Long reads

How to get managers on board with performance management

24 May 2018 By Jo Faragher

The annual appraisal is over, but if bosses aren't having regular conversations, has anything really changed?

As a growing software business, it's hardly surprising that the staid old annual appraisal is a distinctly archaic idea at Splash Damage. The firm behind video games *Enemy Territory* and *Gears of War* runs a thriving studio in south London full of developers and designers. And the way it handled performance management needed to feel as forward-looking as its culture.

"We don't want to wait a full year to set our learning and development plans. We need a 'present temperature' of what's going on in the business, and easy access to people's feedback and objectives," says senior HR adviser Kate Lindsay. For the past two years, the company has run monthly one-to-one conversations between managers and their staff that take a different theme each time (twice a year, for example, is a career planning session, which feeds into the salary planning and promotion cycle). This is supported by an online performance management system that records objectives, reminds managers to book in meetings and tracks job satisfaction.

"In a gaming studio, you're working with artists, designers and programmers, and they appreciate feedback and transparency – they want to say what's on their mind, and that goes for managers and employees," says Lindsay, adding that it makes discussions more meaningful and has a positive knock-on effect for workplace discourse outside the performance management cycle.

Splash Damage, which gained a spot in the *Sunday Times* 100 Best Companies to Work For this year, has clearly seen the value of managers having more frequent conversations with their teams. But while there has been a lot of noise around the trend away from annual appraisals – led by US tech firms and backed by decades of research showing they were often sacrificing quality dialogue for box-ticking exercises – effecting real change by introducing regular check-ins or 'continuous conversations' only really works when managers are on board with the idea. And that can be half the battle.

Regular discussions, even if they are brief, can mean a greater time commitment. And while most HR professionals agree on the benefits, there's a risk that, done badly, these conversations may not be the panacea they're claimed to be. Terry Gillen, author of Great Appraisal, says: "If someone's not skilled at doing appraisals annually, aren't we compounding the problem with more regular conversations?"

If you're considering replacing an annual system with something more regular (and it doesn't have to be either/or – it's possible to have both) it pays to ask why you're doing it, argues Gillen. "If managers are going to get on board, they need to see it as something that helps them do their job and retain good people, rather than an HR tool," he says.

One of the key criticisms of traditional appraisal systems is the perception they are forced on managers and employees from above, says Dr Wendy Hirsh, principal associate at the Institute for Employment Studies: "There's a real tension between talking to someone and filling in a form. There are other ways of providing evidence of how people are doing – employee or pulse surveys, for example. Surely it's better to ask whether staff are having useful conversations with managers than basing success on the percentage of forms that came back?"

There's an element of FOMO (fear of missing out) in performance management too, where HR or senior leaders demand more bells and whistles from performance systems because other companies have them. "HR has the right instinct, but sometimes over-elaborates the process," says Hirsh. "The intention is to be helpful but the more guidance you try to give managers, the more you can disable them."

If appraisals have such negative connotations, how can HR sell the idea of more regular dialogue to managers? Part of the answer may be to understand that managers promoted on technical capability often lack self-awareness and time to reflect, and probably haven't been adequately trained on how to have coaching conversations. At the least, reframing performance management as being less about performance and more about support can help break down barriers.

Performance consultancy Thinking Focus has tried to tackle these challenges by developing a game where managers choose the most appropriate response to a scenario. A facilitator reads a dilemma from a stack of cards (such as 'I've been accused of favouritism' or 'someone else's bad management has become my problem') followed by potential ways managers could deal with it. They discuss options as a group and the facilitator talks them through what might be good practice in that situation. "It helps them visualise the scenarios so, if they do come up, they have a mental image of what their choices are. It also means they're not uncomfortable with the conversation when it comes to doing an appraisal," says director Paul Hutchinson.

"Having more regular conversations does not have to add to a manager's workload," says Roly Walter, founder of online performance management system Appraisd, which works with Splash Damage. "It's more of a mindset shift, so that having a reflective conversation is not taboo. It's just 15 minutes to ask someone how it's going."

But if a card game seems a step too far, there are various apps and tools that managers can use to either prompt a dialogue with an employee or record outcomes and objectives. Some will focus on the 'softer' elements of management that are too often overlooked – such as reminding managers about team members' birthdays or encouraging them to have regular conversations that aren't overly performance related.

