### SESSION PLAN

**COURSE:** ABE L5 Diploma in Business Management and HR - Employee Engagement

**ELEMENT:** Element 3 – Employee engagement and reward

## **LEARNING OUTCOME 3**

Analyse the link between approaches to reward and employee engagement (Weighting 20%)

3.1 Analyse the impact of reward on levels of employee engagement

3.2 Discuss the extent of the relationship between reward and employee engagement

**NUMBER OF SESSIONS:** Two - approximately thirteen to fifteen hours in total, plus self-study

**SESSION TOPICS:** Session 1: The impact of reward on levels of employee engagement

Session 2:  The extent of the relationship between reward and employee engagement

**Note to tutors: this is the recommended session plan for learning outcome 3, element 3 of ABE L5 Diploma in Business Management and HR – Employee Engagement unit. You should follow the plan, using the resources (referenced as ‘slides’ here) and activities provided. It is important to enhance all sessions with local examples and case studies, involving the learners ACTIVELY wherever possible.**

### SESSION 1: The impact of reward on levels of employee engagement

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| **Approx.**  **Duration** | **Topic** | **Tutor Activity** | **Slides** | **Learner Activity** | **Formative Assessment** |
| 8-9 hours | Introduction to session and learning outcomes | Use 5UEE Tutor Presentation E3.    Learning outcome 3  Assessment criteria 3.1. | 1-4 | Learners to listen, take notes and participate in class discussions throughout, as appropriate. |  |
| The aims of reward management | Discuss slides to introduce/revise the concept of reward management and its aims. | 5-6 | Learners to listen, take notes and participate in class discussions throughout, as appropriate. |  |
| What motivates people to work? | Give out Activity 1 – leading to a class discussion. What motivates people to work? Compare and contrast the range of answers given. | 7 | Learners to listen, take notes and participate in class discussions throughout, as appropriate.  What motivates you to work? Give as many reasons as you can think of.    Compare to the answers of the other members of your class – are they the same? Are there any different ones? Why do you think that is?  *[Make a note of all the different reasons that motivate people to work, and save these for the next activity.]*  How might organisations use this information to motivate staff, and also to create high levels of employee engagement? | **5UEE E3 LO3 Activity 1– What motivates people to work?** |
| Motivation – the concept | Explain the slide which defines motivation, and different aspects of motivation.  Locke & Latham (2004:388) define motivation as:  *the internal forces that impel action and the external factors that can act as inducements to action*  Hutchinson (2013) identifies three different components to motivation:   1. Direction or choice - what a person is trying to achieve 2. Effort or intensity – how hard a person is trying 3. Duration or persistence – how long a person goes on trying   Explain that an engaged employee will, hopefully, ‘score’ highly on these questions – they will be motivated to work hard, and keep on working hard, because of their commitment to the organisation and the work they do. Reward, and motivation, have a role to play, to help achieve this. | 8 | Learners to listen, take notes and participate in class discussions throughout, as appropriate. |  |
| The difference between extrinsic and intrinsic motivation | Explain the difference between Extrinsic and Intrinsic Motivation:  **Intrinsic Motivation** - according to Armstrong & Taylor (2017) this takes place when employees feel that their work is important, interesting and challenging and that it provides them with a reasonable degree of autonomy (freedom to act), opportunities to achieve and advance, and scope to use and develop their skills and abilities.  **Extrinsic Motivation** – the same authors suggest that this is when things are done to, or for, people in order to motivate them. These include rewards such as incentives, increased pay, praise or promotion.  Explain that for organisations, intrinsic motivation is more powerful, and more closely aligned to employee engagement. Extrinsic motivators can have an immediate effect, but this will not usually last for long. Intrinsic motivators are the ones that will sustain performance; because they come from within an individual they can often (but not always) be linked to feelings of commitment to the organisation and engagement.  Give out Activity 2. Students to complete in pairs, then feedback to a class discussion.  Give out Activity 3, to be completed as homework. Students to bring their notes to the next lesson, in anticipation of Activity 4. | 9 | Learners to listen, take notes and participate in class discussions throughout, as appropriate.  Working in pairs, refer back to the notes you made during Activity 1, on the different reasons that motivate people to work.  Consider each reason and decide whether it is an example of ‘extrinsic’ motivation, or ‘intrinsic’ motivation.  Be prepared to feedback your answers to a class discussion.  Homework activity: research each of the five motivation theories and bring your notes with you to the next lesson:   1. Scientific Management – F W Taylor 2. McClelland’s Achievement Motivation (1961) 3. Expectancy Theory 4. Goal Theory – Latham & Locke (1979) 5. Equity Theory – Adams 1965 | **5UEE E3 LO3 Activity 2 – Extrinsic or intrinsic motivation?**  **5UEE E3 LO3 Activity 3** – **Motivation theories** |
