

Performance And Reward Management
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Lecture - 23

Role of performance management in employee development, addressing performance management skills and team reward management (Contd.)

Welcome to the topic on of a Role of performance management in employee development addressing performance management skills and team reward management.

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In the concepts that will be covered today.

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CONCEPTS

- Non-financial Rewards
- Financial Rewards

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We will now discuss on the non financial rewards and the financial rewards.

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Reward Management

Performance management can play an important part in a total reward system in which each reward element is linked together and treated as an integrated and coherent whole.

These elements comprise base pay, contingent pay, employee benefits, and non-financial rewards, which include **intrinsic rewards** from the work itself.

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Now when we talk of reward management, we have discussed its earlier also like performance management can play a very important part in the total reward system. So, in where the rewards are connected to the performance and each of the reward element linked together and they are treated as a coherent whole. So, the different elements that a form a part of reward are like base pay, contingent pay, employee benefits and non financial rewards which includes the intrinsic rewards from the work itself.

So, in performance management when we are talking of motivating the person to perform and so, like through different like encouragements given in terms of reinforcers then we have to like do plan, we have to design between the financial and the non financial rewards between the extrinsic rewards and the intrinsic rewards because we have to keep in mind we should not be going for the motivational crowding should not happen.

So, what happens like there should not be a mismatch between what is what a person does because he enjoys doing it, but if we give sometimes give extrinsic rewards for it, then the person may gets deep focused and become only reward minded and the charm of doing the commitment of the person towards doing that thing, which with the person was doing because he was engaged or engrossed with the task because there was a flow what we call flow in work that may get disturbed sometimes when we give extrinsic rewards for things which they were intrinsically motivating for the person.

So, these kind of reward designs are very important which we will critical elements of reward design, which we will take up in the next modules to come up, but for now we are going to discuss of the different kinds of rewards and their classifications.

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Performance management can provide for a whole range of rewards in order to encourage job engagement and promote commitment.

These rewards can take the form of recognition through feedback, opportunities to achieve, the scope to develop skills, and guidance on career paths.

All these are **nonfinancial rewards**

So, performance management can like provide for a whole range of rewards in order to like help in job engagement and improver the commitment. So, these all those rewards which takes the form of like the recognition through feedback, opportunities to achieve

something the scope to develop new skills and the guidance on career paths. These are called non financial rewards.

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Performance Management- Non-financial Rewards

Non-financial rewards make a longer-lasting and more powerful impact than financial rewards.

Performance management and recognition: Performance management involves recognizing people's achievements and strengths.

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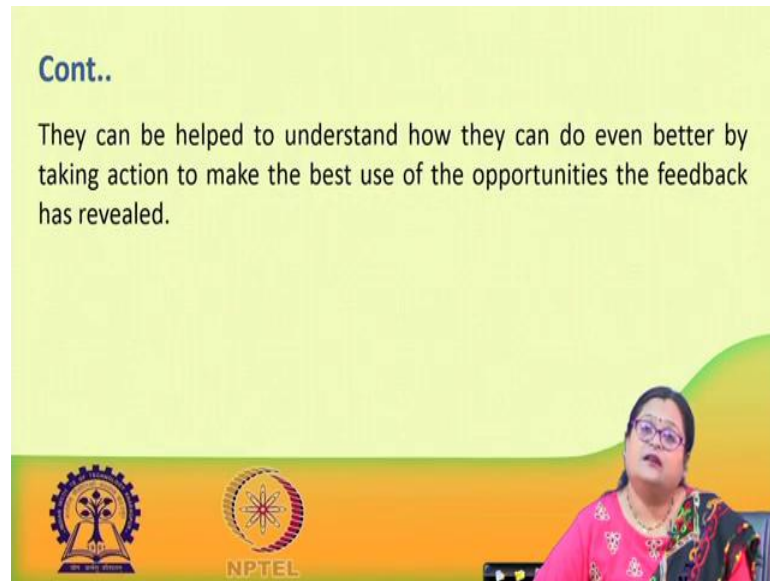
So, non financial rewards actually it makes a more long lasting effect, non financial rewards make a more long lasting effect and a powerful effect than the financial rewards. Because if you understand it the like if you are talking of financial rewards, it is it always like leads to a saturation point and maybe there are more new expectations generate and we are never able to meet that expectations.

