Interloop®

ISSUE 22• DECEMBER 2022

KNOWLEDGE LETTER



TOTAL REWARDS SERIES: SHORT TERM INCENTIVES

INSIGHTS

If done properly, giving staff annual, quarterly, or in some circumstances, even monthly short-term incentives can be a terrific approach to increase retention and engagement. The fact that there are so many various types of short-term incentive plans means that businesses can pick the one that best suits their needs.

Finding the best short-term pay-for-performance plans can be challenging, particularly if your organization is just starting to offer them. In this article, we'll examine in detail various common measurement techniques and metrics that could be useful in determining rewards. As long as they are working together as a team, employees will be more willing to contribute to larger goals with the correct compensation.

KNOWLEDGE LETTER

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RESOURCES POOL TO GET YOU STARTED!

1. BONUSES: SHORT TERM INCENTIVES

A bonus should be paid only when its payment meets some need within the company; where its payment will enhance value or prevent the destruction of value in the company.

3 types of bonuses:

- Profit share: Only when profits are available, this gets dispensed
- Reward: Disposed of in the case of an individual or multiple achievements
- Incentive: Certain actions for which they are remitted.

Based on clear strategic targets, short-term bonuses should be planned.

2. SHORT TERM INCENTIVE PLAN OR STIP

Companies typically offer **annual incentive opportunities** by adding a certain percentage to their employee's salaries.

Advantages of STIP:

- Companies can attach their employee's compensations to profits
- Short-term incentive plans give workers an opportunity to share the organization's success
- They allow you to focus on particular results and outcomes
- STIPs could significantly improve an employee's performance

3. SHORT TERM INCENTIVES ARE HERE TO STAY POST COVID-19 PANDEMIC: STUDY

97 percent of Indian organizations have an active short-term incentive plan for in-year performance recognition. The study titled 'Leveraging Incentives for Competitive Advantage' was conducted in the current financial year and covered 41 organizations (representing over 3 lakh employees) pan-India. It included corporates across consumer, chemicals, life sciences, IT services, and Internet-based/ e-commerce industries.

As per the study, as work dynamics and employee expectations evolve, respondents stated that it was imperative that the human resources team structure the short-term and long-term incentive plans to ensure that the motivations were "aspirational, sizeable, and fair and simple, while also being achievable."

LINKS FOR FURTHER READING

Link 1
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BUZZ AROUND THE MEDIA

Reminders in the HR Space for the month

AMAZON, META JOIN RANKS OF TECH COMPANIES SLASHING THOUSANDS OF JOBS

Due to sluggish consumer spending in the US and higher exchange rate of dollars abroad, tech companies have started trimming staff and slowing hiring. In recent reports, Alphabet Inc., Amazon.com Inc., Meta Platforms Inc., Microsoft Corp., and Cisco Systems have. The tech industry shed 9,587 jobs in October.

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ELON MUSK CUTS TWITTER'S EMPLOYEE PERKS

Company perks for employees including wellness, productivity, home internet, training, and development, out schools, daycare, and quarterly team activities are all substantially reduced by Elon Musk. There is some scope for improvement in these allowances when the company's financial situation improves.

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AUSTRALIA TO INVEST $3.5M INTO INDIA TALENT

As per the announcement, the Australian government will be investing funds into improving Little India's business park's infrastructure and promoting it as a tourist destination for Indian students and skilled professionals. The Australian Department of Foreign Affairs and the Telangana government joined hands for a "CyberTech Women Entrepreneurs" program.

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ELON MUSK PLANS TO HIRE ENGINEERS IN INDIA TO 'DECENTRALIZE' TWITTER

In an internal Twitter meeting, Musk claimed that the technology stack of the platform needs to be built from scratch. He also claimed that it is a good idea to 'somewhat decentralize things'. Musk is started to get bullish on recruiting in the sales and engineering teams post the entire laying off-season at Twitter.

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JOB PLATFORM MONSTER TRANSFORMS TO AN END-TO-END TALENT PLATFORM; REINVENTS ITSELF AS FOUNDIT

As the company now transforms itself into an end-to-end talent platform, complete with a new logo and vision, it will offer comprehensive solutions to recruiters and personalized and contextual services to job seekers across the Asia Pacific and the Middle East. The transition is in line with the company's mission of connecting the right talent with the right opportunities.

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Ideas that work!

Short -Term Incentives

TYPES

INDIVIDUAL

- Piecework
- Standard Hour
- Sales Incentive
- Awards and Recognitions

GROUP

- Team Incentive Plans
- Gain-Sharing
- Earnings at Risk Plans

ENTERPRISE

- Profit Sharing

OUTCOMES

- Monetary Outcomes
  - Motivate employees to accomplish financial goals
- Strategic Outcomes
  - Business objective driven
- People Outcomes
  - Talent management initiatives

HOW TO FUND IT?

1

TARGET APPROACH

An appropriate approach for start-ups and early growth stage firms in which the amount for the STIP is based on percentage achievement of individual goals.
It is a bottom up approach.

2

POOL APPROACH

More appropriate for firms in mature stage as a pool can created based on certain company wide parameters such as bottom-line measures
It is a top down approach and can happen at country/region and global levels.

PERFORMANCE MEASURES

01 Pre-set defined Outcomes: To get a focused resposne

02 Should be in sync with the business strategy to move in the right directions

03 Complexity shoudl not be a factor to have simple to understand measures

04 As per the business priorities changing from time to time, they should be in sync with the business life cycle

05 Based on the market share data, the objectives should be balanced

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Brands that started their digital transformation journey with us this month

Embrill

NAC TECHNOLOGY GROUP INC

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for social distancing.

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We'll be glad to assist you with any queries!

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