**INTRODUCTION**

Your employee bonus system can be structured in whichever way makes sense for your business. However, once you set up an employee bonus system you must follow it consistently and apply it equally to all of your workers, provided they qualify.

* **Types of Employee Bonuses**

Employee bonuses are usually tied to individual or company performance. A system tied to individual achievement will designate that employees receive a certain amount or percentage for each sale or milestone achieved, or for each sale or milestone over a specific amount. For example, your business may offer employees 10 percent of each sale they make, or 10 percent of each sale once they reach a daily threshold of $400. Alternately, your company may be working towards a goal, and may award bonuses to all employees once a specific sales target has been reached. In this case, you have the option of giving an equal bonus amount to each worker or dividing a total bonus amount based on specific criteria that you have established beforehand such as the number of hours worked, number of years with the company or team sales figures.

* **Calculating Employee Bonuses**
* To calculate an employee bonus based on a percentage of sales, multiply each employee's sales figure by the designated amount.
* To calculate an employee bonus per sale, multiply the number of sales each employee makes by the designated bonus amount.
* To calculate an employee bonus based on a designated sum divided equally, divide the sum by the number of employees receiving the bonus.
* To allocate a designated sum based on the number of hours each employee worked, add up the total number of hours that each employee worked. Divide the total bonus amount by the number of hours to calculate the amount each employee will receive per hour worked. Multiply the number of hours each worked by the amount each employee will receive per hour.
* **Benefits of Employee Bonuses**

Employee bonuses can be good for morale. They can also motivate employees to work harder because they'll earn more if they achieve certain objectives. If you tie employee pay to a bonus system, you can also regulate payroll expenditures to correlate with increases in sales, so your payroll is higher when your company earns enough to pay employees extra. If you structure your payroll and bonus system this way, though, you must make sure that each of your employees earns at least minimum wage even when business is slow, and they don't earn much in bonuses.

* **Disadvantages of Employee Bonuses**

If you tie employee compensation to bonuses based on specific achievements, workers may not be motivated to do work that doesn't yield the extra bonus pay. If you provide bonuses for certain types of work and milestones, you may create resentment among workers who do types of tasks that don't qualify them to receive bonuses. Also, tying employee rewards strictly to monetary compensation can be impersonal and counterproductive if you don't also make your staff's work-life meaningful and satisfying through gestures such as sincere praise and opportunities for advancement.

* **Warnings**
* Minimize legal risks by warning employees with poor performance early on that they may not be considered for a bonus if poor performance continues. This reduces the risk of favoritism or bias if the employee is not given a bonus later.
* Setting a high bar for performance bonuses that no one can reach I demoralizing.
* **Tips**
* If employee bonuses are based on a stellar performance, give guidance on how employees can improve their performance to earn those bonuses.