

*Market Research Findings:  
Hourly Employee Engagement and  
Reward Systems*

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# Table of Contents

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	<u>Page</u>
<b>I. Overview and Background</b>	<b>3</b>
<b>II. Hourly Employee Engagement Strategies</b>	<b>5</b>
<b>III. Total Rewards for the Hourly Workforce</b>	<b>18</b>
<b>IV. Primary Findings and Conclusions</b>	<b>66</b>
<b>V. Bibliography</b>	<b>70</b>

# I. Overview and Background

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## *Purpose of This Study:*

The purpose of this study is to examine what companies are doing to improve their employee experience and engagement, and to examine what determines the best practices in these programs. This information can then serve to support the strategy and initiatives your company utilizes to achieve the desired improvements in performance.

## *Key objectives:*

1. Identify the critical elements to engaging and improving the productivity of the hourly workforce.
2. Determine any unique and specific attributes of an hourly workforce that impacts performance.
3. Identify what makes reward systems effective in driving desired behaviors and performance.
4. Identify and describe companies that have highly effective practices that lead to a high performing hourly workforce.

# I. Overview and Background

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## *Overview of the Key Elements of This Market Research Study:*

The following elements of employee engagement have been examined in this report:

1. Definition and key drivers of employee engagement, and how this impacts employee performance, productivity and retention.
2. Defining the needs and unique characteristics of the hourly workforce – how they are different from other employee groups of an organization.
3. The types of employee engagement strategies utilized by successful corporations.
4. The prevalence and types of reward systems that apply to the hourly workforce.
5. The characteristics of successful reward systems – variable pay, base pay, recognition programs, etc.
6. Descriptions and case study illustrations of different types of reward systems for the hourly workforce.
7. The guiding principles that determine the best practices of reward systems for the hourly workforce.

## II. Hourly Employee Engagement Strategies

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### *Definitions of Employee Engagement:*

While there are many definitions of employee engagement, there are several primary themes that reflect the common elements of these definitions. Employee engagement is those conditions within the workplace where:

*The employee is highly involved in, committed to and satisfied with the work one performs for the organization.*

There are primarily two types of factors that reflect how engaged employees are in the workplace:

#### *Performance (or Discretionary Effort) factors:*

1. High levels of commitment to achieve the company's standards and/or goals.
2. They tend to go beyond what is normally expected in their job assignments (i.e., "Discretionary Effort")
3. Employees continually examine ways to improve productivity and quality by making suggestions for improvements and adopting reasonable changes provided by others.
4. They appear to be self-motivated and require little disciplinary or supervisory effort.

#### *Retention (or Commitment) factors:*

1. Employees remain with the company.
2. There is very little absenteeism or lateness to work.
3. They recommend the company to others (friends and family members).
4. They tend to have friends and strong social connections to others at work.
5. There is a strong commitment to the work itself, the team, one's manager, and the organization itself.

## II. Hourly Employee Engagement Strategies

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### *Definitions of Employee Engagement:*

The Gallup organization has been able to identify the employee statements that are most characteristic of a highly engaged workforce. Their research shows that the following statements are the best predictor of employee and work group performance (referred to as the “**Gallup Q<sup>12</sup>**”):

1. I know what is expected of me at work.
2. I have the materials and equipment I need to do my work right.
3. At work, I have the opportunity to do what I do best every day.
4. In the last seven days, I have received recognition or praise for doing good work.
5. My supervisor seems to care about me as a person.
6. There is someone at work who encourages my development.
7. At work, my opinions seem to count.
8. The mission or purpose of my company makes me feel my job is important.
9. My associates or fellow employees are committed to doing quality work.
10. I have a best friend at work.
11. In the last six months, someone at work has talked to me about my progress.
12. This last year, I have had opportunities to learn and grow.

## II. Hourly Employee Engagement Strategies

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### *The Impact of Employee Engagement:*

Research by a number of leading consulting organizations have clearly demonstrated the correlation between employee engagement and desirable business outcomes – corporate financial performance, business unit productivity, customer satisfaction, retention of talent. The Gallup organization conducted a mega-research comparing the performance of companies with different levels of employee engagement from 2001 - 2005. Those with high levels of employee engagement (4:1 ratio of employees engaged versus not) showed the following results:

1. Growth in earnings per share was 2.6 times greater for organizations with high levels of employee engagement versus those with limited employee engagement.
2. Earnings per share for top quartile organizations outpaced competitors by 18% during the study period.
3. This study demonstrated differences in the impact of effective employee engagement at the business unit level:
  - a. 18% higher productivity
  - b. 12% higher business unit profitability
  - c. 12% higher customer advocacy
  - d. 50% - 70% lower employee turnover
  - e. 50% + lower inventory shrinkage
  - f. 38% fewer employee accidents

## II. Hourly Employee Engagement Strategies

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### *The Impact of Employee Engagement (continued):*

In a Towers Perrin study that compared companies with high versus low levels of employee engagement, they found:

- High engagement companies had a 19% increase in operating income and 28% growth in earnings per share over a three year period,
- Low engagement companies saw a drop in operating income of 33% and decline in earnings per share by 11%.
- High engagement companies had almost 4% higher operating margins and 3.5% greater net profit margins than low engagement companies.

The Corporate Leadership Council research (2004) demonstrated that highly engaged employees work **59% harder, perform 18% better and are 23% more likely to remain with the company** than employees with low levels of commitment.

It is clear that high engagement practices have a major impact on the growth, profitability and market value of companies. The research and commentary also shows that these practices are consistent with a philosophy of leadership and organization strategy, and the implementation of this philosophy leads to high performing companies. There are no specific practices that high performers engage in that lead to success, for each organization creates and utilizes their own strategy. However, this strategy and the actions that result do appear to be based on a set of guiding principles that are in common, and the implementation of these principles led to the success of their programs and practices.

## II. Hourly Employee Engagement Strategies

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### *Types of Engagement Strategies:*

Research by the Corporate Leadership Council shows that there are five (5) key strategies that organizations rely on to increase employee engagement and performance:

- 1. Select the right people that fit the job** – Hire the right people and they will perform well to improve the business.
  - 31% of companies cite poor job fit as having the highest impact on productivity losses.
- 2. Develop the quality of managerial practices** – Focus on the right selection, training and development of managers to engage in those practices that enhance employee engagement.
  - Managers impact the job satisfaction and performance of hourly workers by 25% and 37% respectfully.
- 3. Support career development and training of hourly employees** – Build special programs to train and improve the capabilities of hourly employees, then promote into career paths those that perform at a high level (promotional tracks).
  - Only 40% of hourly employees indicate they are satisfied with their career development opportunities.
- 4. Engage and empower employees to achieve business goals** – Provide communication on business goals and performance so employees understand how their daily work drives overall business goals, and give employees the encouragement to make meaningful decisions regarding the work process.
- 5. Provide effective rewards and recognition** – Create opportunities for employees to share in the performance improvements they achieve and be frequently and effectively recognized for their contributions.
  - 66% of organizations indicate that rewards and recognition encourage effective hourly employee engagement.

## II. Hourly Employee Engagement Strategies

### *The Drivers of Employee Engagement – the Top 25 Drivers of Discretionary Effort:*

Levers That Impact Hourly Employee Engagement	Impact Score	Type of Practice
Connection Between Work and Organizational Strategy	34.3	Daily work
Internal Communication	32.5	Culture
Importance of Job to Organizational Success	32.3	Daily work
Understanding of How to Successfully Complete Projects	31.8	Daily work
Breaks Down Projects into Manageable Components	31.8	Manager
Reputation of Integrity	31.3	Culture
Effectiveness of Team-Building Activities	31.1	Daily work
Clearly Articulates Organizational Goals	31.1	Manager
Demonstrates Strong Commitment to Diversity	30.9	Manager
Adapts to Changing Circumstances	30.7	Manager
Sets Realistic Performance Expectations	30.7	Manager
Analytical Thinking	30.4	Manager
Helps Find Solutions to Problems	30.1	Manager
Possesses Job Skills	30.0	Manager
Culture of Flexibility	30.0	Manager
Encourages and Manages Innovation	30.0	Manager
Culture of Innovation	29.8	Culture
Defends Direct Reports	29.8	Manager
Helps Attain Information, Resources, and Technology	29.6	Manager
Demonstrates Honesty and Integrity	29.6	Manager
Identifies and Articulates a Long-Term Vision for the Future	29.6	Manager
Has a Good Reputation Within the Organization	29.5	Manager
Future Orientation	29.2	Culture
Is Open to New Ideas	29.0	Manager
Career Advisor Effectiveness	29.0	Learning

## II. Hourly Employee Engagement Strategies

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### *Needs and Preferences of the Hourly Employees:*

The Corporate Leadership Council (2002) has studied the unique characteristics of the hourly employee. While there are many needs and preferences in common with the professional or exempt workforce, there are some important differences that need to be addressed in any program and initiative that attempts to influence behaviors. Further, these identified preferences are not static, as they change with the employee's experience, age and personal circumstances. As certain needs or preferences are met, the importance of this factor changes. The following summarizes the key findings of what is meaningful to **high performing hourly employees**:

1. **Base pay** – internal equity as well as competitiveness with the market
2. **The quality of the manager**
3. **Retirement benefits**
4. **Health benefits and work-life programs**
5. **Recognition and appreciation** – by one's immediate manager, peers and executive management
6. **Work environment** – work tools, cleanliness, equipment, safety
7. **Development and job-progression opportunities**
8. **Work-life balance** – work hours, location, vacation policies, child care, wellness programs, etc.