Language, frequency and location are important, too. Hirsh advises that at least some performance management conversations have a 'semi-formal' (rather than informal) feel – so a time and place are agreed and a loose agenda shared over email. "Semi-formal conversations lend themselves well to mutual agenda setting and can be flexible in addressing a range of issues," she says. "That bit of preparation makes it easier for both parties to talk about what they want where there's time and space to handle it."

How regular performance conversations are will depend on several factors, adds Mike McClement, director of Training Hand. "Keep an open mind – you will have different types of people on your team, some of whom like lots of meetings, some none. Ensure you speak to everyone at least once every couple of months, even the reluctant ones," he says.

CIPD research has frequently advocated 'strengths based' conversations, where managers and employees reflect on what's working well and how to build on that, rather than dwelling on things that went wrong. Last year, the CIPD published research – Strengths-based performance conversations: an organisational field trial – on how the approach worked with three employers.

Where managers were trained to use a strengths-based approach, they discussed performance with employees more often and these conversations became more effective at supporting learning and performance. The frequency of 'non-job related chat' also increased, suggesting a stronger relationship and higher employee engagement. "Generally, we have a negative bias; this approach tries to correct that so managers' default thinking is to build on positives rather than correcting weaknesses," says Jonny Gifford, senior adviser for organisational behaviour at the CIPD.

He stresses that this is not a way of avoiding dealing with underperformance: "Where someone's performance is inadequate or behaviour inappropriate, that needs to be dealt with. But more generally, when employees are having a review or one-to-one, the emphasis should be on strengths if the aim is to improve their impact as professionals." One approach is to build scripts that can prompt managers to set the discussion in this more positive tone; for example, by asking employees to focus on a time they felt they were excelling in their job and how they could extend this to other areas.

Ultimately, making appraisals more manager and employee-friendly is about a shift in mindset, says Gifford: "For too long, performance management has had an aura about it – the term suggests that HR or line managers want to pin down and control what someone does. In fact, it should be the opposite – you're giving your people wings to fly, so they can go on to greater things."

Elva Ainsworth from appraisal specialists Talent Innovations agrees that HR needs to take a step back. "Let go of control, hand it over to the managers and facilitate it," she says. "Make the focus the bigger picture, a performance culture rather than a process they 'have' to follow." And if managers aren't on board, think again, she adds: "Be brave enough to say we're not doing it if people aren't happy. If you're going to apologise for it, you'll struggle to sell it."

"We used to spend all our time on ratings"

Law firm RPC operated an annual appraisal system that involved a lot of form-filling and approval processes, ultimately giving every employee a detailed set of feedback. But Rachel Street, director of people and talent development, felt the approach was fundamentally wrong: "Managers would spend all the time discussing the rating, rather than the development potential for the individual, and we'd spend hours as HR professionals debating the actual rating."

Employees clearly agreed – when asked for feedback on how their performance was reviewed, they said the annual review wasn't working for them. RPC now encourages managers to have 'quality conversations' once a quarter with employees, where they can communicate how the business is going and individuals can have an honest discussion about where they fit into this.

"It gives staff a chance to talk about themselves and raise any issues, and twice a year we ask them to reflect on challenging questions including 'are you in the right role, team or firm?', which also gives managers a framework to introduce tricky conversations should they need to," says Street.

While there was some initial scepticism that more frequent performance discussions would mean more work for team leaders and partners, Street and her team counted how many hours the former system ate up – from the meeting preparation and the meeting itself to agreeing ratings and getting sign off – and the time commitment was far greater than the new regime of just four hours a year.

James Wickes, a partner at the firm, says the system brings more consistency to something that many managers – but not all – do already: "I have monthly catch-ups anyway – this just provides a bit more structure. It may not be revolutionary, but it means that everyone in the practice is treated in the same way, and provides a structure to the discussions we already have." Wickes feels that being able to have conversations about individuals' career ambitions means he can tailor development for them or step in at an earlier stage if, for example, someone has been given too much work.

Employees confirm the conversation has happened through a system called Pay Compliment, and twice a year managers are invited to a formal talent mapping discussion so HR can identify high potential staff and look at succession planning and development needs. RPC also uses a competency framework to map individuals' strengths. But it's the regular conversations that are driving engagement and transparency, says Street: "Of all the HR initiatives I've rolled out, this is the one that's been grasped with open arms the most."

