

1 (2018)

<b>10.</b>		<p><b>Distinguish between Induction training and staff development.</b></p> <p>Induction <b>training</b> is necessary for <b>all new employees</b> joining a business. It familiarises new employees with the business, its employees, its culture and its systems and procedures/It demonstrates to new employees the requirements of every day <b>technical operations/work skills</b> in the business/aim is to make employees fully productive as soon as possible.</p> <p>Staff Development is a long term approach taken with <b>existing employees</b> to encourage them to take on new challenges and to realise their full potential /focus is on <b>career development/ professional development</b> less job specific than induction training/ <b>brings all employees to a higher level in terms of their general skills</b> of leadership, and communication.</p>	<p>10 (3+3) + (2+2)</p>
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2 (2003)

|            4            |    4 + 6 marks            |

**4 Empowerment of Workers**

The empowerment of workers means placing real power, which includes decision-making and full responsibility, in the hands of those workers where it is most effective, i.e. as close as possible to the customer. Empowerment means that managers who are not close to the customers give up control to those closest. Decision-making and control is in the hands of workers who use their skills in the interests of the organisation.

Empowerment helps a business to:

- Greatly improve the service to customers.
- Give the worker the opportunity to improve existing skills and acquire new skills.
- Improve staff motivation because empowerment allows them to influence business outcomes and a sense of achievement is experienced.
- Improve morale and reduce stress. Workers have control over how they work.
- Make the workings of the organisation more effective because workers work using their own initiative and without regularly seeking permission from managers.
- Cope and react well to a constantly changing business environment.

3 (2002)

**8. Performance Appraisal**

The design and development of appraisal systems (to judge the quality of) i.e. putting a value on employee performance, is now a central function of HRM. Most organisations relate reward i.e. salary scales and bonuses, to how the employee performs in the organisation.

6	(A)	<p><b>Person Specification</b></p> <ul style="list-style-type: none"> <li>• Sets out the professional qualifications, experience and key characteristics and skills required by the successful candidate.</li> <li>• Allows the business to define the kind of person required and helps in the writing of an accurate job advertisement.</li> <li>• It determines how important qualifications and skills are for the successful candidate.</li> <li>• The person specification allows the HR department to compare evidence from each applicant against the requirements of the job.</li> <li>• With requirements stated in the person specification the recruitment and selection process is free from bias and the HR department is most likely to get the best candidate for Area Manager.</li> </ul> <p><b>Examples:</b> Area managers would require detailed knowledge of retail trade/an ability to meet deadlines/ability to work under pressure/at least three years' experience of leading sales teams.</p> <p><b>Job Description</b></p> <p>A job description relates directly to the nature of the position itself, rather than the person required to fit it.</p> <ul style="list-style-type: none"> <li>• Main duties, tasks and responsibilities involved in the job</li> <li>• Job title</li> <li>• Where the job fits in the overall organisation structure</li> <li>• Who the Area Manager reports to</li> <li>• The salary</li> <li>• Employees for whom the job holder/Manager is responsible to</li> <li>• The expectations (targets to be achieved).</li> </ul> <p>Both the Person Specification and the Job Description form the basis of the job advertisement and subsequently the interview questions.</p>	2@7(5+2)
		<p><b>Panel Interview</b></p> <p>A selection technique used to choose the candidate who most closely matches the criteria set out in the person specification. The candidate is interviewed by a group of interviewers who meet the candidate in order to reduce the effect of a single interviewer's personal bias.</p> <ul style="list-style-type: none"> <li>• To avoid gender balance</li> <li>• To distribute questions across the panel</li> <li>• To determine the candidate fits with the corporate culture.</li> </ul>	+2m for reference to 'Area Manager'
			1@4 (Panel interview)

6 (B)

### Democratic

#### Characteristics:

- The leader **shares decision making** with subordinates.
- They **listen** to the views of employees /collaborative/**keep employees informed** of changes so they feel part of the retail outlet.
- Leadership generates a **sense of belonging** but is still centrally controlled by the manager.
- **Teamwork**-fosters an atmosphere that values information sharing/greater openness.
- Requires **trust** between manager and employees.

#### Reasons:

- Employee have **some freedom to show innovation**/greater flexibility/greater empowerment.
- Provides **feedback** to employees on their relationship with customers/appreciation of their efforts.
- **Employee will mirror the behaviour of the manager** with customers.
- Employees will sell from a **position of confidence** as they are allowed to grow personally while they help grow the retail business.

