

# Incentive pay plans

Business



Incentive pay plans Incentive pay plans signal a shift from environments where pay will depend on the measure of organizational, team and individual performance. Performers would be rewarded through incentive pays which emphasize on shared focus on the success of organization and encouraging employees to put more effort to complete their tasks thus improve productivity, either as a team or individually.

This plan suffers from the weakness of difficulty in job performance specification and measurement, identification of valued rewards and linking rewards to performance. To make the plan successful, the management should convince employees of the benefits associated with the incentives and encouraging the participation of employees in coming up with the plan. As suggested by Martocchio, there should be objective performance indicators “ to determine whether an employee will receive” the incentive “ and the amount of increase warranted” (2011, p. 62).”

In the financial industry, particularly in sales and marketing, individual incentive pay plan would be effective. For example, insurance agents paid on commission based on the volume of business they bring could be motivated to sell even more by introducing an incentive for those that surpass their targets where they would be rewarded with additional pay.

#### Reference

Martocchio, J. J. (2011). Strategic compensation: A human resource management approach (6th ed.). Upper Saddle River, NJ: Prentice Hall.