*Attributes such as work challenge, empowerment and project responsibility were more important to salaried employees but of little importance to hourly employees.*

## II. Hourly Employee Engagement Strategies

### *Needs and Preferences of the Hourly Employees:*

The Corporate Leadership Council research also identified differences in preferences according to the following groupings of hourly employees. The primary preferences by employee reference group are:

<p><b><i>Overall Hourly Employees:</i></b></p> <ul style="list-style-type: none"><li>➤ Base pay</li><li>➤ Internal equity</li><li>➤ Bonus payouts</li><li>➤ External equity</li><li>➤ Recognition</li></ul>	<p><b><i>Manufacturing Industry Hourly Employees:</i></b></p> <ul style="list-style-type: none"><li>➤ Base pay</li><li>➤ Bonus payouts</li><li>➤ Internal equity</li><li>➤ Retirement benefits</li><li>➤ External equity</li></ul>
<p><b><i>High Performing Hourly Employees:</i></b></p> <ul style="list-style-type: none"><li>➤ Base pay</li><li>➤ Internal equity</li><li>➤ External equity</li><li>➤ Retirement benefits</li><li>➤ Recognition</li></ul>	<p><b><i>Service Industry Hourly Employees:</i></b></p> <ul style="list-style-type: none"><li>➤ Base pay</li><li>➤ Internal equity</li><li>➤ External equity</li><li>➤ Bonus payouts</li><li>➤ Work-life programs</li></ul>

## II. Hourly Employee Engagement Strategies

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### *Addressing Specific Hourly Workforce Issues – Recruitment and Hiring:*

Top 20 factors that influence the attractiveness of the **job offer** (in order of importance 1 – 5 scale, average 3.85):

Base pay (and opportunity for increases)	6.67
Quality of the manager	5.14
Health benefits	4.19
External equity (offer comparison to other market rates)	4.17
Hours worked (less than 50 hours/week)	4.03
Job fit with skills/interests/values	4.03
Retirement benefits	3.93
Bonus opportunity (up to 10% of base pay)	3.92
Empowerment (frequent opportunity to make decisions)	3.91
Location (no relocation needed)	3.79
Travel	3.74
Coworker quality	3.73
Promotion opportunity	3.71
Company/product brand	3.69
Internal equity	3.68
Recognition	3.67
Quality of senior management	3.64
Vacation	3.60
Work challenge	3.58
Stock options	3.57

## II. Hourly Employee Engagement Strategies

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### *Addressing Specific Hourly Workforce Issues -- Turnover:*

Key factors that result from hourly employee turnover and cause employee turnover:

1. Average turnover rates are (PwC Saratoga Institute – 300 organizations in 12 industries)

	<i>Total turnover rates:</i>	<i>Voluntary rates:</i>	<i>High performer rates:</i>
<b>2005</b>	15.0%	10.5%	5.3%
<b>2006</b>	14.0%	10.4%	5.6%
<b>2007</b>	15.1%	10.4%	4.8%

2. The primary causes of voluntary hourly employee turnover are:

a. Lack of career/job opportunities	33%
b. Inadequate pay and benefits	23%
c. Poor fit with the job	12%
d. Poor quality of management	11%
e. Incompatibility with manager or peers	9%

3. Employers indicated that it costs \$3,000 to replace each hourly employee.

## II. Hourly Employee Engagement Strategies

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### *Addressing Specific Hourly Workforce Issues -- Productivity:*

Hourly workforce productivity is largely a function of four different types of employee behavior:

1. **Job Performance:** Employees' effectiveness carrying out tasks and objectives associated with their job.
2. **Counter-productivity:** Employees engaging in activities that negatively impact organizational productivity (e.g., theft, substance abuse, accidents).
3. **Attendance:** Employees showing up to work on time as scheduled and staying at work throughout their entire scheduled shift.
4. **Retention:** Employees remaining with the same employer over time.

These four aspects of workforce productivity are fairly independent from one another. Therefore a variety of human resource strategies are needed to fully address them.

## II. Hourly Employee Engagement Strategies

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### *Alternative Staff Strategies – The Contingent Workforce:*

#### **Definition:**

A contingent workforce is defined by the use of flexible staffing arrangements where employees or individuals employed by the organization do not work standard work hours or continuous service over a fiscal year. They frequently do not receive employee benefits or are not eligible for certain services provided to other employees of the company. The purpose for this consideration is to increase the productivity of these employees by utilizing their services during peak work flow periods and to reduce the costs of this labor. Typical characteristics of these employment relationships are:

1. They are typically paid more for the same work of standard employees but receive no benefits.
2. Their hours and work assignments need to comply with certain Department of Labor standards.
3. They may be recruited and hired by the company or by an agency that contracts with the company.

#### **Types of Alternative Staff Strategies:**

According to a number of studies approximately 11% of U.S. employers utilize contingent workforce strategies. The prevalence of the various types of staffing strategies include:

Temporary workers:	75%	Are employed for only certain periods of time
Part time workers:	65%	Are employed for less than the standard work week
Contractors/Freelance workers:	59%	Are applied to specific projects, task assignments
Seasonal workers:	19%	Are employed for certain periods on a regular annual basis (e.g., Holiday workers in retail, harvest workers in agriculture)

## II. Hourly Employee Engagement Strategies

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### *Alternative Staff Strategies – The Contingent Workforce:*

#### **Positive attributes of these staffing strategies:**

1. While their hourly rate may be higher, their overall costs are lower. There are no benefits related costs and they are employed for those hours when specific work is needed.
2. They increase an organization's productivity during peak work demand periods. There is little "downtime" for these employees.
3. It is easier to terminate the employment relationship than with standard employees.
4. It allows the organization to acquire fully trained workers and therefore reduces the internal training costs.
5. It enables the organization to hire and utilize those individuals that seek this type of employment relationship due to personal preferences, family commitments, educational activities that would not be possible if one was employed on a full time basis.

#### **Negative attributes of these staffing strategies:**

1. **Hiring** – Unless an agency is used, finding people with the right qualifications and availability is often a major challenge. This is particularly true in smaller cities.
2. **Retaining** – Since contingent workers don't receive benefits and are not included in the "culture" of the organization, they perceive the relationship as transactional. They may find a better deal somewhere else and won't tolerate poor supervision or working conditions.
3. **Productivity/Quality** – These workers often do not care as much about the product or service because they know they are transient. Further, the company may have different workers doing the same work over time and consistency in productivity and quality often suffers.
4. **Training requirements** – Depending on the skill and knowledge requirements of the work, managers often need to devote a disproportionate amount of time to training and supervising these employees and neglect the needs of their standard employees.
5. **Legal requirements** – Human Resources is frequently not involved in the selection and oversight of these work arrangements. Inappropriate management practices may evolve that put the organization at risk on legal grounds. For example, there may be inadequate employment documentation or work arrangements that violate DOL regulations.
6. **Internal equity** – Standard employees often see contingent workers as receiving higher pay and have more flexibility. They may also resist providing peer training or addressing quality issues. Consequently, they lower their productivity to match the pay inequities or risk they feel to their own employment relationship.

# III. Total Rewards for the Hourly Workforce

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## *Hourly Rewards and Pay Systems: The Philosophy Regarding the Hourly Workforce*

In making decisions about pay and reward programs, companies have had to first make a philosophical decision regarding their total workforce. Will we treat our exempt and non-exempt employees the same or recognize the differences in preferences and impact they have on organization performance? As stated earlier, the Corporate Leadership Council research found that attributes such as work challenge, empowerment and project responsibility were more important to salaried employees but of little importance to hourly employees. And within the large group of jobs that make up non-exempt workers (nurse versus dishwasher), are there other distinctions that should be made to improve employee engagement?

Yet, due to both company values, the varying types of jobs that are classified as non-exempt and the type of industry, there have been many instances where reinforcing differences between these two sets of workers has been viewed as an obsolete boundary and barrier to contemporary management practices. In these organizations, the Fair Labor Standards Act of 1938 described differences in work that no longer are valid. In General Electric's 1990 annual report Jack Welch had a vision to erase barriers that divided employees from one another. He wanted to eliminate the labels such as management, salaried and hourly and get people working together.

The research on employee engagement for hourly employees tend to be focused on productivity. Productivity is a defining and significant component of employee performance and engagement. For every project examining hourly jobs there are over 15 examining leadership jobs, while more than 60% of jobs are hourly jobs.

# III. Total Rewards for the Hourly Workforce

## *Research on Pay and Performance: Model Programs and Policies for Lower Wage Workers*

The term “invisible workers” refers to those employees who perform their jobs everyday – with little or no recognition from customers, yet who are critical to the success of the business. In many organizations, these are the employees who have direct contact with the customers or products – and can greatly affect consumer loyalty that is related to success.

In 2004, **Boston College Center for Work and Family at the Carroll School of Management** selected and studied model programs and policies in *15 different organizations* where they have recognized the value of “invisible workers”.

Company	Type of Business	Location of Headquarters
Bank of America	Financial	Charlotte, NC
Bright Horizons	Child Care	Watertown, MA
CVS/pharmacy	Retail	Woonsocket, RI
Eastman Kodak	Infoimaging	Rochester, NY
Eddie Bauer	Retail	Seattle, WA
FleetBoston Financial	Financial	Boston, MA
Harvard University	Education	Cambridge, MA
H-E-B Grocery Company	Retail	San Antonio, TX
Home Depot	Retail	Atlanta, GA
Kraft Foods	Manufacturing	Northfield, IL
Levi Strauss & Co.	Manufacturing	San Francisco, CA
Marriott International	Hospitality	Washington, D.C.
Providian Financial	Financial	San Francisco, CA
The TJX Companies, Inc.	Retail	Framingham, MA
Wachovia Corporation	Financial	Charlotte, NC

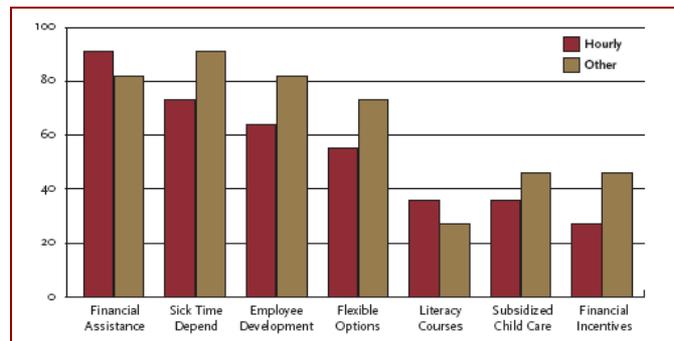
Two of the programs described were compensation programs for Eddie Bauer and the Home Depot. The specifics for these programs will be described in the incentive section.

# III. Total Rewards for the Hourly Workforce

## *Research on Pay and Performance: Model Programs and Policies for Lower Wage Workers*

In most cases all the programs were offered to both “hourly” and “other” employee groups and more often to the “other” employee groups. Only two benefits were offered more to “hourly” than “other”.

**Percentage of Organizations Offering Each Program Type – Hourly vs. Other Employees**



### **Lessons Learned from the Boston College Study Relevant to Our Study:**

1. Participants know that the programs for lower wage employees more than pay for themselves in terms of attraction, retention, and having a more loyal workforce.
2. Hourly employees who used the program or policy were very enthusiastic about their participation and about the organization.
3. In general, companies lack information about how their hourly and lower wage employees feel about their organizations. Although some organizations collected general information through company surveys, it did not appear that they routinely analyzed the data with respect to position or wage category – or at least those who described the model program or policy did not have this information.