Leadership style 3m

2@7(4+3)

+3m for reference to retail outlet

## **Autocratic**

### Characteristics:

- The leader gives instructions to subordinates.
- Decision making is not shared/no consultation.
- Little room for employee innovation.

### Reasons:

- Tasks are completed efficiently /may be suitable in high volume stores/fast paced retail outlet where staff are told what to do without question.

## **Free reign/Laissez-faire**

### Characteristics:

- Very highly skilled employees/experts (such as middle managers).
- This involves allowing subordinates to set their own goals and achieve them without interference of management.
- Requires employees who are very engaged with their work.

### Reasons:

- Little supervision from management/staff make their own decision.
- Management have more time to dedicate to strategic issues.

6	Calculation				20 marks	
Question	Detail:	€	€	€	Marks subtotal:	
	Gross Salary			55,000		
	Voucher			5,000		
	<b>Taxable Income</b>			<b>60,000 ②</b>	<b>(2 marks)</b>	
(i)	<b>Pay As You Earn</b>				<u>P.A.Y.E.</u>	
	<b>34,550 x 0.20</b>	6,910 ③				
	<b>25,450 ① x 0.40</b>	<u>10,180 ①</u>	<u>17,090 ①</u>			
	Tax Credits					
	PAYE	1650				
	Single Person	1650				
	Dependent Relative	70	(3370) ①			
	<b>PAYE Ben has to Pay</b>			<u>13,720 ①</u>		<b>(8 marks)</b>
	(ii)	<b>Universal Social Charge</b>				
12,012 x 0.005		60.06 ③				
7,360 x 0.02		147.20 ①				
40,628 ① x 0.0475		<u>1929.83 ①</u>				
<b>USC</b>				<u>2,137.09 ①</u>	<b>(7 marks)</b>	
(iii)	<b>Pay Related Social Insurance</b>				<u>P.R.S.I.</u>	
	60,000 x 0.04	2,400 ①				
	<b>PRSI</b>			2,400		<b>(1 mark)</b>
(iv)	Net Annual Take home pay				<u>Annual Net Pay.</u>	
	Gross Pay			55,000		
	PAYE		13,720			
	USC		2137.09			
	PRSI		2,400	(18257.09)		
	<b>Net Annual Take home Pay</b>			<b>36,742.91 ②</b>		<b>(2 marks)</b>
Own Figures highlighted above		<b>NOTE:</b>	<b>41,742.91 ① only other figure accepted</b>			

5 (2015)

	Rewards/Monetary and Non Monetary: It may be used in determining pay increases for employees and other awards such as share option schemes, benefits in kind etc.
	Motivation/Job satisfaction: Performance appraisal is important for staff motivation, communicating and fostering a positive relationship between management and staff/ ensures high performance standards/working to full potential/ happy in the job.
	Industrial relations: Potential conflicts in the workplace may be highlighted through performance appraisals. This enables the business to help address and solve problems/issues between management & employees and helps improve industrial relations in the workplace/clarifications provided.

Training and development: The performance appraisal interview can identify training and career development needs for employees and provide appropriate training/ Can evaluate the effectiveness of training programmes already provided.

Feedback: It provides an opportunity for employees to give and receive feedback, which may improve the employee's job satisfaction/motivation.

Evaluate the performance of management and employees: The goals set the previous year and the employee's achievements during the year are discussed and reviewed/ problem areas identified. Priorities and goals are set by mutual consent for the following year providing clarity for the employee/ Two-way communication/ the employees are appraised on their own performance.

Promotional path/Recognition: It identifies hidden strengths in employees which can be used and recognised/ achievements are recognised through promotion/helps promotion decisions.

