

THE IMPLEMENTATION OF TOTAL REWARDS

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Abstract: In general, the using of total rewards increases the value of the companies for the stakeholders. Whether it is about customers, vendors, business partners or employees, rewarding workforce accordingly to their expectations and performance as well brings added value to the final product of the company. Practicing total rewards in the corporate area helps to increase the volume and quality of work, commitment and loyalty of the staff. The final customer of products or services will be better treated and more satisfied. The profit and the company's image will be at least constant if not growing. The implementation of total rewards in firms it is not as easy as it seems. The principle it is consistent and logic: it starts from the mandatory rewards, required by law, and then there are considered the needs of the employees and the company's budget to determine what company can provide. The implementation of rewards into companies are achieved through total rewards models. This paper aims to show what total reward models were brought on the market in the recent years and what they require.

Keywords: the „Hay Group" Performance Employment Model, the BITC Work well Model, the Total Rewards Model according to the Maslow's Pyramid, the Total Rewards Model by Rumpel and Medcof, the Transactional and Relational Model, the WorldatWork Model.

JEL Classification: J33, M52, M54.

1. INTRODUCTION

What we expect and what do we get? This it is a good question for employees nowadays. Companies can use a classical salary package with standard wages and compulsory benefits required by law, or may grant other benefits and rewards for its employees in order to get the highest quality, to maintain the workforce and to gain employee's loyalty. However expectations of human resources are different and are depending on: gender, age, marital status, family, ambition, results at the working place. Granting rewards and benefits for employees in a company it is limited by the paying budget. In

reality, the budget it is decided by top management. Therefore, the needs of employees must be related to the company's financial resources.

During the past few years there have been created rewarding models that illustrate how rewards are granted to the employees. These models may be general or more specific for the companies for which they were designed. This paper aims to analyze what appeared in the literature in terms of reward models, showing the influence of the psychological contract in companies and inducing steps to follow for implementing a total rewards model in companies.

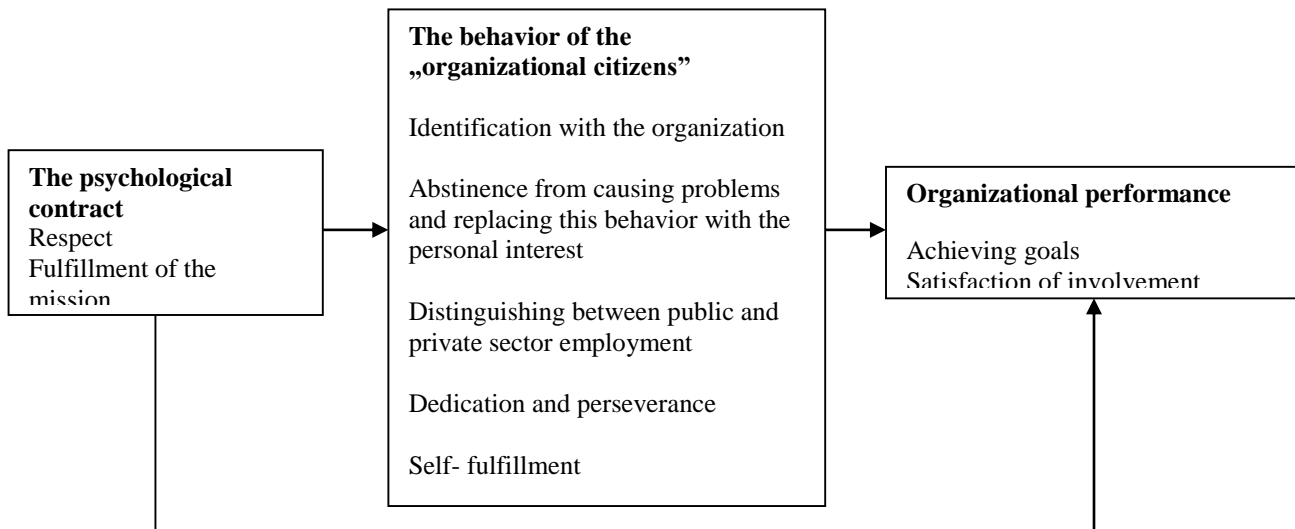
2. THE PSYCHOLOGICAL WORKING CONTRACT

The concept of „psychological contract” was first introduced by Argyris (1960) based on his research on the relationship between team leaders and their subordinates. It was proved the fact that when the leader it is so recognized by employees, the subordinates maintain high levels of productivity and complain less. Therefore, the author called this phenomenon „psychological working contract” (Hsu Tsui-Tsai, Jing Lin, 2014).

