

Human Resource Management



- Unit 1- Introduction
- Unit 2- Human Resource Planning
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- Unit 4- Employee Recruitment & Selection
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 - **Unit 7- Reward Management**
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Human Resource Management

Reward Management

Concept and types (intrinsic and extrinsic, financial and non-financial)

Qualities of effective rewards

Types of employee benefits

Practices of pay determination of Nepal



Reward Management

Reward is something of value given in return for an act.

In other words, reward is what employees received after his/her contribution in an organization. E.g. pay, benefits services etc.

In organization, reward is a vital factor for employees motivation.

So, reward system must be managed effectively for the effective performance of employees.

Reward management is a matter of vital concern for human resource management.

Before employees do anything, they look for reward.

Organizations need to design and manage reward structure to attract, retain and motivate the employees they want.

Reward Management

The main objective organization give rewards to the employee is to attract, maintain and retain, good, efficient, motivated and high performing employees.



Reward Management

Michael Armstrong:

“Reward management is essentially about designing, implementing and maintaining pay systems which help to improve organizational performance.”

Gary Dessler:

“Employee compensation/reward refer to all forms of pay or rewards going to employees and arising from their employment.”

Wilson (1995):

“Reward system is any process within an organization that encourages, reinforces, or compensates people for taking a particular set of actions. It may be formal or informal, cash non-cash immediate or delayed.”

Goal of Reward Management

Acquire
competent
employees

Retain
effective
work force

Motivate
employees

Ensure
equity

Legal
compliance

Cost
effectiveness

Types of Rewards

Intrinsic Reward

**Interesting work
Responsibility
Job freedom
Growth
opportunities
Participation
Diversity of
activities**

Extrinsic Reward

Financial

**Non
Financial**

**Performance bases:
Piecework,
commission,
incentive plans,
bonuses, merit pay
plans**

**Membership bases:
Pay
Benefits/services**

**Status based
Privilege based**

Types of Rewards

Intrinsic Reward

**Interesting work
Responsibility
Job freedom
Growth
opportunities
Participation
Diversity of
activities**

Job related rewards are intrinsic rewards.

They are the satisfaction one gets from the job itself.

These satisfactions are self initiated rewards, such as having pride in one's work, having a feeling of accomplishment, or being a part of a team, shorter work-weeks etc.

It is derived from involvement in certain activities or task.

Types of Rewards

Intrinsic Reward

**Interesting work
Responsibility
Job freedom
Growth
opportunities
Participation
Diversity of
activities**

An *intrinsic reward* is an intangible award of recognition, a sense of achievement, or a conscious satisfaction. For example, it is the knowledge that you did something right, or you helped someone and made their day better. Because intrinsic rewards are intangible, they usually arise from within the person who is doing the activity or behavior. So “intrinsic” in this case means the reward is intrinsic to the person doing the activity or behavior.

Types of Rewards



Extrinsic Reward

Financial

Non
Financial

They are external to job and come from management. They include money, promotion and other fringe benefits and the facilities provides from management etc.

An increment in salary is an example of extrinsic reward which are controlled by management.

It can be both financial and nonfinancial. Financial rewards can be performance based and membership based.

Non financial rewards are based on status and privileges.

Types of Rewards



Extrinsic Reward

Financial

Non
Financial

An *extrinsic reward* is an award that is tangible or physically given to you for accomplishing something. It is a tangible recognition of one's endeavor.

For example, it's a certificate of accomplishment, a trophy or medal for winning the race, a badge or points for doing something right, or even a monetary reward for doing your job.

Because extrinsic rewards are tangible, they are usually given to the person doing the activity; as such, they are typically not from within the person.

