An incentive scheme is a plan to motivate individual or group performance. An incentive scheme basically involves monetary rewards, i.e., incentive pay but also includes non-monetary rewards. Incentives are variable rewards granted according to level of achievement of specific results. Incentives are payment for performance or payment by results.

In other words, an incentive plan must include in its purview the characteristics of time-based and output-based systems of wage payment.

Many people who confuse Profit Sharing and Gain sharing view them as being one in the same. I find that many companies that install a Profit Sharing have selected the wrong tool and quickly become disappointed that they have been unable to foster a change in behaviors and to drive organization performance. The purpose of this chapter is to explain the similarities in Profit Sharing and Gain sharing, their differences, the primary purpose for both system, and why Gain sharing is often the better tool. The chapter begins with a fairy tail about a farmer's well founded intension gone a rare. The story may be familiar to some and may proof to be insightful to others.

Incentive Plans: Meaning, Concept, Features, Objectives, Pre-Requisites, Requisites and Other Details

Many companies have come out with compensation programme that offer additional benefit based on individual, group or organisational performance. They want every individual to think of performance to succeed in a competitive business environment. Every employee has to work hard, deliver results on a daily basis.

kinds of gain sharing plans.

The greater your employees' financial and emotional stake in your company's success, the better their work will be. Paying a simple, straightforward wage only rewards workers for showing up, clocking in and doing the bare minimum necessary to keep a job. Gain sharing plans offer an alternative to straightforward pay structures that neither motivate nor inspire. Quality Digest explains that these plans are powerful tools that tie employee earnings to performance and output. You can use a classic traditional approach to gain sharing or you can devise your own plan, tailored to your company's unique challenges and performance metrics.

The Scanlon Plan

The Scanlon plan was the first gain sharing plan to be widely used. It ties extra earnings to the ratio of labor cost relative to production value. The greater the amount workers produce relative to the hourly wage they receive, the higher the extra compensation they'll earn.

The Rucker Plan

While the Scanlon plan primarily measures productivity in terms of quantity of output, the Rucker plan shifts focus to evaluations of quality. This approach is based on the idea that in some industries, productivity really doesn't very much, but other variables can provide meaningful data about how well employees are performing.

Improshare Plans

An Improshare plan is similar to a Scanlon plan in that it rewards production efficiency. Unlike a Scanlon plan, however, the Improshare approach measures the number of production hours rather than the cost of labor. Performance measures according to a Scanlon plan will vary relative to whether the work has been performed by high-wage or low-wage employees because they measure total payroll cost, which is higher when the work is done by employees who receive higher hourly pay.