



Monetary Policy – Enhancing Employee Performance Through Monetary Incentives

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Abstract

To perceive the relationship between monetary incentive and employee performance.

It is observed that in the private companies, bonuses are fixed according to the employee's performance, however, hard work being intangible is not considered. Therefore, it can be deduced that monetary incentives are independent of the performance, since the bonus and allowances are fixed according to a specific performance parameter. Moreover, the failure of a company's promise to release the bonus on time also leads to dissatisfaction and demotivation among its employees.

On the other hand, collective performance of the companies may be made a parameter to offer such performance bonus to all level of employees, thereby, stimulating employees to perform more efficiently and proactively. This study will help comprehend how effective monetary incentives are imperative to employee satisfaction and alleviating the attrition rate in the company.

KEYWORDS :

Bonus, performance, incentive, employees, attrition rate, innovation, consultation and participation, organizational hierarchies, ESOP, recognition, rewards, Commissions,

AIM OF STUDY :

Attrition rates in the companies have substantially increased in the recent past, as skilled people have more and more opportunities in growing industrial and economic sectors. Employees leaving quickly from an organization creates a void for some time in that company as it is a great task for HR department to train the new comer every time for a specified job. Many companies have adopted drives to reduce this attrition rate by offering deserving employees the monetary incentives in one or the other form. Bonus, commission, ESOP's, rewards are some of such measures adopted by all the companies to make their employees motivated and remain within the organization with fruitful result oriented performance. This study aims at such inherited benefits of monetary incentives prevalent in an industrial and commercial sector for enhanced employee satisfaction and in turn, enhanced output of the company.

REVIEW OF LITERATURE :

1. Renowned Websites

- <https://www.pelagohealth.com/resources/hr-glossary/incentive-pay/>
- <https://ebooks.inflibnet.ac.in/mgmt01/chapter/types-of-incentives-system/>
- <https://www.indeed.com/hire/c/info/types-of-incentive-pay>

2. Books and periodicals

- The Factories Act 1948 (with MP CG Factories Rules 1962), R.N.Vyas, India Publishing Co. Second Edition, 2011
- Directory of R&D Institutions 2021

- G.S.Upadhyay; Strategy for Metallurgical Manpower Management in Indian Industries; Consulting Ahead:Vol.3, Issue 1, p.37

MAIN TEXT

SIGNIFICANCE OF MONETARY INCENTIVES

- It is an effective method of rewarding all level of employees in a collective manner without any organizational hierarchy so that everyone shall have an attitude of ownership within the organization, if the performance or growth rate achieved by an organization is at par.
- It is an effective tool to improve organisation's overall performance as employees are motivated to have a share on the company's profit. It's a sort of profit sharing against positive results in the end of the year.
- Monetary incentives results in quality talent as such result oriented people shall help in achieving the targets through innovation, consultation and participation with the team. In turn, they will come out with more number of employees got skilled in the job they are performing on day-to-day basis through such participation.
- Employees are motivated to move a step ahead themselves and they may come out with Kaizens, improvements and corrective actions within the system due to effective engagement.
- It helps in controlling the attrition rate of employees, retention rate of employees shall increase due to enhanced employee satisfaction.

FORMS OF MONETARY INCENTIVES

ESOPS : ESOPs as a part of compensation strategy, not only help in creating wealth for employees but also, ensure that employees' objectives are aligned with the company's vision. Following are the key features of ESOPs :

- ESOPs are given at a discounted rate to employees and are a part of the employee's CTC structure.
- Employers can give ESOPs to all employees or selective ones depending on the recruitment strategy. Many companies now-a-days give ESOPs to all the employees without any organizational hierarchies.
- In some cases, ESOPs can be exercised in instalments over a specified period of time parallel to the growth rate.
- Employees are not bound to exercise their ESOPs.
- Stocks will dilute if an employee leaves the company during the vesting period. This will enhance employee's retention within the organization to avail full benefits of ESOP's earned during their employment.

