

# [Incentive schemes for employees](https://assignbuster.com/incentive-schemes-for-employees/)

In this situation, the management should taking effective measures in organization towards there goals of the business. The management can apply following points to overcome this situation in order to increase productivity and low absenteeism. The following points are given below:-

## The benefits should replaced by INCENTIVES-

In this situation, the management should introduce a quota system or perhaps the production pay in which workers are rewarded by meeting quota or paid more for superior production. The incentive should provide with monetary as well as non-monetary benefits like bonus, profit-sharing, status, job security etc. The incentives plan encourages employees to perform additional tasks for this compensation, in addition to their normal workload. An incentives plan costs the employers additional money but well designed plan will provide greater return by increasing productivity and lowering other costs.

INCENTIVES should be linked with PRODUCTIVITY of the employees.

The management should launch a performance based plan to enhance the productivity. They introduced performance linked incentive and Halsey premium plan to increase the productivity efficiently.

A Performance Linked Incentive is a form of payment from an EMPLOYER to an EMPLOYEE, which is directly related to the performance output of an employee and which may be specified in an employment contact. PERFORMANCE LINKED INCENTIVE may either be open ended (does not have a fixed ceiling) or close ended (has an upper ceiling which is normally stipulated in the employment contract)

Open ended incentives are normally applicable revenue generating activities (e. g., Sales) and Close ended incentives are associated to support functions (e. g., Operation, Human Resources, etc.).

## Method of calculating PERFORMANCE LINKED INCENTIVE:-

PLI, by virtue of being sanctified in the employment contract, is paid for objective, measurable and visible results. MBO is the generally used to define the output which determines the payment of Performance linked incentive. Since Performance linked incentive is paid for the results and not merely for the efforts, the objects should be chosen to reflect those activities whose results are visible immediately after the effort.

Also, in calculating performance linked incentive, only the performance and not the potential of the employee should be considered. Potential of the employee is normally subjective and can be contested. Performance linked incentive should be based on metrics which are absolutely objective and clearly perceived as fair by both employee and employer.

## Halsey premium plan

This plan is a combination of time and speed while they are working.- That every worker is paid according to hourly rate.- Every worker is paid according to the time he hason the work.- Every worker is given that he has to finish the allotted work within the standard time. If he is able to save the time, he will be paid a bonus for the time he has saved. – The amount of bonus is 50 percent of time saved.

Total Earnings = Time Taken \* Hourly Rate + (Standard Time – Time Taken) \* Hourly Rate \* 50 percent

Advantages of these incentives plans:

* Higher wages for worker and higher profits for the firm.
* Focus subordinate efforts
* Variable costs linked to results
* Reward those who will perform well.

### EXAMPLE

Productivity incentive scheme for TEA PLUCKERS IN Tamil Nadu.

1. till 1980’s workers were paid a fixed rate and small incentive for extra plucking of leaves
2. This was a constant amount/kg of tea but in due course, the system was reined by having two incentive slabs
3. After several rounds of negotiations, an agreement was reached in 1990

### Result:-

There was a 36 percentage improvement in the plucking average.

2. The benefits to puckers during the five year period had gone up by 25 percentages.

Salary/wage structures should be re-worked out

The management should pay according to the industrial policy norms so that employees feel that they are being adequately paid. The management provided salary/wages to them keeping in mind that the minimum wages/salary act and all other act should be follow before fixation of salary/wages structure. The management is also set an appraisal time to time to increase the wage/salary structure so that they can get a completive salary/wages as compared to other industries.

For this, the management should follow five steps to determine the salary/wages. This are-

* Review your own pay practices.
* Define the job
* Track the completion
* Set the salary range
* Bundle pay and parks.
* Advantage of fair and true fixation of salary/wages by management-
* Increase motivation among employers.
* Increase productivity.
* Achieving the target.
* There is employee’s stability.
* Reduce wastage of manpower planning.

