

# [Motivation in the workplace – bonus pay](https://assignbuster.com/motivation-in-the-workplace-bonus-pay/)

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Bonus pay can be defined as a payment In Dalton to an employee's base salary or hourly wage. Bonus pay is normally used to reward employees for a job well done, but it can be used to improve employee morale, productivity andmotivationas well. Bonus's usually work best in anenvironmentwhere the job greatly depends on an employee or employees to accomplish a goal with high effectiveness. With bonus payments, there is a significant advantage. Offering a cash amount to employees who complete a specific goal can offer Incentive.

It also expresses a sign of appreciation awards an employee(s). This can then motivate en employee to continue working hard to achieve another bonus payment. There are disadvantages to bonus payments, such as a high cost for the company. Giving out bonus payments yearly, during holidays or at other times, must be calculated to figure out how many employees a company can afford to give a bonus to. Another drawback to bonus payments Is having to pay taxes. A bonus Is added to your yearly Income, meaning a large bonus means higher taxes.

Commissions Commission payments are an amount ofmoney, whether it be a percentage or a flat ate, paid to an employee after completing a task, such as selling a product. Commission may be paid in addition to a salary or Instead of a salary. Commission works best in a retail sales business. Real estate is a good example. In retail sales, commission pay can encourage an employee to put 100% effort into a sale. When a worker Is offered commission pay, whether It's In addition to a salary or not, it offers the employee a high paying opportunity, as the number or sales they make effect their pay.

By paying commission It also allows the company to weed out those who are not able to succeed at the job. If an employee cannot earn enough by commission pay, the company is then left with only the top earners, who clearly succeed at their jobs. A fluctuation in pay is considered a disadvantage. Some weeks an employee may earn a high amount, while other weeks sales may be very slow and earnings will be extremely low. This Is the largest disadvantage to commission sales. Especially If a worker Is being paid commission only - with no salary, an employee may end up working for many hours while not earning any money.

Employee Stock Ownership (ESP.) Employee Stock Ownership is a program where employees accumulate shares and ay ultimately assume control of the company. These stocks can be acquired through purchase, or through bonuses. Seeps work best for large companies such as West Jet or other airlines. Sop's can increase production and profitability, and Improve employees' dedication and sense of ownership. When employees become owners in the company, they become more loyal and productive. Seeps also offer significant tax breaks to a company.

Some disadvantages to Seeps are that an employee basically has all of their eggs in one basket, so if the company does not perform, the employee's investment could be lost. In addition to a loss of investment, s more shares are purchased, an employee's share becomes a smaller percentage of Gain-sharing is when a company's employees' performance improves, that company will share the financial gain. Gain sharing works to improve performance while eliminating wasted time, energy and materials.

This way, as the employees' performance progresses, they profit from the company's savings from the improved performance. With gain-sharing, it focuses on rewarding only performance improvement, and payouts are self-funded from savings generated by the plan. Employees become more interested in the company'sgoals. Measures are narrower Han organization-wide profit and therefore gains may be paid even though profits may be down. Gain-sharing also requires that management openly shares information about performance, therefore a participative management style works best.

Gain-sharing works best in a work place that focuses on groups rather than individual accomplishments. Profit-sharing Profit sharing is when the people who work for a company receive a direct share of the profits. The payouts are funded through company profits. Unlike gain-sharing, payouts are made when there is profit, performance doesn't necessarily have to show improvement. With profit sharing employees will be focused on the company's profitability. This motivates employees to work together for the success of the company. This in turn will allow employees to feel more committed to the company.

Disadvantages of profit sharing include the fact that employees pay goes up equally, and there can be major fluctuations in smaller companies. This can then be very difficult for employees with their pay varying so much. Merit Pay Merit pay is extra pay rewarded to an employee regarding performance. If an employee succeeds at his or her Job, they are then rewarded with an additional mount of money to their regular salary. This type of financial incentive works excellent in environments where employees work independently, as each employee can then be rewarded (or not rewarded) for their performance individually.

Merit pay works well at Jobs related to retail sales. Merit pay is a very good motivator for employees. It shows the direct connection betweenhard workand rewards. An employee can be individually rewarded according to their performance. Merit pay also increases the commitment of employees. Each person will then strive to succeed to the best of their ability because they know it will be compensated. This is very good for company profit. Employees will also be more likely to stay within a company if they feel secure within their Job.

Hard work being rewarded allows an employee to feel comfortable and secure. A disadvantage to merit pay is it can be affected by outside factors. In the case of a retail sales employee, sometimes no matter how hard they work to make a sale, that person may Just not want to purchase that item. This is a factor that cannot be controlled, and affects that employee's pay. Merit pay also can cause pressure. If an employee is constantly worried about not being able to succeed ND earn a higher paycheck through their performance, that may affect their abilities as they are stressed out.

Skill-based pay Skill-based pay is when employees are paid based on their individual skill levels knowledge and acquire new skills. This is best for self - motivated employees. Being paid according to skills allows the employee to focus oncareerdevelopment. This means you have to continue to develop new skills andeducationthrough courses and training if you want to increase your pay. Another disadvantage of knowledge- based pay is employees may feel bitter towards one another due to difference in pay.