

Conceptual Review on Adequacy in the utilization of Pay for Performance

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Abstract

This study largely aims to measure the magnitude of implementing pay for performance concept in the organizations. This paper is a conceptual framework which focuses on how pay for performance is used in the companies and its focal point is on the basic factor that is motivation which acts as a stimulus in the performance of an employee and is also seemed as a perfect retention strategy. Major conclusions from the paper are 1) Motivate employees to stay, 2) Encourage the workforce to contribute with their maximum proficiency and 3) Encourage people to join the organization.

Key words

Pay, quality of performance, performance, motivation

Introduction

Competitive stress and the necessary for rigorous change in the pay for performance system of the companies have resulted in endless progression in the compensation management. The performance management system supposed to be premeditated exactly to measure the human resources contribution. Pay for performance need to be aligned with payment system according to the variations in the employee performance.

But when understood from a lay man's point of view, pay for performance simply means being paid for the performance showed by the employee in his given roles. Pay-for-Performance compensates an individual's achievement as compared to the accepted objectives. The logic behind pay for performance is that a part of the salary of employees is paid based on their performance.

This article is considered to be vital within the current circumstance, greatest of our Indian companies started the method of receiving performance-based pay structure on the other hand different measurements of pay such as work fulfillment, commitment, and maintenance shift with performance-based pay. When planning a pay-for performance arrange, the company must consider results of the organization is looking to realize, the recurrence with which representatives will be compensated for their agonizing commitment.

By companies implementing pay for performance plan, it is more likely to have more employee engagement and better performance of the organization by and large.

Effective way of implementing pay for performance also ties the company and its objectives with tangible financial rewards. Retention of employees leads to a greater productivity and lower turnover costs. Pay for performance concept not only helps the objectives of the company fulfilled but even the employees can grow professionally in their career due to their desire to be rewarded.

Many researchers have common identification in the due course of implementing pay for performance which is that it recognizes and rewards high performing employees, Increases the likelihood of achieving the corporate goals, and improves productivity in the organization.

I. Review of literature

Pay for performance is slowly taking its position in companies in notable ways which has made the work of organizations easier. Employees are assessed based on their performance in their given roles and pay is made accordingly. Incentives are always a boost to the employees' morale and make them want to perform even better which is an added advantage as the company's objectives and goals are also achieved in this process. Pay for performance has achieved greater heights with respect to healthcare lines in the past decade. Pay-for-performance programs may be associated with improved processes of care in ambulatory settings, but consistently positive associations with improved health outcomes have not been demonstrated in any setting (Mendelson, Kondo, 2017). Higher efficiency scores were

significantly associated with the level of care (hospital and health center) and wealthier catchment populations. Despite no evidence of pay for performance effect on efficiency on average, it might have improved efficiency marginally among public facilities (**Binyaruka, Anselmi, 2017**). The trouble with motivating force recompense reward programs is that, in most organizations, they are grounded within the conventional hones of that organization and industry instead of grounded in evidence-based administration (**Emily, Michael, 2017**).

Bhavani, (2015), its witnessed from her study that monetary benefits was not considered as a primary factor in determining the efficiency of productivity but other welfare measures like superior subordinate relations, management commitment, work environment, etc. also contribute for the healthy relations.

The compensation management systems not only focus on determining incentives, it has many other roles. (**Gibbs, 2012**). There's a worldview transfer to incentive-based programs that recompenses personnel based on their execution from a conventional standardized stipend program, which comprise of cash and reward as a portion of the emolument framework (**Thomas, 2012**). The stipend arrangement related with 3P (Pay for Position, Pay for Individual and Pay for Execution) is an inventive concept that has significance in installment choice which can be accomplished through the variable pay structure (**Thomas, Nagaligappa, 2012**).

Bhavani, (2012), this study found that every organization provides the statutory welfare measures, some organizations go above and above to provide additional performance based pay benefits to employees in order to retain its workforce.

In most of the enterprises wage and salary has been eventually connected with pay for performance along with measurable output (**Cadsby, Song & Tapon, 2007**). It is noticed from most of the research that pay-for-performance has been largely adopted by many of the corporates and also higher number of human resources were benefited in an organization. (**Cannon, 2007**). From the research done by (**Schlesinger and Heskett, 1991**), with the objective of impact of output-based incentive plans on employees motivation and performance. It's been proven that in the past decade many companies have adopted performance-based pay at every level of management.