## HR Personnel Should Be Re-Shuffled

The problem of low productivity and higher absenteeism showing there is Lax HR personnel. So the HR personnel may reshuffled and to promote the culture of hard work to there employees. They can set there rigid rules to there employers in order to avoid the given problems.

The management should adopt the right HR practice to increase productivity. The top ten HR practices which should follow in every firm. This are-

#### Safe, Healthy and happy work place

Creating a safe, healthy and happy workplace will ensure that the employees feel homely and stay with the organization for a very long time. Capture their pulse through employee surveys.

#### Open book management style

Sharing information about contracts, sales, new clients, management objectives, company policies, employee personal data etc. ensures that the employees are as enthusiastic about the business as the management. Through this open book process you can gradually create a culture of participative management and ignite the creative endeavor of your work force… It involves making people an interested party to your strategic decisions, thus aligning them to your business objectives. Be as open as you can. It helps in building trust & motivates employees. Employee self service portal, Manager on-line etc. are the tools available today to the management to practice this style.

#### Performance linked bonus

Paying out bonuses or having any kind of variable compensation plan can be both an incentive and disillusionment, based on how it is administered and communicated. Bonus must be designed in such a way that people understand that there is no payout unless the company hits a certain level of profitability. Additional criteria could be the team’s success and the individual’s performance. Never pay out bonus without measuring performance, unless it is a statutory obligation.

#### 360 degree performance management feedback programmed

This system, which solicits feedback from seniors (including the boss), peers and subordinates, has been increasingly embraced as the best of all available methods for collecting performance feedback. Gone are the days of working hard to impress only one person, now the opinions of all matter, especially if you are in a leadership role (at any level). Every person in the team is responsible for giving relevant, positive and constructive feedback. Such systems also help in identifying leaders for higher level positions in the organization. Senior managers could use this feed back for self development

#### Fair evaluation system for employees

Develop an evaluation system that clearly links individual performance to corporate business goals and priorities. Each employee should have well defined reporting relationships. Self rating as a part of evaluation process empowers employees. Evaluation becomes fairer if it is based on the records of periodic counseling & achievements of the employee, tracked over the year. For higher objectivity, besides the immediate boss, each employee should be screened by the next higher level (often called a Reviewer). Cross – functional feedback, if obtained by the immediate boss from another manager (for whom this employee’s work is also important), will add to the fairness of the system. Relative ratings of all subordinates reporting to the same manager are another tool for fairness of evaluation. Normalization of evaluation is yet another dimension of improving fairness.

#### Knowledge sharing

Adopt a systematic approach to ensure that knowledge management supports strategy. Store knowledge in databases to provide greater access to information posted either by the company or the employees on the knowledge portals of the company. When an employee returns after attending any competencies or skills development program, sharing essential knowledge with others could be made mandatory. Innovative ideas (implemented at the work place) are good to be posted on these knowledge sharing platforms. However, what to store & how to maintain a Knowledge base requires deep thinking to avoid clutter.

#### Highlight performers

Create profiles of top performers and make these visible though company intranet, display boards etc. It will encourage others to put in their best, thereby creating a competitive environment within the company. If a systems approach is followed to shortlist high performers, you can surely avoid disgruntlements.

#### Open house discussions and feedback mechanism

Ideas rule the world. Great organizations recognize, nurture and execute great ideas. Employees are the biggest source of ideas. The only thing that can stop great ideas flooding your organization is the lack of an appropriate mechanism to capture ideas. Open house discussions, employee-management meets, suggestion boxes and ideas capture tools such as Critical Incidents diaries are the building blocks that can help the Managers to identify & develop talent.

#### Reward ceremonies

Merely recognizing talent does not work, you need to couple it with ceremonies where recognition is broadcast. Looking at the Dollar Check is often less significant than listening to the thunderous applause by colleagues in a public forum.