So, therefore, the non financial rewards were actually more long lasting so, in terms of acting as a reinforcer. So, one of the non financial rewards is like recognition. So, performance management it involves like recognizing peoples' achievements and strengths which gives enhances a person's self-sense of self efficacy and adds to its self and social esteem.

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They can be helped to understand how they can do even better by taking action to make the best use of the opportunities the feedback has revealed.

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So, they can be like helped to understand like people can be helped to understand how they can do even better by taking action, to make the best use of the opportunities given to them and the feedback and processes and the points of improvement told and like how they can work on those improvements and like processes of improvement to further develop themselves.

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Performance management and the provision of opportunities to achieve :

Performance management processes are founded on joint agreements between managers and their people on what the roles of the latter are and how they can be developed (enriched). It is therefore an essential part of job or role design and development activities.

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So, performance management as we understand is a platform which gives the provision to improve and to provision to achieve also. Because we have all divided elements into

the critical, non critical at the additional aspects and the elements of the job also into critical non critical and additional aspects. So, we know like what are the priorities to be achieved and it is a joint decision making by the manager, and the people on like what should be the role of the latter and how they can be enriched.

So, they can focus on more critical parts of their contribution towards the department's goals. So, join discussion on how a role can be improved and what are the opportunities to achieve like to have a sense of achievement of a particular target, the goal setting these are jointly done and. So, and it is a very essential part of job or role design and the development activities where their where the role is presently now what extra challenges at the role can take up which is mutually decided.

So, that they can contribute more to the objectives of the organization and in the process of doing that the employee also develops. So, the beauty of this thing is where this joint discussion is happened and with a sense of trust and rapport as we are discussing in the earlier chapter, the employee should not get a feeling like all these are thrust on me, but we actively seek these responsibilities also. Because we want to gain the experience of taking up the challenges and this is where it gives an opportunities to achieve something in like if the process of doing the work.

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Performance management and career planning :

Performance management reviews provide opportunities to discuss the direction in which the careers of individuals are going and what they can do – with the help of the organization – to ensure that they follow the best career path for themselves and the organization.


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Performance management also contributes to the career planning of the employees. Like performance management, it reviews the opportunities, provide opportunities to discuss

like in which directions the carriers or the employees are going and like what all though things they can do like if we have certain interest if you are nurturing (Refer Time: 08:02) a certain interest organization is also, trying to move into such directions; I can choose to like opt to develop my career in a certain pattern.

So, which helps to fulfill the organization's requirement of a certain talent in a particular direction and me also find the sense of achievement because I do have the interest in certain area and I am getting a chance to explore that area particular area and getting a sense of fulfillment through the increased process of learning and development and it is like a chalking out the path for career planning.

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Performance management and job engagement :
People are engaged with their jobs when they have an interest in what they do and a sense of excitement in their work. This can be created by performance management when it concentrates on intrinsic motivating factors such as taking responsibility for job outcomes, job satisfaction, achievement and fulfilment of personal goals and objectives.

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So, performance management and job engagement are also the non-financial rewards that the employees get. So, getting a feeling of like what they are interested to do and their sense of excitement in the work by completing a particular project, then when it concentrates on like intrinsically motivating factors like taking responsibilities for job outcomes and job satisfaction, fulfillment of personal goals and objectives, it becomes really interesting for the person to contribute in to the particular job and that is what engages the person to the particular job, with more sense of job involvement and job engagement happens.

And performance management system gives you the opportunity to become more engrossed in the job to get more engaged with the job which is intrinsically motivating and this is also rewarding for the employee.