5	A	<p>Outline the stages in a ‘recruitment and selection’ process, using the following headings:</p> <ol style="list-style-type: none"> <li>i. Internal and External Recruitment;</li> <li>ii. Job Description and Person Specification;</li> <li>iii. Job Interview.</li> </ol> <p><b>i Internal and External Recruitment:</b></p> <p><u>Internal recruitment</u>  The employee is familiar with the culture, policies and work practices of the firm. Training and advertising costs are decreased. Motivation within the workplace improves as employees recognise that opportunities will occur as vacancies higher up the chain of command become available. No “new blood”, no new thinking. The best person for the job may not be the internal appointment. Promotion from within can have a negative effect on levels of co-operation between employees.</p> <p><u>External recruitment</u>  Fresh new perspective brought to the business by the external appointee. The new employee may have skills and experience that may be required by the business but is not present among existing staff. Training costs avoided as the external appointee may already have the skill set required. Links with colleges of education which provide staff with expertise to meet business needs.</p> <p><b>ii Job Description</b>  A job description sets out the purpose of a job, where the job fits into the organisation structure, the main accountabilities and responsibilities of the job and the key tasks to be performed. The job description defines where the job is positioned in the organisation structure and who reports to whom. It provides essential information to potential recruits and it creates the information necessary for recruiting the right kind of person to do the job.</p> <p><b>Person Specification</b>  A person specification sets out the kind of qualifications, skills, experience and personal attributes a successful candidate should possess. It refers to the person rather than the post and is useful in comparing and assessing the suitability of job applicants.</p> <p><b>iii Job Interview</b>  The job interview is used to determine whether the candidate and the job complement each other. A job interview is a process in which a potential employee is evaluated by an employer for prospective employment in the company. The process attempts to determine the candidate’s ability to do the job, get along with other employees, work in teams and contribute to the business in an innovative and effective manner. Interviews generally take the form of interview panels where a number of interviewers interview one candidate.</p>	25
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(A) Calculate Audrey Stapleton's net **monthly** take-home pay.

### Tax Computation for Audrey Stapleton

	€	€	€
Gross Salary			78,000
Add Benefit in kind			<u>2,000</u>
<u>Gross Income</u>			<u>80,000 (2m)</u>
<u>PAYE Tax payable calculation</u>			
€32,800 @ 20%		6,560 (1m)	
€47,200 @ 41% (1m)		<u>19,352 (1m) OF</u>	
Gross PAYE Tax		25,912 (1m) OF	
Less Tax credits			
Single Person	1,650 (1m)		
PAYE	1,650 (1m)		
Rent	<u>320 (1m)</u>		
	3,620	<u>(3,620)</u>	
<u>(A) Net Tax Payable</u>		22,292 (1m) OF	
<u>(B) Employee's PRSI</u>			
€80,000 @ 4%		3,200 (2m)	
<u>(C) Universal Social Charge (USC)</u>			
€10,036 @ 2%	200.72 (1m)		
€5,980 @ 4%	239.20 (1m)		
Balance of €63,984 @ 7% (1m)	<u>4,478.88 (1m) OF</u>	<u>4,918.80 (1m) OF</u>	
<u>Total Statutory Deductions</u>			
<u>(A+B+C)</u>			<u>(30,410.80)</u>
<u>Net Income (Take-home Pay) p.a.</u>			
(€78,000 - €30,410.80)			47,589.20
<u>Net Income (Take-home Pay) p.m.</u>	<u>(47,589.20 ÷ 12) (2m)</u>		<u>3,965.77 (1m)</u>
			<u>OF = Own Figure</u>

**(B) Explain the different types of financial and non-financial rewards for employees in a business.**

***Financial rewards:***

**Time Rate:**

With time rate, payments of a fixed amount per hour for a fixed number of hours per week are made to employees.

If the employee works more than the fixed number of hours overtime is paid at different rates above the minimum e.g. time and a half or double time.

**Piece Rate:**

This relates the payment given to employees for each unit produced or job completed. The more units produced, the more the employee earns.

**Bonus:**

A bonus is a sum of money paid to employees for reaching a certain target, e.g. for producing units above an agreed limit.

**Commission:**

This is a type of financial reward where payment is made according to value of the amount sold, e.g. payments to a sales person (10%) in proportion to the level of sales achieved. It has the advantage of directly encouraging sales.

**Profit-sharing schemes:**

This is a scheme where some of the organisation's profits are paid to employees on an agreed basis. The scheme is administered and profits are paid to employees to motivate them to become more productive.

**Employee Share Ownership Scheme:**

Shares in the organisation may be given to employees instead of cash bonuses, maintaining employee interest in the job.

Share option schemes give employees an option to buy shares in a company at a specified price sometime in the future.

***Non-financial Rewards***

**Benefit-in-kind:**

This is also known as a perk or a fringe benefit. It takes the form of goods or a service given to employees rather than money. Benefits-in-kind are often used to raise the status of a position in a firm and to boost morale.

