

Competency-Based Rewards

Organizations are shifting from rewarding job status to rewarding employees for their skills, knowledge, and other competencies that lead to superior performance.

For instance, Syracuse University in upstate New York replaced its 20-pay-grade hierarchy with just 7 wider pay bands. Employees now receive pay increases within each pay band partly based on how well they have acquired new knowledge and skills. *Skill-based pay* is a variation of competency based rewards. The employee's pay rate depends on the number of skill modules that he or she has mastered, not on the specific job performed on a particular day.

Companies can learn from this example, Competency-based rewards improve workforce flexibility because they motivate employees to acquire a variety of skills that they can apply to different jobs as demands require. Product or service quality tends to improve because employees with multiple skills are more likely to understand the work process and know how to improve it. However, they are expensive because employees spend more time learning new tasks.

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