

August 24, 2012

### **Job Basis Incentive Plan**

By explaining up front to team members that they can influence the profits of the business, advise team that you are willing to share in these **new found profits**.

It is important to note and point out **new found profits**: you are not giving them a share of the profits for what they are already doing. Employers and employees have agreements: They show up to work, follow the rules of the game, complete the minimum expectations of the employer, and in return, the employer gives them an agreed upon wage. In your case, you have further agreed to provide vacation, bonuses and other perks in exchange for this minimal work performed.

Profits are shared when the profits exceed the minimum expected amount. If TEAM is expected to finish their work on a house in 5 days with 2 men working, then that is the minimum expected. If the same 2 men, complete work on the house in 4 days, then the profitability of this job increased. This new found profit will be shared jointly between the owner and the team.

Consistent Quality is a given in Profit Sharing incentives. The underlying rule that the TEAM must remember is that Quality will not be permitted to slip. If a job is done in less time but with less quality, the incentive is null and void.

To start with, I recommend seeing what the team comes up with. Explain the above to them, and ask them to come up with an incentive plan. Why should you do all the work?

To work on your own version of an incentive plan, I think a per job plan would work. For each job, you decide on the minimum standard (example- one house completed by 2 men in 5 days), then create the Profit Sharing Level: (Using this as an example, the same house is completed by 2 men in 4 days). Explain that by being more efficient, they will be able to move onto new jobs, thus starting the profit sharing cycle all over again.

Each job will have its own accompanying PROFIT SHARING LEVEL SHEET. Yes, you will have to create a Profit Sharing Sheet for each job, but this way you can see what the overall profits are and ensure that you as the business owner are seeing a fair portion of this new found profit. Although it will take more time when scheduling, you can use the same Profit Sharing Sheets repeatedly for similar jobs. Come up with several levels of incentive- offer them some GREAT opportunities to work more efficient!

The next page is sample Profit Sharing Sheet. Use this as a template, and edit, delete and add as it fits your company.

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### PROFIT SHARING LEVEL SHEET

Date: \_\_\_\_\_

Project: \_\_\_\_\_

Assigned to: \_\_\_\_\_

Expected completion in total man hours/The Minimum:

# of men needed on this job	# hours per day each work	# number of days to complete	Total Man Hours
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**Example**

Wage of #1/hour	Wage #2/hour	Wage #3/hour	Total Hourly Wage
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**Example**

0                      \$0.00

Total Hourly Wage	Total Man Hours	Total Labor Costs
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**MINIMUM**

**Bonus Levels**

If Man Hours are reduced to.....	New Total Labor Costs are...	so Found	Profits shared for men (total)..	and business keeps balance
		Profit is....		

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(Example)

**PROFIT SHARING LEVEL SHEET**

Date: Friday, Feb. 26

Project: Greene residence

Assigned to: Clint and Joe

Expected completion in total man hours/The Minimum:

*Rewiring entire house for remodel job. Minimum requirements are 2 men working 8 hours for 5 days to be completed by March 5<sup>th</sup>, end of business day including a QA check.*

# of men needed on this job	# hours per day each work	# number of days to complete	Total Man Hours
2	8	5	80

Wage of #1/hour	Wage #2/hour	Wage #3/hour	Total Hourly Wage
\$16.00	\$12.00	0	\$28.00

Total Hourly Wage	Total Man Hours	Total Labor Costs
<b>MINIMUM</b> \$28.00	80	\$2,240.00

<b>Bonus Levels</b>	If Man Hours are reduced to.....	New Total Labor Costs are...	so Found Profit is....	Profits shared for men (total)..	and business keeps balance
		\$			
	64	1,792.00	\$448.00	\$200.00	\$248.00
		\$			
	60	1,680.00	\$560.00	\$250.00	\$310.00
		\$			
	72	2,016.00	\$224.00	\$150.00	\$74.00
		\$			
	68	1,904.00	\$336.00	\$150.00	\$186.00