|  | Give out Activity 4. Students to complete in small groups of no more than 4 people, then feedback their answers to a class discussion.  Key points about each of the theories are included in the Study Guide. |  | Learners to listen, take notes and participate in class discussions throughout, as appropriate.  Working in small groups, consider each of the following motivation theories.     1. Scientific Management – F W Taylor 2. McClelland’s Achievement Motivation (1961) 3. Expectancy Theory 4. Goal Theory – Latham & Locke (1979) 5. Equity Theory – Adams 1965   How does each one work in practice in an organisation? Do you think the motivation theory works in practice, or do you think it has limitations? Which theory do you think would work better in a local organisation known to you? Justify your answers.  Be prepared to feedback your answers to a class discussion. | **5UEE E3 LO3 Activity 4 – Motivation theories** |
| The impact of reward and motivation on employee engagement | Give out Activity 5, which explores the links between reward and motivation on employee engagement. Students to work in pairs, at first, and then feedback to a class discussion.  Discuss the points in the slide, to illustrate the links between reward, motivation and employee engagement.  Key points: as discussed in Chapter 1, employee engagement is a multi-dimensional concept that includes the idea of employees transforming their world into something meaningful and purposeful. Where work is meaningful, it is said to have intrinsic motivation for employees, and to promote and sustain intrinsic motivation, an organisation requires intrinsic rewards. These would include:   * **Sense of achievement** - the pride you feel when you have achieved a difficult task, or worked very hard on a particular project * **Feeling proud of the job you do because you know it makes a difference** - Not many nurses, for example, would expect performance-related bonuses for caring for sick people and helping them to recover. They feel proud of the difference they can make to people’s lives, and this plays an important role in motivating them in the future, and in sustaining their levels of engagement. | 10 | Learners to listen, take notes and participate in class discussions throughout, as appropriate.  Working in pairs, consider everything you have studied about reward, motivation and employee engagement. What connections can you find between these key concepts?  Be prepared to feedback your answers to a class discussion. | **5UEE E3 LO3 Activity 5 – The impact of reward and motivation on employee engagement** |
| Non-financial rewards | Read through the slide, which is the definition of non-financial rewards according to Armstrong & Taylor (2017).  Discuss in class including examples of non-financial rewards.  Explain key features of non-financial rewards, on slide 12 and discuss.  Non-financial rewards can be extrinsic, such as praise and recognition, or intrinsic, associated with job challenge and interest and feelings that the work is worthwhile.  CIPD, in their research report Show me the money! The behavioural science of reward (2015), argued that non-financial rewards are just as important as financial rewards, particularly these examples:   * good performance management and appraisals * opportunities for personal and career development * flexible working (such as working from home) * being involved in decisions that affect how and when employees do their work * recognition, such as through an ‘employee of the month’ award or team-based events. | 11-12 | Learners to listen, take notes and participate in class discussions throughout, as appropriate. |  |
| Non-financial rewards and the impact on motivation, and employee engagement | Give out Activity 6, which leads to a class discussion.  Possible links between non-financial rewards and employee engagement are included on slide 14, for discussion:  Employee engagement is a strong reason what an employer might want to introduce these extra benefits which are, after all, an extra cost. Examples of this might be:   * To contribute to the overall total reward package (see next section below) to make the company more attractive to potential employees, and to help retain current ones * To provide an employee with financial assistance if they become ill, or when they retire, to meet the organisation’s goal of being seen to be a caring employer * To increase commitment and motivation amongst employees, thus contributing to the developing of higher levels of employee engagement   All of these contribute to creating and maintaining high levels of employee engagement. | 13-14 | Learners to listen, take notes and participate in class discussions throughout, as appropriate.  Take part in class discussion:  How can non-financial rewards assist in creating and maintaining high levels of:   1. Motivation? 2. Employee engagement? | **5UEE E3 LO3 Activity 6 – Non-financial rewards and the impact on motivation, and employee engagement** |