Later, Levinson (1962) developed the concept into a solid theory, arguing that this type of contract it is based on mutual expectations between organization and its employees. He pointed out the importance of company- employee relationship through mutual expectations that can not be known or made explicit (Hsu Tsui-Tsai, Jing Lin, 2014).

The following figure it is important for understanding the meaning of psychological contract:

Figure- 1: The psychological contract



Source: Tsui-Hsu Tsai, Jing Lin, 2014, p. 400.

The psychological contract engages in employees to perform as well as possible the tasks with perseverance and support from colleagues/ team leaders- when necessary. Thus, employees become true „organizational citizenships” identified with the company. The results are visible are good for both parties: the employee becomes self- fulfilled providing involvement and satisfaction and the company increases its performance.

This type of contract it is implicit and dynamic, and covers two categories of aspects (Armstrong, Murlis, 2009):

Aspects covered by psychological contract from the employee’s perspective: how it is treated the employee in terms of fairness and equity, the security commitment, the goal of the company to rely on competence, the expectations for career and opportunities to develop skills, the involvement and the influence of the firm, the trust into the company to honor promises, the patience of the employee to be driven in a professional way.

Aspects covered by psychological contract from the employer's perspective: competence, effort, compliance, commitment, loyalty.

Total rewards can be used to sustain and develop a psychological contract through the following actions (Armstrong, Murlis, 2009):

- Rewarding employees through concrete contributions, despite the loyalty and serviceability;
- Rewarding staff that is using skills with good intentions;
- Rewarding employees that prove that possess useful competences for the work and promptitude to accomplish the working tasks;
- Development of rewarding teams to boost teamwork, flexibility and multifunctionality;
- Introduction of new rewards by participating in company profits and the using of „we, together" instead „we and the organization";
- Communication to employees about rewarding innovation and how they will be affected;
- Involving the employees in total rewarding processes;
- Provide training to all the involved actors (managers, employees) about the implications of the reward policies and practices, especially when the structure of the company it is changed.

Rousseau (1989) introduced changes to this approach, arguing about the psychological contract that it doesn't mean only mutual expectations regarding the relationship between employees and organization, but rather the perception of the company about obligations for each employee, emphasizing the importance of personal knowledge. However, commitment and mutual obligations coexist. Personal knowledge, diversification of individual values and differences in message transmission may lead to different interpretations of the content of psychological contract (Coyle-Shapiro, Kessler, 2000).

