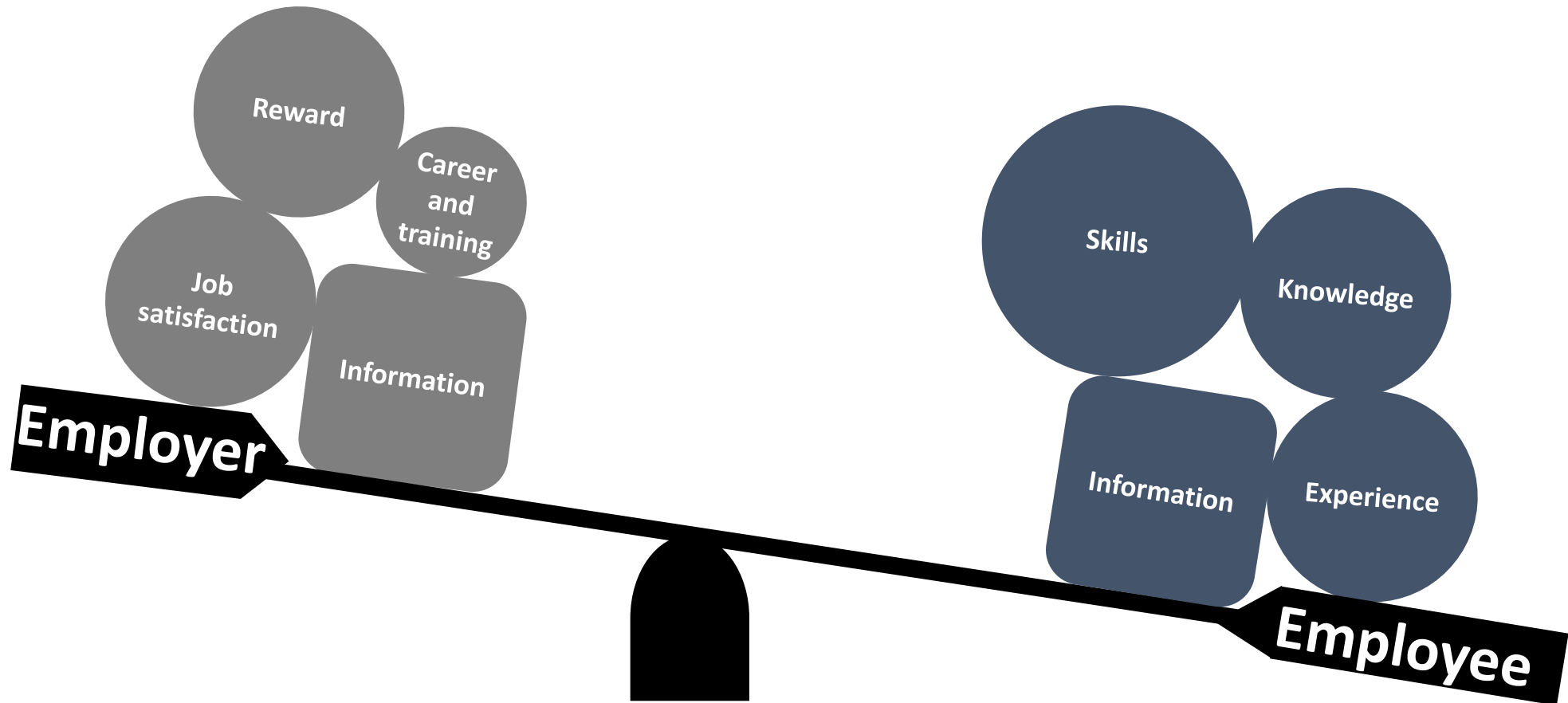


The GDP numbers are from the "Maddison Project" based on the work of the economist Angus Maddison.

