

Chapter 13 Employee Incentive Plans

Chapter Highlights

Introduction, The Purpose of Incentives as Nontraditional Compensation, Eligibility and Coverage, Administration, Incentive Systems, Need for Fringe Benefits, Objectives of Fringe Benefits, Types of Fringe Benefits, Trends in Benefits and Services, Conclusion, Questions to Answer, Indicate True or False.

13.1 Introduction

An organization's success requires an effective strategy that is attained by achieving the underlying goals and objectives. Managers and HR departments can use incentives as tools to motivate employees to attain organizational goals and objectives because these are compensation approaches that reward specified outcomes. Incentive systems link compensation and performance by rewarding performance instead of seniority or hours worked. Although incentives may be given to a group, they often reward individual behavior.

Employee incentives supplement the more traditional wage and salary approaches, which account for the majority of compensation costs. Incentives are the fastest-growing trends in compensation management. Though companies still give traditional annual merit increases for good overall performance, rewards increasingly are being tied directly to performance in the form of one-time bonuses.

13.2 The Purpose of Incentives as Nontraditional Compensation

Employees who work under a financial incentive system find that their performance determines their pay in whole or in part. As a result, incentives reinforce performance on a regular basis. Unlike raises and promotions, the reinforcement is usually quick and frequent—usually with each paycheck. Since the worker sees the results of the desired behavior quickly, that behavior is more likely to continue. Employers benefit because payouts are in proportion to productivity. And if the system motivates employees to expand their output, recruiting expenses for additional employees and capital outlays for new work stations are minimized.

The higher productivity growth rates of the Japanese, for example, may be due to their incentive system that encourages labor to take a direct interest in raising productivity.

Many experts believe that incentives contribute to Japan's success. More than one-fourth of an industrial worker's pay in Japan may arrive as an annual bonus, tied to company profits. Some economists think that this form of payment helps explain why Japan's savings rate is triple compared to that of the United States. And since companies can adjust labor costs by adjusting their bonuses, layoffs may not be necessary. This may help explain why unemployment levels in Japan seldom rise above 3 percent.

Incentive systems link compensation and performance by rewarding performance instead of seniority or hours worked.

Incentives are the fastest-growing trends in compensation management.

Employees who work under a financial incentive system find that their performance determines their pay in whole or in part. As a result, incentives reinforce performance.

More than one-fourth of an industrial worker's pay in Japan may arrive as an annual bonus, tied to company profits.

13.3 Eligibility and Coverage

Who is eligible for incentives, and other forms of nontraditional compensation? The extent of coverage is crucial because it affects teamwork, motivation and perceptions of equity. Eligibility may differ for different programs even within the same firm. As is the case at many Japanese and U.S. enterprises, workers paid by the hour get individual incentives (piece rates) while managers and workers share in the profits. Individual incentives such as sales commissions work best when cooperation and teamwork are less important to success. When success requires cooperation and coordination among those doing the work, group incentives work best. Coverage must be defined broadly enough to facilitate equity and teamwork but narrowly enough to include only those who affect the results

Eligibility may differ for different programs even within the same firm.

13.4 Administration

The administration of an incentive system can be complex. As with any control system, standards have to be established and results must be measured. For many jobs, the standards and measures are too imprecise or costly to develop. This means that the incentive system may result in inequities. For example, sometimes workers make more money than do their supervisors, who are on salary, or employees may not achieve the standard because of uncontrollable forces such as machine breakdowns and other work delays.

The administration of an incentive system can be complex.

Unions often resist incentive systems because they prefer seniority-based rewards and fear that increased productivity may mean layoffs among their members. They also worry that management will later raise the standard, and employees will have to work harder in the future for the same pay. This fear of a speedup often leads to peer pressure against anyone who exceeds the group's output norms. The advantages of the incentive system are essentially lost when peer pressure restricts output.

Unions often resist incentive systems because they prefer seniority-based rewards and fear that increased productivity may mean layoffs.