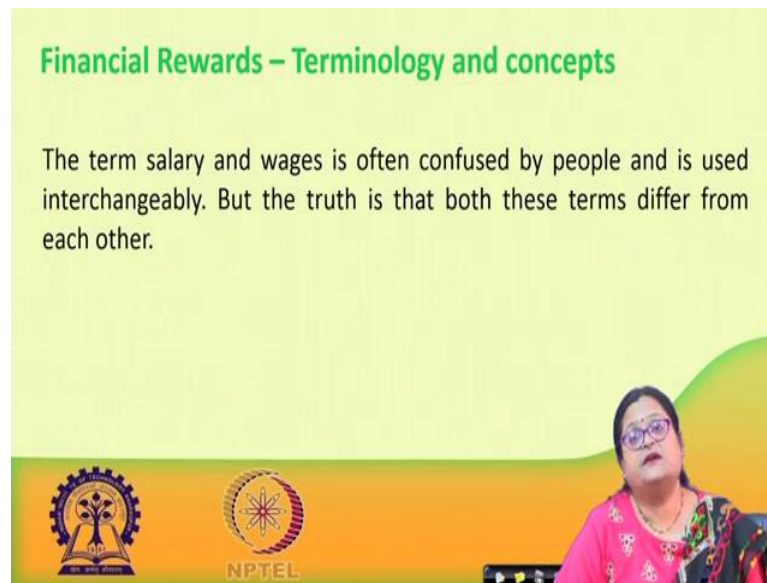
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So, if we see the non financial rewards, if you will see like it moves from like the diversity of activity and job engagement then opportunities for personal growth more taking up more responsibility, enjoying the autonomy and freedom of work and participating in decision making process.

So, these are the different kinds of like the non financial rewards that the person can get like with the help of the performance management system in place. With the philosophy of performance management being practiced in the organization. These are the non financial rewards that the employee gets in being in that type of organization.

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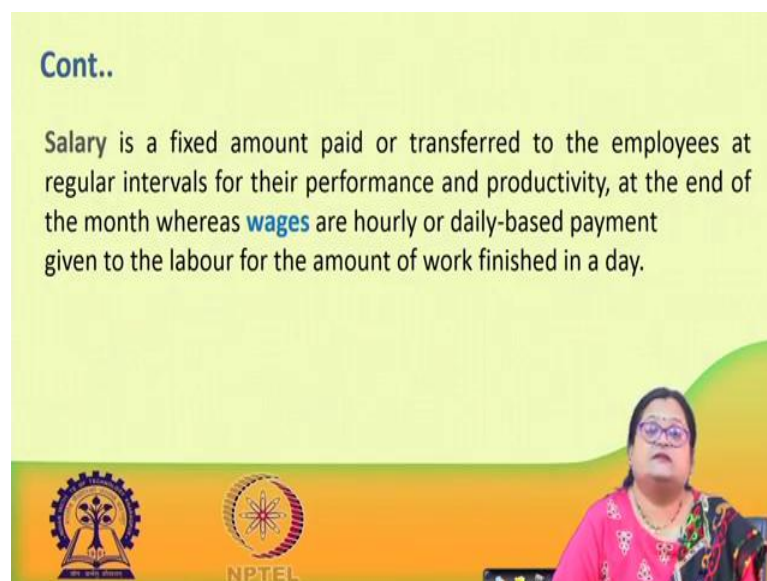
Financial Rewards – Terminology and concepts

The term salary and wages is often confused by people and is used interchangeably. But the truth is that both these terms differ from each other.

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When we talk of financial rewards so, these are like monetary rewards that we get in term with respect to the performances of the employees or for the time spent in the organization or based on the seniority and here we are going to discuss the different terminology and concepts covered under financial rewards. So, sometimes there is a confusion between the term salary and wages and sometimes people use it interchangeably, but these terms are somewhat different from each other.

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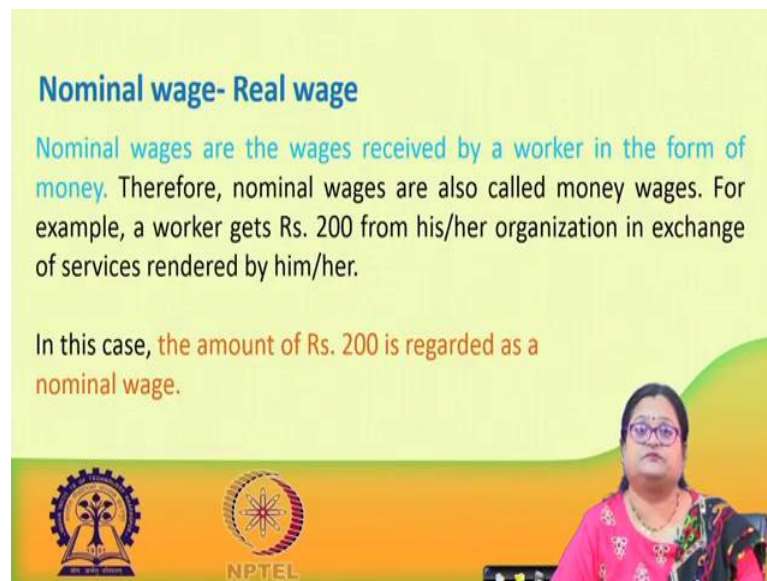
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Salary is a fixed amount paid or transferred to the employees at regular intervals for their performance and productivity, at the end of the month whereas **wages** are hourly or daily-based payment given to the labour for the amount of work finished in a day.

