



A How-to Guide On Crowdsourced Pay

workhuman*

It's time to modernize pay.

Recognition of jobs well done and pay for performance are givens for companies that want to recruit, develop, and retain the kind of employees who grow the business and profits. But not all systems of tying together feedback, recognition, and pay are created equal. And organizations won't maximize their return on these investments unless they successfully integrate the underlying processes and structures, hence rearchitecting pay.

WHAT IS CROWDSOURCED PAY?

Most HR processes have been modernized except for pay structure, and that's where crowdsourced variable pay comes in – where a small portion of the overall payroll budget is devoted to crowdsourced methods, like social recognition.

Crowdsourced pay is effective and efficient because it empowers everyone in the organization to award part of that variable-pay investment to multiple employees many times a year. Such a system creates a greater impact than lump-sum bonuses given annually.

WHY OLD PAY-FOR-PERFORMANCE SOLUTIONS NO LONGER CUT IT

A shortcoming of annual bonuses is that they only come once a year. "People need very frequent recognition," says Heather Younger, a management consultant and CEO of Customer Fanatix. Ideally, recognition should come weekly, or as often as anyone in the organization – peers, manager, or top executives – sees someone doing good work.

The problem with annual performance evaluations that incorporate 360-degree feedback is that their motivational effects fade quickly in the human psyche. That's just our nature. By contrast, real-time feedback – and the engagement it drives – can lift performance continuously, by recurring frequently.

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GEORGE BENSON
Director of Human Resource Management
University of Texas



HOW CROWDSOURCED PAY WORKS

So how does crowdsourced pay integrate peer feedback, employee recognition, and variable pay?

1

A small percentage of the payroll budget is allocated to this form of variable compensation.

2

Employees are given the power to grant each other micro-bonuses in the form of points that can be used for merchandise or gift cards, always accompanied by a statement of why the recipient merits the bonus.

Such a system of recognition is gratifying to both the giver and the recipient. "The notion is that co-workers know who the top performers are," says George Benson, director of the master's program in human resource management at the University of Texas in Austin. "And crowdsourced pay can encourage collaboration and teamwork."

WHY CROWDSOURCED PAY CREATES SUPERIOR VALUE

Crowdsourced variable pay provides superior value for the payroll dollar when it's awarded as points that can be redeemed for merchandise or gift cards closely tied to consumables that employees want. "Goods and services are far more re-enforcing than cash," says Jim Brennan, a compensation consultant in New Braunfels, Texas.

A crowdsourced pay system that's implemented in the cloud increases the positive effects of rewards on employee engagement by streamlining the whole process. "Crowdsourced variable pay is nimbler than cash compensation," says Brennan. "The faster the consequence, the stronger the impact on the recipient – that's human nature. The speed of the reward determines the intensity of the response."

Adding crowdsourced pay to compensation structures doesn't necessarily mean increasing a company's total payroll budget. "Crowdsourced variable pay can be self-funding," says Brennan. "It will come out of productivity improvement, which makes it easy to sell to management."

MODERNIZE COMPENSATION TO BOOST RETENTION

With the labor economy close to full employment, worries about employee turnover have spiked. Reimagining compensation is one area where organizations can make a real impact on retention – without adding budget.

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JIM BRENNAN
Compensation Consultant

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for your compensation dollar, call a
Workhuman expert today.**

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