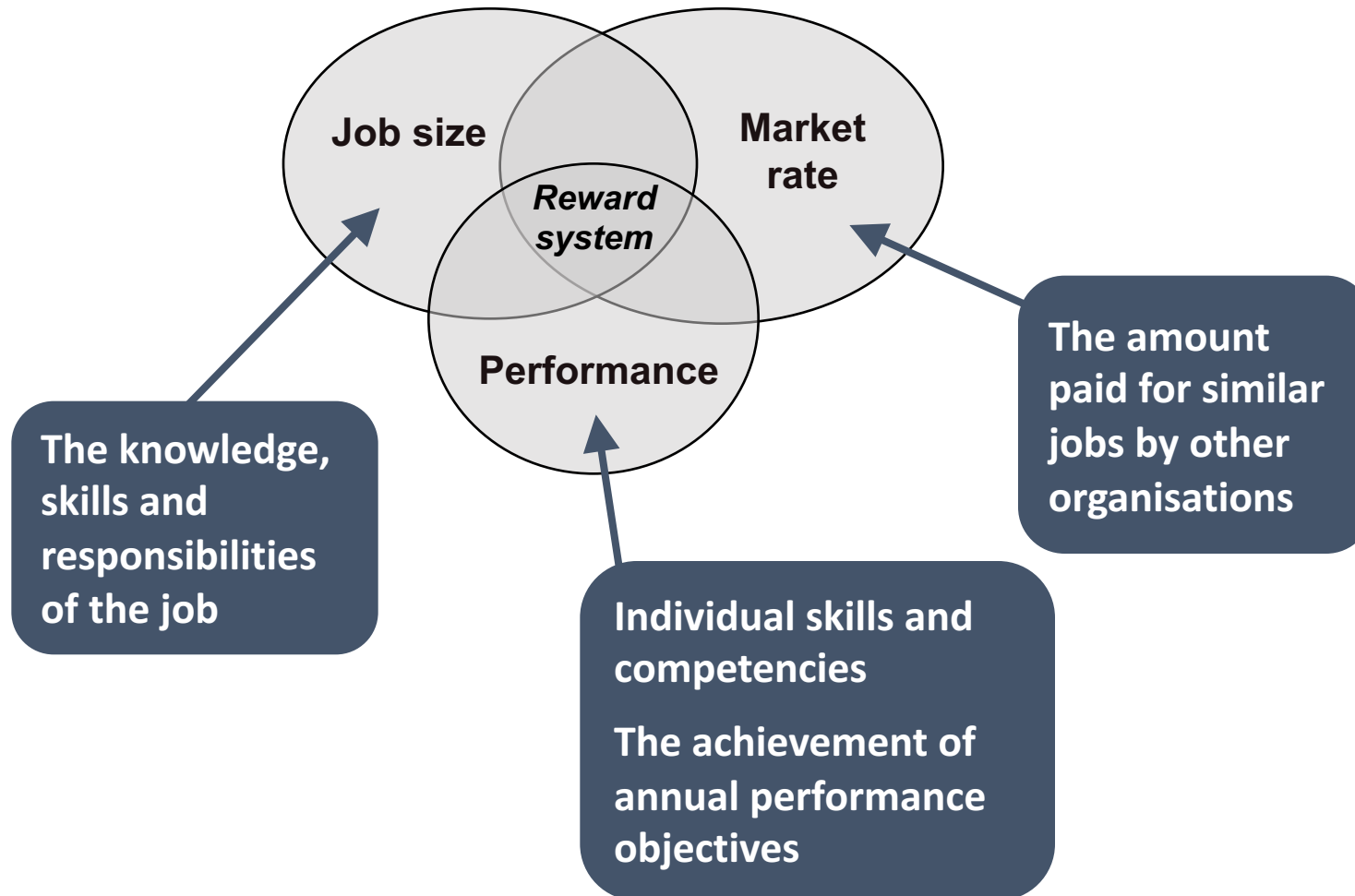
Jobs are changing



The employment relationship is changing



How reward is managed



Private sector

- Marked practice
- Pay review processes linked to budgets
- Bonuses

Public sector

- Job evaluation
- Pay increases linked to pre-defined pay scales
- Generous pension and benefits

A new model for thinking about reward

How do people feel about what they are paid?