# III. Total Rewards for the Hourly Workforce

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## *Research on Pay and Performance:*

Over the last 30 years, approximately fifty (50) studies have been conducted on the factors that lead to effective performance based reward systems (i.e., money, recognition, etc.). These studies frequently included both control and experimental groups of individuals performing manual or simple tasks. The effect of different conditions were examined and tested for their impact on the productivity and quality of the performance. Some studies were conducted in a simulated or laboratory type setting and others were conducted directly with employed hourly workers to examine the effect of a workplace environment versus a simulated setting. The studies have been peer reviewed and published in professional journals.

For our purposes, we have summarized these research studies as they address the following questions:

1. Does incentive pay impact the productivity and quality of the worker's performance?
2. How does the amount of money one can earn impact performance?
3. How does the rate at which one earns money impact performance – flat rate or accelerated based on performance?
4. Which type of pay system has the greatest impact on performance – individual or group?
5. To what extent does feedback on performance impact performance – feedback without incentive pay, feedback with incentive pay, and incentive pay without feedback?
6. Which has the higher impact on performance – money or social consequences (i.e., recognition, peer pressure)?

# III. Total Rewards for the Hourly Workforce

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## *Research on Pay and Performance (continued):*

The following are summaries of the landmark research studies and their primary findings:

### **1. Does incentive pay impact performance? – *Yes, under certain circumstances***

In two studies, one laboratory and one with truck drivers, performance was examined in conditions where individuals received clear tasks and goals; and one group received incentive pay and the other did not. The results were conclusive that the groups receiving variable pay performed significantly higher than the groups receiving just base pay. In one of these studies, performance increased 31.7% with the introduction of performance based pay and in another the performance increased by 26%.

### **2. Does the amount of money matter? -- *No***

In five studies, performance was examined at different levels of payouts. In one laboratory study, the group receiving only 3% additional pay achieved performance that was significantly higher than the group who received no payouts. When the payout was increased to 10% and up to 50%, performance did not increase measurably. In the study involving two groups of truck drivers, the higher payouts did not result in higher performance, but the performance was sustained over a long-term period (3% incentive sustained performance for approximately 20 weeks, 6% sustained performance for 39 weeks, and 9% sustained performance for 107 weeks).

### **3. Which system of pay works better, flat (linear) or accelerated rate? -- *Little difference***

Two studies examined the relationship between performance and payouts – if one produces more do they earn more in relation to their previous performance? Both studies found that individuals did produce more when they received variable pay, but their performance tasks did not increase when they received higher rates of pay for higher levels of performance. It appears that variable pay serves to increase performance up to a limit defined by the tasks, physical abilities or system capabilities, and the performance – payout ratio does not increase with higher levels of pay opportunity.

# III. Total Rewards for the Hourly Workforce

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## *Research on Pay and Performance (continued):*

The following are summaries of the landmark research studies and their primary findings:

### **4. Which type of pay system works better – individual or group? – *Individual plans for high performers***

There have been over 10 studies comparing individual versus group based incentive pay plans. In a statistical meta-analysis of 45 published studies on various types of incentive pay plans, the researchers concluded that performance increased by 45% in team based plans while it increased by 27% in individual plans. These team based plans included an average of 10 people, and the range was usually between 2 and 12 individuals. Further, it was found that these group based plans often resulted in higher levels of turnover. This reflected the “social consequences” of these work settings where the high performers “drove out” the lower performers. In contrast to these results, several studies indicated that high performers preferred individual incentives over group incentive plans, and their performance dropped between 12% and 16% when they moved from individual to group based incentive plans. Lower performers preferred group based plans over individual plans in several studies where preference was measured.

### **5. Does feedback impact performance more than money? *Money is more effective, both is most effective***

Several interesting studies compared the impact of various combinations of feedback and incentive pay on performance; this included introducing feedback and then removing feedback as well. The conclusion of these studies indicate that feedback did improve performance better than when individuals received only task instructions and no/little feedback. Another study focused on complex work simulation involving arithmetic, memory, visual monitoring and auditory monitoring tasks. After establishing a baseline of performance with fixed pay, they introduced both feedback and variable pay to assess the impact. Performance did increase moderately with the introduction of feedback on performance and increased similarly with just a monetary incentive was introduced. When both feedback and monetary incentives were introduced, the performance increased dramatically and sustained at high levels even when the amount of feedback was reduced.

# III. Total Rewards for the Hourly Workforce

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## *Research on Pay and Performance (continued):*

The following are summaries of the landmark research studies and their primary findings:

### **6. Which has a higher impact on performance – money or social consequences? *Both in tandem work best***

In several studies on the impact of monetary versus social consequences (i.e., recognition), both factors had strong positive impact on performance. Social consequences were defined as a positive statement about one’s work, special interest and sincere appreciation. The comments were positive, immediate and specific, as opposed as general and infrequent. In addition performance feedback was examined, but it was often associated with the social recognition. The performance impact is shown below:

Type of reward:	Improvements in performance over time:
Fixed, standard pay	11%
Performance feedback	20%
Social recognition	24%
Monetary incentives	32%

### III. Total Rewards for the Hourly Workforce

#### *Research on Pay and Performance (continued):*

The following table shows the results of a mega-study of the various research studies completed (the number of studies is cited) on the impact of various types of reward plans concluded the following gains in performance improvement (shown as an average percent gain based on the standards of the study):

<i>Focus of Intervention</i>	<i>Type</i>	<i>No. of Studies</i>	<i>% Gain in Performance</i>
<b>Type of Incentive:</b>	<b>Monetary</b>	<b>52</b>	<b>27%</b>
	Non-monetary	12	13%
<b>Term of the Program:</b>	Short term	46	20%
	Intermediate	13	29%
	<b>Long-term</b>	<b>5</b>	<b>44%</b>
<b>Work Unit:</b>	Individual	55	19%
	<b>Team</b>	<b>9</b>	<b>48%</b>
<b>Type of Work:</b>	Cognitive	38	20%
	<b>Manual</b>	<b>26</b>	<b>30%</b>
<b>Type of Measure:</b>	<b>Quantitative</b>	<b>48</b>	<b>21%</b>
	<b>Qualitative</b>	<b>15</b>	<b>26%</b>

# III. Total Rewards for the Hourly Workforce

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## *Research on Pay and Performance (continued):*

The summary of this research has important implications for understanding and/or designing performance based reward programs. This research shows the following key characteristics of highly successful plans:

1. **The unit** for the reward program is as small as feasible and effective – the individual, team or group.
2. **The measures** (quantitative and qualitative) are clearly defined, understood (people can translate the results into desired actions or behaviors) and within the ability of the performers to influence.
3. **The performance goals** are challenging and achievable; they are based on a well defined reference point or established baseline of performance.
4. **Actual feedback** on results is provided as frequently as possible, which is at least 3 to 5 times over the course of the performance cycle.
5. **Individuals receive frequent feedback and social recognition** for their progress and contributions; issues are viewed as learning opportunities or challenges to correct systems that are creating barriers to high performance.
6. **The payouts** are meaningful and range between 3% and 10% of one's base pay; the payouts are viewed as an “opportunity” and not money that is “at risk.”
7. **People clearly understand how the plan works**, how their actions and results are translated into positive rewards.
8. **If a team or group approach is used**, the high performers are clearly identified and rewarded in a meaningful fashion.
9. **The program is seen as an on-going process** within the organization, and it receives periodic attention and improvements.
10. **The people and the work** that they do are viewed as vitally important to the organization. This is communicated and reinforced to these individuals frequently.

# III. Total Rewards for the Hourly Workforce

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## *Reward Systems:*

This section examines the actual reward systems companies employ to achieve their business goals. While the companies have programs for their executive, managerial and professional employees, the programs described here apply exclusively to their hourly workforce or the framework may extend through the organization depending on company philosophy.

These case studies are organized by the overall type of reward program. For each company, we have provided a summary of the context or background of the company, a brief description of the program and the results achieved, as available. They are not necessarily considered to be the only companies who have recently implemented these strategies, but they do represent programs that have been successful for these organizations.

### Incentive Programs

Southwest Airlines  
Lincoln Electric  
AFLAC  
Behlen Manufacturing  
Herman Miller  
Corning  
Johnsonville Sausage  
Home Depot  
Eddie Bauer  
Whole Foods  
American Airlines

### Recognition Programs

FedEx  
Intuit  
TriWest  
Allied Trucking  
Toyota USA  
Humility of Mary Health Partners

### Base Pay Programs

LL Bean  
Smith and Nephew  
Cargill Incorporated

### III. Total Rewards for the Hourly Workforce

Company	Industry	Revenue	Employees	Case Study	Base Pay	Incentive	Recognition	Other
AFLAC	Insurance	\$16.0 Billion	8,000	✓		Milestone and Productivity Based	Spot Cash Awards	Stock Options
American Airlines	Airline	\$84.1 Billion	23,800	✓		Goalsharing plan		
Behlen Manufacturing	Manufacturing	\$150 Million	1,400	✓		Monthly Productivity Bonus	Suggestion System	
Bridgestone/Firestone	Manufacturing	\$31.3 Billion	137,000	✓				
Cargill Incorporated	Manufacturing	\$50.0 Billion	105,000	✓	Skill Based		Formal Performance Based Program	Engagement Survey
Corning	Manufacturing	\$6.0 Billion	27,000	✓		Goal Sharing plan		
Eddie Bauer	Retail	\$467 Million	2,100	✓		Store Team Incentive Program		
FedEx	Business Svcs	\$35.5 Billion	93,000	✓		Incentive	Performance based awards	
Herman Miller	Manufacturing	\$1.6 Billion	5,100	✓		Semi-annual Scanlon	Service awards	Cash balance plan, employee stock purchase plan and length of service bonus
Home Depot	Retail	\$71.3 Billion	209,300	✓		Success Sharing Plan		
Humility of Mary Health Partners	Hospital	\$500 Million	4,351	✓			Suggestion System	

