

## INFLUENCE OF INCENTIVE SCHEME ON THE PERFORMANCE OF EMPLOYEES

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### **Abstract**

Salary, wages, reward, timely promotion and flex working hours are some of the main influencing factors for the growth of the company. Similarly, 'incentive' or 'reward' is recognized as one of the most important determinants responsible for employee performance. The attractive performance schemes are always boost the morale of the employees and inspire them to perform better for the goals of the company. Just adverse, non-availability of attractive reward schemes affected the performance of the employees. High attractive incentives are always push employees to perform better in comparison to low attractive rewards or nil incentives.

This work is an attempt to explore the role of incentive scheme and its effect on the performance of the employees. For the purpose of research, sample size i.e. 100 employees from private sector in Delhi and nearby areas are considered. Simple frequency distribution tool has been used in the research.

**Keywords:** Incentive, performance, monetary and non-monetary, intrinsic and extrinsic reward, stakeholder.

### **DEFINITION OF INCENTIVE**

Undoubtedly, the incentive is one of the most important schemes which inspire the workers to perform better and better. It gives the dedication to the workers to achieve the given targets so that they may be able to get high incentive. According to Burack and Smith, "incentive scheme is a plan or programme to motivate individual or group performance. An incentive programme is most frequently built on monetary rewards (incentive pay or a monetary bonus), but may also include a variety of non-monetary rewards or prizes."<sup>1</sup> The incentive scheme is most of the important for any organization as it may able to achieve the growth in production because of the efforts put by an individual. Prof. Suri has observed that "in majority of the jobs investigated, wage incentive schemes successes in raising productivity, increasing earnings and reducing direct labour costs."<sup>2</sup>

The incentive plan may be 'monetary' and 'non-monetary' elements. In order to make the reward plan effective and fruitful, it is absolutely necessary to circulate the comprehensive plan of incentive among all stakeholders so that a genuine competition can be created with the overall vision of company growth. According to Allen Port, "money incentives alone do not bring about the desired motivation. Employees in an industry are not 'economic men' so much as they are 'ego men'. What they want, above all else, is credit for work done, interesting tasks, appreciation, approval and congenial relations with their employers and fellow-workers. These satisfactions they want even more than high wages or job security."<sup>3</sup> Many of the workers inspired by monetary benefits whereas some of the workers are attracted towards non-monetary benefits. According to the National Commission on Labour, "wag incentives are extra financial motivation. They are designed to stimulate human effort by rewarding the persons,

over and above the time rated remuneration, for improvements in the present or targeted results.”<sup>4</sup>

### CLASSIFICATION OF INCENTIVE PLANS

Incentive schemes mainly comprises of two categories viz. direct and indirect compensation. Direct compensation scheme comprises of salary & wages to which a worker is entitled for overtime payment, paid holiday and performance based bonus etc. Indirect compensation includes pension/insurance scheme, pay in lieu of leaves or pay for time not put on work, etc. The indirect compensation is applicable to all workers without going in to the merit of performance. This will ensure retention of employees at work but it may not stimulate workers to put hard efforts in their performance.

It has been observed that such rewards may also be termed as intrinsic and extrinsic reward or incentive plans. Although, it may be appropriate to consider that payment or monetary benefits are important to motivate the worker to perform, but, sometime it may not be fair and just as the issue is considerably complex than simply accepting that only money is the main determinant for motivation. Scott has observed that “it is any formal and announced programme under which the income of an individual, a small group, a plant work force or all the employees of a firm are partially or wholly related to some measure of productivity output.”<sup>5</sup>

### RESEARCH METHODOLOGY

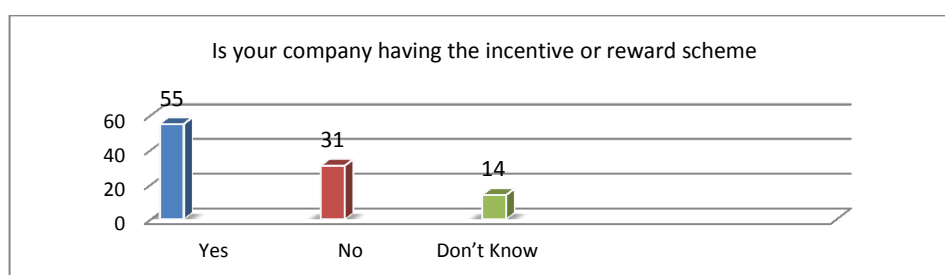
The data has been collected from the private organizations working in Delhi and nearby with the sample size of 100 workers. The employees are holding different posts in various organizations. The questionnaire comprising of five questions were distributed among the employees and based on the received response the result has been drawn. The journals and books on the incentives and reward scheme have been referred for the purpose of research as secondary data. The data is collected on the basis of Stratified random sampling. Simple frequency distribution analysis has been used in the research.

### DATA ANALYSIS

The responses received from the employees has been examined in ‘simple frequency distribution’ statistical tool and the accordingly the analysis is given below.