Methodology

In this conceptual review based article, an orderly look of existing writing that was accessible for the subject pay for performance was conducted. First, the following databases were searched: Research Gate, EBSCO, E journals and other websites. In expansion, reference records of recognized efficient audits were screened for extra observational papers. As a moment step, an orderly web look was conducted to recognize extra data around companies that were effectively executing the pay-for-performance programs. Google and

Google Researcher were utilized to distinguish extra papers, thinks about, articles, and activities related to performance-based pay. The websites of several corporate, giant private companies and institutions were studied to understand the types of compensation policies prevailing currently. At last, for further understanding experts were contacted for obtaining more information in this topic with the help of ongoing or finished studies. These are the methods through which effective data collection for review was possible. The researcher have used the mentioned key terms for getting the information from the internet sources like pay-for-performance, paying for quality, performance-based payment, performance-based reimbursement, output-based pay, incentive reimbursement, incentive program, quality-based purchasing, quality and reward, or monetary incentive.

To evaluate the methodological quality of recognized articles pertinent tests were performed. The titles and abstracts of possibly pertinent think-about were judged against the targets of the audit. Relevant studies and data were used to attain desired objectives and were useful to make effective decisions related to study.

Discussion

Pay for performance is one among the 3P concepts of compensation management. This pay for performance concepts sounds effective as it differentiates the employees who put in effort from those who don't. The workforce performance not only depend on their effort, there are many parameters like innate talent and

accumulated human capital will also contribute for determining their efficiency. Generally speaking, stronger pay for performance is likely to improve employee selection, because it provides stronger rewards to those whose ability and skills better match the job. Studied the effects of performance-based pay used in different companies are effective in understanding the utility of this type of system. Essentially, at Deloitte, their modern execution administration framework has three ways of tending to execution: Recognizing Performance – Recognizing the commitments of person workers in each group. Seeing Performance – Getting an exact picture of execution without any predisposition, Fueling Performance – Making a difference workers progress their execution potential. Productivity in most of the companies like Deloitte rose dramatically by using this pay for performance method is known through the research. This selection of pay for performance occurs more broadly by considering the various factors. By the by, it does propose a firm ought to consider potential determination benefits when planning a pay-for-performance arrangement.

Proper performance evaluation mechanism guide to motivate the human resources to practice their information, proficiency, learning from the events as they disclose at work, and to distribute the effort and take decisions in ways that expand the company's goals. When the employee knows things, the firm does not about how to do the job, the firm cannot provide proper guidance. In any case, a well-chosen execution degree can, fulfilling more for high-value errands and less for low-value errands. This

insight helps explain why firms use bonus, incentives, monetary, non-monetary benefits and other measures to motivate the employees to show betterment. In this type of pay policy where the performance is used as motivating factor to generate higher productivity from employees. This also seems to work out for companies like Deloitte, Microsoft, Accenture and Goldman Sachs in effectively implementing the same. Be that as it may, that approach is viable as it were in case the boss knows more than the worker almost how to apportion exertion ideally. In case the worker knows more, the firm must spur him to utilize his data for the firm's sake, by choosing a degree that captures the impacts of the employee's controllable hazard. Over all, this type of a policy brings out the work recognition concept as employees believe that more the performance– more the pay.

II. Conclusion

Investigate comes about appears that encounters with pay-for-performance approaches in companies are compelling. These reviews are adequate to draw solid conclusions around the adequacy and proficiency of these approaches towards paying the representatives. This is also evident from the giant company's successful implementation of the pay for performance system. So, this requires effective evaluation of performance which means this requires an effective performance management system. The companies should constantly review their performance appraisal and management policy if it is older than two years. Reviewing the financial impact and aspect of setting new salary

ranges is essential. Understanding the job title and market study is important because for many organizations it is difficult in understanding who does what, who belongs in which department, and which supervisors oversee jobs can be confusing even in a smaller organization.

Therefore, job-role clarity is also essential in determining the packages and in assessing the effectiveness of the salary paid. HR experts ought to enroll senior administration to assist winner the remuneration reasoning as a working archive that can set the arrange for the plan of a unused recompense framework like pay for execution. To conclude, this pay for execution serves to accomplish three objectives which are, propel workers to remain, persuade representatives to perform at the beat of their aptitude set and energize individuals to connect the organization. Pay for performance is also helpful in reducing employee turnover ratio and it is a good retention strategy.

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