

Reward Program Implementation – Missed Opportunities *Study Highlights Areas to Improve Effectiveness and Engage Employees*

According to a recent study by Hay Group, WorldatWork and Dr. Dow Scott of Loyola University (Chicago), many organizations are missing opportunities to maximize their return on their reward investments by using pay programs to motivate employees. Substantial opportunity exists to support this objective through improved program communication and effective implementation.

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Hay Group is a professional services firm that helps organizations worldwide get the most from their people by creating clarity, capability, and commitment.

According to Consulting Magazine, we are one of the five largest management consulting firms in the world primarily focused on human resources.

The study sought to determine the prevalence and effectiveness of current compensation practices. Approximately 1,200 compensation professionals from a broad cross-section of organizations completed a detailed survey to describe and evaluate their managerial and professional pay policies and practices as they related to:

- Compensation philosophy and goals;
- Method of valuing work;
- Base salary structure design;
- Pay administration and communication;
- Impact of the pay system on company effectiveness.

Findings

The study uncovered a number of interesting findings, including:

- Ninety percent of organizations have a written compensation policy, but in most cases, employees do not understand it.
- Seventy-three percent admitted that did not effectively communicate information about their pay system to employees.
- Only slightly more than half of managerial and professional employees and less than 25% of other employees know their own salary range.
- Sixty-one percent said they were not effective or even marginally effective at using their pay programs to motivate employees.

Implications

There are a number of factors that compensation professionals use to attract, retain and motivate employees. Compensation is one of the most critical tools because of the magnitude of its financial and emotional value.

Commitment to an effective communication and implementation program is essential for organizations that want to improve their employees understanding of their reward programs. Additionally, as benefits cost continue to rise rapidly, typically accounting for 40% of a payroll cost, organizations should consider a “total remuneration” approach giving employees visibility into the full value of all elements of compensation and benefits that they receive.

Organizations that do not effectively implement their reward programs are missing significant opportunities to reinforce employee behaviors in achieving the goals and priorities of the organization.

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