Examples include meal vouchers, company cars and health insurance.

(NOTE: Benefit-in-kind can be considered financial or non-financial depending on whether it is taxable or not).

**Promotion:**

Movement to a more responsible senior level in the organisation. While this will also carry a higher wage it is often the job title, bigger office or the availability of a personal assistant that is the real reward as per Maslow's self-esteem needs.

Job Satisfaction/Job enrichment/Job enlargement:

Employees are rewarded because the job satisfies their social needs (teamwork) and self-actualisation needs (opportunity to do further study). The nature of the work (vocation) and the opportunities it presents (travel) reward the employee e.g. a volunteer with a third world relief agency or charity.

Flexitime:

This allows employees the freedom to choose their own work hours within an agreed time frame e.g. workers may have to be in the workplace between 10am and 1pm only. This allows employees to work from home and organise for example their childcare arrangements more efficiently.

Job sharing:

This involves employees sharing a position e.g. two employees have a job split between them. This is a flexible approach to employment and recognises that employees may wish to prioritise leisure time over work time.

**(C) (i) Outline two reasons why a household should prepare a cash flow forecast.**

- It helps the household manage its cash flow and **live within its means**. It acts as a **control mechanism** that can be used to measure actual cash flow against planned cash flow encouraging households **to plan their finances sensibly** and live within their means. Means of controlling personal debt.
- It helps a household identify periods of time in the future when the household will have an excess of expenditure over income i.e. a deficit and the **take corrective action to deal with the cash shortfall**.
- It helps a household identify periods of time in the future when the household will have a surplus of income over expenditure. The household can then make **plans** to place these surplus funds on deposit with a financial institution.

**(ii) Illustrate how a household can overcome cash flow problems.**

- The household could decrease its cash outflows by **targeting (discretionary) expenditure** and reducing its spending on for example, entertainment and holidays.
- The household could attempt to increase its cash inflows by **increasing the income levels of family members**. This may involve a non-working family member returning to work. It might involve doing overtime to earn extra income or even getting a second job.
- The household could **arrange a bank overdraft facility** with its bank to finance problem months where the household is running a deficit. The overdraft facility provides extra flexibility for the household when it needs it most. However, care should be taken because the rate of interest charged on a bank overdraft is high.

- The household could **spread once- off annual expenditure** over a six month or twelve month period. House insurance, health insurance and motor insurance can be paid for on a monthly schedule. In addition utility services can be managed in the context of a budget plan which evens out the seasonal highs and lows of the electricity or gas account.
- **Delaying the payment of bills** (accrued expenses) is an option. By delaying the bill payment money is available for other uses such as reducing a deficit. However, this option is risky for a household because failure to pay can result in loss of service if not managed correctly.
- **Seeking advice** from Local Credit Union/MABS- a household could try to renegotiate loan terms e.g. write down of loan repayments.

8 (2012)

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### Benefits

- Decision-making and control is in the hands of employees who use their greater skills and knowledge for the benefit of the business/decisions made quicker.
- Employees become more responsive to the needs of customers/come up with ideas to solve issues/more satisfied customers.
- Employees more motivated/job satisfaction/valued/improved morale/loyal.
- Employees are better prepared for promotion/better trained.
- Management can focus on strategic planning.

### Risks

- If empowerment is introduced without adequate training for employees then mistakes can be made.
- Employees may be unhappy with the extra responsibility and/or lack of training and their stress levels may increase. This can cause de-motivation among employees.
- The lack of control and day-to-day supervision may encourage some empowered employees to take unnecessary risks, leading to bad decision making.
- Empowerment means management are handing over control, responsibility and power to subordinates. Some managers may be cautious of this reallocation of power and loss of control. This can lead to conflict between themselves and employees.

**Performance appraisal** is reviewing the performance of the employees in business.

It is usually carried out by the Human Resource Manager to judge/assess/evaluate the employee.

The Human Resource Manager forms a judgement on a person's work by reviewing the quality of the work, the progress the person has made or the capability of the person.

An interview/discussion may take place between the employee and HRM to discuss goal setting targets, expectations, problems employees may be encountering or resources needed in order to achieve targets.

**(ii) Outline the benefits of performance appraisal for a business.**

**Benefits for a business.**

**Opportunity to review rewards (benefits structures):** It may be used in determining pay increases or promotion. It can help a business to review & reduce the costs of reward and benefits packages such as pension schemes.