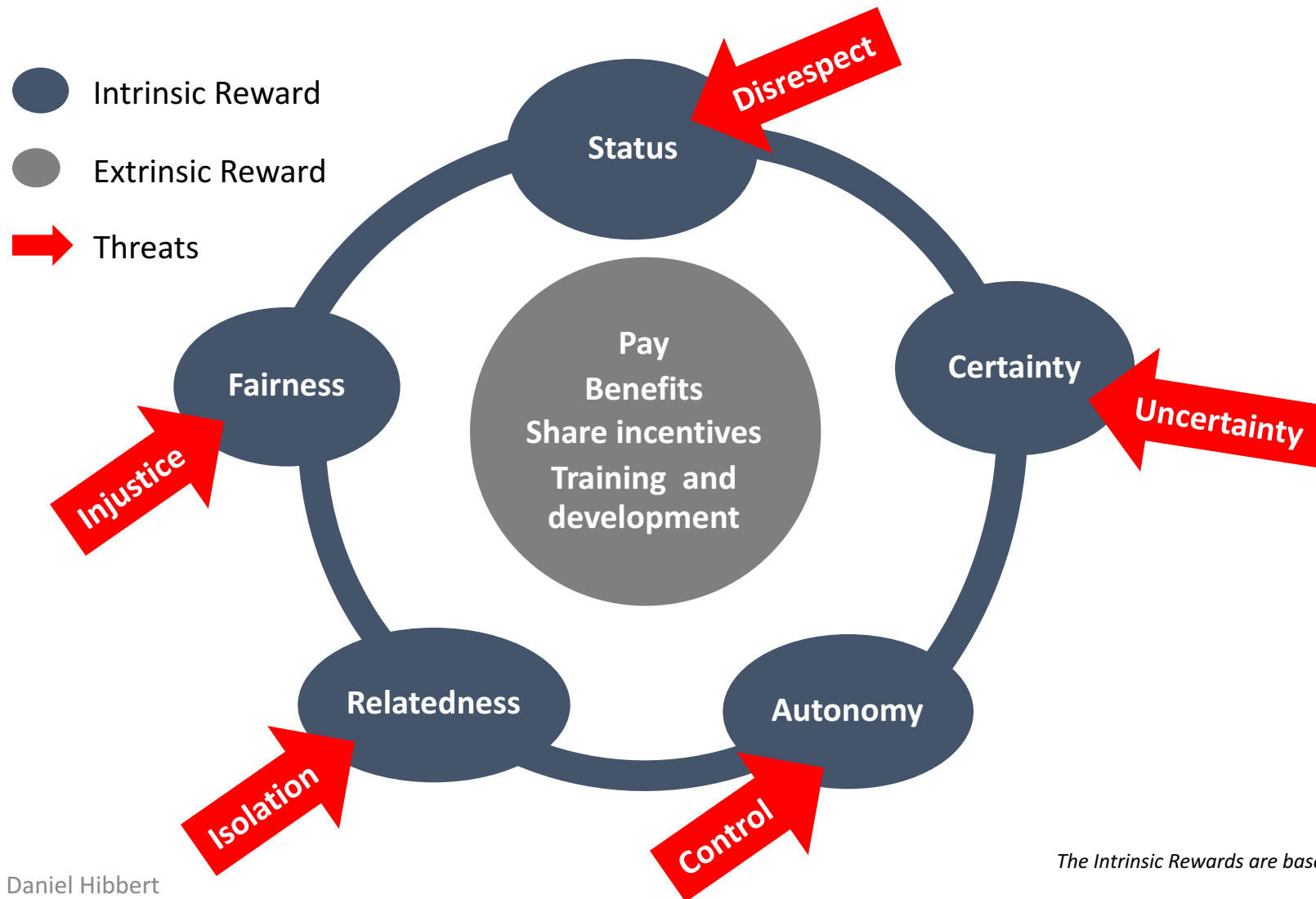
Safe - Positive
and indifferent

OR



Threatened!

