

BONUS SYSTEMS FOR EMPLOYEES

One of the challenges for some business owners is how to motivate their employees to perform at a consistent level – even when the owners are not in the business.

Over the years we have reviewed with some of our clients their staff employment package (which we appreciate is only one means of motivating staff) and suggested changes that have resulted in staff taking more ownership of their role in the business. Changes that have been successful have involved the establishment of a bonus payment to be paid to staff once a specified target was reached. The easiest incentives can be structured around sales targets, but it can be structured around other targets as well.

Key aspects of any system are:

- The target must be viewed as achievable by the employees.
- The “bonus” should be a recognition of performance and not just part of a wage package.
- The target should be reviewed periodically and increased when appropriate.
- The system needs to be explained to staff and written down so there is no uncertainty.
- Bonuses when earned should be paid regularly say monthly/bimonthly otherwise they tend to lose their impact.

When implemented properly in a business, this will contribute to building a better business.

Consideration needs to be given to the superannuation impact of any bonus. Under the SGC (Superannuation Guarantee Charge) legislation, performance based bonuses are included as wages subject to SGC.

Accordingly we recommend that the bonus is inclusive of any superannuation obligation on the part of the employer.