

Motivational Tool Choices: Incentive Pay vs. Rewards and Recognition



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Anytime that budget cuts are looming and entities have to do more with less, times can become very stressful for employees and employers alike. Morale can become low, yet the work still has to be done. In these times, entities and employees might benefit from motivational tools to complete tasks as efficiently and effectively as possible. Two methods for motivating employees are rewards and recognition programs and incentive pay. But what exactly are they and in what instances might you use them?

Rewards and Recognition programs are reactive measures used to reward or recognize an employee for attaining some form of achievement. The reward portion of these programs rewards employees for a variety of accomplishments such as advanced educational degrees/certificates, professional memberships/certifications, and outstanding job performance or special achievement. The recognition in these programs is typically designed to recognize employees for their contributions to an organization. Under the current Chapter 6 rules, rewards and recognition programs are established in line with Rule 6.16.1 by submitting a proposed and/or revised policy for Commission approval. Under the proposed Chapter 6 rules, the rewards and recognition program would be addressed as part of the flexible pay policy, in line with proposed Rule 6.14.

The Human Resources Council of California defines incentive pay as, “a monetary reward received by an employee for achievement of expected results that were established at the beginning of the performance cycle.” Incentive pay strives to set goals for employees to reach, then gives employees the opportunity to be rewarded when and if those goals are met. Incentive pay is much more proactive than rewards and recognition programs in nature and can be given on an individual or group basis. Incentive pay programs are currently administered via Rule 6.16(d) and would be addressed as part of the flexible pay policy, in line with proposed Rule 6.14. A typical way incentive pay is given to employees is in the form of sharing with employees the cost savings for completion of a project before schedule.

To develop and implement incentive pay systems requires a greater time investment in the beginning stages, as these systems are typically highly structured. Management must have a very

clear understanding of business processes and future agency goals. Additionally, incentive pay systems typically require a significant outlay of funds. By contrast, rewards and recognition programs require less future planning and are much more employee driven. These programs are not as reliant on funding, as many rewards and recognition awards are non-monetary in nature.

Another type of reward agencies may consider are spot awards, a hybrid of incentive pay and rewards and recognition awards. Spot awards can be monetary or non-monetary in nature and are typically given to employees informally “on the spot” for achieving some performance goal or objective. Examples of spot awards are small monetary amounts, certificates, pins, plaques, or gift cards.

Any program or combination of programs chosen should be tailored to the specific needs and goals of the agency. DSCS Compensation consultants are available for assistance in researching agency needs and developing appropriate programs.

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