### III. Total Rewards for the Hourly Workforce

Company	Industry	Revenue	Employees	Case Study	Base Pay	Incentive	Recognition	Other
Intuit	Software	\$3.2 Billion	7,800	✓			Formal Performance Based Program	Employee Stock Purchase Plan
Johnsonville Foods	Manufacturing	\$150 Million	1,000	✓		Great Performance Share plan		Self-Directed
Lincoln Electric	Manufacturing	\$1.1 Billion	9,000	✓	Merit	Piece Rate	Formal Performance Based Program	Self-Directed
LL Bean	Retail	\$1.5 Billion	4,300	✓	Performance Awards	Incentive		
Mattel	Manufacturing	\$6.0 Billion	32,552			US employees based on company and individual or team results	Service Awards Only	16 hours paid time to school related events, stock options, employee stock purchase
Milliken & Co	Manufacturing	\$3.0 Billion	11,000		Merit		Recognition and Service Awards	
Paychex	Business Svcs	\$2.0 Billion	12,207				Client and employee referrals, service awards	8 hours paid for volunteer work, Employee Stock Purchase Plan
Smith and Nephew	Medical Devices	\$3.8 Billion	9,757	✓	Skill Based			
Southwest Airlines	Airline	\$11.0 Billion	35,000	✓	Below market positioning strategy		Various programs	Employee Stock Purchase Plan
Toyota Motor	Manufacturing	\$204.0 Billion	324,000	✓			Suggestion System	
TriWest Healthcare Alliance Corp	Insurance	NA	1,600	✓			Performance based programs	
UPS	Business Svcs	\$51.5 Billion	426,000					Stock purchase plan; Promote from within and special benefits for students to work peak night time hours, housing and paying for books
Whole Foods	Retail	\$8.0 Billion	46,800	✓		Gainsharing		Employee Stock Purchase Plan and Emergency Funds
Iron Mountain	Business Svcs	\$3.0 Billion	11,400	No	Merit	Yes	Discretionary	

# III. Total Rewards for the Hourly Workforce

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## *Incentive Programs -- Southwest Airlines*

### **Context**

- Southwest Airlines was founded in 1971 and currently has more than 35,000 employees and \$11 Billion in revenue.
- The most profitable airline in the industry and has been profitable every year since 1973.
- The fastest-growing company in revenues of all major airline carriers.
- One of the lowest operating costs of all major airlines, achieving around seven cents per available seat mile, enabling the airline to offer low-cost fares that routinely beat the competition.
- More than 85% of its employees are unionized and the relationship is one of mutual commitment, trust, and support.
- Culturally, there is a great deal of freedom and responsibility. People are encouraged to contribute ideas and take actions that will serve the customer and improve the organization. People know the regulations of the industry and maintain an intense commitment to meeting these core requirements.
- There is a high level of involvement throughout the company in making decisions and recommendations for change. People see their ideas seriously considered and many implemented. The company prides itself in constantly renewing and seeking better ways to do things.
- Approximately 120 people on the Corporate Culture Committee, and even more in culture committees established in each department and location.
- The culture is sustained by hiring people who match the profile of the desired employee of the company.
- Training goes beyond skill development for people to just do their jobs, but to “color outside the lines” and to use their initiative to fill the gaps in functions, departments, and operations to better serve the customer.
- People are selected for internal promotions and transfers based on a combination of technical skills and personal style.

# III. Total Rewards for the Hourly Workforce

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## *Incentive Programs -- Southwest Airlines (continued)*

### **Profit-sharing and Employee Stock Purchase Programs**

- Reward systems have played a supporting role to building and sustaining this culture of high performance.
- Southwest views salaries, variable compensation, and recognition programs as part of the process of management and highly integrated with the things leaders and people do on a day to day basis.
- Base pay levels are either consistent with or slightly below the wages for various markets with starting rates low relative to the market, progressing more rapidly than others to desired market levels.
- Profit-sharing was started in 1973 to encourage everyone to keep costs as low as possible. Everyone shares equally based on their earnings and the company's profits. Historically, the program has paid a mix of cash payments and deferrals to retirement accounts. Employees requested several changes in the program, and in 1990, the total contribution was made on a deferral basis.
- Employees currently hold between 9% and 10% of the company via their retirement account and through the employee stock purchase plan. The stock price is displayed in each facility, and people watch it everyday.

# III. Total Rewards for the Hourly Workforce

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## *Incentive Programs -- Southwest Airlines (continued)*

### **Reward Programs**

- Recognition is part of everyday life. Celebrations occur daily and weekly somewhere on Southwest property.
- Awards are presented in a meaningful and fun manner. Some of the awards include small cash awards, gift certificates, savings bonds, books, tickets to events, champagne, watches, extra time off, extra breaks, t-shirts, flowers, and whatever is creative and meaningful to employees.
- The numerous programs to recognize and reward individuals, teams, and entire departments for their contributions. These programs are encouraged and supported with advice, financial resources, time, and experiences from other locations. There are a wide variety of both corporate and local-unit based recognition programs. They change every year and remain exciting, involving, and fun. The senior executives acknowledge every commendation made to both the person who received it and the person who gave it.
- For example, “Heroes of the Heart” is a way to recognize teams of individuals whose behind-the scenes work make a major impact on customer service. They may be groups from maintenance, service, or support roles. They are selected through an extensive nomination and review process. They are honored by having the group’s name painted on an airplane for one year.
- Many of these programs were developed and managed by local committees of employees. The “people department” provides advice and assistance as needed and may refer developers to other locations for ideas and solutions to problems.

# III. Total Rewards for the Hourly Workforce

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## *Incentive Programs -- Lincoln Electric*

### **Context**

- A public company with 9,000 employees and over \$1.1 Billion annual sales.
- Lincoln Electric has a reputation for having one of the most highly compensated, productive and skilled workforces.
- Manufacturer of arc welding products; major producer of premium quality industrial electric motors, robotic welding systems, environmental systems, and plasma and oxy-fuel cutting equipment.
- The business strategy is to reduce costs and progressively improve products and pass savings through to the customer by continuously lowering prices.
- The company has one of the older pay for performance systems in the country. The approach to executive compensation is generally the same as their approach to employee-wide compensation, with a strong belief in pay-for-performance and a long-standing commitment to incentive-based compensation.
- Founder James F. Lincoln believed that through competition and adequate incentives every person could develop to his or her fullest potential.
- Guaranteed full employment for employees with 3 or more years of service is seen as an essential element in the incentive plan. Without that it was believed that employees would resist improved production and efficiency for fear of losing their jobs. The philosophy is the same for exempt employees.
- Employees have three major responsibilities:
  - **Attendance:** If employees do not come to work, they are not paid and they are penalized.
  - **Quality:** Production workers must guarantee the quality of each piece they produce.
  - **Self-management:** The foreman-to-worker ratio at Lincoln Electric is 1 to100. “The company feels that all workers must manage and all managers must work. You’re pretty much your own boss and you even put a stencil on every machine you work on.”

# III. Total Rewards for the Hourly Workforce

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## *Incentive Programs -- Lincoln Electric*

### **Performance Incentive System**

- A year-end bonus (pool determined by board of directors) which could equal or exceed an individual's full annual regular pay. Since 1945 the bonus pool was between 78% and 129% of wages and 40% to 55% of pre-tax, pre-bonus profit or as high as *twice net income after taxes*.
- Bonus points determine an individual's share in the bonus pool generated by the company's financial results.
- In addition to individual semiannual performance ratings, bonus points are earned based on attendance, quality and production quotas. Bonus points can be reduced for absences and a customer rejecting a product due to quality (all employees who worked on the defective product).
- In the 2008 bonus year, the broad-based bonus pool for domestic, welding business employees was \$89 million, the average bonus paid was 60.86% of an employee's base pay and the average total cash compensation received by bonus-eligible employees was \$75,737.

### **Piece Rate Incentive**

- Production workers are paid a daily incentive that is piece rate.

### **Recognition**

- Employees who have performed outstanding work are invited to meet with the Chairman and President and participate in an employee advisory board.

# III. Total Rewards for the Hourly Workforce

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## *Incentive Programs -- AFLAC*

### **Context**

- AFLAC is an international holding company based in Columbus, Georgia with \$16 Billion in sales and over 8,000 employees, 4,100 US.
- The “100 Best Companies to Work For in America” Fortune magazine: 2008, 2007, 2006, 2005, 2004, 2003, 2002, 2001, 2000, and 1999
- America’s “Most Admired Companies” Fortune magazine: 2007, 2006, 2005, 2004, 2003, 2002, and 2001
- The company takes a very conservative approach to base salaries. The most common position - the call center customer service specialist II, earns \$24,755 in annual base pay.
- The company ensures high retention with lush benefits and drives performance by moving money into incentive plans that leave fixed costs low.
- Their focus is around performance pay vehicles that are business-driven and reward specific behaviors on an immediate basis, perhaps once a month, in the context of our revenue growth goals.

### **Programs**

- The cornerstone of its variable pay is a year-end profit-sharing bonus for all employees that has paid out at or above target for each of the past 14 years and creates a clear hiring advantage.
- The company increased its profit-sharing targets for non-managerial employees and supervisors in 2004 and for managers in 2005.
- While other employers were abandoning their equity-based incentive plans, AFLAC added stock option grants for all employees, tiered by job position, with three-year cliff vesting for greater retention.
- The firm reinforces these substantial performance incentives with short-term programs that include spot cash awards of \$500 to \$750 for a significant project.
- The company continuously explores new short-term incentives for meeting project milestones and productivity goals such as the number of claims processed.

# III. Total Rewards for the Hourly Workforce

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## *Incentive Programs -- Behlen Manufacturing Company*

### **Context**

- Behlen Manufacturing Company in Columbus, Nebraska has 1400 employees and manufactures farm and livestock related equipment.
- The company has a suggestion system, productivity bonus and profit sharing plan.
- “Make the company better off and we will share”.
- This is a way of life and not just an incentive program. The baseline of a successful program is trust and respect between management and employees.

### **Programs**

- Awareness is Money which pays a minimum of \$250 a month to an employee with the best idea about how to improve safety and productivity.
- All employees participate in productivity sharing teams that can earn a monthly bonus up to 12 percent of base compensation. These teams are typically made up of 10 to 30 employees participating in a product process from start to finish, such as manufacturing a building beam. Office employees also participate in the program.
- Profit sharing provides a broader focus on the total company. During a good year, employees received 140 hours of pay as a cash bonus.

# III. Total Rewards for the Hourly Workforce

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## *Incentive Programs -- Herman Miller*

### **Context**

- Herman Miller has 5100 employees and \$1.6 Billion in revenue. The company designs and manufactures office furniture.
- Widely recognized both for its innovative products and business practices, Herman Miller is a recipient of the prestigious National Design Award for product design from the Smithsonian Institute's Cooper-Hewitt, National Design Museum,.
- Also a 2009 FORTUNE 100 Best Companies to Work For (up from #96 to #89) and one of FORTUNE's Most Admired companies.
- Between 1923 and 1961 Dirk Jan (D. J.) De Pree developed the Herman Miller Company into a highly profitable leader of the office furniture industry. It was done with a strategy of design leadership coupled with superior labor productivity. The key to that productivity was the implementation of a Scanlon Plan in 1950. Prior to that, piece rate incentives were utilized.
- At that time the company employed 120 people, 90% of whom were production workers. The new plan applied strictly to the production workers. The plan attempted to boost production worker productivity by getting them to participate in decision-making and providing rewards (in the form of a bonus) for projects and practices which they initiated and which improved productivity.
- De Pree also introduced an employee stock ownership plan in 1970. It provided incentives for employees to buy stock and included a bold provision allowing any employee to sell the stock he or she owned or a portion of it at any time. CEO Max De Pree once observed that without that right, the employee doesn't have true ownership.
- Employee Rights at Herman Miller: (1) To be needed, (2) To be involved, (3) To be cared about as an individual, (4) To receive fair wages and benefits, (5) To have an opportunity to do one's best, (6) To have the opportunity to understand (7) To have a piece of the action in the form of productivity gains, profit sharing, ownership appreciation and seniority bonus, (8) To have the space to realize one's potential, (9) To have the opportunity to serve, (10) To have the gift of challenge (11) To have the gift of meaning.
- At Herman Miller all employees are organized into work teams. The team leader evaluates his workers every six months, and then each evaluates the leader. On the plant floor teams elect representatives to caucuses that meet periodically with line supervisors to discuss production shifts and grievances. If workers at these caucuses don't like what they hear, they can bypass the supervisor and go directly to the next executive level.