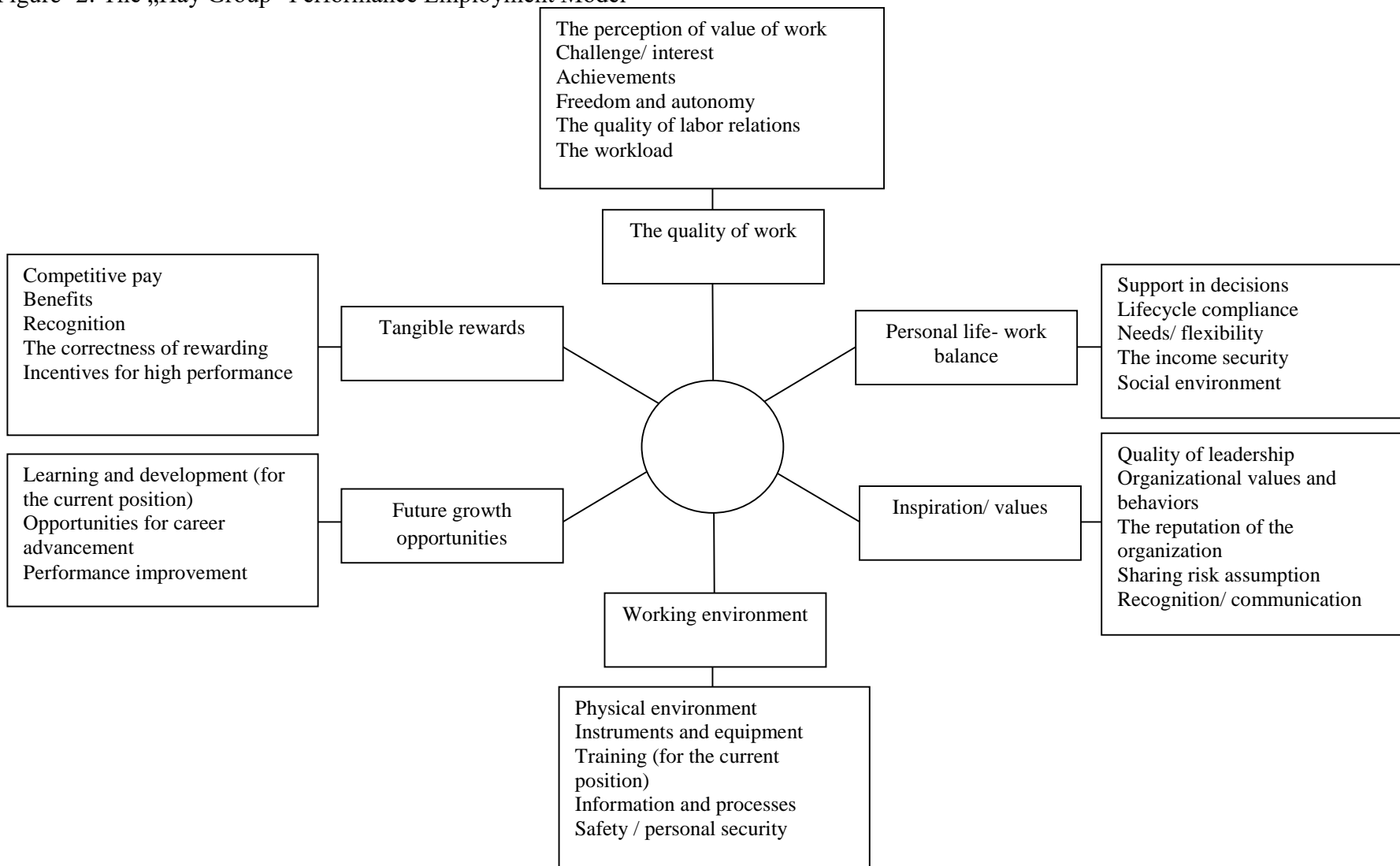
3. MODELS DEVELOPED IN THE RECENT YEARS

The „Hay Group” Performance Employment Model

At the end of 1990, Hay Group has developed a total reward model based on the opinions of their employees. In order to define this model were used transactional rewards, relational rewards and everything that convinces employees that their work it is part of high standards (Armstrong, Murlis, 2009). The research results for employees from the United Kingdom and other company sites revealed that for choosing a job on long-term orientation with the organization, inspiration and values of the organization are most important for employees. On the second place are situated future growth opportunities and just on the third place are tangible rewards.

The model it is exposed below:

Figure- 2: The „Hay Group” Performance Employment Model



Source: Armstrong, Murlis, 2009, p. 15.

The model has six variables of interest: quality of work, personal life- work balance, inspiration and values of the organization, working environment, future growth opportunities and tangible rewards. Each of these consists in other subordinate variables. Personal life- work balance can be considered when it is offered flexibility for working hours or when are fulfilled other needs (for example, women that are in pre/ post natal can have a program of work for 6 hours per day instead of standard norm of 8 hours per day).

Inspiration and values of the organization can be observed through charismatic leaders, how the company it is perceived from the outside, behaviors adopted at work. The environment it is important in order to obtain performance at work, the variable being in charge to provide and maintain the necessary conditions for carrying out tasks (necessary tools, security). The opportunities for growth are hopes of advancement for employees with potential and qualities- necessary for the profession. Thus, learning and development offers opportunities for promotion. Quality of work appears when the workload it is performed in freedom and autonomy. In this model, the tangible rewards mean that the organization pay competitive wages compared to other companies from the market.

The Transactional and Relational Model

The simple classification of rewards into transactional and relational ones conducted to a total reward corresponding model. A company use transactional rewards (tangible) when there are involved visible, material exchanges between employees and employers: remuneration, tangible benefits. Firms can also use relational rewards (intangible) since these do not involve explicit exchanging between employees and organization, but rather „silence”: learning and development represent a good example for this category.