**Increased productivity:** Performance appraisals are important for staff motivation, attitude and behaviour development, communicating and fostering a positive relationship between management and staff. This leads to greater productivity from employees.

**Overtime Costs** may be reduced through increased productivity during normal time. Overlaps between departments can be highlighted which will cut down on the duplication of work.

**Retain the right staff/ identify poorly performing staff:** helps a business identify top talent and ensures that these employees are retained and guided towards reaching the businesses plans and objectives.

A business can identify employees who are not reaching their potential. Restructuring of the business may occur to remove surplus layers of management i.e. **delaying**.

**Industrial relations:** conflicts in the workplace may be highlighted through performance appraisals. This enables the business to help solve problems between management & employees and helps improve industrial relations in the workplace. It may improve loyalty to the organisation if positive rewards are given.

**Hidden strengths/delegation:** performance appraisals identify unused hidden strengths which can be used, for the good of the business. This can be achieved by developing individual skills and thus improving the overall performance of the business. It can be used to assess employees' potential for promotion.

**Delegation:** managers can decide to delegate tasks to certain employees who are performing well in the business. This will relieve pressure on managers.

**Selection and Training:** it helps a business decide if too much or too little training is being delivered in various departments of the business. e.g. they may need to reduce training in some departments that have a high staff turnover and thereby reduce business costs.

**Planning:** it makes it easier for managers to plan financially and brings stability to planning, as business costs such as wages can be accurately forecasted/predicted.

**Question 6. (Business in Action)**

- A. Functions of human resource manager 5 at 5 marks (2 + 3). (Total 25 marks)
- B. Teamwork benefits 4 at 5 marks (2 + 3). (Total 20 marks)
- C. Methods of reward 5 at 3 marks. (Total 15 marks)

## QUESTION 6

### (A) Key Functions of HRM

- Manpower planning

Manpower planning involves examining the human resource needs of the organisation and ensuring that they are met. An audit of existing employee skills and expertise may be conducted. Plans for the future are laid and employee development programmes designed.

- Recruitment and Selection of Employees

Personnel in an organisation change for many reasons, e.g. retirements, transfers, illness, resignations, promotions, maternity leave, etc. For this reason the HR specialist must maintain a supply of personnel to meet all requirements.

- Training and Development

As organisations and people change over time, all personnel must be ready to meet the challenges of changes in the market place, among competitors, in the law and in technology applications and products. Personnel are helped in this area with programmes of training and development.

- Performance Appraisal and Review

Most organisations now relate reward, i.e. salary scales and bonuses, to how the employee performs in the organisation. The design and development of appraisal systems is now a central function of HRM, i.e. putting a value on employee performance.

- Industrial Relations

Industrial relations are the relations existing between employers and employees on such matters as pay and conditions of employment. Negotiations must take place between the parties, not only on pay, but also on complaints, grievance and disciplinary procedures and on issues like redundancy, early retirement and dismissal.

- Employee Health, Safety and Welfare

The implementation of the various health and safety regulations in the workplace together with interest in, and support for, the social and recreational needs of employees, e.g. sport and social clubs, has a very positive effect on employee morale.

- Pensions Administration

The Human Resources Manager will be the contact through which pensions will be arranged.

- Monitoring General Employment Conditions

Since the main asset of all organisations is its workforce, particular care will be paid to maintaining the attractiveness of working for the organisation. Care will be taken to reduce the risk of key personnel leaving and avoiding high labour turnover difficulties in general. If the market rate of pay is not offered, then new, talented employees will not work for the organisation, they will leave and work for other organisations.

### (B) Benefits of Team work

- To be successful in most things, an individual usually possesses some of the enterprise skills such as innovation, determination, perseverance, goal-setting, risk assessment, human relations skills, etc. Most things are only achieved with the help of others as part of a team. Being able to work as part of a team of people in the pursuit of goals, coupled with the individual skills, is the mixture necessary for success.
- Individuals wish to feel a part of the organisation but this is made difficult by the large size of the organisation. Smaller groups are formed within the larger organisation to which the individual can belong. People can satisfy the need for belonging by contributing in some way to the smaller group, the team.
- Teams are formed because the members have shared objectives, e.g. apprentices or trainees.
- Teams are attractive, e.g. working abroad, social or sporting skills.

