

# ACA JOURNAL

PERSPECTIVES in COMPENSATION and BENEFITS

---

## Building Employer-Employee Partnerships with Rewards

*Thomas J. McCoy, Principal,  
Performance Services Group*

**T**here are a few who argue against the use of material rewards as a technique for building partnerships between employees and management. They suggest instead that employees be "paid fairly." Certainly, everyone agrees that employees should be paid fairly. But in today's economy, this fixed-wage thinking does nothing to develop a partnership with employees. A "fair" fixed wage could be an excessive expense during an extended economic downturn. It could cause the company to reduce the work force or, even worse, go out of business. Where is the fairness in that?

Naysayers also suggest that once a "fair wage" is established, it is necessary to do everything possible to get employees to forget about pay. But Western economies are driven by consumer-oriented societies. Through the ongoing introduction of new products and services, we are constantly forced to re-evaluate how we spend our limited income. Pay is important to us and almost impossible to forget.

Sharing and understanding information is an integral part of building an employer-employee partnership. Employees who are educated in how their company makes a profit and generates cash will have the capability to improve their company's profitability.

How strong can a partnership be if we focus employee attention on the bottom line and then do not share the financial growth that is created as a result of



this new awareness? How long will employees participate? If pay is not included in the partnering process, the process will not work.

If compensation is not linked to the cultural change process and performance results, then the organization is driven solely by a belief system. This creates the difficulty of engaging everyone in the same belief system and leads to disagreement about what is the right belief system.

It has been suggested that incentives demean the individual, that they place the power of favoritism in the hands of a few, that they are not fair or do not work. These are problems caused by plan design and may have been true during the rapid (and still growing) experimental stage of variable compensation plan design.

Certainly, piece-work rewards encourage individual effort over teamwork. Poorly defined performance criteria or discretionary incentives provide supervisors with the challenge of fairness. Poor plan design can focus employees on the wrong objectives. However, these are not elements of incentive plans designed to reward all employee partners for growing the company. If a company wishes to see cooperative, team-based activities, the rewards (and the process of setting them) must reflect this. If a company wishes to reduce the distinctions between "line" and "management," then rewards systems must reflect this. Properly designed, material rewards systems help build deep, solid business partnerships among all stakeholders and customers.

Employees place attention on incentive pay because it can raise their standards of living. As a result, pay is an excellent communication tool. Rather than trying to forget pay, progressive organizations are using it as a tool for organization development and to align the work culture with the business strategy.



**American Compensation Association**  
14040 N. Northsight Blvd., Scottsdale, AZ 85260  
602/951-9191 • Fax 602/483-8352