

How to Develop An Effective Monetary Incentive Policy

Author: Ifeoma Obi . March 2020

Rewards and incentives in the workplace provide advantages for both staff and employers. Employees have improved morale, work satisfaction and participation in organizational roles when rewarded for excellent performance and productivity. Employers are therefore seeing the greater performance and improved revenue and productivity. Employers and staff enjoy a healthy and efficient work climate through labor benefits and opportunities.

Employees rewarded for their work achievements appear to have increased productivity and optimistic behaviors in the workplace. Employee appreciation is an opportunity employers use to give workers input and motivation. Recognition bonuses can include award ceremonies and public presentations, selecting an employee for the next task and asking another to be a mentor for others. Also do not underestimate the power of a plain, sincere thank-you for a job well done. Rewards for employee hardwork occur regularly, such as at the end of the day, week or the sales month.

Most employers provide benefits and bonuses through job assistance programs. These services allow employees to achieve a work-life balance by ensuring the emotional and physical well-being of employees. Most organizations, for example, provide therapy services to help deal with stress, family problems and drug abuse. Employee engagement services also provide incentives for attending fitness centers to promote an active and healthy lifestyle. Some services help working parents find daycare for their children and other events. Such services seek to help employees with their duties at home so that they can stay focused on their employment while they are at work. Small companies should contract with an employee support firm to provide the services needed by the employees.

Monetary rewards reward the workers with money for success and efficiency. These rewards include stock options for staff, profit-sharing schemes, time off pay, bonuses and cash prizes. Other cash rewards include annual or semi-annual bonuses, such as mid-year and year-end bonuses. These incentives promote friendly competition between partners when connected with job performance. Monetary rewards motivate employees to produce optimally.

Occasional cash reward schemes tend to work out well on the surface. Deeper down, of course, every solution has its pros and cons. Such incentive schemes can work well in the short term, but they may promote unhealthy competitiveness, make some workers feel helpless and resentful about ever receiving an opportunity and do not tackle the key driving force behind productivity: internship.

Designing an incentive scheme that works

Incentives are bonuses provided when an employee meets his or her targets or achieves job objectives. Incentive programs have historically focused on financial benefits such as one-off payouts, annual incentives and wage increases. Incentives are bonuses provided when an employee meets his or her

targets or achieves job objectives.

Binding bonuses to targets is an effective way of ensuring that workers concentrate on their assignments. Incentives also encourage your employees to achieve goals which add value to your company. Incentives that are only offered at assessments or year-end are less likely to boost results as workers expect them. Employee benefits and bonus programs may be either short or long-term, or a combination of both. Incentive programs such as monthly output rewards or sales commissions are commonly seen as short-term incentives for individual success. By contrast, long-term rewards are profit-sharing and share reward systems.

Excellent incentive programs are built from behind the finances of a company and rational expectations about the expected sales and potential growth of the company. Those programs are going to be motivational and equitable and will reward the right people for good work. A badly structured reward scheme for workers can end up costing more than expected and causing unnecessary problems.

Negative outcomes may include rewarding workers for incorrect actions (or even rewarding the incorrect workers) leading to demotivation of the best employees or, worse, disillusionment with the ideals of the business. Inadvertently it may also build wage inequalities for workers working in the same positions. There are several different factors and types of incentive schemes that can be implemented.

Factoring in tax implications

Tax should be factored into bonus programs, as this can impact a specific incentive's effectiveness. When the profit is more tax-efficient than wages, a greater reward to workers over equal compensation is likely to show. Business cars have seen a decline in popularity after more stringent tax rules were introduced. In comparison, wage sacrificing schemes may be tax-effective.

Consider employees' domestic circumstances

Employees can perceive incentives differently, depending on the conditions of their families. A staff member with a family to support, for example, may have different expectations than a novice who has just recently entered jobs. The employee with a family may prefer extra vacation time or childcare vouchers that can be provided as part of a wage compromise program, while a recent graduate who has only just started working might prefer financial opportunities to pay off their student debt.

Google's reward plan covers a variety of bases, including providing family travel benefits to workers on personal holidays, reimbursement to all career-related courses and degree programs, and recreational facilities on the location. GoDaddy, a web hosting service, focuses on team rewards and brings workers during regular work hours on expeditions such as whitewater rafting, and trapeze courses.

Share incentive schemes

Small businesses may want to consider benefit-sharing schemes. Companies are usually owned by their

owners and any potential partners, but employees are vital to the day-to-day operation and progress of a small company or startup. Rewarding committed workers with a share of the business, either by giving it to them or by allowing them to be bought when the company is sold, may strengthen employee loyalty and promote hard work to help the business grow, particularly in the early stages, by making an employee more invested in the business.

Every business is different and what is a successful reward program for one small business for another may be unsuccessful. Your reward scheme will represent the budget, principles and desires of your company to promote entrepreneurial growth and team spirit. For new businesses, it will be trial and error to find the most successful reward scheme. When you recruit new staff, develop your brand and grow your company over time, you may need to constantly reconsider your incentives and bonuses.

Often test the cost of the reward scheme relative to the added revenue or earned benefit. If there is no positive association or movement towards one, then this suggests the need for changes.

References

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Ifeoma is a Business Analytics and Research Consultant at Industrial Psychology Consultants (Pvt) Ltd, a business management and human resources consulting firm.

LinkedIn: <https://www.linkedin.com/in/ifeoma-obi-92b4b9121/>

Phone: +263 242 481946-48/481950

Mobile: +263 775 187 283

Email: ifeoma@ipcconsultants.com

Main Website: www.ipcconsultants.com

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