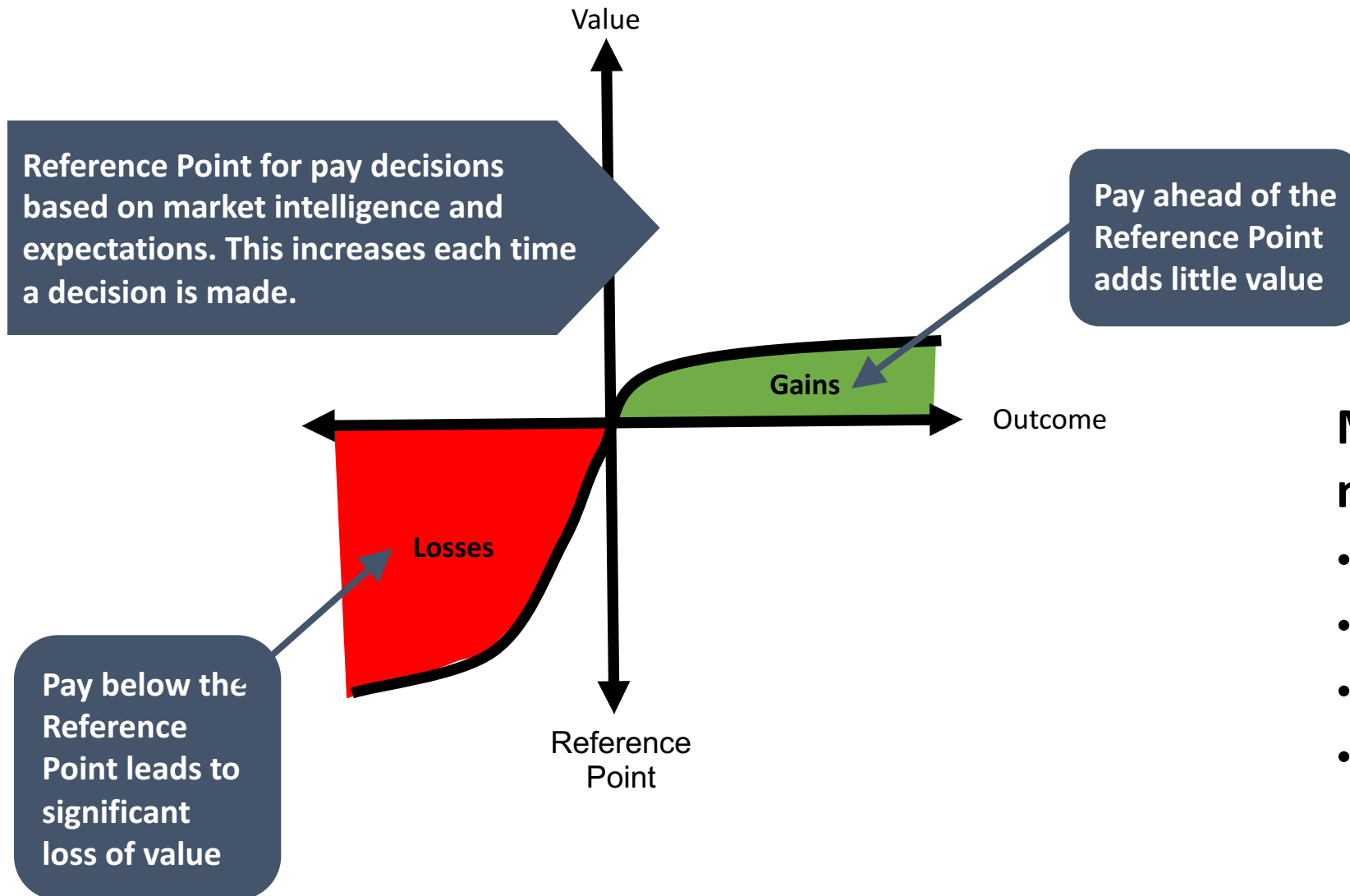
Intrinsic and extrinsic reward



Extrinsic rewards

- Work best when employees don't think about them
- Must optimise intrinsic rewards, and
- Should **never** be a threat to intrinsic rewards

How the “market” for pay works



Market rates of pay do not capture

- Individual contribution
- Complex and unique jobs
- Location
- The value of intrinsic rewards

Reward cannot be managed like a clock



- The impact of reward programmes is not proportionate to the effort or money that goes into them
- Reward is part of complex ecosystem in which intrinsic and extrinsic reward need to work together