#### Delight employees with the unexpected

The last but not least way is to occasionally delight your employees with unexpected things that may come in the form of a reward, a gift or a well-done certificate. Reward not only the top performers but also a few others who are in need of motivation to exhibit their potential

4) If Absenteeism is due to lack of interest by the employees in the job, because they do not see career advancement in the company. The management should started career counseling sessions to generate interest in the job among the employees.

5) Leave encashment may be encouraged:-

Leave encashment refers to that amount payable for the employees leave period, depending upon the leaves to his credit and his salary at the time of termination of employment or at the time of encasing his leaves.

The encashment can be calculated as:-

Basic +DA (BASIC+DA/26)\*NO. OF DAYS)

6. A suitable (encouraging competition) promotion policy should be introduced, if not already existing

A set of rules & guidelines set forth by a firm or organization that outlines how employees are to interact with potential customers in the promotion of a good or service. The promotion policy helps the company keep control of the message it is sending about the good or service, as well as to dictate appropriate actions that employees can take when dealing with outside personnel. For example, a pharmaceutical company could have a promotion policy that its field representatives must adhere to when they meet with doctors to promote a drug.

### The firm can adopt various types of promotional activity to increase there productivity.

There are a numerous ways to promote there goods and service. Sometime in big organization may adopt a various types of sales strategies to increase there goods and service. These are:-

#### Contests

Contests are a frequently used promotional strategy. Many contests don’t even require a purchase. The idea is to promote your brand and put your logo and name in front of the public rather than make money through a hard-sell campaign. People like to win prizes. Sponsoring contests can bring attention to your product without company overtones.

#### Social Media

Social media websites such as Face book and Google+ offer companies a way to promote products and services in a more relaxed environment. This is direct marketing at its best. Social networks connect with a world of potential customers that can view your company from a different perspective. Rather than seeing your company as “ trying to sell” something, the social network can see a company that is in touch with people on a more personal level. This can help lessen the divide between the company and the buyer, which in turn presents a more appealing and familiar image of the company.

#### Mail Order Marketing

Customers who come into your business are not to be overlooked. These customers have already decided to purchase your product. What can be helpful is getting personal information from these customers. Offer a free product or service in exchange for the information. These are customers who are already familiar with your company and represent the target audience you want to market your new products to.

#### Product Giveaways

Product giveaways and allowing potential customers to sample a product are methods used often by companies to introduce new food and household products. Many of these companies sponsor in-store promotions, giving away product samples to entice the buying public into trying new products.

#### Point-of-Sale Promotion and End-Cap Marketing

Point-of-sale and end-cap marketing are ways of selling product and promoting items in stores. The idea behind this promotional strategy is convenience and impulse. The end cap, which sits at the end of aisles in grocery stores, features products a store wants to promote or move quickly. This product is positioned so it is easily accessible to the customer. Point-of-sale is a way to promote new products or products a store needs to move. These items are placed near the checkout in the store and are often purchased by consumers on impulse as they wait to be checked out.

#### Customer Referral Incentive Program

The customer referral incentive program is a way to encourage current customers to refer new customers to your store. Free products, big discounts and cash rewards are some of the incentives you can use. This is a promotional strategy that leverages your customer base as a sales force.

#### Causes and Charity

Promoting your products while supporting a cause can be an effective promotional strategy. Giving customers a sense of being a part of something larger simply by using products they might use anyway creates a win/win situation. You get the customers and the socially conscious image; customers get a product they can use and the sense of helping a cause. One way to do this is to give a percentage of product profit to the cause your company has committed to helping.

#### Branded Promotional Gifts

Giving away functional branded gifts can be a more effective promotional move than handing out simple business cards. Put your business card on a magnet, ink pen or key chain. These are gifts you can give your customers that they may use, which keep your business in plain sight rather than in the trash or in a drawer with other business cards the customer may not look at.