# III. Total Rewards for the Hourly Workforce

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## *Incentive Programs -- Herman Miller (continued)*

### **Program**

- The early program included participative structure, a bonus system to replace piece rates and a communication system. The participative structure included a series of production committees to review and act upon employee suggestions and a screening committee to review, analyze, evaluate and make recommendations concerning both employee suggestions submitted to them and the total operation of the company.
- The bonus system has revised many times over the years. The bonus is calculated quarterly by an Equity Committee, and is based on both profitability and quality. Two-thirds of the bonus is paid from increased profitability as measured by growth (average increases in net sales and operating income over the same quarter of the previous year), asset use (improvements over \$2 of sales for every \$1 of assets annually or fifty cents for every dollar of assets quarterly) and cost savings (20 percent of net savings from implementing suggestions, plus an additional 20 percent on all cost savings over a predetermined goal). One-third of the bonus is based on improvements over the previous year in product quality and the quality of service. Improvements in quality are measured by responses from both customer and dealer surveys. The total of the five measurements divided by the participating payroll cost equals the bonus figure for the quarter .

### **Results**

- The company's profits have grown over 17% annually and employee bonuses have been as high as 22% per month.
- Employees cooperatively provide millions of dollars in cost saving suggestions.

# III. Total Rewards for the Hourly Workforce

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## *Incentive Programs -- Corning*

### **Context**

- Corning has 20,600 employees and revenues of \$3 billion.
- Goalsharing began in the early 1990s to connect compensation to both individual and organization goals using a combination of stock and incentive for both exempt and non-exempt employees.
- Employees help develop the system, which is reviewed and adjusted annually at the business unit level by committees that include workers, managers, and union representatives.

### **Program**

- Each U.S.-based Corning employee can receive an annual bonus of up to 10 percent of salary.
- Three-fourths of bonus depends on how well employees meet job performance goals established for their business unit over the year.
- One-fourth of the bonus is based on earnings per share of company stock for the preceding year.

### **Results**

- The average bonus in 2002 was 8.00%, 3.98% in 2003 and 6.11% in 2004.
- Employees have the ability to most impact the business unit results on which the majority of their variable pay is based.
- In addition, the company fosters a common company vision and motivates employees towards an overall objective of increasing total company profit and shareholder value by using stock price to calculate a portion of variable pay.

# III. Total Rewards for the Hourly Workforce

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## *Incentive Programs -- Johnsonville Sausage*

### **Context**

- Johnsonville Sausage in Sheboygan, WI has approximately 500 employees and revenues of \$150 Million.
- Line workers assume the most traditional human resource functions, including hiring, training, evaluating, compensating and firing. In addition, workers make decisions about schedules, performance standards, assignments, budgets, quality measures and capital improvements.
- Employees do not have a supervisor but a "coach" whose job is to advise and help the employee succeed.

### **Program**

- The Great Performance Share (GPS) plan allows all employees or “members” to receive a bonus, potentially as often as every month, based on individual performance and the financial performance and profitability of Johnsonville as a whole.
- The GPS bonus program helps drive the team-oriented culture, by encouraging all Members to take action in ways that are in the best interests of the company as a whole.
- Performance evaluations are done by the employees themselves by rating each other. All final scores without names are passed to a profit sharing team which then does a forced ranking with the average performer distribution targeted as 50% , 5% superior rating, 20% better than average, 20% below average and 5% significantly below average.
- The pool of profits to be shared is divided by the number of workers to find an average share of say \$1,000. Members of the top performance group receive a check for 125% of that or \$1,250, the next performance group 110% and the average group 100% or \$1,000.
- Employees receive additional pay or benefits when the company earns or increases profits.

### **Results**

- Overall satisfaction with the program is very high.
- This is because fellow workers invented it, administer it and constantly revise it in an effort to make it more equitable.
- The person in charge of the program is an hourly worker in the shipping department.

# III. Total Rewards for the Hourly Workforce

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## *Incentive Programs -- Home Depot*

### **Context**

- Home Depot, with headquarters in Atlanta, Georgia, is a home improvement retailer committed to providing customers with a full spectrum of home repair and home building products.
- The company employs over 300,000 people, of whom 96% are hourly workers.
- The company developed an incentive plan to motivate hourly employees to continue excelling at customer service in 2002 called the Success Sharing Plan.

### **Program**

- The Success Sharing Plan is a program that gives associates the opportunity to receive extra money, above and beyond their regular earnings.
- Employees can earn bonuses twice yearly based on their contribution to helping their store meet its sales objectives. The program works by accumulating funds in what stores call the “Success Sharing Pool.”
- Whenever a participating store exceeds 98% of its sales plan, 3% of this amount is contributed to the pool. Every six months, eligible store associates share the accumulated funds in the pool according to their total earnings during that period.
- Success Sharing payouts generally occur in September (for the first half of the year) and March (for the second half of the previous year). In the past, the average bonus amount has been \$165 per associate.

# III. Total Rewards for the Hourly Workforce

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## *Incentive Programs -- Home Depot (continued)*

### **Key Elements of Program Success**

- Before the plan was developed, employees were asked to contribute their ideas about the best way to enhance sales, service, and day-to-day operations.
- New employees receive information about all of Home Depot's benefits, including the Success Sharing Plan.
- In addition, store managers explain how the program works and provide all employees with weekly and monthly updates about the store's progress in reaching its sales goals.
- Participating store supervisors receive regular training about the Success Sharing Plan and how it works, including setting and meeting realistic sales goals and motivating employees to meet these goals.
- Participating stores track progress towards meeting quarterly sales goals on a weekly and monthly basis. These figures are shared with all associates as a way of keeping them motivated to meet the goals and receive their bi-annual bonus.

### **Impact Evaluation**

- After the most recent payout celebration of the Success Sharing Plan, store Human Resource managers conducted a survey to determine employees' opinions of the program. Eighty-one percent of participating stores responded.
- Overall, employees described Success Sharing as a morale booster, a great team building tool, and an excellent motivator. Employees reported being "thankful, proud, and ready to do it again." Others wrote that they were "amazed at how much larger their payout was than expected for just doing my job."

# III. Total Rewards for the Hourly Workforce

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## *Incentive Programs -- Eddie Bauer*

### **Context**

- Eddie Bauer, Inc. is a leading international retail brand, offering casual lifestyle products for adults.
- The company has more than 590 stores, 6200 employees, 110 million catalogs and three online websites.
- The Store Team Incentive Program began in 1998 as a result of the corporation's goal to create a 'user-friendly' employee incentive program.

### **Program**

- Eddie Bauer's Store Team Incentive Program rewards employees for their contribution to achieving store sales goals and for their contributions to the company's overall success. Eddie Bauer's organizational philosophy is that "every employee has a role in the success of the company."
- The employee incentive program, driven by individual and group sales in each store, provides an opportunity for Eddie Bauer employees to earn hourly bonuses. Independent of each other, Eddie Bauer stores, in collaboration with regional managers, set specific sales goals. If these goals are exceeded by certain percentages, hourly employees receive additional compensation for each hour they worked during the previous month. The scale of percentages and extra wages per hour worked are as follows:
  - 4.9% = \$.25 extra per hour
  - 5-9% = \$.50 extra per hour
  - 10% or more = \$.75 extra per hour
- While the amount of the bonuses vary from month to month and from store to store, on average hourly associates receive an additional 6.5% of their base pay per month as part of this program.

# III. Total Rewards for the Hourly Workforce

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## *Incentive Programs -- Eddie Bauer (continued)*

### **Key Elements of Program Success**

- Building on the previous staff incentive program, compensation and operations teams developed a store-based incentive program that would both boost sales and compensate employees for their contributions. The ‘new improved’ incentive program was shaped with input from employees at all levels.
- When hired, employees are oriented to the Store Incentive Program and after that store managers provide ongoing education about the program. Employees are also able to get information about the program by logging onto Eddie Bauer’s intranet website.
- Store managers receive regular intranet training about various aspects of the Store Incentive Program and are strongly encouraged by District Managers to maximize employee participation in the program.
- As a recruitment tool, Eddie Bauer’s field recruiters ‘sell’ the Store Incentive Program as part of a total compensation package.

### **Results**

- Store managers indicate that employees are quite pleased with the program. As one manager stated: “Eddie Bauer’s workforce is young and many associates work part-time in addition to working another job or going to school. This program is an excellent way to recruit energetic and enthusiastic employees who are motivated and who enjoy earning a ‘bonus’ at the end of each month.”
- A store manager with a 25-year career in retail management enthusiastically listed what she feels are the major strengths of the program: (1) it is easy to manage; (2) it is easily translatable to employees; (3) it creates a team culture; and (4) it gives employees a way to make extra money.
- Company representatives suggest that the program maximizes sales and increases retention and employee commitment. “Our associates like working for us; many associates have been with Eddie Bauer for over five years.” Moreover, compensation staff reports that it is an excellent recruitment tool: “Most people like extra money in their pocket at the end of the month, plus, we’re a fun place to work!”

# III. Total Rewards for the Hourly Workforce

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## *Incentive Programs -- Whole Foods*

### **Context**

- Austin, Texas–based Whole Foods Market has approximately 47,000 employees and revenues in excess of \$7 Billion.
- Potential hires are informed that each department in each store (meat, vegetables, bakery, and so on) comprises a small, decentralized entrepreneurial team whose members have complete control over who joins the group.
- After a four-week trial period, team members vote on whether a new hire stays or goes; the trainee needs two-thirds of the team’s support in order to join the staff permanently.

