Remuneration systems and incentives scheme

Types of Incentive Schemes

Different types of incentives are classified into two broad categories: financial and non-financial. Here, we are only concerned with financial incentives. Financial incentives can also be classified as individual and group incentives. They both discuss one by one.

1. Individual Incentive Plans (PBR):

Under this plan, employees are paid on a results basis. "The main incentive plans included in this category are discussed in seriatim.

a. Halsey Premium Plan:

This plan was introduced by American engineer F. A. Halsey, in 1891. It recognizes individual competence and pays bonuses based on preserved lime. Under the method, the worker receives a wage according to the time average of the time he actually works, and he also pays a reward if he can complete the work in less than the time allotted to do the work.

The bonus is paid a fixed percentage of the time saved, usually 50%, (although the percentage ranges from 30% to 70% of the time saved). The employer shares the remaining 50% of the time saved.

And so on ,

Total earnings = T.T. × H.R. + 50% (T.S. x H.R.)

Where, T.T. = Time spent

H.R. = Hourly rate

TS = saved time

Advantages of the method are:

(I) The method is easy to operate and easy to understand.

(II) Slow workers are not punished, because time is guaranteed.

(III) Provide incentives for the most efficient workers.

(IV) Efficient worker means lower unit cost.

(V) The benefit of the time saved is shared equally between the employer and the employee.

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b. Rowan Plan:

Grams Rowan first introduced this plan in Glasgow in 1898. Under this scheme, the worker also gets a guaranteed time wage for his actual work hours, such as the Halsey scheme. But here the premium is calculated in a different way.

If the worker is able to complete the work in less than the allowed time, then his reward becomes equal to his time wage for that percentage of the time spent as he bears the time saved for the allowed time.

Thus, the reward is calculated as follows:

And, total profits = T.T x H.R. + (T.T. x H.R.) x T.S./T.A.

Where, T.T. = Time spent

H.R. = Hourly rate

TS = saved time

T. = Allowable time

Advantages of the scheme:

(I) It provides incentives for slow learners and workers.

(II) Since the installment is proportional to the time saved, employers receive protection if the rate is not set correctly.

(III) From an employer's point of view, a Rowan chart is safer than a Halsey scheme.

(IV) Up to 50% of the time saved, the reward under the scheme is higher than that under the Halsey scheme.

(V) The higher the bonus at a decreasing rate, the staff will not be able to complete the work quickly, and thus less opportunities for waste, etc.

c. Gantt Task and Bonus Plan:

The plan is a good mix of timeshare and piece work. Under this scheme, daily worker wages are guaranteed.

The main features of the bonus system are:

Output - reward

At 100% - 20% on total output

Above 100% - 20% of the standard time wage, or high cutting rate over the worker's total production.

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This system protects and encourages less efficient workers who cannot produce standard output. It provides a good incentive for skilled workers.

d. Emerson Competency Plan:

This scheme is also a mixture of time wages, piece wages, and reward plans. Under this method, a standard time is assigned to each task, or the task or output size is fixed as standard. Standard efficiency is set at 66 ° or 67%. For an efficiency of up to 67%, the worker receives only his day's wages.

If he exceeds the standard task, he is entitled to a bonus and the bonus rate increases as efficiency increases. At 100% efficiency, the reward is 20%. Again, if the efficiency exceeds 100%, the bonus increases by 1% for each 1% increase in efficiency above 100%.

2**. Group Incentive Plans:**

Incentive plans can be applied on a group basis as well. Group incentive plans are appropriate when jobs are interconnected. It is difficult to measure individual performance purposefully and group pressure affects the performance of group members. The main group incentive schemes are discussed here.

a. Profit sharing:

The concept of profit sharing appeared at the end of the nineteenth century. Profit sharing, as the name implies, is the organization's profit sharing among employees. The international cooperative conference "held in Paris in 1889 considered the issue of profit sharing and defined it as" an agreement (formal or informal) that is freely concluded by which the employee receives a fixed share before the profits. "

b. Co-partnership:

One way or another, joint partnership is an improvement in profit sharing. In this scheme, employees also share the company's capital. They can have shares either on a cash basis or in exchange for other cash-induced incentives such as a bonus. Thus, under the joint partnership scheme, employees also become shareholders by owning the company's shares. Now, employees are involved in both profit and company management.

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c. Scanlon plan:

The Scanlon Plan was developed by Joseph N. Scanlon, a lecturer at the Massachusetts Institute of Technology in the United States of America in 1937. The plan is essentially a proposal plan designed to involve workers in making proposals to reduce operating costs, improve working methods, and participate in productivity gains.

The plan has two main advantages. First, both employees and managers can participate in the plan by offering their suggestions for ways to reduce costs. Second, increasing efficiency at the expense of reducing costs is shared by the unit's staff.

The Scanlon Plan, wherever it was approved, succeeded in encouraging a sense of partnership between employees, improving administrative relations between the employee and the employer, and increasing the motivation to work.

Remuneration

The term "remuneration" means compensation or remuneration, but it has a broader meaning than just the basic wage. It can also include not only basic salary or allowances but commissions and other payments, as well as deferred compensation or benefits paid under the terms of the employment contract.

It is important to understand how each type of bonus should be calculated in terms of taxes, so that you do not pay extra amounts or pay too much and make sure that you are claiming bonuses in the appropriate tax years, using the correct forms.

Remuneration methods

1. Time-based systems

Employees are paid a basic rate per hour, day, week or month.

Total Wages = (hours worked x basic rate of pay per hour) + (overtime hours worked x overtime premium per hour)

Basic time-based systems do not provide an incentive for employees to improve productivity / efficiency. Therefore, close supervision is necessary.

2. Piecework systems

A piecework system pays a fixed amount per unit produced.

Total wages = units produced x rate of pay per unit

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There are two main piecework systems

1. Straight piecework systems

Today, it is normal for pieceworkers to be offered a guaranteed minimum wage, so that they do not suffer loss of earnings when production is low through no fault of their own.

2. Differential piecework systems

These systems involve different piece rates for different levels of production.

They offer an incentive to employees to increase their output by paying higher rates for increased levels of production.

For example:

Up to 80 units per week, rate of pay per unit = $1.00

80 to 90 units per week, rate of pay per unit = $1.20

Above 90 units per week, rate of pay per unit = $1.30

The most accurate point in this scheme is that he recognizes the dignity of work as well as a business partner. This, in turn, will enhance the sense of belonging among employees and encourage them to contribute their best to the development of the organization.

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