REWARDS : Rewards and recognition are important tools that can be used to motivate employees and improve their performance. Rewards can include things such as bonuses, raises, or special privileges, while recognition can come in the form of words of appreciation or appreciation awards. First part of rewards (bonus, raise etc) comes within the purview of monetary incentive, which helps in moral boost-up of employees to a substantial extent. Rewards in terms of monetary incentives may include foreign tours, gifts, cash or any other material thing, which employee's representatives may decide.

Employee rewards and recognition have become a critical component of every successful business in today's date. Its unique way of adding value to your employees' achievements is what made it popular. And HR leaders are trying their best to leverage it further through new rewards and recognition ideas.

The concept of giving out accolades and rewards has been there for ages. When an individual is acknowledged for their good deed, they feel elated. This inspires them to keep getting better and binds them to greater goals.

Researches shows that the positive effects of recognition and rewards are many. And it's becoming an integral part of the company culture of various organizations.

COMMISSIONS : A commission is a sum of money paid to an employee upon completion of a task, usually selling a certain amount of goods or services. Employers sometimes use sales commissions as incentives to increase worker productivity. A commission may be paid in addition to a salary or instead of a salary. E.g. 2% of basic premium value is paid by respective company to financial consultant on sale of mutual fund to an investor. Or, an employee gets an overriding commission during Diwali time on sale of an apartment or a car to aspiring customers through exclusive efforts made by him/her. Commissions are quite vital in network marketing business, as the agents downline gets the commission even on adding up new members in the network.

Ethical and legal commissions are also termed as professional fee sometimes, although this term is used mostly for consultants engaged in provision of some services through their own skills.

Commission is a type of variable pay typically based on sales volume or the number of new customers acquired.

WAGE INCENTIVES & BONUS : Incentive pay is a system of rewards that is used to improve employee performance. The most common type of incentive pay is a bonus, which is a payment that is made in addition to the employee's regular pay. Bonuses are usually given to employees who meet or exceed specific performance goals.



This fast growth improved investment market, and rela

effective solutions, India continues to attract employees with better skills who are capable to perform in a result-oriented manner. As the industry evolves, firms are well-positioned to drive innovation, deliver value, and shape the future of businesses across sectors.

es is largely attributable to big players into the Indian diverse expertise, and cost-

WHEN DOES INCENTIVE PAY WORK BEST

Incentive pay can work in several ways. An important consideration is the kind of work that needs to be done to accomplish the desired result. For instance, a company may want to introduce a commission-based incentive pay program to motivate employees to achieve higher sales numbers.

If the work is complex or requires special skills, performance incentive pay may be more effective in motivating employees than a standard salary. However, it is important to ensure that the goals are realistic and the payout is worth the expense.

An employee may be offered a diverse range of incentives in the workplace, which can be monetary or non-monetary. Both can be beneficial on their own, depending on the incentive plan. Although monetary incentives provide a short-term boost to employees' motivation and recruitment, non-monetary incentives primarily let a company's culture shine.

CONCLUSION

There is no doubt that the business organizations in India are making its mark and achieving new records all across the world. The need of the hour is to make an action plan to exploit the tremendous potential available for growth of the existing market. Employees pays an important role in achieving a company's targets and objectives in long run. There are many instances, when company's having huge resources are failed due to poor employee management. Employee dissatisfaction results in negative outputs, prolonged services, monetary losses and loss of customers which directly hampers a business. Simultaneously, an organization is required to be ready to embrace digital transformation and explore new growth areas. Organizations are required to nurture by embracing innovation, nurturing talent, improving the quality of output (product or service), and enhancing deliverable skills.

Monetary incentives plays an important role in such a scenario where manpower development has become a vital requirement of an organization. Hence monetary incentives with structured calculations may result in lower attrition rates, higher employee retention and enhanced output.

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