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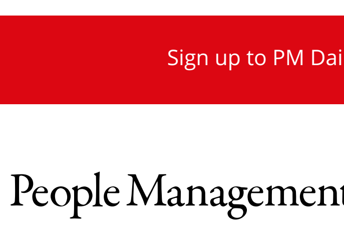

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Performance management: an introduction

Understand how to build an effective performance management framework and the tools that can help support it

Introduction

If people are the greatest creators of value in organisations, then good performance management is critical for an organisation's success. Employees need to understand what's expected of them, and to achieve those goals they must be managed so that they're motivated, have the necessary skills, resources and support, and are accountable. Performance management aims to monitor, maintain and improve employee performance in line with an organisation's objectives. It's a not a single activity, but rather a group of practices that should be approached holistically.

This factsheet explores critical aspects to get right in performance management, as well as recent changes in thinking. It summarises some of the main tools used in performance management, including objective setting, performance ratings, performance appraisals and feedback, learning and development, and performance-related pay.

What is performance management?

For professions involved in ensuring organisational performance, such as HR, a big challenge is to lever the relationship between the people working in the enterprise and the value they deliver. Performance management is the attempt to maximise this value creation and ensure that employees contribute to business objectives. It should align with organisational strategy and suit the type of jobs in question.

There's no standard definition of performance management but it describes activities that:

- **Establish objectives** through which individuals and teams can see their part in the organisation's mission and strategy.

- **Improve performance** among employees, teams and, ultimately, organisations.

- **Hold people to account** for their performance by linking it to reward, career progression and termination of contracts.

At its best, performance management is a holistic set of processes and centred on two-way discussion and regular, frank, yet supportive feedback of progress towards objectives. It brings together many principles that enable good people management practice, including learning and development, performance measurement and organisational development. It's often misunderstood to be synonymous with the 'traditional' annual review, or performance improvement plans to deal with underperformance, but it is broader than both these things.

Effective performance management relies on both formal and informal processes. It involves planning – for example, defining and reviewing objectives, linking ways of achieving those objectives to business plans, and setting measures of success. These are often discussed in meetings between the line manager and employees, known as performance review or appraisal.

People managers are thus central to performance management. Ideally, they reinforce the links between organisational and individual objectives, give feedback that motivates employees and helps them improve, and hold them to account. Managers need to be suitably skilled to do this and in turn need to be supported by HR processes that are fit for purpose.

But performance management is not only a manager-led activity – it also involves establishing a climate in which individuals and groups take responsibility for the continuous improvement of business processes and their own skills, behaviours and contributions. Much of how performance is discussed is shaped by behavioural norms or culture, so communications and leadership throughout the organisation will set a precedent and shape how colleagues discuss performance more widely.

Listen to our podcast Strength in numbers: what's new in performance management.

How does performance management work?

The elements of performance management may be similar across different organisations, but there's no single best approach. Each organisation should develop practices that are relevant to their specific context and their actual (or desired) organisational culture. There should also be flexibility within the system to account for the different ways teams or functions operate within a single organisation.

Performance management is a continuous cycle, not an isolated event. Because performance management integrates various HR activities, an overarching structure or framework is needed for the different parts to work together.

An organisation's strategic goals should be the starting point for departmental goals, followed by agreement on individual performance and development priorities. Individuals and managers can then draw up plans and monitor performance continuously. Feedback and reviewing progress against objectives should be regular, and could be supported through the year by periodic formal performance reviews, as well as by goal setting, project planning and training.

Video: Changing trends in performance management

In this video, Jonny Gifford, Senior Adviser for Organisational Behaviour at the CIPD, explores the changing trends in performance management over recent years.
Play Video

Please scroll to the bottom of the factsheet to view the transcript of this video.

Challenges to traditional performance management practices

Having remained fairly stable for two or three decades, many employers have adapted their approaches to performance management over the last few years, in particular in response to a number of articles challenging received wisdom. The broad thrust is that 'traditional' practices – in particular, the dreaded 'annual appraisal' – are outdated, if indeed they ever worked.

But popular changes may just be the latest fads and fashions. What's the evidence on what's actually effective in improving performance? Our evidence review Could do better? Assessing what works in performance management, summarises the body of research to help employers make grounded decisions on what's most likely to be effective in improving performance.

We found that, at a basic level, the established performance management chain still holds, as in Diagram 1 below.

