
Designing and Implementing Staff Incentive Schemes

Overview

Well-designed staff incentive schemes can have positive and powerful effects on the productivity, efficiency and quality of MFI operations. Conversely poorly developed schemes can have serious detrimental effects. Incentive schemes must be transparent so that staff members affected can easily understand the mechanics of the calculation. Thus the system should not be overly complex and should contain as many objective factors and as few subjective variables as possible. Furthermore, the “rules of the game” should be made known to everyone and should not be changed arbitrarily. In addition, it is essential that the incentive scheme be perceived as being fair, and thus the goals set out by the scheme must be attainable, and better performing staff members must indeed be rewarded with higher salaries. Finally, everyone must be able to achieve a higher compensation by working better and harder.

This toolkit provides a detailed examination of:

1. The Theoretical Background of Staff Incentive Schemes
2. Basic Building Blocks for Staff Incentive Schemes
3. Principle Design Questions for Staff Incentive Schemes
4. Incentive Schemes for Different Functional Areas in MFIs
5. A Step-by-Step Approach to the Design of Incentive Schemes
6. A Benefit-Cost Analysis of Incentive Schemes
7. Incentive Schemes in Other Areas of Microfinance

Where to Start?

The *MicroSave* Staff Incentive Schemes toolkit contains the following:

Toolkit

Handouts

- If you are a financial institution trying to learn about staff incentives schemes, start by reading through the Toolkit.
- If you want an overview of the Staff Incentive Schemes toolkit review the Handouts folder, which include a short Briefing Note and full paper on the work done by *MicroSave* regarding staff incentives.
- There is also a file giving an Overview of the training, including who should attend, what to prepare and what the follow-up application of the toolkit involves.