Who should compute the payout? Should the payout be included with the regular paycheck, or should it be a separate payment? Should payments be made frequently to quickly relate performance to pay, or should payouts be larger and less frequent? These and other questions must be answered in designing nontraditional plans. The answers depend on the purpose, eligibility, coverage, and payout standards for each form of nonstandard compensation. When employees can estimate the additional income from their work effort or results—for example, when a real estate agent can estimate a sales commission—greater confidence

exists that the payout is correct. Including the extra income in the regular paycheck may dilute its impact because it is not separated from regular wages or salaries and is diminished by payroll deductions such as taxes. Payouts should follow performance as quickly as is administratively feasible. Here the goal is quick reinforcement. However, daily or weekly payouts may be so small that they provide little incentive for extra effort.

Payouts should follow performance as quickly as is administratively feasible. Here the goal is quick reinforcement.

The development of performance standards and measures, the tracking of performance measures, and the related administrative and clerical support often add to the costs and complexity of compensation management. If competitive, technological, or other changes lead to a redesign of the firm's nontraditional compensation, additional expenses are incurred. And if employees see these changes as cutting their payouts, trust, morale, and productivity can suffer.

13.5 Incentive Systems

Incentive systems exist for almost every type of job from manual labor to professional, managerial, and executive work. The more common incentives are discussed in the following pages.

1. Piecework : Piecework is an incentive system that compensates the worker for each unit of output. Daily or weekly pay is determined by multiplying the output in units times the rate per unit. For example, in agricultural labor, workers are often paid a specific amount per bushel of produce picked. Piecework does not always mean higher productivity, however. As the Hawthorne studies showed, group norms may have a more significant impact if peer pressure works against higher productivity. And it may be difficult to measure a person's contribution (for example, a receptionist), or an employee may not be able to control the output (as with an assembly-line worker).

Piecework is an incentive system that compensates the worker for each unit of output.

2. Production Bonuses : Production bonuses are incentives paid to workers for exceeding output goals. Often employees receive a base pay rate. Then, through extra effort that results in output above the standard, they get a supplemental bonus, which is usually figured at a given rate for each unit of production over the standard. One variation rewards the employee for saving time. For example, if the standard time for replacing an automobile transmission is four hours and the mechanic does it in three, the mechanic may be paid for four hours. A third method combines production bonuses with piecework by compensating workers on an hourly basis, plus an incentive payment for each unit produced.

Production bonuses are incentives paid to workers for exceeding output goals.

In sales jobs, the seller may be paid a percentage of the selling price or a flat amount for each unit sold.

3. Commissions : In sales jobs, the seller may be paid a percentage of the selling price or a flat amount for each unit sold. When no base compensation is paid, total earnings come from commissions. Real estate agents and automobile sellers are often on this form of "straight commission," as are a growing number of retail clerks.

4. Pay-for-Knowledge/ Pay-for-Skills Compensation : Pay-for-knowledge and pay-for-skill compensation systems reward employees with higher pay as an incentive for the increased knowledge or skills they acquire.

Most organizations have traditionally designed their compensation systems around specific jobs. The wage and salary structure of these systems has typically been based on job analyses and evaluations; this process determines a job's worth and salary range. In recent years, however, a new alternative to this job-based approach has been developed; this new system pays employees for the skills and knowledge they possess, rather than for the job they do or a particular job category.

Whether the compensation system is called knowledge-based pay, skill-based pay, or pay for knowledge, pay levels are based not on what an employee does but on the range of jobs the employee can do. Employees are rewarded for each new knowledge or skill. These learning-based pay systems evaluate the employee's worth to the employer. Increased skills and job mastery give management greater staffing flexibility. The increased employee knowledge also may reduce the total number of workers needed and may lead to higher quality results. The higher pay and greater diversity of work may mean higher levels of satisfaction and therefore lower absenteeism and turnover. At the same time, the HR department creates a continuous learning organization where continued growth is valued by employees and the company. In short, employees are paid more because they are worth more.

The HR department creates a continuous learning organization where continued growth is valued by employees and the company. In short, employees are paid more because they are worth more.

5. Profit Sharing- Stock Option Plans (PSSOP) : Profit sharing is a scheme whereby employers undertake to pay a particular portion of net profits to their employees on compliance with certain service conditions and qualifications. The purpose of introducing profit sharing schemes has been mainly to strengthen the loyalty of employees to the firm by offering them an annual bonus (over and above normal wages) provided they are on the service rolls of the firm for a definite period. The share of profit of the worker may be given in cash or in the form of shares in the company. These shares are called bonus shares.

Profit sharing is a scheme whereby employers undertake to pay a particular portion of net profits to their employees on compliance with certain service conditions and qualifications.