**Some practical ideas
for making reward
work better**

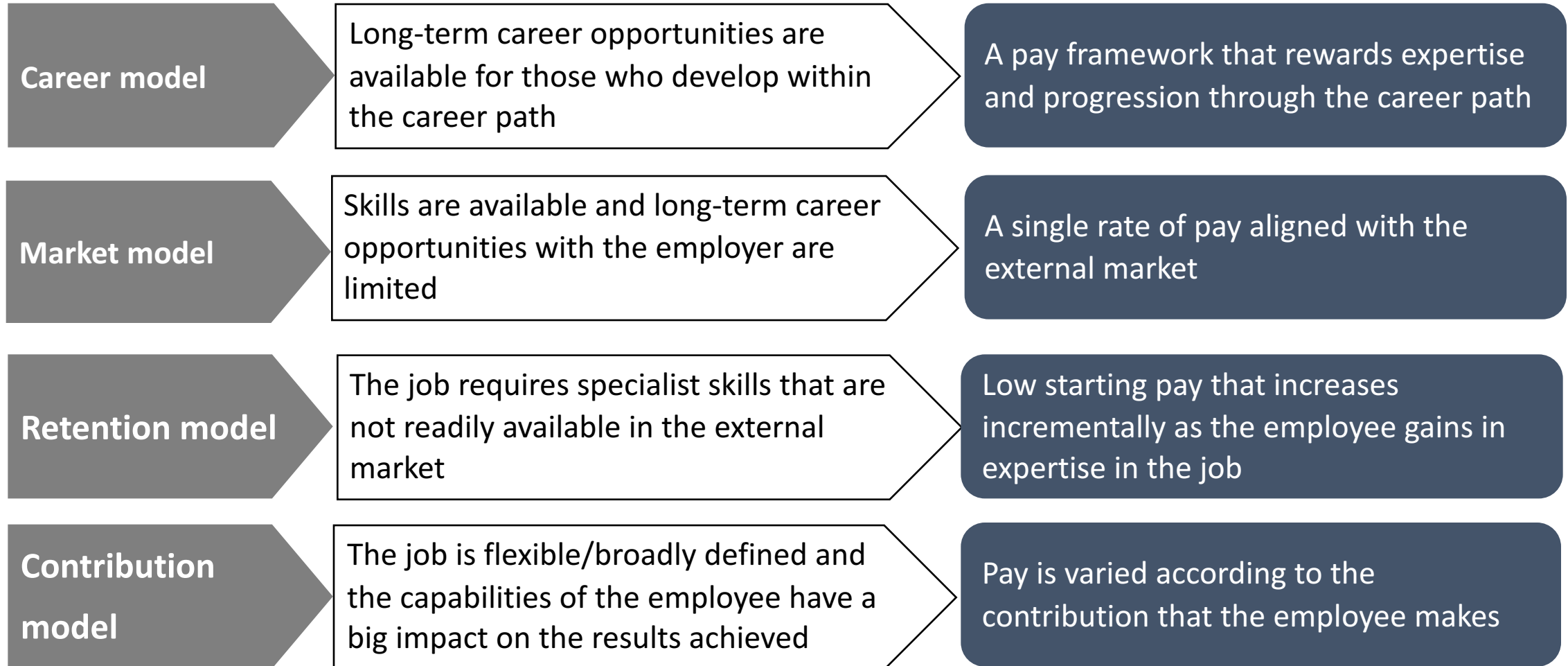
Four ideas for better reward management

1. Pay structures based on the type of job
2. Be clear about the purpose of performance pay
3. Manage employee expectations
4. Small things to move the cloud