- Morale is described as the feelings, attitudes or psychological state of mind of an individual or group of individuals. It is the quality of the feeling of belonging and of confidence that exists in a team or group.  
Morale is a collective feeling of dependability and strength of purpose experienced by the employees who are members of a team. These feelings and attitudes can, of course, be either good or bad.
- Morale is high when the team is working towards a common objective or interest and the objective or interest is also that of the individual.  
If the spirit of the team is high, it will encourage all members to work hard to achieve the team goal. Morale is low, however, when team members are more interested in personal goals than team goals and the two are not the same. Teams and individuals in teams blame each other for mistakes and relationships of trust go bad.
- Open communications encourage team effort. Each side can appreciate the other's difficulty and understand the interrelationships between the parts of the organisation.
- All conflicts are worked out through discussion and collaboration. Voting is not common and difficult issues will be given time in the interests of consensus.
- Employees enjoy their work more when part of a team structure. Being in the team is a pleasurable experience for the members, they enjoy it.  
The team periodically reviews its own performance by asking questions like; Where did we go wrong? How can we improve this? Didn't we do well there?
- Teams satisfy social needs in individuals. (see Maslow's theory of motivation. The security of the team protects against being ignored or rejected.
- Team goals and individual goals are shared. What is good for the team is good for the member of the team.
- Teams support and help their members at difficult times. Relationships, friendships and feedback are all developed by the team.
- All members share the responsibility for the successes and failures of the team. The members are willing to see praise and recognition go to the team rather than the individual.

### **(C)Methods of Reward**

- **The Time Rate**  
With a time rate, payments are made of a fixed amount per hour, e.g. £7 per hour, for a fixed number of hours per week, e.g. 40 hours. If the employee works more than the fixed number of hours, overtime is paid at different rates above the minimum, e.g. time and a half or double time.  
The system is easy and cheap to operate and is used a lot where the amount of work performed is outside the control of the employee, e.g. office work and assembly lines.
- **Piece Rate**  
Piece rate relates the payment to the number of units produced or jobs completed, the more units produced, the more is earned. There is no security in the system for employees and in an effort to add security but keep the incentive element, the time and piece rate methods are sometimes combined. A productivity incentive is offered

to employees who produce above an agreed amount (quota) while the time rate applies up to the quota (the security element).

➤ Fringe Benefits

Fringe benefits would include 'benefits in kind' (BIK) given to employees in the form of goods or services rather than money. Benefits in kind may be more valuable to the employee than cash payments but there may be tax implications involved. Benefits in kind are used to improve morale and raise the status of the job in the organisation. Monetary examples include profit-sharing schemes, sick pay entitlements, pension schemes, payments made in cash, etc. and non-monetary examples include meal/lunch vouchers, company cars, children's education, benefits, social facilities, sports and welfare facilities or memberships or payments in kind eg. gifts, holidays

➤ Profit-Related Pay

Profit-related pay is an overall scheme where some of the organisation's profit is paid to employees on an agreed basis, e.g. position held. It is paid to motivate the employees to increase the profit by reducing costs and/or increasing output and thus their own earnings. The method helps in the development of group co-operation. The difficulty with profit-related pay is that the profit is not always dependent on the effort of the employees: market conditions are significant. Blaming the employees will de-motivate them and the payments are far removed from the actual work and difficult to calculate in advance.

➤ Employee Share Ownership Scheme

Shares in the business may be given to employees instead of cash bonuses or wages. Many companies have adopted these schemes and they have proven to be a good method of motivating employees, maintaining employee interest in the job and improving organisational communications. There are tax concessions for the schemes.

➤ Bonus

A bonus is a sum of money paid to employees for an agreed task, e.g. for producing units above an agreed limit. The bonus can be paid to both individual employees and groups of employees. The relationship between the payment of the bonus and the effort on behalf of the employee must be close. For a bonus to act as an incentive, it must be agreed and be understandable and fair. It may lose its incentive effect if it becomes an expected part of normal pay.

➤ Commission

Commission is a type of piece rate where payment is made according to value of the amount sold, e.g. payments to a sales person (10%) in proportion to the level of sales achieved. It has the major advantage of directly encouraging sales. It may also be paid to an agent for some service rendered, e.g. the payment to an estate agent for selling property. There is usually little financial risk for the employer or principal because the payment will only be made after the sale. There is little

security for the salesperson in this method so many salespersons receive a basic salary and commission is paid on top of this.

➤ Promotion