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So, salary is like a fixed amount paid or transferred to the employee at the regular intervals for their performance and productivity at the end of the month. Whereas, wages are hourly or daily based payments; so, given to the labor for the amount of like work done after a completed in a particular date. So, you have to understand the difference between these two terms whenever we are talking of salary and wages.

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Nominal wage- Real wage

Nominal wages are the wages received by a worker in the form of money. Therefore, nominal wages are also called money wages. For example, a worker gets Rs. 200 from his/her organization in exchange of services rendered by him/her.

In this case, the amount of Rs. 200 is regarded as a nominal wage.

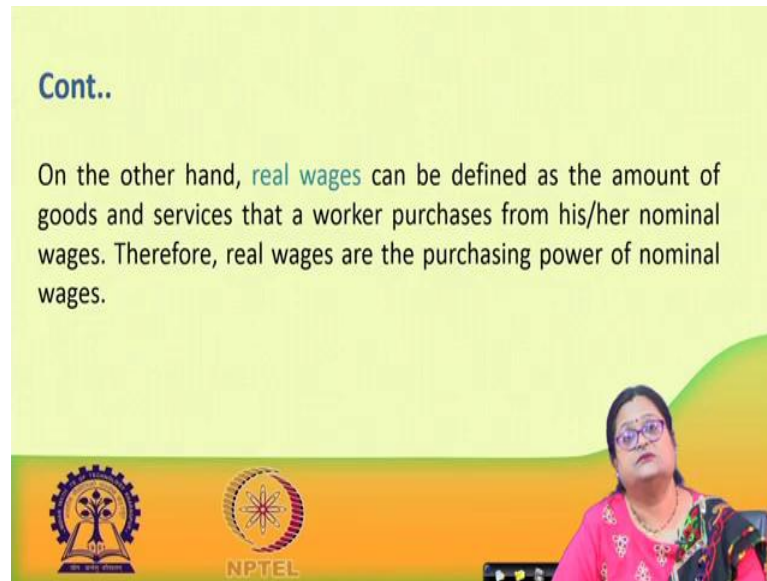
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So, when you talk of nominal wage these are like these are the wages received by the worker in terms of money. So, they are also called money wages. So, suppose some are employed worker gets rupees 200 from his or her organization so, in exchange of the services rendered by him or her so, that is referred to as a nominal wage.

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On the other hand, **real wages** can be defined as the amount of goods and services that a worker purchases from his/her nominal wages. Therefore, real wages are the purchasing power of nominal wages.



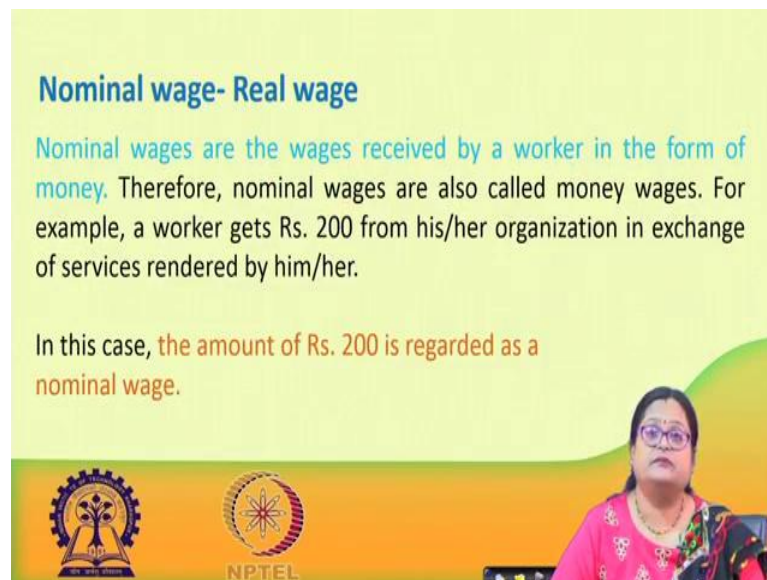
So, the real wage is the purchasing power of the nominal wage. So, real wage can be defined as the amounts of goods and services that the worker purchases from his or her nominal wages.