### **Program**

- This hiring experience is aligned with Whole Foods’ profit-sharing program.
- Thirteen times a year, the company calculates the performance of each team. Members of the teams that do well receive up to \$2 per hour extra in their paychecks.
- That bonus pay is explicitly linked to group rather than individual performance, so team members choose their trainees carefully—they want workers, not buddies. This entry into the company undoubtedly weeds out lone wolves and conveys a strong message about the firm’s core values of collaboration and decentralization.

### **Results**

- Whole Foods has appeared on *Fortune’s list of the “100 Best Companies to Work For”* nine years in a row.

# III. Total Rewards for the Hourly Workforce

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## *Incentive Programs -- American Airlines*

### **Context**

- Dallas, Texas–based American Airlines has approximately 72,000 “rank-and-file” employees and revenues in excess of \$23 Billion.
- In 2003, American developed a bonus plan to make up for pay cuts so they could improve on customer service and on-time performance. However the measure for on-time performance that the government calculates includes things not within their control such as weather and air traffic issues. The bonus therefore backfired.
- In early 2008, American had one of the worst on-time records with only 63.4% of flights arriving on time.
- Based on feedback from workers and the development of the customer service team, the incentive system was changed to improve metrics, which restored morale and boosted performance.

### **Program**

- American’s pay-for-performance method is known as line-of-sight incentive, giving workers concrete goals they can see and achieve.
- The measures include on-time performance, less weather and air-traffic issues, and clear cut customer service metrics. The staff were given requirements and bonuses that varied based on the marks the teams received on customer–satisfaction surveys.

### **Results**

- A benefit of line-of-sight is that it fosters positive peer pressure which has been more effective than tying bonuses of workers in the field to the company’s quarterly earnings.
- In July 2009 when the weather caused the airline’s on time rate to be 60 percent by government standards, overall the company scored 77 percent.
- For the first six months of 2009, American’s on-time rate improved more than 14 percentage points.

# III. Total Rewards for the Hourly Workforce

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## *Recognition Programs -- FedEx*

A recognition program refers to the use of cash, gifts, awards, trips, prizes, and other forms of rewards that recognize individual employees to acknowledge employees' contributions, efforts and results.

### **Context**

- FedEx is a global company with over 220,000 US employees and \$35 Billion in revenue providing transportation, business services and e-commerce.
- The most common hourly job is a courier with annual pay of \$42,354. During this recession, salaried employees took a 5% cut and hourly employees lost their 401k match.
- FedEx has compensation programs for their hourly employees to recognize individual performance, location performance, profit sharing, and company performance. They change these programs every several years but the feeling is that none have been a significant contributor to hourly employee engagement.
- Instead, the most effective factor of employee engagement of hourly workers is the sense of urgency and pride in providing a superior service and FedEx's way of spontaneously recognizing employees.

### **Program**

- BZ's are a spot recognition with a letter and rewards. BZ stands for Bravo Zulu which is a navy term meaning "well done". Rewards include "quick cash" bonuses, theater tickets, dinner gift certificates, or even a simple note with a sticker of the BZ flag on it.
- The Five Star award recognizes team members who have enhanced service and profitability and exemplified the spirit of teamwork. Managers nominate their team members for this annual award, the highest honor at FedEx.
- Purple Promise are annual awards for superior service. Couriers, pilots, meteorologists, customer service agents and package handlers are just a few of the team members who must execute flawlessly to deliver the award-winning service customers expect. Team members who consistently deliver superior customer service and make each and every FedEx experience outstanding are eligible for the annual Purple Promise awards.

# III. Total Rewards for the Hourly Workforce

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## *Recognition Programs -- FedEx (continued)*

### **Program (continued)**

- The Humanitarian Award originated at FedEx Express, where through the years, numerous employees have been cited for rushing to the aid of people facing life-threatening situations, personal tragedies and misfortune. These employees, responding with genuine concern for people and communities, reflect the value FedEx places on taking care of others, whether it's a customer or our fellow man. Whether stopping to help those injured in a car accident or spending a lunch hour fighting wildfires, team members are annually recognized for going above and beyond through the FedEx Humanitarian Award. The award recognizes employees who reach out to others in times of need, exhibiting behavior that goes above and beyond basic community responsibility.
- FedEx is passionate and committed to safety. Each year at FedEx Express, individuals are honored for their contribution to safety through the CEO Safety Award.

# III. Total Rewards for the Hourly Workforce

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## *Recognition Programs -- Intuit*

### **Context**

- Intuit is a software company with over \$2 Billion in revenue and 7,800 employees.
- Listed in Fortune's Most Admired Companies, from 2005 to 2008.
- In a survey that included 8 categories, Intuit was listed as number one in people management, use of corporate assets, social responsibility, quality of management and quality of products/services.
- Salary and bonuses provide basic compensation for which the employee is hired, as well as meeting predetermined performance milestones.
- Exceptional performance in small tasks is also important to both a company's financial performance and to establishing a positive work environment.
- Intuit feels that the large number of solid employees who were not necessarily stars were responsible for accomplishing most of the work and should be recognized.

### **Spotlight Program**

- Intuit's Spotlight program enables any employee to recognize outstanding performance by any other employee by sending an online thank you to the employee, with a copy to their manager.
- The program also allows managers and senior individual contributors to give monetary awards, which could be redeemed for gift certificates, to employees for exceptional performance between \$10 and \$1000, grossed up. Awards of cash could be made in values of \$500 to \$3,000 before taxes. In addition, there are two levels of awards in which the employee can receive a trip and \$500 spending cash.

# III. Total Rewards for the Hourly Workforce

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## *Recognition Programs -- Intuit (continued)*

### **Spotlight Program (continued)**

- The name spotlight is because it is a tool for “spotlighting performance, innovation and service dedication at Intuit. As we strive to build high-performing organizations, it is important to recognize and celebrate those behaviors that enable us to continuously delight our customers.”
- The Spotlight program includes recognition for performance, inventions, and service.
  - Performance awards are given for specific behaviors that meet award criteria.
  - Innovation awards are for patent disclosures, patent filings, and issued patents.
  - Service awards are for milestone anniversaries, in multiples of five years.

### **Other Programs**

- Intuit have annual recognition awards that are not part of Spotlight for exempt employees, including the CEO Excellence in Leadership Award which is given annually by the company CEO to high performing teams or leaders. These are given at an annual leadership conference. Stories about the award-winning performance are posted on the company intranet, however.
- The annual Scott Cook Innovation Award is given for technological innovation or vision. As with the CEO Excellence in Leadership Award, the story behind the award is posted on the company intranet.

# III. Total Rewards for the Hourly Workforce

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## *Recognition Programs -- Intuit (continued)*

### **Criteria for Success (VP Human Resources Comments)**

- Small rewards are more effective at recognition than infrequent, large awards. This is because if award values are say \$1000 or \$2000, people feel they need a magnificent reason to give the award, so they have to come up with something that is career defining. Instead recognition is meant to live in the day-to-day things that you do that make the company work better and faster.
- It's important that managers understand what turns on a particular team. What turns on one team is different than another. You do want high frequency, but it's really more about the right frequency than high frequency. In a call center, where each employee is under constant pressure to respond to customer needs, a very high frequency of individual recognition is appropriate. In contrast, in an engineering culture where teams of people work on long-term projects, team awards and milestone-driven awards are necessary.
- Recognition must also be specific, and must be deserved and seen by other employees as deserved.
- Recognition must also be aligned with the company's culture, values, and business objectives.
- The program must reinforce desired employee behavior. A program with these attributes can reinforce company strategy, and function as a vehicle for communicating that strategy. Recognition then provides employees with a living understanding of company strategy, with their actions recognized in accordance to how that strategy is being achieved. Such a program is termed strategic recognition.
- Employee recognition programs come at a relatively low price- generally around 1 percent or less of payroll cost. For this low price, a company can have a disproportionate impact on employee morale, self esteem, and engagement that cannot be achieved by traditional compensation practices.

# III. Total Rewards for the Hourly Workforce

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## *Recognition Programs -- Intuit (continued)*

### **Impact**

- Intuit has had very successful adoption of the recognition program in its contact centers and also in its salaried workforce outside of engineering functions.
- It also has great success among supervisors and managers.
- Awards in engineering tend to be for teams and milestones. When a team meets a milestone, the entire team would be recognized. Some Intuit engineering leaders also give “ship trips” to their teams. When a new product is shipped, or a new software version released, the team that developed the product is taken to an event.
- Intuit does not evaluate Spotlight by calculating an ROI for the program, but look for improvements in key scores on its annual survey of employees, as well as the results of spot surveys.

### **Results**

- The Spotlight employee recognition system has been in place since November 2004 and has become an integral part of the company culture.
- Compared to the prior on-line merchandise program, the number of awards given increased by 400 percent within three months of launch. Ninety percent of employees are touched every year and the employee opinion surveys showed employees felt that their accomplishments are being recognized.
- Recognition is seen as an important way to increase employee engagement, and the success of Spotlight was seen by Intuit’s management as an important aspect of the company’s performance management.

# III. Total Rewards for the Hourly Workforce

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## *Recognition Programs -- TriWest Healthcare Alliance*

### **Context**

- TriWest Healthcare Alliance manages healthcare for the military and has 800 employees.
- They created the Five Star Program, a multi-tiered reward system with a theme built around the company's star logo. Each star represents a separate program, Skor says. The first two, which were already in place, are the bonus program and employee service awards. The team added three programs that reward employees for exceptional customer service and teamwork, internally and externally.

### **Program**

- The first, called the Shining Star, is a peer-to-peer certificate program. When employees experience or witness great service or teamwork, they give Shining Star certificates to show their appreciation. Employees can give the certificates to anyone in the company, regardless of their title or location. One copy is delivered to the employee and another goes into a fishbowl for bimonthly drawings for gift certificates, logoed prizes such as T-shirts and coffee mugs, and other small items. About 10 percent of certificate recipients win fishbowl gifts. The team considered giving every Shining Star recipient a small gift, but they were concerned that the program could be abused. With a drawing, there is no way to know who will win.

# III. Total Rewards for the Hourly Workforce

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## *Recognition Programs -- TriWest Healthcare Alliance (continued)*

### **Program**

- The second program, called the Super Star award, is given by directors to employees in recognition of great performance. As part of the program, each year directors are given a pot of "Starbucks" coupons equaling roughly \$40 per employee in their unit, which recipients can use to buy logoed merchandise or exchange for gift certificates. When directors see employees doing excellent work, such as going out of their way to help customers handle claims problems, they can give them up to 50 Starbucks on the spot. The point is for directors to be able to reward great behavior the moment it happens. Directors are also encouraged to use the money at least once a year to throw a party in honor of team successes.
- The final program, called the All Stars Award, is in recognition of performance above and beyond the scope of the job description. It is based on a cash incentive that allows directors to give up to \$750 to an employee who makes major contributions to the corporation as a whole. To win this award, employees have to do something truly exceptional. For example, if an HR person does great work during open enrollment, she might receive 50 Starbucks, whereas if a technical employee works late and comes in on the weekends to be sure the new phone system is up and running on schedule, that would be worth an All Star. The awards have been given to teams that have improved company productivity, and to units that have been recognized by the government for doing exceptional work in the field of health-care management. "It's a big deal to win an All Star," she says.