1. Is your company having the incentive or reward scheme.

Employees Perception	
Yes	55
No	31
Don't Know	14
Total	100

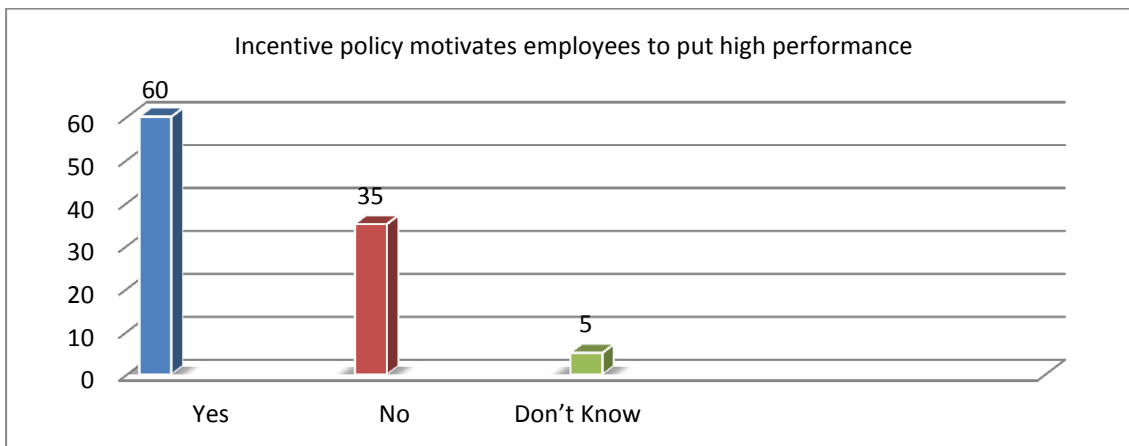


**INTERPRETATION**

From the analysis, it has been found that 55 and 31 employees are responded the question as “Yes” and “No” respectively. However, 14 employees responded as “Don’t Know”. While majority of the workers accepting that the reward policy existed in their respective company, it is a great concern that the 14 workers are not aware about the scheme. As an outcome, it has been found that respective HR managers should circulate the company’s policy among various stakeholders so that image of the company may also improve vis-a-viz workers may be inspired to perform better.

2. Incentive policy motivates employees to put high performance.

Employees Perception	
Yes	60
No	35
Don’t Know	05
Total	100

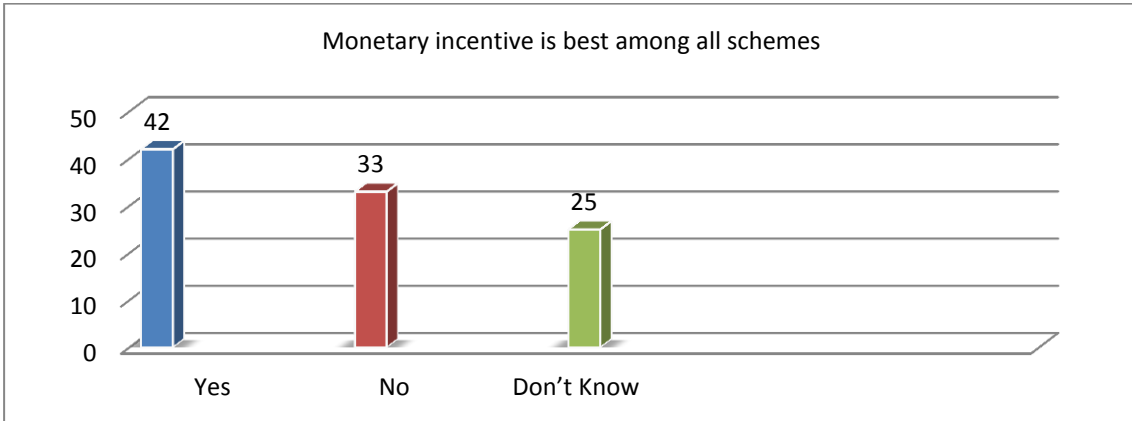


**INTERPRETATION**

It has been found that 60 and 35 workers are responded the question as “Yes” and “No” respectively. However, 05 employees responded as “Don’t Know”. Therefore, in general, it can be said that incentive or reward system motivates the employees to perform better. The better performance on the part of the employees benefited the company to achieve the business goals. It is to state that private organizations should come up some kind of incentive schemes so that the employees may attract towards the monetary and non-monetary incentives with the overall objective of the company growth.