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Nominal wage- Real wage

Nominal wages are the wages received by a worker in the form of **money**. Therefore, nominal wages are also called money wages. For example, a worker gets Rs. 200 from his/her organization in exchange of services rendered by him/her.

In this case, **the amount of Rs. 200 is regarded as a nominal wage.**




So, by the I may get rupees 200, but the monetary worth of his value of it is determined what really does it mean is the purchasing power of that nominal wage based on like the minimum amount of goods and services, that we can buy through it and that determines his or her real wage.

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Minimum wage

Minimum wages have been defined as the minimum amount of remuneration that an employer is required to pay wage earners for the work performed during a given period, which cannot be reduced by collective agreement or an individual contract. In our country the minimum wage varies across the region depending on local factors.



Minimum wage it is the minimum wages has been defined as the minimum amount of remuneration that an employer is required to pay the wage earners for the work performed during a given period; so, which cannot be reduced by collective agreement or by an individual contract. So, there are certain local varieties based on the like minimum wage varies across the region depending on some local factors.

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REGION-SPECIFIC MINIMUM WAGES PROPOSED

REGION 1	REGION 2	REGION 3	REGION 4	REGION 5
₹342/day or ₹8,892/month	₹380/day or ₹9,880/month	₹414/day or ₹11,622/month	₹447/day or ₹11,622/month	₹386/day or ₹10,036/month
Assam, Bihar, Jharkhand, MP, Odisha, UP and West Bengal	Andhra Pradesh, Telangana, Chhattisgarh, Rajasthan, J&K and Uttarakhand	Gujarat, Karnataka, Kerala, Maharashtra and Tamil Nadu	Delhi, Goa, HP, Haryana and Punjab	Arunachal Pradesh, Manipur, Meghalaya, Nagaland, Sikkim, Mizoram and Tripura

Source: Singh, B. D. (2007). *Compensation and reward management*. Excel Books India.



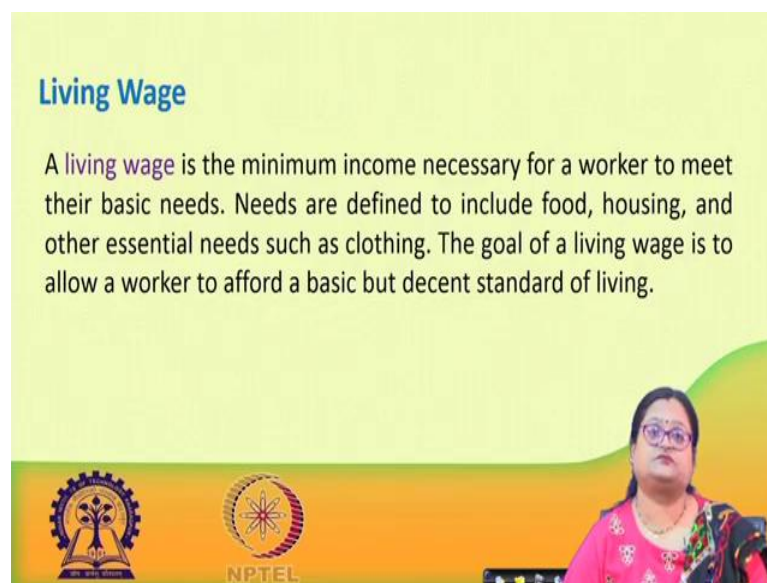
So, there are region specific minimum wages proposed; as we see in the region which is Region 1 which is Rs 342/day or like Rs 8892 /month in Region 1 which is like Assam

Bihar Jharkhand MP, Orissa, UP and West Bengal. Region 2 is Rs 380 /day or Rs 9880/ month and the regions are Andhra Pradesh, Telangana, Chhattisgarh, Rajasthan, Jammu and Kashmir and Uttarakhand.