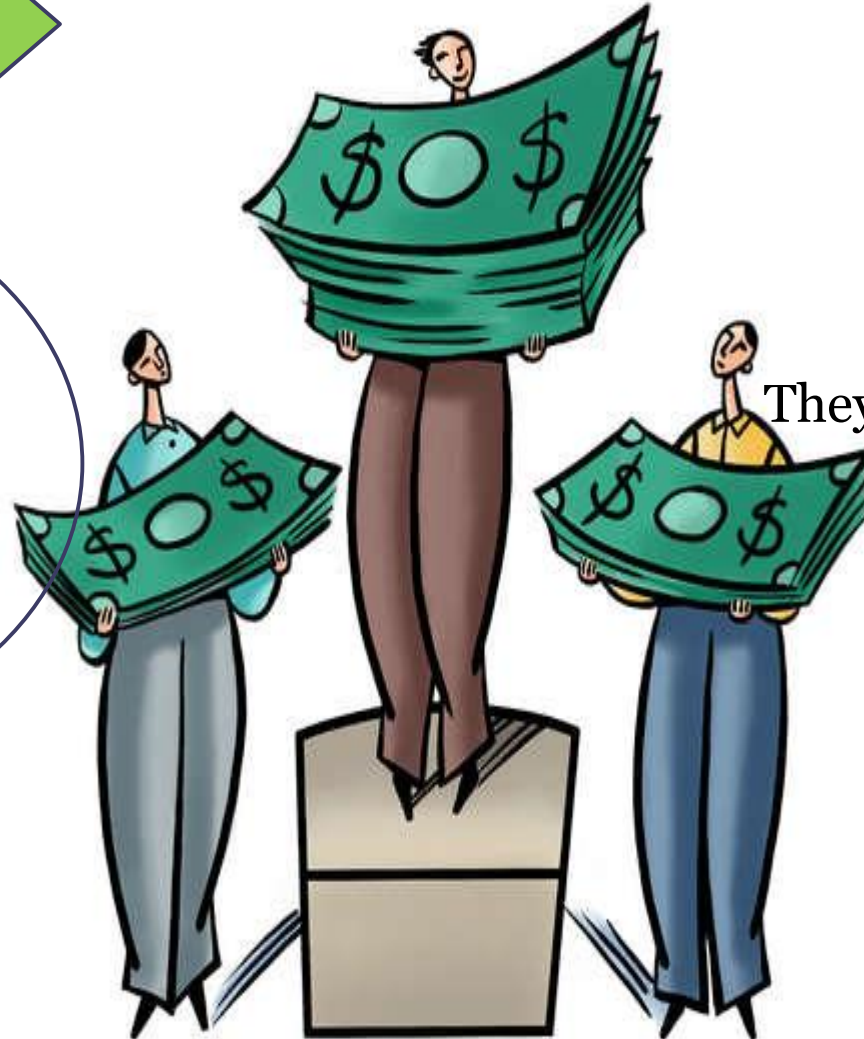
Therefore, extrinsic rewards means the reward is extrinsic to the performer of the activity or behavior.

Types of Rewards

**Extrinsic
Reward**

Financial

**Non
Financial**



Financial rewards include both direct and indirect financial payments.

The directly or indirectly enhance the employee's financial well-being.

They make the employee's life better off the job.

E.g. salary, wages, incentives, medical insurance, paid leaves, pension etc.

**Performance
based reward**

**Membership
based reward**

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Types of Rewards

**Extrinsic
Reward**

**Performance
based reward**

Financial

**Non
Financial**

The basis for allocating reward is the employee performance. Higher performance leads to greater reward. The examples of performance based reward are:

Piecework- Pay is based on the quantity of work done.

Commission- Specified commission is based on performance. E.g. 5% commission on sales.

Incentive plans- They provide incentives for higher performance.

Bonuses- They are lumpsum addition to pay to provide incentive for performance.

Merit pay plans- Pay raises known as merit increase are determine by job performance.

Types of Rewards

Extrinsic Reward

Membership based reward

Financial

Non Financial

The basis of allocating reward is organizational membership. Rewards go to all employees regardless of performance. They consists of:

Pay- Consisting of salary and wages.

Benefits and Services-

- Benefits can be paid holidays, vacation and leave as well as gratuity, pension and insurance payment plans.
- Services increase welfare of the employees such as housing, food transport, loans , educational expenses, discount on purchases, social-cultural activities etc.

Types of Rewards

Extrinsic Reward

They do not enhance employee's financial position. Instead, they emphasize on making the life on job more attractive. They are at the disposal of the organization. Employees regard them desirable to get these rewards.

Financial

Non
Financial



Types of Rewards

**Extrinsic
Reward**

Status Based

Privilege Based

Financial

**Non
Financial**

They enhance the status of the employee. They are:

- Preferred office furnishings and furniture
- Impressive job title with own business card
- Own secretary
- Chauffeur driven car etc.



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Types of Rewards

**Extrinsic
Reward**

Status Based

Privilege Based

Financial

**Non
Financial**

They provide privilege to the employee. They are:

- Preferred lunch hours
- Reserved parking spaces
- Working with less supervision
- Desired work assignments etc.



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Qualities of Effective Rewards

Importance

Visibility

**Equitable
Distribution**

Flexibility

Cost Effective

Competitive

Qualities of Effective Rewards

Importance

Reward should be important to receiving them. Since, reward is significantly affected by age, marital status, knowledge level etc, of individuals it should be designed in such a way that, it should reflect the importance to employees.



Visibility

Reward should be visible. Employees should know and realize what they get against their effort. This help in comparison between others as well as in enhancing the employees' satisfaction level.

Visibility of rewards can be increased by: Well-published bonuses, lumpsum salary increases, transparency etc.