□ Merits of PSSOP

1. It is likely to induce motivation in the workers and other staff for quicker and better work so that profits of the firm are increased which in turn increases the share of workers therein.

2. It helps in supplementing the remuneration of workers and enables them to lead a rich life.

3. The idea of sharing the profits inspires the management and the workers to be sincere, devoted and loyal to the firm.

4. It attracts talented people to join the ranks of a firm with a view to share the profits.

5. Workers do not require close supervision, as they are self-motivated to put in extra labour for the prosperity of the firm.

□ Demerits of PSSOP

1. Workers tend to develop loyalty toward firm discounting their loyalty toward trade unions, thus impairing the solidarity of trade unions.

2. Profit sharing scheme is, in practice, a fair-weather plan. Workers may get nothing if the business does not succeed.

3. Management may dress up profit figures and deprive the workers of their legitimate share in profits.

4. Fixation of worker's share in the profits of firm may prove to be a bone of contention in the long run.

6. Co-partnership : In this system, the worker gets his usual wages, a share in the profits of the company and a share in the management of the company as well. Thus, employees share the capital as well as profits. When co-partnership operates with profit sharing the employees are allowed to leave their bonus with the company as shares (bonus shares). This system is an improvement over all other systems of wage payment in that it implies both profit sharing and control sharing. It also offers recognition of the claim of the dignity of labour as the worker is viewed as partner in the business. This would, in turn, create a sense of belongingness among workers and stimulate them to contribute their best for the continued prosperity of the company.

7. Fringe Benefits : The term fringe benefits refers to the extra benefits provided to employees in addition to the normal compensation paid in the form of wage or salary. Many years ago, benefits and services were labeled 'fringe' benefits because they were relatively insignificant or fringe components of compensation. However, the situation now is different, as these have, more or less, become important part of a comprehensive compensation package offered by employers to employees.

In this system, the worker gets his usual wages, a share in the profits of the company and a share in the management of the company as well.

The term fringe benefits refers to the extra benefits provided to employees in addition to the normal compensation paid in the form of wage or salary.

Employee Incentive Plans

The main features of fringe benefits, as they stand today, may be stated as under :

a. They are paid to all employees (unlike incentives which are paid to specific employees whose work is above standard) based on their membership in the organisation.

b. They are supplementary forms of compensation.

c. They help raise the living conditions of employees.

d. They are indirect compensation because they are usually extended as a condition of employment and are not directly related to performance.

e. They may be statutory or voluntary. Provident fund is a statutory benefit whereas transport is a voluntary benefit.

□ Need for Fringe Benefits

Most of the organizations pay fringe benefits to their employees, year after year, due to the following reasons :

a. *Trade union demands* : Trade unions compete with each other for getting more and a new variety of fringe benefits to their members. If one union succeeds in getting one benefit, the other union persuades management to provide a new one. Thus, the competition among trade unions within an organisation results in more and varied benefits.

b. *Employee demands* : Employees demand more and varied types of fringe benefits rather than pay hike because of reduction in tax burden on the part of employees and in view of the galloping price index and cost of living.

c. *To improve human relations* : Human relations are maintained when the employees are satisfied economically, socially and psychologically. Fringe benefits satisfy the worker's economic, social and psychological needs. Consumer stores, credit facilities, canteen, recreational facilities, etc., satisfy the workers' social needs, whereas retirement benefits satisfy some of the psychological problems about the post-retirement life. However, most of the benefits minimise economic problems of the employee.

d. *Employer's preference* : Employers also prefer fringe benefits to pay-hike, as fringe benefits motivate the employees to give their best to the organisation. It improves morale and works as an effective advertisement.

e. *As a social security* : Social security is a security that society furnishes through appropriate organization against certain risks to which its members are exposed. These risks are contingencies of life like accidents and occupational diseases. Employer has to provide various benefits like safety measures, compensation in case of involvement of workers in accidents, medical facilities, etc. with a view to provide security to his employees against various contingencies.

❑ Objectives of Fringe Benefits

The important objectives of fringe benefits are :

- a. To motivate the employees by indentifying and satisfying their unsatisfied needs.
- b. To create and improve sound industrial relations.
- c. To protect the health of the employees and to provide safety to the employees against accidents.
- d. To provide security to the employees against social risks like old age benefits and maternity benefits.
- e. To create a sense of belongingness among employees and to retain them. Hence, fringe benefits are called golden handcuffs.
- f. To promote employees' welfare
- g. To meet the requirements of various legislations relating to fringe benefits.