Region 3 is Rs 414/ day or Rs 11622 / month and the regions are Gujarat, Karnataka, Kerala, Maharashtra and Tamilnadu. Region 4 is Rs 447 / day or Rs 11622/month and the regions are Delhi, Goa, Himachal Pradesh, Haryana and Punjab. And region 5 is again Rs 386 /day or Rs 10,036 / month.

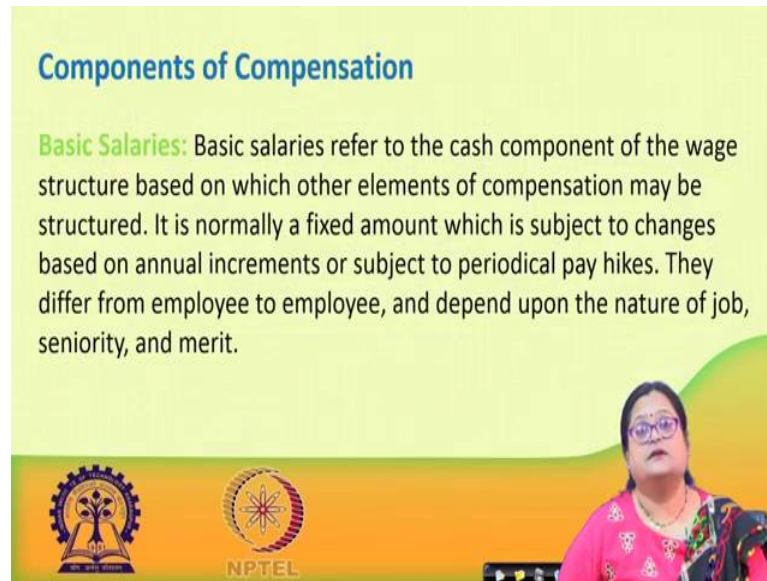
The regions are Arunachal Pradesh, Manipur, Meghalaya, Nagaland, Sikkim, Mizoram and Tripura. So, these are like region wise differences based on the local factors that we have and also the based on the real wages of the purchasing power that the minimum that should be given so, that there worker is able to buy something which is required for the minimum sustenance. So, based on these factors there are region wise classification done.

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So, when we talk of living wage. So, a living wage is the minimum income necessary for a worker to meet their basic needs. Needs are defined to include food, housing and other essential needs such as clothing. The goal of a living wage is to allow a worker to afford a basic, but again a very decent standard of living.

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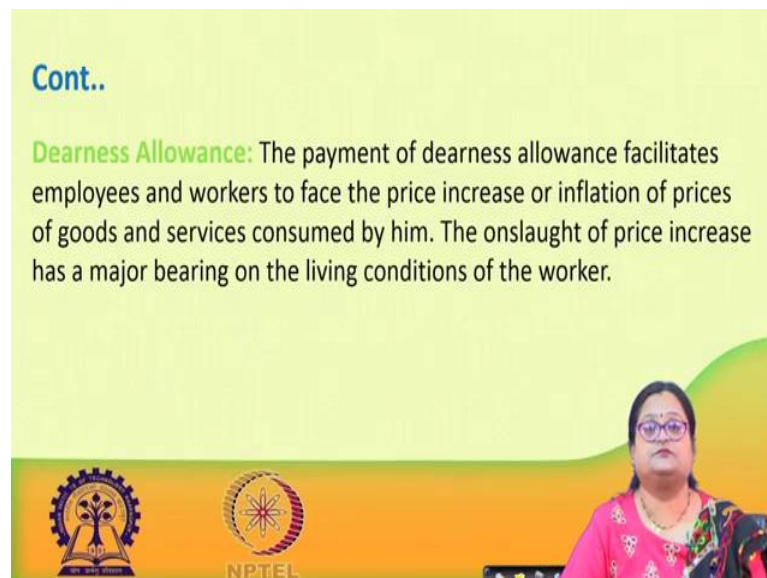
Components of Compensation

Basic Salaries: Basic salaries refer to the cash component of the wage structure based on which other elements of compensation may be structured. It is normally a fixed amount which is subject to changes based on annual increments or subject to periodical pay hikes. They differ from employee to employee, and depend upon the nature of job, seniority, and merit.