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Qualities of Effective Rewards

Equitable Distribution

Reward must be fairly distributed in comparison to the referent group (such as in comparison to other individuals in similar job, in comparison to similar job and in other organization and in comparison to the effort used and outcome received). It can be of three types: Internal equity, External equity and individual equity.



Flexibility

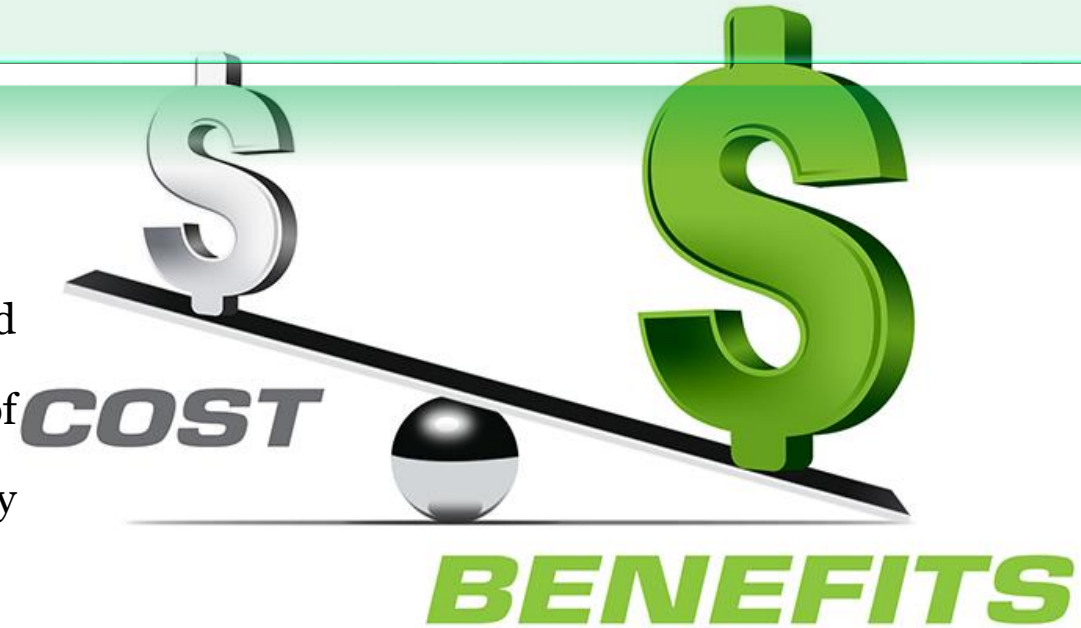
An effective reward is one that has the flexibility to change with the changes in performance. It should be flexible in terms of the amount paid and the people to whom it is given in an organization.



Qualities of Effective Rewards

Cost Effective

Reward should be cost effective. Cost-benefit analysis should be considered while designing the rewards. It should be based on the paying capacity of the organization. The costs and benefits of reward should be carefully considered to maintain organizational effectiveness.



Competitive

Reward should match market rates to attract and retain good quality employees. If the reward is lower relative to the going market rates, good employees may leave the organization.



Types of Employee Benefits

Pay for time not work

- Supplemented pay benefits
- Unemployment insurance
- Vacation or holidays
- Sick leave
- Severance pay

Insurance benefits

- Worker's compensation
- Hospitalization, medical and disability insurance
- COBRA (The consolidated Omnibus Budget Reconciliation Act)
- Long Term care

Retirement benefit

- Social security
- Pension plans

Employee services

- Legal
- Personal counseling
- Child care facilities
- Educational subsidies
- Executive perquisites such as company cars.

The cafeteria benefit

- Option to choose a package of benefit

Practices of pay determination of Nepal

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4.1 Case Study: Reward System in Tribhuvan University

- Tribhuvan University is the first university of Nepal. It was established fifty years ago. Its human resource consist of 6000 teaching faculty and 7000 administrative staff. It has a student strength of 200,000 in 60 constituent campuses and 300 affiliated campuses (Privatization).
- The pay scales of Tribhuvan University are at par with the pay scales of civil service. But the benefits and services are lower for university employees compared to the civil servants.
- The private campuses pay much higher remuneration to their teaching faculty. Many full-time university teachers are teaching in these colleges as part-time teachers to earn more money. The new universities like Kathmandu University, Purbanchal University and Pokhara University are also paying almost twice to their teaching faculty compared to Tribhuvan University.
- Frustrated is widespread among teaching faculty. Some highly talented and effective teaches are thinking to quit Tribhuvan University.

Questions:

1. Do you think teaching faculty at T.U. is highly motivated to teach with the existing reward system.
2. What sort of motivation level do you find among teaching faculty at T.U.
3. Should reward system of Tribhuvan University be made performance-based?
4. Suggest a package of intrinsic rewards for motivating and retaining talented faculty members at Tribhuvan University.

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