However, there are a number of important factors that employers should be careful not to take for granted, as shown in Diagram 2 below. Based on the best available evidence, a fuller model of target-setting and performance appraisal should consider the following:

- **Objectives** can be specific and challenging (often labelled 'SMART') but this may not always be the best approach. Sometimes objectives focused on behaviour or on learning, or even 'do-your-best' objectives can be more effetcive, especially for complex tasks.
- There are **two main reasons for performance ratings** and the purpose should always be clear. Using them for administrative purposes (for example, to inform pay decisions) leads to a different approach than if they are being used to support people development and improve performance.
- **Performance ratings can be biased** for various reasons, but there are things we can do to reduce bias. For example, making managers feel more accountable for ratings they give their staff by having an independent person check them can reduce favouritism.
- **How employees react to feedback** is a vital factor in whether it improves performance. Reactions are influenced by an individual's personality (for example, their self-esteem and openess) and how they perceive the appraisal (for example, whether it is fair and participative.

There's more on these points below.

Diagram 1: Links in the performance management chain

(36 KB)

Diagram 2: Factors affecting the performance management cycle

(203 KB)

Objectives and performance standards

Setting performance objectives for individuals, departments and the organisation is an important aspect of managing performance. These objectives can be expressed as targets to be met (such as sales levels), ad hoc tasks to be completed by specified dates, or ongoing standards to be met. They may be directly related to team or organisational key performance indicators or personal; for example, taking the form of developmental objectives for individuals.

Today, many employers do not solely rely on measurements of employees' outputs. Rather, they balance these with learning and development objectives and assessments of employees' behaviour, such as how supportive they are of colleagues. These can be of longer-term importance to the organisation. For example, there's good evidence that social cohesion is an important factor driving performance in knowledge organisations, so it's important for such employers to promote collegiate and collaborative behaviour. Performance management is one way of doing this.

It's often said that objectives should be SMART – typically, Specific, Measurable, Achievable (yet stretching), Relevant, and Time-bound. As we argue in our Could do better? report, the best evidence supports this in some contexts but not others. In straightforward tasks, goals that are specific and stretching do increase performance, but in 'complex' jobs (such as those which involve making analysis-based decisions or adapting to unfamiliar cues), they do not. Here, vaguer outcome objectives focused on 'doing one's best' work better, and best of all are objectives focused on learning or behaviour.

Whatever their nature, objectives should be clearly relevant to the overall purpose of the job, team and organisation. Our research found that employees do need to be committed to them, but they do not need to set their own objectives – indeed, targets tend to be more powerful when they are set by one's manager.

Employers can also opt for objectives on team-level performance rather than individual level. Both types can work well; the important thing is to match objectives to the nature of the work. In one job, good performance may purely be a factor of individual application; in another job it may rely much more on teamwork. If striking a balance between individual and team objectives, employers should be careful that they do not undermine each other.

Learning and development

Performance management often focuses almost purely on assessing employees' past performance and linking it to administrative decisions (for example, on pay). This is a mistake. If the ultimate aim is to improve performance, there should also be a strong focus on how employees need to develop. Performance conversations should thus help employees to learn from their experiences and identify other relevant learning and development opportunities.

A number of organisations use personal development plans (PDPs) to set out actions they propose to take in this regard. Sometimes, a review of employees' potential and development needs is grouped with the performance appraisal and called a performance development review (PDR).

You can explore more on how learning supports workplace performance in our learning and development strategy factsheet.

Performance reviews

Performance reviews are a process by which managers assess workers' performance and discuss this with them. Assessing and feeding back on performance is a critical factor in making targets effective, as monitoring our progress towards objectives is strongly motivational. Traditionally, reviewing performance has often been an annual process, but this should not be the case. It should be a regular occurrence; for example, happening at the end of a piece of work or every few months, depending on the nature of a person's job. Reviews can involve face-to-face conversations between managers and their staff, 360-degree feedback, and assessments against performance targets. They can also benefit from a strengths-based approach.

Performance-related pay

Linking levels of pay to individual, team and organisational performance is a traditional, and still common, approach. In organisations that have performance-related pay (PRP), performance management is an inseparable aspect of pay reviews. However, the relationship between pay and performance is a widely debated aspect of performance management. Find out more in our performance-related pay factsheet.

Useful contacts and further reading

Contacts

Acas – Performance management

Center for Evidence-Based Management provides a database of evidence summaries on effective management

Books and reports

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This factsheet was last updated by Jonny Gifford.

Video transcript

There have been a lot of changes to performance management over recent years, or at least some organisations have made massive changes. Our own research shows that a lot of these trends are really helpful. So we find the research backs up the view that performance management should be done more continually. Appraisal is not just something that happens once or twice a year, but it's more ongoing performance conversations that we need to be cultivating.