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When we talk of compensation the different components of compensation are firstly, the basic salaries. Basic salaries refers to the cash component of the wage structure based on the other based on which may be the other elements of compensation may be structured. So, it is normally a fixed amount which is subject to changes based on annual increments or subjects to periodical pay hikes. So, they differ from employee to employee and depend on the nature of the job or maybe the seniority and the merit.

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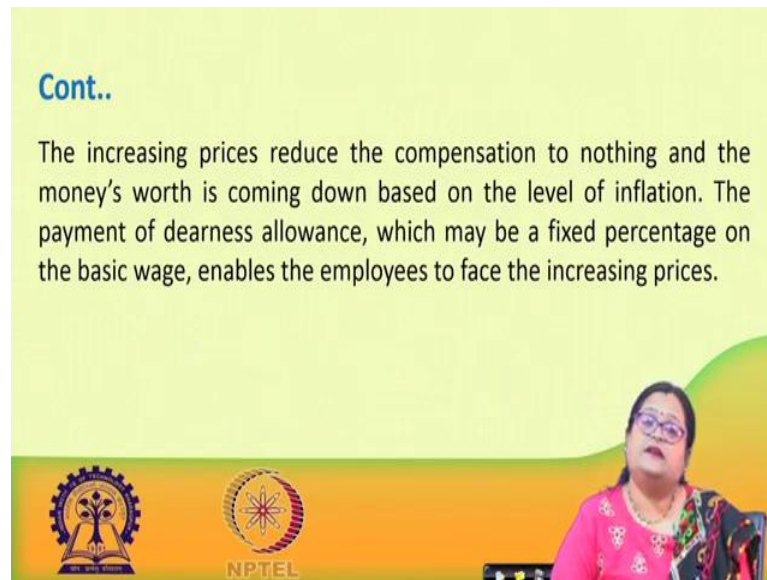
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Dearness Allowance: The payment of dearness allowance facilitates employees and workers to face the price increase or inflation of prices of goods and services consumed by him. The onslaught of price increase has a major bearing on the living conditions of the worker.

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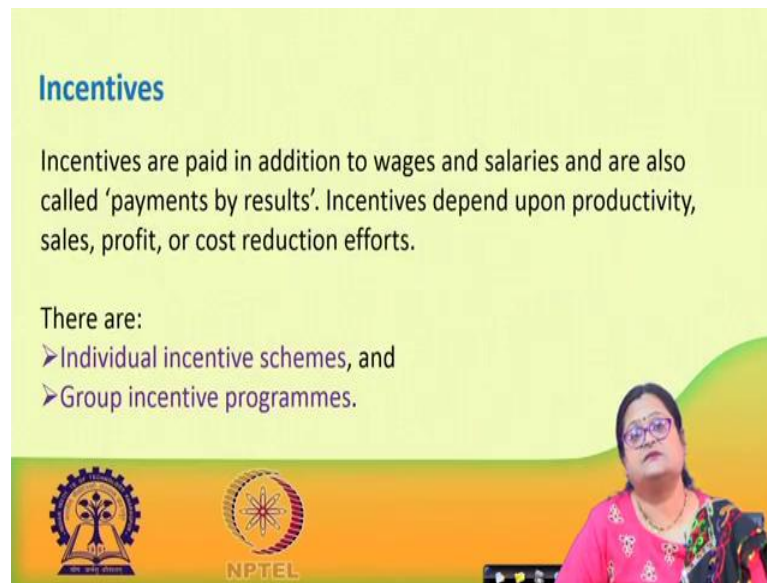
Dearness allowance these the payment of dearness allowance facilitates employees and workers to like face the price increase or inflation of prices of goods and services consumed by him. The onslaught of price increase has a major bearing on the living conditions of workers. So, the dearness allowance helps them to face the price increase.

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So, maybe the increase of prices sometimes reduces the compensation to nothing and the money is worth is coming down on the level of initiation. So, the payment of dearness allowance which may be a fixed percentage on the basic wage helps the employees to face the increasing prices.

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Incentives

Incentives are paid in addition to wages and salaries and are also called 'payments by results'. Incentives depend upon productivity, sales, profit, or cost reduction efforts.

There are:

- Individual incentive schemes, and
- Group incentive programmes.