1. Pay structures based on the type of job

Talent Model

Pay structure



2. The purposes of performance pay

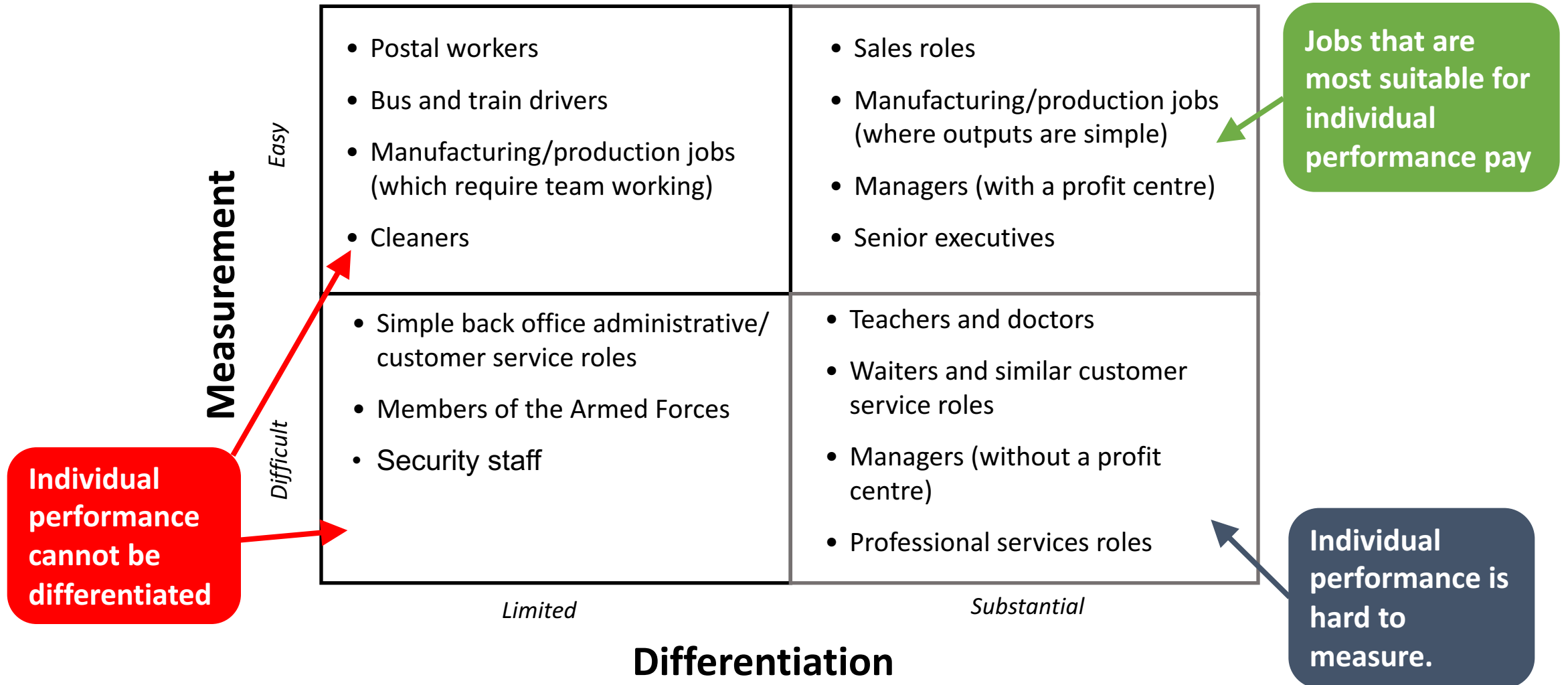
1. Reflect market practice and recruit and retain talent
2. Align reward with organisational performance and communicate priorities
3. Reward employees fairly, based on their individual contribution
4. Create an incentive for improved performance