The Total Rewards Model by Rumpel and Medcof

The model involves four types of rewards: remuneration include direct payments for the employess, benefits include indirect payments (pension, savings plans, different insurances). Learning and development programs include practices in order to achieve performance. Finally, the role of the working environment it is to improve and maintain the organizational climate.

The Total Rewards Model according to the Maslow's Pyramid

The model takes into account the needs of people, with the corresponding of one or more possible rewards. Affiliation with Maslow's Pyramid it is performed with both, relational and transactional rewards, directly or indirectly, financial or non-financial.

The basic needs of employees are satisfied through the basic salary. Safety, as a part of Maslow's pyramid it is ensured by financial satisfaction for the received remuneration. The need for belonging it is fulfilled through the team spirit created at work, cooperation and professional experiences.

Knowledge and understanding are met through learning and development. Companies can provide to their employees professional development courses, and can consult them in order to find out the necessary learning needs. Aesthetic requirements are related to the employee's perceptions about how important and exciting it is their work. Self-esteem comes noticing the employees at the workplace.

The WorldatWork Model

The model was developed after a survey conducted in the United States of America- „The relative influence of Total Rewards Elements on Attraction, Motivation and Retention” (Boswell, et. Al., 2011, pp. 1-45) started in January 2006 and completed in May 2009.

The total reward model analyses the three key behaviors in human resources management: attracting, motivating and maintaining the workforce. The total reward strategy it is developed through five elements: pay, benefits, work-personal life balance, performance and recognition, development and career opportunities.

The BITC Work well Model

The model it is developed by a United Kingdom business for other businesses in the same geographical area. Professor Cary Cooper for organizational psychology and health says „The Workwell model highlights the need for collaboration. It is the employer' s job to create an environment where employees can make healthy life choices, but employees must take responsibility for their own health and well- being”(Workwell Model, accessed 05/30/2015).

The model has in center actions recommended by the BITCH Organization for employees: better work involves creating a pleasant work environment, where there it is

commitment. Better relations are based on encouraging communication and socialization. Also, it involves calling specialists to maintain physical and mental health that bring welfare to staff. Lifelong learning, cooperation with others, practicing volunteering, taking notes and be active-are recommendations made by Foresight Mental Capital Organization and are connected to the recommendations given by BITC Organization (Workwell Model, accessed 05/30/2015).

The model has the following benefits: higher productivity, increased commitment, high presence, an improved recruitment and retention processes and a better image for stakeholders.

