

Video Transcript: Making the Most of Employees' Variable Pay

Jim Hudner: Even though the economy is clearly in better shape than it's been over the course of the last several years, organizations really continue to be pretty focused about managing their costs. Within that context are a few different things that they're going to do. The first of which is targeting pay towards high impact employees. The second of which is to make better use of variable pay programs. The growing reliance of organizations on the use of variable pay programs—be they bonuses or short-term incentive plans—among broader populations is clearly evident.

As we go forward, organizations, I think, are going to start to take a harder look at the criteria by which rewards are provided to employees. I think you might see over time that fewer employees will actually be receiving rewards and those that will be receiving them might be receiving slightly larger rewards. That makes it really important for organizations to take a hard look at their approach to bonuses or short term incentives to really make sure that they're getting the biggest return for their investment on those dollars.

Then lastly, I think that what they'll be doing is really try and better equip their managers to have better resources and tools available to make pay decisions. With all that said, the manner in which organizations should tackle these issues really should recognize pay practices within their own industry, their own culture and value system. Obviously, it needs to be able to recognize their business and some of the key strategic priorities going forward as well.

