

Lesson B4–2

Providing Benefits and Professional Incentives for Employees

Unit B. Starting and Operating the Agribusiness

Problem Area 4. Operating the Agribusiness

Lesson 2. Providing Benefits and Professional Incentives for Employees

New Mexico Content Standard:

Pathway Strand: Agribusiness Systems

Standard: I: Employ leadership skills to accomplish goals and objectives in an AFNR business environment.

Benchmark: I-C: Apply management skills to accomplish general business activities from production to public relations.

Performance Standard: 3. Identify time management techniques. 4. Make business agreements. 6. Recruit, train and evaluate human resources.

Student Learning Objectives. Instruction in this lesson should result in students achieving the following objectives:

1. Discuss the various pay system options for employees.
2. Discuss the various financial incentive options for employees.
3. Discuss the various fringe benefit options for employees.
4. Discuss the various work schedule options for employees.

List of Resources. The following resources may be useful in teaching this lesson:

Recommended Resources. One of the following resources should be selected to accompany the lesson:

Nickels, William G., James M. McHugh and Susan M. McHugh. *Understanding Business*. Boston, Massachusetts: Irwin McGraw-Hill, 1999. (Chapter 11)

Ristau, Robert A. et al. *Introduction to Business*. Cincinnati, Ohio. South-Western Educational Publishing, 1997. (Chapter 41)

Other Resources. The following resources will be useful to students and teachers:

Dlabay, Les R. and James Calvert Scott. *Business in a Global Economy*. Cincinnati, Ohio: South-Western Educational Publishing. (Chapter 11)

Newman, Michael E. and Walter J. Wills. *Agribusiness Management and Entrepreneurship*. Danville, Illinois: Interstate Publishers, Inc., 1994. (Chapter 8)

Pride, William M., Robert J. Hughes and Jack R. Kapoor. *Business*. Boston, Massachusetts: Houghton Mifflin Company, 1993. (Chapter 9)

List of Equipment, Tools, Supplies, and Facilities

Writing surface
Overhead projector
Transparencies from attached masters

Terms. The following terms are presented in this lesson (shown in bold italics):

Cafeteria-style fringe benefit plans
Cashless bonuses
Commission
Compressed workweek
Compensation
Core time
Financial incentives
Flextime plan
Fringe benefits
Hourly work or day work system
Monetary bonuses
Pay system
Piecework system
Profit sharing
Salary systems

Interest Approach. Use an interest approach that will prepare the students for the lesson. Teachers often develop approaches for their unique class and student situations. A possible approach is included here.

Begin class by asking your students a simple question. Give the first student to answer the question correctly a piece of candy. Then ask another simple question. When a student answers this question correctly just tell them “Good job” and move on. Ask a third question. To the student who answers this question give them a piece of candy. After this ask the second student their feelings of your reward system. After discussing, lead the conversation into a discussion of the first objective of the lesson.

Summary of Content and Teaching Strategies

Objective I: Discuss the various pay system options for employees.

Anticipated Problem: What are the various pay system options for employees?

- I. The pay system that an organization chooses to use in paying its employees can have a dramatic effect on the efficiency and productivity of the organization. A **pay system** is the method in which an organization chooses to compensate its employees. **Compensation** is the amount of money paid to an employee for work performed. Some of the different pay system options are as follows:
 - A. **Salary systems** are systems of fixed compensation computed on weekly, biweekly, or monthly pay periods. This system is most commonly used in management positions or in professional positions (i.e. doctor, lawyer, teacher, etc)
 - B. **Hourly work or day work system** is used most often for blue-collar and clerical workers. Often these types of positions require the employee to record the exact time they arrive at work and the exact time the employee leaves. This may be done with either a written chart or a time clock. This system is used in a variety of areas from fast-food restaurants to skilled craftsmen.
 - C. In the **piecework system**, employees are paid according to the number of items they produce rather than by the hour or day. This type of system creates powerful incentives to work efficiently and productively. This system is most often used in the manufacturing industry (i.e. \$.50/piece welded).

A variety of techniques may be used to assist students in mastering this objective. Students should use text materials to help understand the various pay system options for employees. Chapter 11 in Understanding Business is recommended. Use TM: B4–2A to assist in discussion on this topic.

Objective 2: Discuss the various financial incentive options for employees.

Anticipated Problem: What are the various financial incentive options for employees?

- II. Most basic pay systems do not provide an incentive for employees to increase the quality or quantity of work produced. To reward performance, some businesses provide **financial incentives** or more money to employees who produce more. There are several different forms that financial incentive can take. Some of them are:
 - A. Commission plans, which are often used to compensate salespeople, provide employees with a commission. A **commission** is a percentage of sales for which he or she is responsible. The more sales a person makes the higher the commission thus the more money for the employee.
 - B. Bonus plans are used for executives, salespeople, and other employees. They can earn bonuses for accomplishing or surpassing certain objectives. There are two types of bonuses:
 - 1. **Monetary bonuses** are additional amounts of money given to the employee.
 - 2. **Cashless bonuses** may include a vary of items such as thank-you notes, movie tickets, flowers, time off, gift certificates, shopping sprees, and other types of recognition.
 - C. **Profit sharing** is an incentive in which employees receive their regular compensation plus a share of the profits earned by a company. The system encourages a commitment to the company, teamwork, and effective customer service so that profits will be high.