| Non-financial rewards and the impact on motivation, and employee engagement | Give out Activity 7 which is a homework activity. |  | Homework Activity:  In your Study Guide is a case study of an organisation called Syngenta (this is also reproduced on the Activity Sheet). Read this, and answer the following questions   1. What do you understand by the phrase “an employee benefits package that reflects their organisational culture? [This is in the last paragraph of the case study] 2. Imagine you are the HR Manager of a newly-merged organisation. Each of the two companies merging has a different set of non-financial rewards. How would you go about combining them into one set that helped contribute to employee engagement? | **5UEE E3 LO3 Activity 7 – Non-financial rewards and the impact on motivation, and employee engagement** |
| Different approaches to basic financial rewards | Financial rewards are any form of monetary reward or incentive - that an employee can earn for good performance.  Talk through, and discuss, some different techniques to financial reward:   1. **Grade and pay structures.** Not everyone will be paid the same, and the salary they receive will be related to their job role and their position in the organisation’s structure. Grade and pay structures provide the framework for this to happen, from a reward perspective. They enable the organisation to determine where jobs should be placed in a hierarchy, definite pay levels and the scope for progression. Roles at each level of the hierarchy will be allocated a salary range, of, say 4 salary points. Each year a person moves from one point to the next, thus also rewarding length of service and commitment to the organisation. However, this progression is totally unrelated to levels of performance – an employee will progress however strong, or weak, is their performance. 2. **Contingent pay** – this links financial reward to a factor such as performance, achievement of skills or competencies, or contribution (i.e. performance + competence to performing the job). It can take the form of salary increases or a one-off performance bonus, and is earned by the achievement of certain targets, or a pre-determined set of skills. 3. **Performance-related pay** – this is the most common form of contingent pay where salary progression, or bonus payment, is purely linked to the achievement of pre-agreed goals or objectives. There are two main reasons for introducing performance-related pay: 4. Encouraging high performance levels by linking performance to pay – highlighting to employees the specific achievements the organisation wants and is prepared to reward. 5. The notion of equity or fairness – people who work hard, and achieve the most will therefore receive more | 15 | Learners to listen, take notes and participate in class discussions throughout, as appropriate. |  |
| Perceived unfairness in reward, and the impact that this can have | Discuss the slide, which highlight the links between fairness and reward, and therefore can explain if people think that reward is unfair.   1. **Adams’ Equity Theory** - discussed earlier. This was all about how people *feel* about how they are being treated, in comparison to how other employees are treated. Adams suggested that people also compare how much effort they are putting in, to what they are receiving in reward for that effort. If, on any level, they feel that their treatment is unfair, their motivation and engagement levels will decrease; it is very difficult to reverse that downward trend because the trust in the organisation or the line manager is diminished. 2. **Transparency**. The CIPD Reward Management Survey, published in 2015, 41% of organisations stated that they tried to make pay as transparent as possible, while 48% specifically disagreed with this approach. Yet the previously mentioned CIPD *Show me the money (*2015) report suggested that:   *our need for fairness is deeply ingrained and we seek demonstrable rigour and transparency in determining pay and progression*   1. **Psychological** **contract**, discussed in the previous Element. Some of the key principles are the fairness in terms of how they are treated (in all aspects of their employment, not just in reward) and in the transparency of management actions. Once an employee feels they are being treated unfairly (irrespective of whether that is reality or not), the psychological contract can be irretrievably broken, and the level of engagement to the organisation permanently damaged. | 16 | Learners to listen, take notes and participate in class discussions throughout, as appropriate. |  |