❑ Types of Fringe Benefits

The fringe benefits offered by various organisations may be broadly classified into five categories. These are discussed below :

a. Payment for time not worked : This category includes: (a) hours of work, (b) paid holidays, (c) shift premium, (d) holiday pay and (e) paid vacation.

i. Hours of work : The Factories Act specifies that no adult worker shall be required to work in a factory for more than 48 hours in any week. The Act also restricts the working hours to 9 on any day. In some organisations, the numbers of working hours are less than the legal requirements.

ii. Paid holidays : According to the Factories Act. an adult worker shall have weekly paid holidays, preferably friday. When a worker is deprived of weekly holidays, he is eligible for compensatory holidays of the same number in the same month. Some organisations allow the workers to have two days' holidays in a week.

iii. Shift premium : Companies operating second and third shifts, pay a premium to the workers who are required to work during the odd hour's shift.

iv. Holiday pay : Generally organisations offer double the normal rate of the salary to those workers, who work during holidays.

v. Paid vacation : Workers in manufacturing, mining and plantations who worked for 240 days during a calendar year are eligible for paid vacation at the rate of one day for every 20 days worked in case of adult workers and at the rate of one day for every 15 days worked in case of child workers.

b. Employee security : Physical and job security to the employee should also be provided with a view to ensure security to the employee and his family members. When the employee's services get confirmed, his job becomes secure. Further minimum and continuous wage or salary gives a sense of security to the life.

i. Retrenchment compensation : The Industrial Disputes Act provides for the payment of compensation in case of lay off and retrenchment.

ii. Lay off compensation : In case of lay off, employees are entitled to lay off compensation at the rate equal to 50% of the total of the basic wage and dearness allowance for the period of their lay off except for weekly holidays.

c. Safety and health : Employee's safety and health should be taken care of in order to protect the worker's productive capacity. The Factories Act stipulates certain requirements regarding working conditions with a view to provide safe working environment. These provisions relate to cleanliness, disposal of waste and effluents, ventilation and temperature, dust and fume, artificial humidification, over-crowding, lighting, drinking water, latrine, urinals and spittoons. Provisions relating to safety measures include fencing of machinery, work on or near machinery in motion, employment of young persons on dangerous machines, striking gear and devices for cutting off power, self-acting machines, casing of new machinery, prohibition of employment of women and children near cotton openers, hoists and lifts, lifting machines, chains ropes and lifting tackles, revolving machinery, pressure plant, floors, excessive weight, protection of eyes, precautions against dangerous fumes, explosive or inflammable dust, gas, etc. Precautions in case of fire, power to require specifications of defective parts or test of stability, safety of buildings and machinery, etc.

d. Workmen's compensation : In addition to safety and health measures, provision for the payment of compensation are also made under Workmen's Compensation Act. The Act is intended to meet the contingency of invalidity and death of a worker due to an employment injury or an occupational disease specified under the Act at the sole responsibility of the employer.

e. Health benefits : Today various medical services like hospital, clinical and dispensary facilities are provided by organisations not only to employees but also to their family members. Such benefits usually include :

i. Sickness benefits : Insured employees are entitled to get cash benefit under this system.

The Factories Act stipulates certain requirements regarding working conditions with a view to provide safe working environment.

ii. *Maternity benefit* : Insured women employees are entitled to maternity leave.

iii. *Disablement benefit* : Insured employees, who are disabled temporarily or permanently (partial or total) due to employment injury and / or occupational diseases are entitled to get the cash benefit under this head.

iv. *Dependants' benefits* : If an insured person dies as a result of an employment injury sustained as an employee, his dependants who are entitled to compensation under the Act, shall be entitled to periodical payments referred to as dependant's benefit.

v. *Medical benefits* : This benefit shall be provided to an insured employee or to a member of his family where the benefit is extended to his family. This benefit is provided in the following forms :

* out-patient treatment or attendance in a hospital, dispensary, clinic or other institutions; or

* by visits to the home of the insured person, or

* treatment as in-patient in a hospital or other institution.

An insured person shall be entitled to medical benefits during any week for which contributions are payable, or in which he is eligible to claim sickness or maternity benefit or eligible for disablement benefit.