A variety of techniques may be used to assist students in mastering this objective. Students should use text materials to help understand the various financial incentive options for employees. Chapter 41 in Introduction to Business is recommended. Use TM: B4–2B to aid in discussion of this topic.

Objective 3: Discuss the various fringe benefit options for employees.

Anticipated Problem: What are the various fringe benefit options for employees?

- III. **Fringe benefits** are ways for employers to provide additional compensation to employees beyond base wages. Fringe benefits can include everything from paid vacations to health care programs, recreation facilities, company cars, country club memberships, day care services, and executive dining rooms.
 - A. As a slight twist to the traditional fringe benefit programs offered by organizations, many firms are offering cafeteria-style fringe benefits plans. **Cafeteria-style fringe benefit plans** allow the employee to choose the benefits they want up to a certain dollar amount. These plans derived from the change in employee needs. Today the needs of a firm's employees are becoming more varied and more demanding.

A variety of techniques may be used to assist students in mastering this objective. Students should use text materials to help understand the various fringe benefit options for employees. Chapter 11 in Understanding Business is recommended.

Objective 4: Discuss the various work schedule options for employees.

Anticipated Problem: What are the various work schedule options for employees?

- IV. There are many trends occurring in the workforce that result in managers and workers demanding more from jobs in the way of flexibility and responsiveness. From these trends have emerged several new or renewed ideas such as the following:
- A. A **flextime plan** gives employees some freedom to choose when to work, as long as they work the required number of hours. Usually flextime plans will incorporate core time. **Core time** is a period of time when all employees are expected to be at their job stations when involved in a flextime plan. Flextime plans are designed to allow employees to adjust to the demands of the times; two-income families find them especially helpful. This type of plan is not well suited for assembly line processes.
 - B. Another popular option used is a compressed workweek. A **compressed workweek** is a work schedule that allows an employee to work a full number of hours per week but in fewer days. For example, an employee may work four 10-hour days and enjoy a long weekend instead of working the traditional 8-hour day five days a week.

A variety of techniques may be used to assist students in mastering this objective. Students should use text materials to help understand the various work schedule options for employees. Chapter 11 in Understanding Business is recommended.

Review/Summary. Use the student learning objectives to summarize the lesson. Have students explain the content associated with each objective. Student responses can be used in determining which objectives need to be reviewed or taught from a different angle. Questions at the end of each chapter in the recommended textbooks may also be used in the review/summary.

Evaluation. Evaluation should focus on student achievement of the objectives for the lesson. Various techniques can be used, such as student performance on the application activity. A sample written test is attached.

Answers to Sample Test:

Part One: Matching

1. b
2. f
3. d
4. c
5. e
6. a

Part Two: Completion

1. Flex time
2. Fringe benefits
3. Core time

Part Three: Short Answer

Salary systems, hourly wages, and piecework.

Test

Lesson B4–2: Providing Benefits and Professional Incentives for Employees

Part One: Matching

Instructions. Match the term with the correct response. Write the letter of the term by the definition.

- | | |
|-------------------------|---------------------|
| a. Salary systems | b. Profit sharing |
| c. Financial incentives | d. piecework system |
| e. Commission | f. Pay system |

- _____ 1. An incentive in which employees receive their regular compensation plus a share of the profits earned by a company.
- _____ 2. Is the method in which an organization chooses to compensate its employees.
- _____ 3. A system in which employees are paid according to the number of items they produce rather than by the hour or day.
- _____ 4. More money to employees who produce more.
- _____ 5. A percentage of sales for which he or she is responsible.
- _____ 6. System of fixed compensation computed on weekly, biweekly, or monthly pay periods.

Part Two: Completion

Instructions. Provide the word or words to complete the following statements.

1. _____ is a work schedule that allows an employee to work a full number of hours per week but in fewer days.
2. _____ are ways for employers to provide additional compensation to employees beyond base wages.
3. _____ is a period of time when all employees are expected to be at their job stations when involved in a flextime plan.

Part Three: Short Answer

Instructions. Provide information to answer the following question.

What kind of compensation systems are used?

TYPES OF PAY SYSTEMS

Salary—Compensation computed on weekly, biweekly, or monthly pay periods.

Hourly wage or daywork—Requires the employee to record the exact time they arrive at work and the exact time the employee leaves.

Piecework system—Employees are paid according to the number of items they produce rather than by the hour or day.

CALCULATING COMMISSION

**Amount of Sale × Commission
percentage = Amount of commission
paid to salesperson**

**Example: \$100,000 × 2% = \$2,000
(100,000 × .02 = 2,000)**