

## Beyond cold cash

By *Jeremy Miller*

### **Compensation is more than just a paycheck. if you want to keep your employees happy, add a little psychic income**

One of the least expensive yet most rewarding forms of compensation a company can offer its employees is a reward that can't be neatly quantified by a dollar sign: psychic income. It is the satisfaction employees get from the work they do, the customers they help, the recognition they get and the people they work with. It is the higher value employees get by belonging to something larger than themselves. Companies that offer their employees psychic income are better equipped to improve performance and retain talent than those that do not.

Don't buy the notion of psychic income? There are skeptics who say it's just another feel-good program. After all, they pay their people well, treat them fairly, offer them a team experience. Yes, many employers do provide psychic income but are just not aware of it. After all, most employees don't invest 40 or more hours a week in their job simply for a paycheck and health benefits.

Increasing an organization's psychic income starts by connecting employees with a higher purpose. People who are committed to a common purpose form a cohesive group, and if they can relate to one another, it provides guidance for their actions. This is most evident in the nonprofit sector, where pay is substantially below competitive market rates. Why would a top performer choose to work for less money? A person might be attracted to a specific cause, or it could be more basic in his or her need to help a specific group. People join the Toronto Humane Society because they want an opportunity to rescue and protect animals.

Starbucks is considered a company that has brought purpose into the organization and created explosive growth as a result. Its employees, most of whom make relatively low wages, feel committed to its mission and being part of a family. Its purpose is clear, to provide its customers with a gourmet beverage in a relaxing environment. Its employees can easily relate to the goal, and their actions are gelled together to work toward a common customer experience. Ask a few of your employees: "What business are we in and what are we trying to achieve?" If you get differing answers, you do not have a corporate purpose that is as clear and purposeful as Starbucks'.

Every day an employer competes for its employees' attention and focus. Each employee must decide whether to satisfy his or her own interests, those of his or her peers or the interests of the overall organization. It is important that employees identify and work toward the same purpose. People are more likely to help others with whom they easily identify. Consider the chaos created by office politics. Cliques or departmental rivalry can subvert the collective good for the needs of the sub-group. By focusing every individual on the same goal, a bridge is built, driving collective action.

For an employee to take a risk for his or her company, it takes trust: trust in peers, trust in managers and trust in the company. When the perception is that their actions will be criticized or will go unrecognized, employees can be quickly demoralized. To foster trust and group identification, managers must work to make employees feel part of a family. The allegiance of family is clear, we can all relate to the bonds of a family. Many successful businesses try to emulate the power of family by making their employees an integral part of an extended and caring family-type business, which is based on trust. When trust is present, individuals can have confidence that stepping forward to help other group members will be reciprocated.

To create a cohesive group requires strong leadership. Managers must exemplify the ideals of the broader organization and act as role models. Tracy Parzych, CEO of Toronto-based International Time Recorder (ITR), spends a lot of time focusing the value her team brings to customers. The company is a software developer of time and attendance and workforce management solutions and prides itself on going beyond the call of duty for its customers. Whether it is spending extra time with a customer to solve a challenge or working creatively to adapt their products for a unique requirement, ITR's staff is always at the ready.

Parzych encourages and promotes these values by directing her team to reward their employees every time they go beyond the call of duty. Employees are rewarded with "wow cards" and public recognition. People never get tired of hearing they did a great job, and when the culture is constantly pushing itself further and further, the power of the psychic income increases.

Firms that offer psychic income are coveted by potential employees. When psychic income is high, hiring must be more selective. An employee with the wrong attitude can degrade the values and efforts that exist in the organization. Existing employees should be directly involved in the selection process. This allows them to have a stake in the success of every

person who joins the firm. To ensure the success of such a program, employees will require interview training and a clear understanding of the key attributes of success for the role. By involving employees in the hiring process, you will create benefits in on-boarding, performance and retention. New employees will see how committed your company is to its people and will realize they are joining a special group.

At Southwest Airlines there are a lot of people banging on the door to get a job; however, only 3% of applicants are offered positions. Southwest is considered a company that has a great culture, great commitment to its purpose and great devotion to its people. It prides itself in aggressively compensating its employees with psychic income. And it is no accident that Southwest is renowned for these traits. It promotes its culture and the fact that it is a good place to work. Marketing your culture is very powerful; it reinforces the actions of your employees and draws people who share those values. It also has the added benefit of drawing customers who can relate to the company's values and purpose.

The concept of psychic income is not new. Companies have always looked for ways to improve performance and develop their cultures.

Sixty years ago, US psychologist Abraham Maslow proposed his theory on the hierarchy of human needs. Maslow concluded that once individuals or groups satisfy their basic needs, they will want more. If an employer provides only a paycheck to an employee, employees will be ripe for the attention of the competition. Going beyond cash incentives, an employer will find powerful and cost-effective methods to compensate and satisfy the needs of employees.

Satisfying their basic emotional needs is the psychic income that drives employees to exceed and be active participants in a company's overarching purpose.

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