However, many of the large organisations provide health services over and above the legal requirements to their employees free of cost by setting up hospitals, clinics, dispensaries and homeopathic dispensaries. Company's elaborate health service programmes include :

i. Providing health maintenance service, emergency care, on the job treatment, care for minor complaints, health counselling, medical supervision in rehabilitation, accident and sickness prevention, health education programmes, treatment in employee colonies, etc.

ii. Medical benefits are extended to employee family members and to the retired employees and their family members.

iii. Small organisations which cannot set up hospitals or large organisations (in those places where hospitals cannot be set up because of various reasons) provide the medical services through local hospitals and doctors. Sometimes they provide the facility of reimbursement of medical expenses borne by the employees.

f. *Welfare and recreational facilities* : Welfare and recreational benefits include: (a) canteens, (b) consumer societies, (c) credit societies, (d) housing, (e) legal aid, (f) employee counselling, (g) welfare organisations, (h) holiday homes, (i) educational facilities, (j) transportation, (k) parties and picnics and (l) miscellaneous.

Employee Incentive Plans

i. Canteens : Perhaps no employee benefit has received as much attention in recent years as that of canteens. Some organisations have statutory obligation to provide such facilities as the Factories Act imposes a statutory obligation to employers to provide canteens in factories employing more than 250 workers. Others have provided such facilities voluntarily. Foodstuffs are supplied at subsidised prices in these canteens. Some companies provide lunchrooms when canteen facilities are not available.

ii. Consumer stores : Most of the large organisations located far from the towns and which provide housing facilities near the organisation set up the consumer stores in the employees colonies and supply all the necessary goods at fair prices.

iii. Credit societies : The objective of setting up of these societies is to encourage thrift and provide loan facilities at reasonable terms and conditions primarily to employees. Some organisations encourage employees to form cooperative credit societies with a view to fostering self-help rather depending upon money lenders, whereas some organisations provide loans to employees directly.

iv. Housing : Of all the requirements of the workers, decent and cheap housing accommodation is of great significance. The problem of housing is one of the main causes for fatigue and worry among employees and this comes in the way of discharging their duties effectively. Most of the organisations are located very far from towns where housing facilities are not available. Hence most of the organisations build quarters nearer to factory and provide cheap and decent housing facilities to their employees, whilst a few organisations provide and / or arrange for housing loans to employees and encourage them to construct houses.

v. Legal aid : Organisations also provide assistance or aid regarding legal matters to employees as and when necessary through company lawyers or other lawyers.

vi. Employee counselling : Organisations provide counselling service to the employees regarding their personal problems through professional counselors. Employee counselling reduces absenteeism, turnover, tardiness, etc.

vii. Welfare organisations, welfare officers : Some large organisations set up welfare organisations with a view to provide all types of welfare facilities at one centre and appoint welfare officers to provide the welfare benefits continuously and effectively to all employees fairly.

ix. Educational facilities : Organisations provide educational facilities not only to the employees but also to their family members. Educational facilities include reimbursement of fee, setting up of schools, colleges, hostels, providing grants-in-aid to the other schools where a considerable number of students are from the children of employees. Further, the organisations provide rooms and libraries for the benefit of employees.

x. Transportation : Companies provide conveyance facilities to their residence to the place of work as most of the industries are located outside town and all employees may not get quarter facility.

xi. Parties and picnics : Companies provide these facilities with a view to inculcating a sense of association, belongingness, openness and freedom among employees. These activities help employees to understand others better.

xii. Miscellaneous : Organisations provide other benefits like organising games, sports with picnics, setting up of clubs, community service activities, Christmas gifts, birthday gifts, marriage gifts, leave travel concession, annual awards, productivity /performance awards, etc.

g. Old age and retirement benefits : Industrial life generally breaks joint family system. The saving capacity of the employees is very low due to lower wages, high living cost and increasing aspirations of the employees and his family members. As such, employers provide some benefits to the employees, after retirement and during old age, with a view to create a feeling of security about the old age. These benefits are called old age and retirement benefits. These benefits include (i) provident fund, (ii) pension, (iii) group insurance, (iv) gratuity and (v) medical benefit.

i. Provident fund : This benefit is meant for economic welfare of the employees. Legal provisions are there for the institution of Provident Fund for employees in factories and establishments. Provident Fund Scheme provides for monetary assistance to the employees and / or their dependants during post retirement life. Thus, this facility provides security against social risks and this benefit enables the industrial worker to have better retired life. Employees in all factories under Factories Act, are covered by the Act. Generally both the employee and employer contribute to the fund. The employees on attaining 15 years of membership are eligible for 100% of the contributions with interest. Generally the organisations pay the Provident Fund amount with interest to the employee on retirement or to the dependants of the employee, in case of death.