Easy

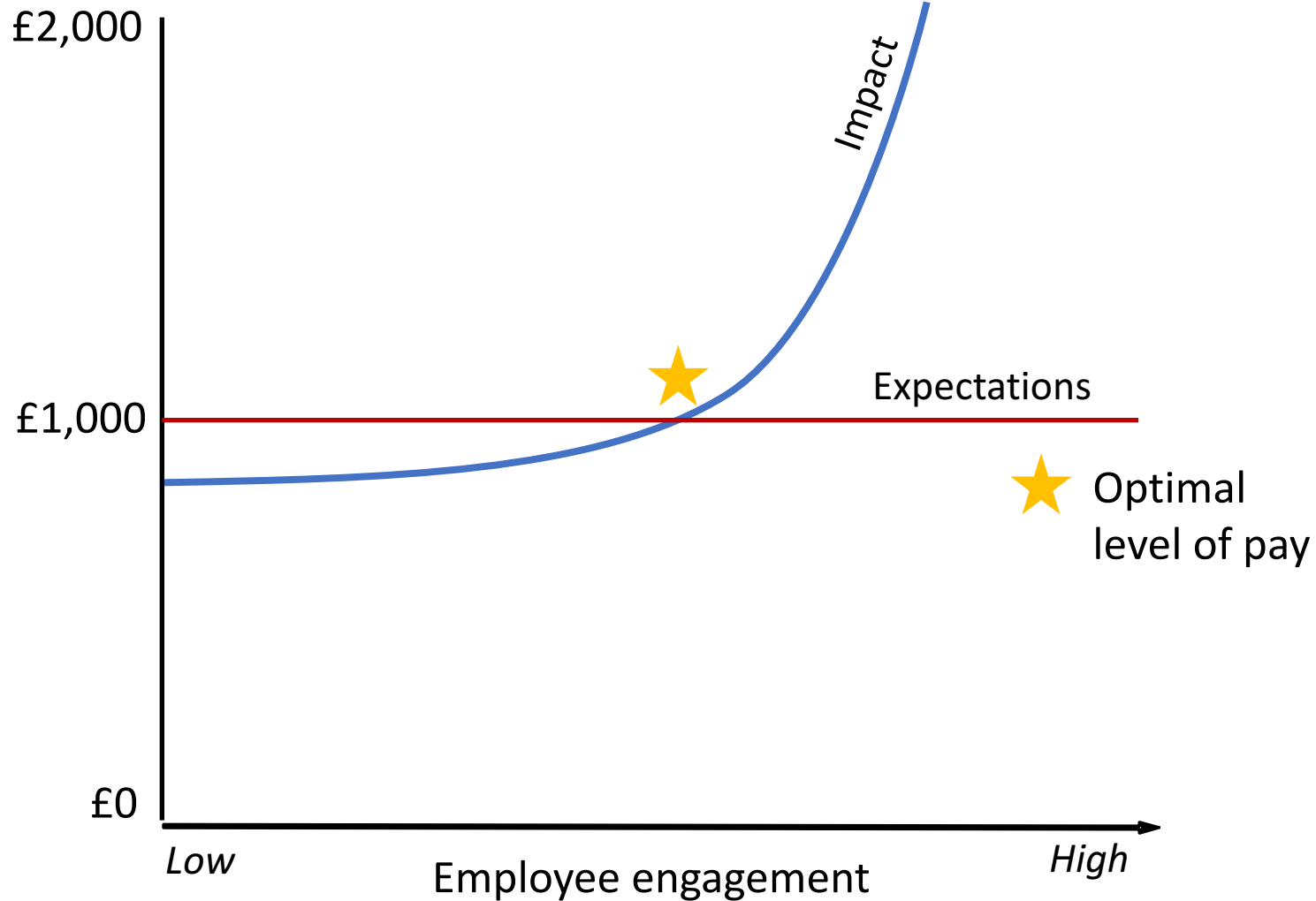


Difficult

Rewarding individual contribution



3. Manage employee expectations

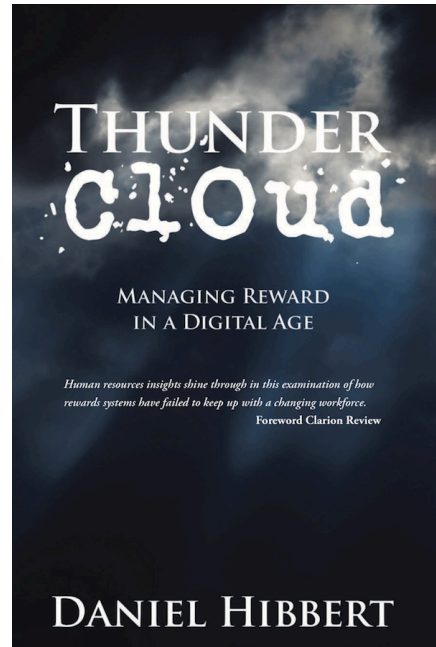


- The Reference Point in Prospect Theory is derived from employee expectations
- The optimal reward decisions are those that meet or narrowly exceed expectations
- Managing employee expectations is as important as managing the reward itself

4. Small things to move the cloud

- Give employees choice where possible
- Use discretionary recognition schemes
- Get rid of small inequities
- Enable line managers to talk about reward

Questions?



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