#### Customer Appreciation Events

An in-store customer appreciation event with free refreshments and door prizes will draw customers into the store. Emphasis on the appreciation part of the event, with no purchase of anything necessary, is an effective way to draw not only current customers but also potential customers through the door. Pizza, hot dogs and soda are inexpensive food items that can be used to make the event more attractive. Setting up convenient product displays before the launch of the event will ensure the products you want to promote are highly visible when the customers arrive.

#### After-Sale Customer Surveys

Contacting customers by telephone or through the mail after a sale is a promotional strategy that puts the importance of customer satisfaction first while leaving the door open for a promotional opportunity. Skilled salespeople make survey calls to customers to gather information that can later be used for marketing by asking questions relating to the way the customers feel about the products and services purchased. This serves the dual purpose of promoting your company as one that cares what the customer thinks and one that is always striving to provide the best service and product.

7) Training programmers should be started with a motivational approach:-

The management should provide training for overall performance of employees in order to get work affiance. In order to grow a business, employees and managers need to be trained in motivational sales techniques. Motivational sales training teaches participants how to use different skills, approaches and techniques to motivate people to purchase the product or service being offered. Without continual training, salespeople can become dependent on one particular selling approach, which can limit their sales results. Use motivational sales training to continually challenge and sharpen employees’ abilities to sell.

8) TRADE UNION

Trade union is an organization that consists of workers and it is formed to protect its members from those forces that could harm their interests. These forces could be the employers or management, the state or the government or any other agency identified as such. This could be, broadly speaking; a simple description of trade unions and it contains the basic idea of what trade unions are.

In case there is no union, or the union is not strong enough, some employees who are top absentees or least productive may be shunted out to send a message or signal to the other employee to come to terms. The management should form the trade union on behalf of workers so that the workers should feel to the organization. They can feel free to meet there demand through union leader. If there is no trade union than workers are not meet there expectation and afterwards they De-Motivated and hence productivity will tend to decrease.

## Benefits of trade unions

a) Increase productivity: – Unions help build high-trust workplaces where workers are healthier, better skilled and more able to resolve grievances – all of which lead to a more committed and productive workforce. Unions can also help maintain productivity during periods of employer innovation – by providing ways of consulting with workers over change and reducing the chances of staff resistance.

b) Save money. – Early identification of problems in the workplace can lead to significant savings, for example by reducing the costs employers face as a result of accidents, ill health and staff turnover. Unions also have a strong record of working with employers to identify efficiencies and cost savings- both employers and employees have a shared interest in business success.

c) Provide access to learning and skills: – Helping members to access education and training is a key priority for unions. Research shows that union recognition has a consistently positive effect on the amount and range of training that is provided to employees. 2 In turn, higher skilled employees bring productivity benefits for employers.

d) Ensure workplaces are safe:-. Union representatives help to lower accident rates at work by ensuring safe working practices and reducing stress-related ill health caused by, for example, working long hours, being bullied or working in poor quality environments. Evidence shows that unionized workplaces are safer workplaces1 – which has the added benefit for employers of significantly reducing the costs of ill health and accidents. To lower accident rates at work of significantly reducing the costs of ill health and accidents. to lower accident rates at work by ensuring safe working practices and reducing stress-related ill health caused by, for example, working long hours, being bullied or working in poor quality environments. Evidence shows that unionized workplaces are safer workplaces1 – which has the added benefit for employers of significantly reducing the costs of ill health and accidents.

9) Social security provide by management:-

The national commission of labor(2002) opines that in the Indian context, social security may be defined a all types of measures consisting of preventive, promotional or protective depending on whether they are designed to:

prevent deprivation(preventive measure)

assure everyone of basic minimum income which would be adequate for meeting the basic needs of oneself one’s family or dependants( promotional measures)

protect income against loss or diminution due to the occurrence of any contingency including sickness(protective measure)

The management should provide all social security to there employers such as:-

* social assistance
* social insurance

major acts to serve better to the interest of workers like-

1) Employees state insurance act, 1948.

2) Maternity benefits act (1961)

3) Employees provident funds act, 1952

4) The payment of gratuity act, 1971