Provident Fund Scheme provides for monetary assistance to the employees and / or their dependants during post retirement life.

ii. *Pension Programs* : The single largest source of income for retired workers in the past was Social Security Benefits. Most workers in the public sector today, however, rely on some form of pension plan to cover their financial needs in retirement. Many workers in the private sector also have their special private pension plans, which are operated through their employers.

A pension represents a fixed payment, other than wages, made regularly to former employees or their surviving dependents. To qualify, employees are required to fulfill certain conditions of employment for a specific length of time. The most popular method for determining the amount of an employee's pension is to base payment on a percentage of the employee's earnings, usually computed on an average over several years, multiplied by the number of years he or she has been employed by the organisation. The next most popular method is one in which payment is based on some percentage of the employee's income, usually for a particular period of time.

Pensions are expensive benefits for organisations to provide but are necessary if organizations are to attract and keep valuable employees. However, there is little evidence to indicate that employees are motivated by pension plans. The reasons are that pension plans are only remotely tied to an individual's performance, and the payoff, especially for the worker under forty-five years of age, is far into the future. Pensions must therefore be viewed as membership-based rewards that are provided to develop loyalty, especially where vesting is withheld for the full ten years. Group insurance, gratuity and medical benefits are to be ensured appropriately.

13.6 Trends in Benefits and Services

Benefits have become something other than the once thought of "fringe". Employees expect certain extras to be the norm rather than the exception. Cognizant of these requirements and competition from other business, management has had to develop cost-effective methods to offer and service these benefits.

The most widely used prescription has been the cafeteria style of benefits. The cafeteria approach allows employees to pick and choose those benefits that are desirable. The use of the cafeteria style approach to benefits will undoubtedly continue, with the most popular offering being some core benefits that are required for all employees, and the remainder of the monies to be spent on benefits left to the decision of each employee. The advantages of the cafeteria approach to benefits has been supported by many research studies, as we can show that people do have different needs according to their age, financial and family position, attitudes, and life style. Younger employees tend to favor benefits that can be of frequent or immediate use, such as vacation days, holidays, and flexible working hours. Older employees are usually security conscious, preferring life insurance and retirement related benefits.

A pension represents a fixed payment, other than wages, made regularly to former employees or their surviving dependents.

Pensions are expensive benefits for organisations to provide but are necessary if organizations are to attract and keep valuable employees.

Employees expect certain extras to be the norm rather than the exception.

People do have different needs according to their age, financial and family position, attitudes, and life style.

As for the other trends, we can expect the burden of paying for these benefits to shift to one that is more equitably shared between the employee and the employer. Health care is a primary example. While it may cost more to subscribe to health coverage, the cost is still minimal compared with the costs of a disastrous illness.

Finally, we must realize that employees may be paying more for or getting less of the benefits that employers offer. Economic hardships are a reality, and cost-cutting measures are mandated. Employees must be willing to accept less if they are to progress in the future. The paternalistic perception of an organization must be changed, and employees must be willing to share more responsibility for their wellbeing.

The paternalistic perception of an organization must be changed, and employees must be willing to share more responsibility for their wellbeing.

QUESTIONS TO ANSWER

1. (a) What is being understood by employee incentive plan?
(b) Discuss the purpose of incentives as non-traditional compensation.
 2. Discuss in brief the common incentives that are being used by HRM now-a-days.
 3. **Write Short Notes :**
Piecework, production bonus, pay-for knowledge, profit sharing and stock option plans, fringe benefits, old-age / retirement benefits, pension program.
- Indicate True or False.**
- a. Incentives provide non-traditional means of employee compensation.
 - b. In Japan the employees are allowed share in the profits.
 - c. Piecework ensures a fixed pay every month.
 - d. Production bonus is paid even if the production target is not fulfilled.
 - e. Fringe benefits are not extra-benefits to employees.
-