3. Monetary incentive is best among all schemes.

Employees Perception	
Yes	42
No	33
Don’t Know	25
Total	100

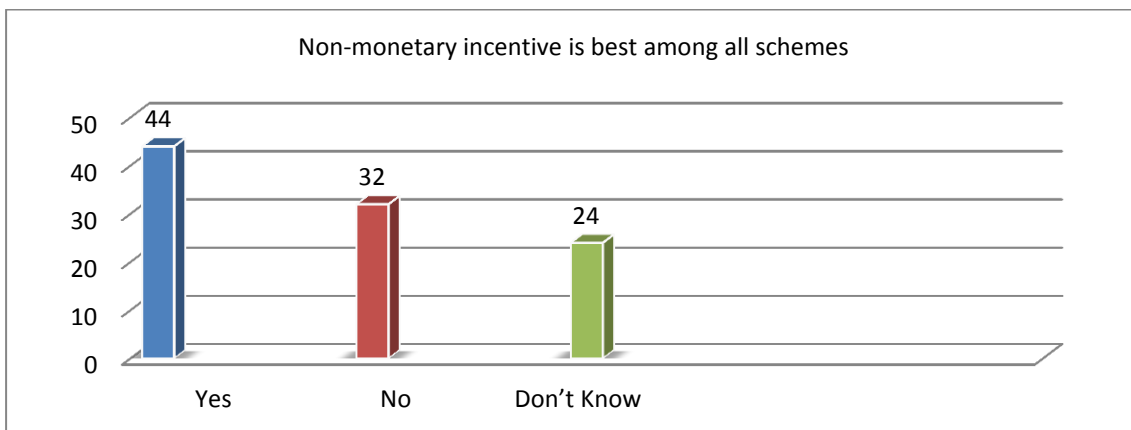


**INTERPRETATION**

It has been found that 42, 33 and 25 workers are responded the question as “Yes”, “No” and “Don’t Know” respectively. In general, the majority of the workers agreed with the question that monetary incentive is the best scheme but 33 employees did not agreed. The surprising factor was that 25 employees do not aware about the best incentive policy. Therefore, HR department of the private company’s may come up with the effective incentive policy and it may be more appropriate if the monetary and non-monetary benefits of incentive scheme may be informed to the workers. The growth of the company can be possible if all employees irrespective of their post held may be awarded about the incentive plans.

4. Non-monetary incentive is best among all schemes.

Employees Perception	
Yes	44
No	32
Don't Know	24
Total	100



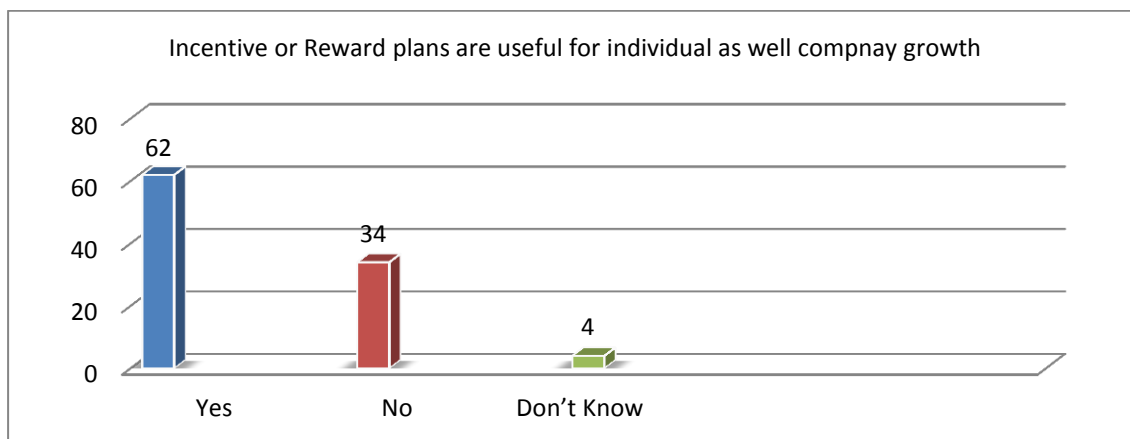
**INTERPRETATION**

From the analysis, it has been found that 44, 32 and 24 workers responded the question as “Yes”, “No” and “Don’t Know” respectively. Although, in general, the majority of the workers agreed with the statement that non-monetary incentive plan is best but 32 employees did not agreed. Moreover, just like in monetary plan, the 32 employees do not know about the scheme.

It is therefore suggested that HR department may circulate the company policy in an effective manner among all stakeholders irrespective of the post held by them in the company. This may be useful for achievement of the company targets.

5. Incentive or Reward plans are useful for the individual as well company growth.

Employees Perception	
Yes	62
No	34
Don't Know	04
Total	100



### INTERPRETATION

It has been found that 62 and 34 workers are responded the question as “Yes” and “No” respectively. However, 04 employees responded as “Don't Know”. In general, it is found that most of the employees agreed with the statement that incentive plans are useful for the company growth as well as for the growth of the individual employee. It is suggested that further attractive incentive scheme may be introduced in the organizations so that the employees and employers may got benefit of the scheme.

### CONCLUSION

Based on the data analysis, it has been found that incentive and rewards system is in place in their respective companies. However, it may be appropriate if the due benefits of the reward scheme may be circulated among all stakeholders. As the incentive plans motivates the employees to perform better therefore such high motivation reflects in the performance from which the company also benefited to achieve the targets.

It also revealed from the analysis that workers do not aware about the incentive schemes and difference between the monetary and non-monetary incentive plans. Thus, the HR department needs to chalk out a plan for effective circulation about the plan and its due benefits as it is an important area for the company as well to achieve the growth. Incentive scheme attract the employees and motivate them to perform better, therefore, it is suggested that further attractive incentive scheme may be introduced in the organizations so that the employees and employers may got benefit of this scheme



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