| Perceived unfairness in reward, and the impact that this can have | Give out Activity 8. Students to complete in pairs and feedback to a class discussion.  Read through slide 17, after this discussion, to give another point of view.  Aon (2017) recommend that employee engagement can be improved by the use of fair and effective pay and reward strategies. They advise employers to ascertain and monitor the positive or negative impacts their schemes might be having on staff. They stress the importance of understanding people’s views on financial and non-financial rewards and how these are perceived. | 17 | Learners to listen, take notes and participate in class discussions throughout, as appropriate.  In pairs, consider the following questions:   * What would happen in an organisation if staff felt that management were unfair in how staff were financially rewarded? * What could that organisation do to solve the problem of perceived unfairness in financial rewards?   Be prepared to discuss your answers in class | **5UEE E3 LO3 Activity 8 – Perceived unfairness in reward and the impact that this can have** |
| Consideration of equality, justice and social responsibility to reward and performance | Explain the slide, which defines the key terms: equality, justice and social responsibility.  According to the Oxford Dictionary, **equality** is “the state of being equal, especially in status, rights, or opportunities”.  Daniels and MacDonald (2005:3) suggest equality is more complex than this, and cite Shaw (1989) who suggested that there needs to be *equal chance* (i.e. everyone having the same chance to gain from any opportunities that arise in the workforce [e.g. promotion]), *equal* *access* (i.e. everyone having the same opportunity to enter the organisation) and *equal share* (i.e. there being a representation of all groups at each level within the organisation).  **Justice** is the process of treating people in a right and fair way. CIPD (2015) discuss two main types of justice from a reward management perspective:   1. **Distributive justice:** as discussed earlier, people are rewarded equitably in comparison with others, and in accordance with their contribution. 2. **Procedural justice:** organisational processes, and decisions made, are fair, consistent and transparent. Not only that, they must **be seen to be** those things by staff, to engender any trust and engagement with them. Armstrong & Taylor (2017:124) cite research by Tyler and Bies (1990) which identified five factors that affect perceptions of procedural justice:  * Adequate consideration of an employee’s viewpoint * Suppression of personal bias towards an employee * Applying criteria consistently across employees * Providing early feedback to employees about the outcome of decisions * Providing employees with an adequate explanation of decisions made   And finally, **social responsibility** is the duty that companies, and individuals, have to act in the best interests of all stakeholders. | 18 | Learners to listen, take notes and participate in class discussions throughout, as appropriate. |  |
| Consideration of equality, justice and social responsibility to reward and performance | Talk through slide:  Equality, justice and social responsibility are fundamental to reward management to ensure fair, transparent and consistent treatment of employees.  Social responsibility implies that employers have a duty to treat its employees in that way. The consequences of an organisation not doing so could be significant; the psychological contract of its employees is instantly jeopardised, and once broken, it is very difficult to re-establish. This then negatively impacts on performance, commitment to the organisation, motivation and engagement.  By the way, it is worth noting that even if organisations are operating in this way, but are not being open and transparent in their reward management policies and process, they could therefore be *perceived* to be unfair, which may well cause the same negative consequences. | 19 | Learners to listen, take notes and participate in class discussions throughout, as appropriate.  Pair activity: It is very easy to say that organisations should ensure that their reward management policies are fair, equal, transparent and consistent, but how do they ensure that happens in practice?    Working in pairs, consider this question. Be prepared to feedback your answers to a class discussion. | **5UEE E3 LO3 Activity 9 – Consideration of equality, justice and social responsibility to reward and performance** |
| Revision of key learning points | Class discussion: Activity 10 | 20  21 | Learners to listen, take notes and participate in class discussions throughout, as appropriate.  Class discussion: What are your key learning points from Session 1? | **5UEE E3 LO3 Activity 10 – Revision of key learning points** |