4. STEPS FOR IMPLEMENTING TOTAL REWARDS IN COMPANIES

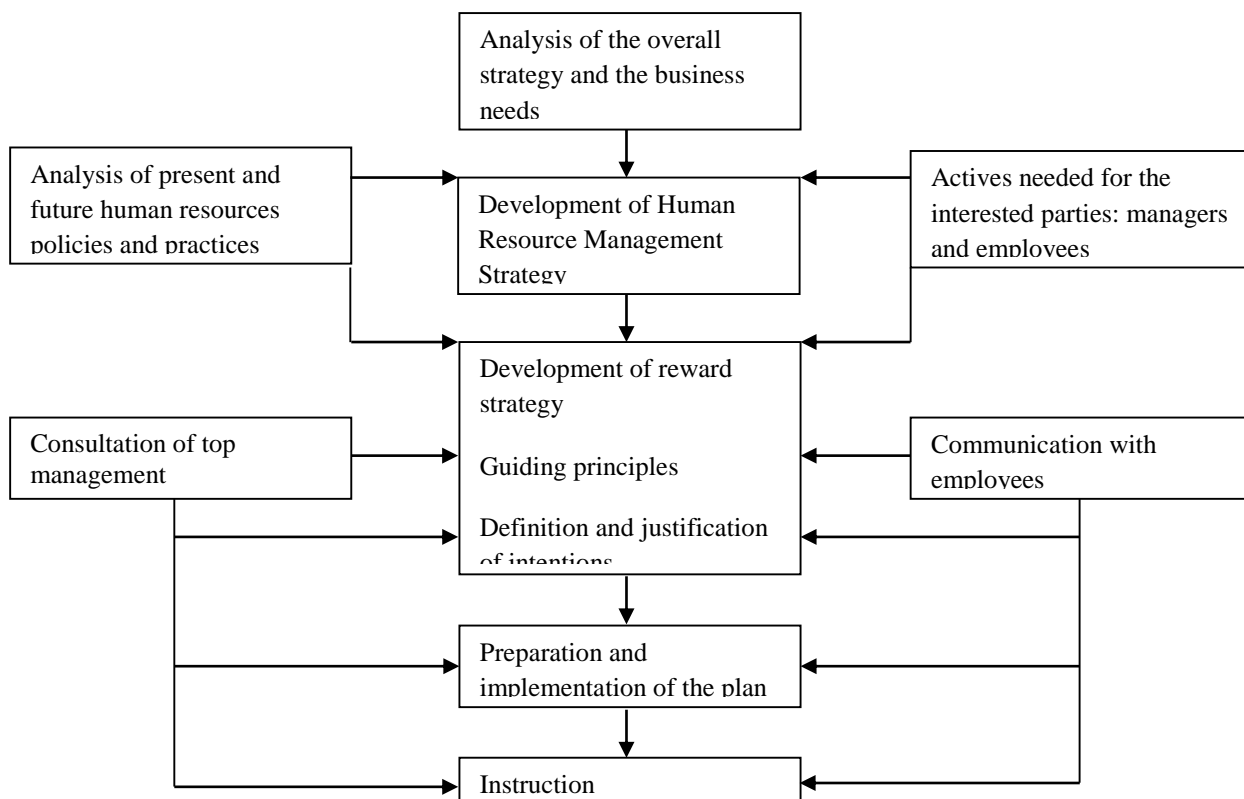
The first step for the creation of a rewarding system of an organization it is to focus on the individual behaviors and the organizational ones that are required for the success of the organization (Armstrong, Brown, 2001).

To demonstrate the utility of a total rewards strategy for an enterprise, must be accomplished the following affirmations (Sadler, 2001):

1. To attract human resources that are necessary both, numerically and qualitatively;
2. To maintain the basic labor that organization needs to carry out the main activities;
3. To be able to motivate the type of the behavior that the company wants to encourage among employees.

A model for developing a total rewards strategy it is illustrated below:

Figure- 3: A model for implementing total rewards



To create a total rewards strategy it is involved the entire staff of a company, from employees to line managers and the top management. Consultation it is essential in this process. Further, the department of human resource management analyzes, adapts and proposes whenever it is necessary the/ a reward strategy, with the top management's final approval. This model for developing an overall reward strategy it is theoretical. Practice shows that most often, companies do not follow the traditional path when initiating such actions. The most commonly cited reason for questioning to implement a total rewards system it is the assigned budget (Armstrong, Murlis, 2009).

The total reward strategy aims to attract, motivate and maintain human resources. It interacts more with the company's external environment when there are recruitment and selection processes, but also needs the information within the firm to determine competitive salary packages compared to those offered by other companies from the market. Rigorous background, continuous information about the labor market and knowing the legal benefits- are examples of activities that ensure that a strategy can be successful implemented.

5. CONCLUSIONS

Every industry has its specifics regarding salary packages offered to staff. Production companies have different rewarding policies compared to companies that are providing services. Also, companies with foreign capital have another vision in terms of rewarding employees compared to the romanian companies. However, the statutory rewards are compulsory and valid for all the employers.

The total rewards models debated in the past few years are:

- The Total Rewards Model according to the Maslow's Pyramid;
- The Total Rewards Model by Rumpel and Medcof;
- The Transactional and Relational Model;
- The „Hay Group" Performance Employment Model;
- The BITC Work well Model;
- The WorldatWork Model.

The first three models are purely theoretical, representing a purely theoretical abstraction and the last three models have been proposed to be directly applied in various analyzed companies.

According to the psychological contract, employees become true „organizational citizenships” identified with the company. In general, the results are visible: the employee becomes self- fulfilled, more involved and satisfied and the company increases its own performance.

To create a total rewards strategy it is involved the entire staff of the company. The department of human resource management analyzes, adapts and proposes whenever it is necessary the/ a reward strategy, with the top management’s final approval. However, the most commonly cited reason for not implementing a total rewards system it is the assigned budget (Armstrong, Murlis, 2009).

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