

Introduction

This handbook provides guidance on how to use reward processes to improve organizational, team and individual performance while catering for the needs of employees. Reward is defined as the recognition of the contribution or achievement of individuals or groups by a financial payment or by some form of non-financial recognition.

The book is evidence-based in that it makes use of the practical lessons learned from academic research projects but also refers to the considerable number of surveys and case studies conducted or produced by organizations such as e-reward, the Chartered Institute of Personnel and Development (CIPD) and the Institute for Employment Studies (IES).

Considerable additions and revisions have been made to this sixth edition of the handbook. The additions have focused on new developments in such areas as responding to the financial well-being concerns of employees and dealing with the gender pay gap. The revisions have taken account of the considerable amount of research on reward matters that has taken place recently

Plan of the handbook

The handbook consists of the following parts:

Part One: Fundamentals of reward management

This part covers the key elements of reward management that underpin the reward policies and practices dealt with in the rest of the handbook. It includes an overview of the aims and activities of reward management and the nature of reward systems. It also contains an examination of the key concepts of strategic and total reward.

Part Two: Aspects of reward management

This part deals with the aspects of reward management theory and practice, which illuminate, affect or are linked to the more technical aspects of reward management covered in the rest of the handbook. It explores the fundamental factors that affect levels of pay, how financial and non-financial rewards function, the impact on reward management practices of motivation theory, and how reward management can improve levels of engagement and performance. The part also covers three important

areas with which reward management today has to be concerned: financial well-being, the gender pay gap and ethical considerations.

Part Three: Base pay management

This part covers the fundamental process of base pay management, which involves deciding on pay levels, fixing rates of pay and developing and operating grade and pay structures. The three chapters in the part are concerned with job evaluation, market rate analysis and market pricing, and the features and design of grade and pay structures.

Part Four: Rewarding and recognizing performance

This part starts with an analysis of the nature of pay progression and how this is managed through contingent pay schemes, which provide for pay increments related to performance, competence, contribution, skill or service in the job. The use of variable pay is also described covering bonus schemes and rewards based on team or organizational performance. The final chapter in the part deals with the important process of recognizing achievement.

Part Five: Rewarding special groups

Consideration is given in this part to the reward requirements of the special groups of people who are employed in organizations – chief executives, sales and customer service staff, knowledge workers and manual workers. Reward practices may differ between these groups and the result may be a degree of segmentation in the reward system. The last chapter in the part examines approaches to rewarding a further special group of employees consisting of those who work abroad for international firms.

Part Six: Employee benefit and pension schemes

This part focuses on policies and practices in the provision of benefits and pensions and the flexible benefit schemes that allow an element of choice to employees.

Part Seven: The practice of reward management

The practice of reward management as described in this part covers the use of an evidence-based approach to the review and evaluation of reward systems, the development and management of reward systems, managing reward risk and the allocation of responsibility for reward. The part concludes with a review of reward management developments in the UK.