

Compensation and employee benefits (topic in instruction)

[Business](#), [Human Resources](#)



Compensation and Employee Benefits (Gain-sharing Plan) Question Gain-sharing incentive plan is an organizational program that helps to achieve effective standards of performance through the participation and involvement of employees of an organization. It improves the performance of the organization to achieve organizational objectives and goals. Gain-sharing is a specific bonus incentive system that improves the productivity of an organization through the employee engagement. It includes focused involvement system, financial measurement system and feedback system. Involvement system eliminates the critical barriers to improve the performance of the organization. On the other hand, feedback and financial measurement system control and monitor the performance of the organization. Gain-sharing is not a total profit sharing plan, but there are some similarities between these two plans. This gain-sharing incentive plan is also known as team approach plan. This plan helps to include the employees in operation. Performance evaluation is an effective approach of this gain-sharing plan. Gain-sharing has an essential and simple purpose. This plan helps the organizational staffs in order to improve the business performance of an organization (Weckmann, 2004). Organizations that practice gain-sharing policy, apply pre determined profit sharing percentage to share the net profit of the organization with the employees. These organizations compare the organizational performance with the baseline performance on annually, semi annually, quarterly, monthly and weekly basis. The measures of gain-sharing depend on the several operational measures, such as quality, productivity, customer service and spending. Generally, the employees are incentivized to motivate them so that they

keep up expected work performance on a sustainable basis. It helps the organization to achieve business objectives and goals. On the other hand, this plan helps an employee to achieve personal goals. Question 2 There are several important characteristics that contribute to the success of gain-sharing plans. These characteristics are provided below. Gain-sharing plan helps an organization to show a clear picture of organizational operational duties. The performance level can be easily quantified through this gain-sharing plan. It allows the organizations to achieve sustainable improvement in the measurement of organizational performances. Gain-sharing plan promotes morale, positive attitudes and pride towards the organizations. It helps to promote positive changes and supports several performance improvement efforts. Gain-sharing organizations provide rewards only for the performance improvement. It develops the feeling of accountability and ownership. Gain-sharing plan always fosters a work culture of continuous improvement. Through this plan the organizations align their employees to organizational goals. Sharing of organizational shaving helps the employers to motivate their employees. Effective employee motivation helps the organization to achieve several organizational goals. The managers use this gain-sharing incentive plan as this plan enhances the level of cooperation, teamwork and involvement. This gain-sharing plan allows the organizations to generate self-funded payouts from the organizational shavings (Gerhart & Rynes, 2003). This concept does not totally based on the profit sharing plan, but it can be stated that these two plans have some similarities between each other. The gain-sharing incentive plan enhances the employee awareness and employee focus towards their job responsibilities. Question 3

It is clearly identified from above discussion that the gain-sharing incentive plan is an important human resource tool. Several leading organizations are implementing this plan to improve employee engagement and organizational business performance. Factors that contribute to the failure of gain-sharing plans are discussed below. The gain-sharing organizations pay the bonus or incentives based on the group or team performance. This plan does not consider the individual merit. It can create several workplace conflicts within an organization. This gain-sharing plan can increase the organizational stress level. It is true that, everyone within an organization has appropriate financial stake in the success of an organization (Mericle & Kim, 2004). This gain-sharing concept allows an organization to share its profit with the group of employees based on the group or team performance. Therefore, the measures are limited comparing to the organization-wide profit sharing. If the organizations follow this gain-sharing incentive plan, then they have to pay bonus at the loss situation. The management shares the information related the measurement of performance to the employees. It can affect the overall performance of an organization. Theft of information can reduce the core competencies of an organization. It is true that, an unsatisfied employee within a team or group can create several challenges and questions to the management of the organization regarding the distribution of bonus. Generally, all the employees in a team do not provide same effort and their performance level cannot be same. Therefore, gain-sharing policy would create high conflicts in a team if all the employees gain same percentage of profit of the organization. References Gerhart, B., & Rynes, S. (2003). Compensation: Theory, Evidence, and Strategic Implications.

London: Sage. Mericle, K., & Kim, T. (2004). Gain-sharing and Goalsharing: Aligning Pay and Strategic Goals. New York: Greenwood Publishing.

Weckmann, W. (2004). Gain-sharing. Retrieved From: .