# III. Total Rewards for the Hourly Workforce

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## *Recognition Programs -- Allied Trucking Co.*

### **Context**

- Company transports cars from railroad depots to dealer showrooms.
- A key measure of performance – costs and customer satisfaction – is for the cars to arrive without dents and scratches.
- Executives decided to develop a recognition program that emphasizes minimal errors in product delivery.
- Historically about 10% of the drivers could achieve 99% error free deliver for 12 months or more.
- The challenge was to bring 90% of the drivers to the same level as the other 10%

### **Program**

- The program was entitled the “Top Gun” club.
- When a driver achieves a 99% error free delivery in a given month, he or she becomes a member of the Top Gun Club. They receive a hat with Top Gun printed (and the company logo); at the initial award ceremony, the station manager welcomes the new comers into the club with the hat award.
- When the drivers continue this record for additional months, quarters and years, they receive special pins, patches, license plates. Additional ceremonies follow these awards as well.
- The program had initially tried tangible awards like video/DVD machines and radios, but they had little impact and could not be sustained.
- Members of the Club are frequently asked to train and assist others, and executives often solicit their opinions and ideas about new initiatives.
- The program encourages collaboration and training, with little ineffective competition. Drivers receive immediate feedback on the delivery and can track their performance on a daily basis.

### **Results**

- Over a 3 year period, the number of drivers that became members of the Club grew from 10% to 60%.
- The standard increased from 99% to 99.7%.
- Over three years the company realized a savings of millions from the reduction in defect costs and growth in customer loyalty.

# III. Total Rewards for the Hourly Workforce

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## *Recognition Programs -- Toyota*

Employees submit suggestions and the employee receives either a flat amount, portion of the savings or a symbolic award when implemented.

### **Context**

- Toyota's largest manufacturing facility in the United States with 7000 employees is Toyota Motor Manufacturing, a high-tech robotic manufacturing plant located in Georgetown, Kentucky.
- At Toyota, there is a presumption of imperfection. Perfection is a fine goal, but improvement is much more realistic, much more human. Not a 15% improvement by the end of the quarter, a 1% improvement by the end of the month.
- New hires--10% of job applicants make it through screening tests that include a team-building exercise--are immersed in Toyota's process for process improvement. There are daily work-group meetings, a written suggestion program, and longer-term problem-solving teams.

### **Program**

- Toyota pays for each and every employee idea that it implements through both a traditional suggestion box and email suggestion box.
- 80%-90% of the time, the person who comes up with the idea implements it. Japanese companies using this system get on the average twenty-four improvement ideas per worker per year. In America, companies get one idea every seven years from the average worker.
- The employee with an idea fills in a very simple form - stating the problem and the solution. The employee's manager reviews the idea with the employee.
- The form is posted on a bulletin board where everyone can see it. Then once a day the manager of the idea system—or in many cases it's the plant manager—comes by, reads all the ideas, talks about them, gets the worker some help, if necessary, to install the idea, and puts some of them in their newsletter.

# III. Total Rewards for the Hourly Workforce

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## *Recognition Programs – Toyota (continued)*

### **Results**

- For example, the instrument-panel assembly was redesigned after the workers saw inefficiencies. Two jobs will be eliminated and the workers redeployed elsewhere; 18 seconds can be shaved from the assembly process.
- Toyota's employees implement 1.5 million ideas that save the company over \$300 million annually. (There is no information available on the actual payment to the employee.)

# III. Total Rewards for the Hourly Workforce

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## *Recognition Programs -- Humility of Mary Health Partners*

### **Context**

- Humility of Mary Health Partners is a 5000 employee hospital located in Youngstown, Ohio.
- Before 1999, employees at Humility of Mary were extremely dissatisfied, unions were organizing yearly, and patient satisfaction was at an all-time low.
- Four years later, it is one of the top-rated health facilities in the country, recently winning Magnet Designation from the American Nurses Credentialing Center, which places it among the finest hospitals in the nation.
- This improved status is thanks in great part to an internal campaign to improve communication between employees and management, and to build commitment to the hospital's values and mission.
- The first step was to give employees the opportunity to share information and exchange ideas, including weekly newsletters and CEO-grams--a suggestion box that delivers employees' thoughts directly to the head of the hospital, who responds to every one of them with personal feedback.

### **Program**

- The second is the Suggest It program which has had a significant impact to performance, satisfaction, and cost-savings. Suggest It encourages employees not just to do their jobs, but to take part in improving their workplace.
- Employees can submit money-saving ideas to a team made up of employees and managers. The team analyzes every idea within two weeks of receiving it and implements all those that are feasible.
- Every employee who offers a qualified suggestion automatically receives \$50 within two weeks of the submission. And if the team decides to implement the suggestion and believes it can save the hospital money, the employee also receives 10 percent of the projected savings that will result from the idea--equaling no more than \$10,000. The program's success has been driven because the employees don't have to wait until the idea works to get the reward and recognition.

# III. Total Rewards for the Hourly Workforce

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## *Recognition Programs -- Humility of Mary Health Partners (continued)*

### **Program (continued)**

- In addition to the money, employees whose suggestions are qualified have their ideas read in a monthly management meeting where they are recognized and given their award. Anyone whose job will be affected by the idea is also invited to participate in the reward ceremony, and many of the ideas are shared in the company newsletter.

### **Results**

- About 80 percent of Suggest Its receive some level of payout, and many of them have had a significant impact on hospital procedure.
- For example, an employee suggested that the hospital change the way materials used in surgery are packaged. In the past, they were wrapped in bulk, which meant that once a box was opened, even those materials not used had to be re-sterilized. By packaging items separately, they eliminated unnecessary re-sterilization costs.
- There have been 390 submissions this year alone, and payout has been \$7,036 in \$50 bonuses and additional savings awards. Their highest single payout this year was \$1,826 for an idea that saved the hospital \$18,260.

# III. Total Rewards for the Hourly Workforce

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## *Base Pay Programs -- L.L. Bean*

### **Context**

- L.L. Bean is a family owned company with 5,000 employees and 1.5 Billion in revenues.
- Approximately 10 years ago they had significant business issues including high labor costs, narrowly defined jobs, staffing imbalances between jobs and their four work centers, employee relations issues and a changing business environment.
- For one year a project team of different business units, Human Resources and other staff worked together to redefine jobs and the pay system. The project team felt the key to the success of the pay and job design program was due to an effective assessment and a design process that utilized:
  - Whole systems thinking
  - Business Champion
  - Operational Knowledge
  - Understanding the business
  - Understanding of HR practices
  - Business Drivers
  - Critical Employee Behaviors

### **Program**

- Instead of increasing hourly base salaries, increases are paid as bonuses and must be re-earned every year.
- Individual jobs have been redefined to broad functions or groups of tasks
- Grades have been replaced with pay points (seasonal, training, market, premium)
- Market based adjustments and performance awards replaced merit increases (performance award matrix)
- In addition, they offer a company-wide incentive plan of 2% to 8% of pay

### III. Total Rewards for the Hourly Workforce

#### Base Pay Programs -- L.L. Bean (continued)

Performance Award Matrix

		Business Specific Criteria	
		One Function	Multi Function
Individual Performance	Exceeds	A%	C%
	Meets	Corp Merit Matrix Performance Award %	B%
	Below	0%	0%

# III. Total Rewards for the Hourly Workforce

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## *Base Pay Programs -- L.L. Bean (continued)*

### **Results**

- Eliminated barriers regarding job assignments
- Program Savings:
  - Reduced OSHA recordable injuries
  - Increased productivity
  - Reduced headcount
  - Saved on compensation
- Business
  - Improved safety results
  - Increased productivity
  - Reduced headcount
- HR/Compensation
  - Maximizing pay to employees
  - Elimination of job evaluations
  - Reduced ER issues related to pay
- Employees
  - Increased employee engagement
  - Increased employee understanding & control of compensation

# III. Total Rewards for the Hourly Workforce

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## *Base Pay Programs -- Unidentified Company*

### **Context**

- An unidentified company was described in the Corporate Leadership Council study on Variable Pay Practices for Hourly Employees.
- We know that is a high technology company with up to 10,000 employees and up to \$5 Billion in revenue.

### **Program**

- Line managers give each employee a performance rating and determine who will receive a bonus.
- A pay matrix guides managers on the range of pay that can be awarded to the hourly employee for each performance ranking.
  - Employees receive a performance rating based on a 5 point scale.
  - If an employee receives a 1 or 2, they are considered ineligible for a bonus.
  - Only employees who earn a 3 (meets expectations), 4 (exceeds expectations), or 5 (far exceeds expectations) are eligible to receive a performance bonus.
- Payouts are made bi-annually.

# III. Total Rewards for the Hourly Workforce

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## *Base Pay Programs -- Cargill Corn Milling (CCM)*

### **Context**

- Cargill Corn Milling was the 2008 winner of the Malcolm Baldrige Award. Headquartered in Minneapolis, Minnesota, CCM is a manufacturer of corn based products with 2300 employees in nine manufacturing facilities and 11 distribution centers. It is a business unit of Cargill, Incorporated, a private company in agriculture, food and risk management services.
- The CCM scorecard—posted monthly on the employee Intranet—keeps everyone in the organization informed on performance in four key categories: engaged employees, satisfied customers, enriched communities, and profitable growth.
- CCM analyzes the results of their employee engagement survey between exempt and non-exempt employees. The company recognized that the biggest opportunity to improve employee engagement is with the non-exempt production workforce.
- CCM is a team based, matrix organization that fosters an environment of cooperation, communication and skill sharing and leveraging diverse ideas.
- The company has saved \$15 million in ideas generated by employees. Idea to Innovation, or i2i, was designed to capture and track improvement ideas. “Idea mentors” help advance feasible suggestions through the process.
- Employee teams also use a nine-step Best Practice Model to plan, evaluate, analyze, and refine work processes.

### **Program**

- The non-exempt production skill based pay program allows non-exempt employees to earn additional pay when they have upgraded their skills contributing to the company’s flexibility, customer focus and achievement of business goals.
- The skills and competencies are defined into skill blocks.
- The compensation available to the skill based pay program is surveyed and paid based on the market and consolidated to ensure business unit consistency of practices.
- In 2007, the company created cross functional teams to share best practices at each location to identify a business unit-wide skill set and process to meet the needs of all production employees.