But there were also some ideas that we challenge when we look at the research. So for example, the idea that employees need to be involved in setting their own targets. It may sound counterintuitive, but this is not something which is backed up by research.

There are a range of factors in performance management to try and get right - performance management is not a single technique. One of the examples that I think is very positive is bringing in a strengths-based approach when you're looking at helping people to learn and improve their performance. The idea of this comes from appreciative inquiry. It's the idea that your opportunities for growth and improvement don't come so much from fixing your weaknesses or correcting what you're not good at. It comes more from understanding what it is you've been doing that's worked well. What was it that you did that contributed to that, and how can you expand on, build on, replicate that in other areas of your work.

12 Nov 2020

Reward: an introduction

Introduces the basics of reward which includes pay and benefits

Introduction

Pay and benefits are important in attracting, retaining and engaging employees. There's a range of options available for organisations to reward their staff and recognise their contribution, each with their own opportunities and risks. The most effective reward packages will be aligned with the needs of the business, staff wants, and reflect the organisation's purpose and performance.

This factsheet explores the purpose of reward and how employee responses may vary depending on different contexts. It introduces pay structures and levels, considerations surrounding pay awards and the factors affecting pay progression. It also describes variable pay – from cash bonuses to incentives. Finally, it outlines the role of employee benefits, non-financial rewards and total reward.

What is reward?

The term 'reward' generally covers all financial provisions made to employees, including cash pay, and the wider benefits package (such as pensions, paid leave). It can also include wider provisions for employees, with the term 'total reward' sometimes used to encompass non-pay benefits.

Pay may be divided into two categories:

- **Base (or fixed) pay** is a guaranteed cash wage or salary paid to employees for doing their work for a contracted time period, such as a 37-hour week. This can include location allowances and other associated guaranteed payments.

- **Variable pay** is not guaranteed. It can include bonus, incentives and overtime payments.

Pay definitions vary. For example, some employers might treat location allowances as part of base pay, while others may see it as variable and exclude it.

Other terms may also be used. 'Compensation' for example is usually taken to mean just financial rewards (fixed and variable pay) while 'remuneration' might be used interchangeably with 'reward' to mean the wider benefits package, such as the value of employer pension contributions.

Reward in the time of coronavirus

During the COVID-19 pandemic, pay and benefit professionals should consider whether their employers' reward approach is fit for purpose by exploring questions such as:

- Is the organisation paying its essential and key workers enough?
- Should top management receive more paid sick leave than those on the shop floor?
- Are the measures currently used to assess employee performance and bonus, incentives and pay awards still appropriate?
- Is the amount of paid bereavement leave appropriate?
- How can employee performance be improved to reduce the cost base?
- What's happened to employee financial security?
- Does the organisation need to invest in HR technology to ensure that people are being paid fairly?
- What can employers do to protect staff from financial scams, such as around pensions?

The answers to these and other questions will help ensure that the total reward budget is being spent wisely.

There's more on what employers should be doing in our Responding to the coronavirus hub.

Managing reward

The main reason for offering pay and benefits is to influence behaviour so employees want to join and stay with an employer and aspire to do their best. Traditionally, salaries were used to attract people to an organisation, while benefits helped retain them, and bonus and incentive schemes motivated them in their work. However, thinking about which parts of reward are best suited for recruitment, retention and motivation has changed.

Individuals are attracted, retained and engaged by a whole range of financial and non-financial rewards, and these can change over time depending on personal circumstances. In certain situations, individuals may not consider the financial elements of a package particularly important. For instance, people at the beginning of their career may be more interested in gaining access to training and career development. Similarly, individuals may be willing to work for lower pay rates (or even volunteer) if they have a strong attachment to the organisation's mission.

Employers should find out what attracts, retains and inspires their people and explore how best they can meet these needs - as well as meeting the requirements of the business within the appropriate legal and regulatory environment. When creating a reward package, it's also important that organisations integrate the various elements so that they support, rather than contradict, one another.

Recently, behavioural science has offered up useful insights about how individuals may respond to various financial and non-financial rewards. Employers should use the lessons from behavioural science when designing, implementing and communicating its reward package. Find out more in our report Show me the money! The behavioural science of reward.

Because there are various elements to reward, it's important to think about the appropriate mix of base to variable pay, fixed to flexible benefits, financial and non-financial rewards to meet the needs of both the organisation and its employees.