### SESSION 2: The extent of the relationship between reward and employee engagement

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| **Approx.**  **Duration** | **Topic** | **Tutor Activity** | **Slides** | **Learner Activity** | **Formative assessment** |
| 5-6 hours | Introduction to session and learning outcomes | Use file:Use 5UEE Tutor Presentation E3.  Learning outcome 3  Assessment criteria 3.2 | 22 | Learners to listen, take notes and participate in class discussions throughout, as appropriate. |  |
|  | Total reward | Talk through slide.  Total rewards are the combination of financial and non-financial rewards made available to employees  Total reward recognises that the most effective approach is to combine financial reward with non-financial reward in one ‘package’. Yes, the financial rewards are important to ensure the psychological contract and engagement of employees are not compromised. However, total reward acknowledges that it is important to provide people with intrinsically rewarding experiences that arise from their work environment (the jobs they do and how they are managed) and the opportunity to develop their skills and careers. This is a significant way to increase levels of employee engagement. | 23 | Learners to listen, take notes and participate in class discussions throughout, as appropriate. |  |
|  | Total reward and employee engagement | Give out Activity 11, which leads to a class discussion on the links between total reward and employee engagement.  Discuss the table on the slide which comes from Reilly & Brown (2008). They argued that appropriate reward practices and processions, both financial and non-financial, managed in combination (i.e. a total reward approach), can help to build and improve employee engagement. They argued that the opposite was also true i.e. that a badly designed or implemented total reward scheme could hinder or irrevocably damage it.  The quote on the next slide is from the 2010 World at Work report *The Impact of Rewards Programs on Employee Engagement* which found that there was a definite link between total reward policies and employee engagement. The report recommended that organisations should always focus on total reward, and thus develop employee engagement resources that are directed toward a positive work environment, work-life balance, the nature of the job and quality of the work, and career opportunities. | 24-26 | Learners to listen, take notes and participate in class discussions throughout, as appropriate.  Class discussion:  What is the connection between total reward and employee engagement?  How can total reward help maintain high levels of employee engagement? | **5UEE E3 LO3 Activity 11 – Total reward and employee engagement** |
|  | Total reward and employee engagement | Give out Activity 12, which is homework |  | Read this article and answer the following questions:  Sarah Lardner, (2015) "Effective reward ensures effective engagement", Strategic HR Review, Vol. 14 Issue: 4,pp. 131-134     1. Why did Gemserv want to review their reward and benefits strategy? 2. What were the key elements of the new strategy? 3. How does the new strategy link to their goals for employee engagement? | **5UEE E3 LO3 Activity 12 – Total reward and employee engagement** |
|  | Contingent related pay, and the link between the ‘contingent’ and the extent of employee engagement | Give out Activity 13. Students to complete in pairs and then feedback to a class discussion. | 27 | Learners to listen, take notes and participate in class discussions throughout, as appropriate.  Working in pairs, consider the following:  **Financial rewards and incentives can create and maintain high levels of employee engagement?**  What are the points for and against this statement?  Be prepared to feedback your answers to a class discussion. | **5UEE E3 LO3 Activity 13 – Contingent related pay and the link between the ‘contingent’ and the extent of employee engagement** |
|  | Contingent related pay, and the link between the ‘contingent’ and the extent of employee engagement | Read through the slides which argue for and against the statement in Activity 13:  **Arguments for:**  The fundamental principle behind contingent-related pay, and performance-related pay (PRP) is that those who contribute or achieve more, are paid more. On the face of it, this sounds very fair, and totally in accordance with the psychological contract and high levels of employee engagement. It is also in accordance with the principle of distributive justice, which, while it states that rewards should be provided equitably, does not require them to be equal, except when the value of contribution is equal.  **Arguments against:**  Not all job outputs are easy to measure in numerical terms. Take the example of a Human Resources Officer. What quantifiable targets can he or she have to work to – the number of people they discipline? The number of staff that are recruited (what happens if labour turnover is reduced, and there are less vacancies to fill? Is that fair on the HR Officer?) The number of times they advise managers? None of these examples would really be appropriate to use for PRP purposes.  Fair measurement is hard in any situation where outcomes cannot be quantified, and the majority of job roles would fall into this category. Relating pay fairly to performance can also be subject to prejudice as it often depends on the line managers to make pay recommendations, and they may favour one member of staff over another without fair reason. This would instantly have an impact of staff and their commitment to the organisation, and thus their engagement – if they do not feel fairly treated, what will be their incentive to work hard for the organisation? This feeling of ‘fairness’ and ‘reward’ is explored in the next part of this chapter.  Another problem with PRP and other financial rewards is that they rely on the fact that people are only motivated by money. Is that true? Few if any of the motivation theories we considered earlier even mentioned money. And if people are motivated purely by money, developing and maintaining employee engagement, with its strong links to intrinsic motivation and reward, may become more difficult. | 28-29 | Learners to listen, take notes and participate in class discussions throughout, as appropriate. |  |
|  | Revision of Element 3 | Give out Activity 14 which is a Class Quiz (revision exercise) for the whole Element. This should be done in pairs, and answers discussed in class.  Questions are repeated here. The relevant slides/answers are indicated in brackets:   1. Name 3 aims of reward management **(slide 5)** 2. What is the difference between extrinsic and intrinsic motivation? **(slide 8)** 3. Name 3 motivation theories, and describe what each one says about motivation **(Activity 3)** 4. Give 2 examples of how reward and motivation impact on employee engagement **(slide 9)** 5. CIPD (2015) argued that non-financial rewards are just as important as financial rewards. Name three of the five examples they gave to illustrate their point. **(slide 11)** 6. Name three different types of financial rewards **(slide 14)** 7. Why might employees feel they are being unfairly treated in terms of reward? Give 2 examples. **(slide 15)** 8. Define the terms: equality, justice and social responsibility. How does each link to reward and levels of employee engagement? **(slides 17 and 18)** 9. What is total reward, and how does it link to levels of employee engagement? **(slides 22-23)** 10. What is the link between contingent-related pay and levels of employee engagement? **(slides 27-28)** | 30 | Learners to listen, take notes and participate in class discussions throughout, as appropriate  In pairs, complete the ten revision questions in Activity 14. Answers will be discussed in class. | **5UEE E3 LO3 Activity 14 – Revision** |