# III. Total Rewards for the Hourly Workforce

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## *Base Pay Programs: Skill Based Pay -- Smith and Nephew Orthopedic*

### **Context**

- Smith & Nephew is an industry leader in each of three main Global Business Units - Orthopedic Reconstruction and Trauma, Endoscopy and Advanced Wound Management generating annual sales of \$3.8 billion.
- The Orthopedic Division of Smith and Nephew wanted to be better at developing price-competitive, high technology products without sacrificing quality but also being focused on customers' changing requirements.
- In the 1990s, the company simultaneously redesigned the process, work and rewards.
- The result was skill based pay and gainsharing.
- By integrating work and rewards design, they were able to align skills development, base pay and performance based incentives with strategic goals.

### **Design of the Skill Based Pay Program**

- A design team of 15 hourly and salaried employees were chosen by senior management.
- The design team collapsed what had been ten process steps into four.
- They developed self-management teams and compensated through a combination of skill based pay and goalsharing.
- Manufacturing associates had to have entry level proficiency in each part of the work process and core skills related to reading, applied mathematics, applied technology, listening, teamwork, writing and locating information (level 1).
- Pay increases are tied to employees moving through steps that reflect the work process and three levels of core skills. Level 2 and 3 were voluntary.

(Note: Smith and Nephew also includes a Goalsharing program to complement the skill based pay program.)

## IV. Primary Findings and Conclusions

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1. Many organizations fail to understand the value and contribution made by their hourly workforce. They are often viewed as the “invisible” employee. High performance and high engagement companies have programs that address the specific concerns of hourly workers and they are consistent with the firm’s overall strategy and the work structure.
2. Engagement is more than a single approach to addressing the needs of the workforce. While companies employ many different strategies, a combination of a few key drivers, developed based on **sound, well-established principles of success that are implemented effectively** and achieve results organizations seek.
3. Hourly employees often have **different interests and expectations** than professional or managerial employees. High performance companies understand what their employees want and tailor programs to address these needs. Hourly employees tend to seek to be:
  - Secure in their job and with their current and future income (i.e. retirement),
  - Trained and developed that enable them to better meet the needs of the organization,
  - Involved in and asked for advice on making process improvements (but not have to assume the responsibility for it),
  - Know what is expected of them and receive frequent and meaningful feedback on their progress,
  - Recognized (i.e., appreciated) and rewarded for their own work and that of their immediate team.
4. Hourly employees become more fully engaged when **they can identify with a specific work center**, that makes an important **contribution to the company**, they receive **timely information** on performance and their work is supported by **effective performance improvement efforts**.
5. The reward programs are **reflect the mission and goals of the business, utilize meaningful measures, provides timely awards and rewards contingent on performance, and are frequently refreshed and improved**. These reward programs translate the firm’s strategy into action that encourage desired hourly workers’ performance and create a share in the success that they help achieve.

# IV. Primary Findings and Conclusions

*A Framework for Performance Based Reward Systems:*

*The factors that influence behaviors:*

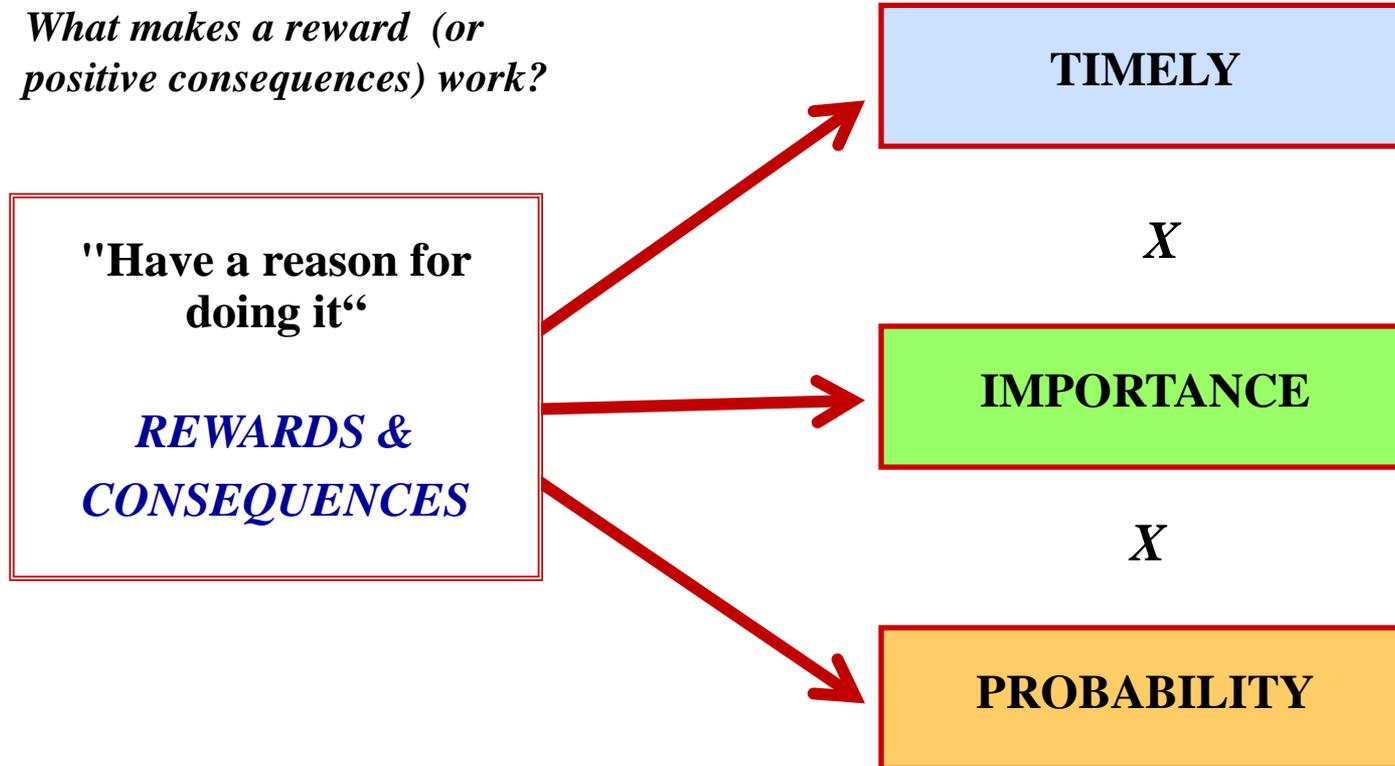


# IV. Primary Findings and Conclusions

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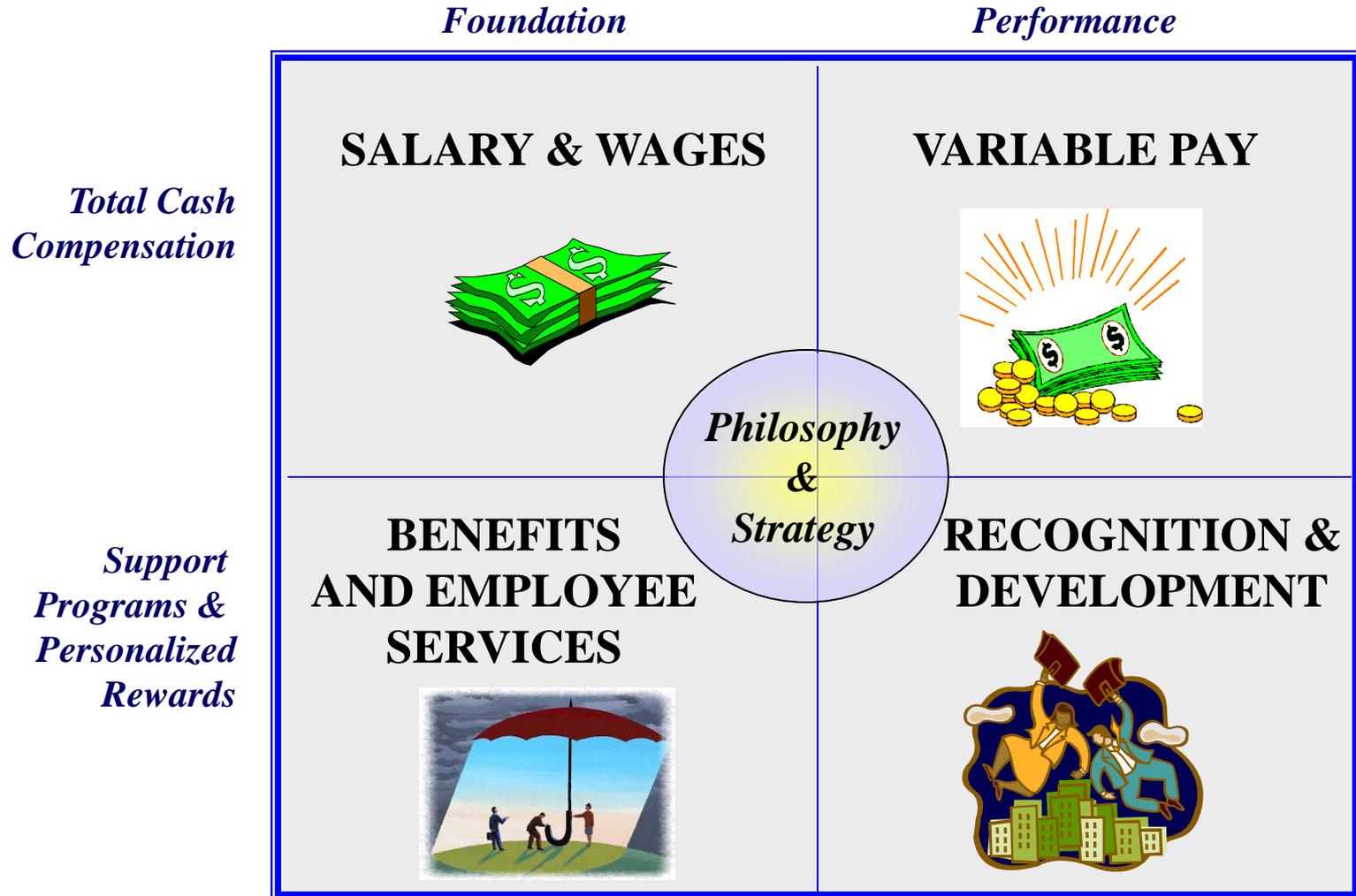
*A Framework for Performance Based Reward Systems:*

*What makes a reward (or positive consequences) work?*



# IV. Primary Findings and Conclusions

## *A Framework for Performance Based Reward Systems:*



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