When making decisions about how to reward and recognise people's contribution, it's important to recognise the people risks involved. Employers operating overseas should also consider whether to set reward centrally or allow each region or subsidiary develop its own approach - see our factsheet on international and expatriate reward.

Organisations should establish a reward strategy that clearly articulates the aims of the various reward elements and how they are integrated. A reward strategy reflects the organisation's values, so it's important that appropriate communications explain to staff what behaviours and performances the organisation is rewarding, how, why and when. This may include employee education so that staff understand the benefits on offer, especially if the level of coverage varies. Employers also need to have measures in place to assess the impact of their reward strategy on people and performance.

Determining base pay and total earnings

Pay structures

Pay structures provide a framework for valuing jobs and understanding how they relate to one another within the organisation and to the external labour market.

Our Reward management surveys show that a wide range of pay structures exist linked to varying organisational needs and objectives, including:

- individual pay rates, ranges or 'spot' salaries
- narrow graded pay structures
- broadbands.

Pay structures may also need to allow for certain additional elements other than basic pay rates, for example location allowances. Find out more in our pay structures factsheet.

Pay levels

There are various approaches to setting pay levels or ranges for jobs. For example, job evaluation is an important tool for setting pay rates among public sector employers, whereas market pricing tends to be more influential in the private sector. Where market rates are used, employers need to determine where to pitch in-house rates (for example, at the median or upper quartile). See more in our factsheet on job evaluation and market pricing.

Pay awards

Key factors when setting the overall pay review budget for annual pay increases - which often includes performance-based pay rises as well as general pay structure movement (commonly known as the annual pay award or cost of living uplift) - include:

- ability to pay
- inflation
- market rate changes.

There are variations by sector. For instance, in the public sector the government's pay policy is key, sometimes together with union pressure, whereas the latter is rarely an issue for many private sector companies.

Pay progression

Individual performance, competency and skills are commonly used factors for moving individuals along salary bands or ranges. A hybrid approach that bases progression on more than one factor is typical. It might involve assessing individual employee's achievements against the backdrop of the wider labour market. Find out more in our factsheet on pay progression.

Many organisations expect 'satisfactory' performers to progress to a target point in their pay range. Among private sector service employers, the target is often the mid-point in the range, while in the public sector it tends to be close to the top of the salary scale. In the voluntary, manufacturing and production sectors, employers tend to be more split on where the target is. Read more in our performance-related pay factsheet.

Variable pay: cash bonuses and incentives

Our Reward management surveys show widespread use of bonus and incentive awards, either to encourage future performance (incentives) or to recognise past performance (bonuses). However, there are again variations by industry, with such schemes more widespread in the private sector. Employers often have more than one bonus or incentive scheme with, senior staff on a different scheme.

Among those employers offering a performance-related reward scheme, the most common individual performance-related variable schemes are individual bonuses and sales commission, while profit-sharing and gain-sharing are the most common group performance-related plans. See more in our factsheet on bonuses and incentives.

The advantage of variable pay schemes is that they can link earnings closely to desired performance and, in theory, only pay out when there is reason to do so. Variable elements of pay do not generally feed through into other elements, such as overtime or pension contributions, and so create no additional on-costs.

The role of employee benefits

Many employers offer a wide range of benefits from traditional items such as paid leave and occupational pensions to newer elements such as concierge services.

Benefits are offered for a variety of reasons including to match market practice, provide workers with some measure of health or disability security, or retain employees. Some are required by law. Some can be tax-efficient methods using salary sacrifice provisions. Share schemes are one specific option for attracting, retaining or motivating senior managers as well as employees.

Flexible benefits schemes (also known as 'cafeteria benefits' or 'flex plans') allow employees to vary their benefits package to meet their individual needs.

Voluntary benefits (where employers arrange for the purchase of goods and services, often at a discount, by employees) are more widespread than flexible benefits, partly as they have no cost to employers beyond set-up and administrative costs.

Read more in our employee benefits factsheet.

Non-financial rewards and total reward

While pay and benefits are important, and getting them wrong can have adverse consequences, and they are not the only rewards that employers should consider.

Research shows that non-financial rewards can be just as important. These include:

- Good performance management.
- Opportunities for personal and career development.
- Flexible working.
- Being involved in decisions that affect how and when people do their work.
- Recognition, such as through an 'employee of the month' award or team-based events.

Reward strategies that mix non-financial provisions with pay and benefits are often known as total reward approaches. Read more in our factsheet on strategic reward and total reward.

Further reading

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This factsheet was last updated by Charles Cotton.