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So, when we talk of incentives, incentives are given to employees in addition to wages and salaries and are also called payments by results. So, incentives depends on productivity, sales profit or the cost reduction efforts. So, when we talk of reinforcers then incentives of the major reinforces which connects the performance with the results and the performance and the payments together.

So, it as you can see depends upon the productivity, sales profit or the cost reduction efforts what are the real improvements in outcome shown and what is the employee's contribution to it and based on that these incentives are given. So, there are like different individual incentive schemes and also group incentive programs.

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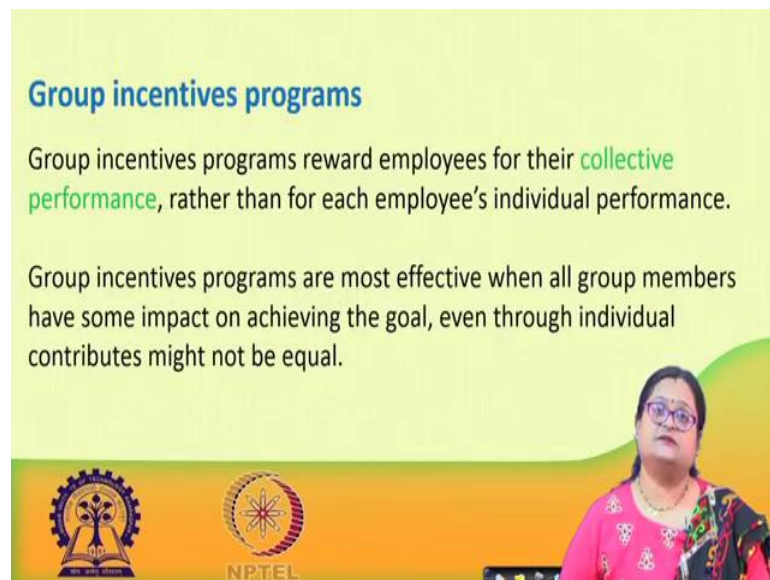
Individual incentives are applicable to specific employee performance. Where a given task demands group efforts for completion, incentives are paid to the group as a whole. The amount is later divided among group members on an equitable basis.

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So, individual incentive schemes are applicable to specific employee performances. So, where there is a group task demands, group efforts for completion incentives are given to group as a whole.

So, the later is divided among the group members then on equitable basis.

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Group incentives programs

Group incentives programs reward employees for their **collective performance**, rather than for each employee's individual performance.

Group incentives programs are most effective when all group members have some impact on achieving the goal, even through individual contributes might not be equal.

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When we talk of group incentive programs so, it is a group incentive programs is given for employees for the collective performances rather than each individual employees performance. So, group incentives programs are most given when all the group members

have some impact on achieving the goal. So, when the even though the individual contributions may not be equal, sometimes this happens maybe there are sometimes like if the individual incentives and group incentive programs are not well balanced properly there may be a sense of dissatisfaction within the group members regarding the distribution, whether it should be equal or equitable amongst the group members based on the contributions or not.

Because some members may show social loafing and may not contribute well to the objectives of the group, but when it comes to enjoy the fruit of the performance in terms of sharing the rewards, everybody maybe feels like they are equally eligible for it. That me give rise to certain sense of discontentment amongst the people who have really worked hard to come exceed the group's performance and maybe some of the peers who have like avoided their part of responsibility.

So, how do we design for it so, that these type of discontentments may not happen and so, this is some area where we may need to think upon like how to like maybe mix and match between the group performance and the individual performance and the incentives and like do we have certain ratios some part common and then after that divide it individually based on their level of contributions some something we need to think about it so, that in future some discontentment may not arise.

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Team members represent various **cross-functional** areas including research and development (R&D), Marketing, finance, and manufacturing.

Well designed group incentives plans ultimately **reinforce teamwork**, cultivate loyalty to the company, and increase productivity.



So, sometimes what happens, So, team members represent various cross functional areas including research and development, marketing, finance and manufacturing and all come together to achieve a group goal. And so, well designed group incentive plans ultimately reinforce teamwork and cultivate loyalty to the company and increase the productivity. So, these are the references that we have taken for this discussion. We will discuss in details more about the different incentive plans in our upcoming sessions.

Thank you.